

# Introductory Section



## Ventura Regional Sanitation District

Comprehensive Annual Financial Report  
For the Fiscal Year Ended  
June 30, 2015 and June 30, 2014



January 25, 2016

Chairman and Members of the Board of Directors,  
The Ventura Regional Sanitation District:

The Comprehensive Annual Financial Report of the Ventura Regional Sanitation District (District) for the fiscal year ended June 30, 2015, is hereby submitted. State law requires all general-purpose local governments publish within six months of the close of each fiscal year a complete set of audited financial statements.

Management assumes full responsibility for the completeness and reliability of the information in this report. The District has established a comprehensive framework of internal controls to provide reasonable assurance that the District is meeting its basic objectives such as operating effectively and efficiently, providing reliable financial report and operating within certain constraints imposed by external parties and District's governing body. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and reported in a manner designed to present fairly the financial position and results of operations of the District.

The District's financial statements have been audited by Rogers, Anderson, Malody & Scott, LLP. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District are free of material misstatement. The auditor has issued an unmodified opinion on the District's financial statements for the fiscal year ended June 30, 2015. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

The District presently has one blended component unit with a June 30 year-end. Accordingly, the Ventura Regional Public Facilities Corporation (Corporation) is presented as a blended component unit of the District. The Corporation was formed on October 25, 1989 to facilitate the issuance of Certificates of Participation (COPs). The District currently has no outstanding COPs. No separate financial statements are prepared for the Corporation and therefore are not available.

### **PROFILE OF VENTURA REGIONAL SANITATION DISTRICT**

The District is an enterprise public waste management agency organized in July 1970 under the California County Sanitation District Act (Health & Safety Code Section 4700 et seq.). It covers about 1,600 square miles and serves approximately 90% of Ventura County.

#### **District Governing Body**

The governing board of the District consists of eight members appointed by the eight cities listed below and one member appointed by six special districts. The Board regularly meets on the first and third

Thursday of each month. Meetings are publicly noticed and citizens are encouraged to attend and participate.

### **District's Services**

The District employs a full-time staff of 83.02 employees as of June 2015 and provides a full range of services, including integrated waste treatment and disposal services to:

- Eight cities (Camarillo, Fillmore, Ojai, Oxnard, Port Hueneme, San Buenaventura, Santa Paula, and Thousand Oaks), each of which appoints an elected representative to the District Board of Directors; and
- Nine special districts (Camarillo Sanitary, Camrosa Water, Channel Islands Beach Community Services, Ojai Valley Sanitary, Montalvo Community Services, Saticoy Sanitary, Triunfo Sanitation, and Ventura County Waterworks Nos. 1 & 16). Except for Camarillo Sanitary and Ventura County Waterworks No. 1 & 16, the remaining six special districts on an annual basis, jointly appoint a single elected representative to the District Board of Directors; and
- The County of Ventura's unincorporated areas, except those surrounding the cities of Moorpark and Simi Valley. The unincorporated areas are not represented on the District Board of Directors because of the County's regulatory role relative to the District's solid waste activities.

On July 1, 1999, the District voluntarily transferred all of its property tax to the ten cities and County and began operating on a strictly enterprise basis. This was an unprecedented decision for a public agency in any of our memories, yet we believe a very important move in the right direction. Foregoing property tax subsidy causes us to be ever more productive and maximize the use of available revenues. The District and its employees are proud to be examples of government reinventing itself.

### **Mission Statement**

Our mission is to offer the highest quality service at the lowest possible cost for our customers and provide solutions by involving our staff, our customers, and our community. A diverse team of dedicated and highly skilled equipment operators, managers, administrators, supervisors, engineers, mechanics, environmentalists, electricians, and others contribute to its achievement.

### **Solid Waste Operations**

The District manages six municipal waste landfills, only one is active. The Toland Road Landfill is located in a confined, V-shaped canyon four miles east of Santa Paula and four miles west of Fillmore. The 161-acre site has been operating as a landfill since 1970. The District expanded the facility from 135-tons per day (tpd) to 1,500-tpd in FY1997 to provide 30 years of landfill capacity for western Ventura County after closure of the Bailard Landfill that same year.

The Toland Road Landfill received about 376,756 tons of refuse in FY 2015. About 90 percent of the total refuse disposed at the Toland Road Landfill is received from transfer stations operated by its two largest customers, the City of Oxnard and Gold Coast Recycling. This stable stream of refuse and revenue is guaranteed by flow assurance agreements with both customers. The District's contract landfill tipping fee of \$31 per ton continues to rank among the lowest in the State.

### **Water & Wastewater Operations**

The District is responsible for management, operation, and maintenance of water and wastewater facilities and equipment throughout Ventura County. Included are facilities owned by the Triunfo Sanitation, Saticoy Sanitary, and Camarillo Sanitary Districts; Cities of Fillmore, Oxnard, Thousand Oaks, and Ventura; County of Ventura; California State University at Channel Islands; and several small water agencies. In total, the District operates and maintains three potable water systems and one recycled water system.

Both the District and participating agencies benefit from economies of scale made possible by the sharing of District expertise and resources. Work is performed under fully reimbursable contracts for which annual budgets are presented to and approved by both agencies' governing bodies.

The largest contract agency entirely managed and operated by the District is the Triunfo Sanitation District (Triunfo), which provides potable and recycled water services and wastewater disposal to residents in southeastern Ventura County. Wastewater treatment is provided at the Tapia Water Reclamation Facility via a Triunfo Joint Venture with the Las Virgenes Municipal Water District. Tapia serves nearly 12,000 Triunfo residences and businesses. Potable water is provided to about 4,800 residents in the Oak Park area and recycled water from the Tapia plant is provided to parks, schools, and homeowners associations in the unincorporated areas of Oak Park, Lake Sherwood, and North Ranch.

Triunfo has no staff of its own except the five elected Board members which are considered employees of the District. Triunfo contracts with the District for all of its management, financial, engineering, maintenance, and operations functions. In fiscal year 2015, this support consists of nearly fifteen (15.13) full-time equivalent positions made up of the part-time efforts of more than eighty-three (83.02) individuals in twenty-five (25) different areas of expertise. On June 4, 2015, a new ten-year contract agreement was entered into between Triunfo and the District.

The District entered into a contract with the Malibu Bay Club (MBC) in August 2003 to own and operate an On-site Wastewater Treatment System (OWTS) to serve this 136-unit condominium complex on the south coast of Ventura County. MBC's existing simple septic system is the subject of a Regional Water Quality Control Board order to improve wastewater treatment. In 2007, in order for the District to receive reimbursement for the \$2.7 million cost of the plant, it explored alternative financing options and entered into an Installment Purchase Contract with the Municipal Finance Corporation. MBC residents pay for their share of the cost through the Ventura County property tax roll.

The District Board adopts a final annual budget generally in June. This budget serves as an essential tool for financial planning and control. Supplemental appropriations to the budget during the year must be approved by the Board of Directors.

## **ECONOMIC CONDITION AND OUTLOOK**

### ***Local Economy***

**Ventura County** – Located directly northwest of Los Angeles County, Ventura County covers 1,843 square miles and boasts 43 miles of Pacific Ocean coastline, 7.5 miles of shoreline in public beaches, and 411 acres in state beach parks. The majority of the County's 846,178 residents live in its southern half, while the Los Padres National Forest spans the northern half. An extensive network of roadways links the County's 10 incorporated cities, with rail, harbor, and airport facilities providing access to outside markets. With a projected 2020 population of over one million, Ventura County is expected to experience a steady increase in population over the next 7 years as people favor its mild Mediterranean climate, beautiful coastline, and scenic agricultural setting.

**Agriculture** - Ventura County farmers grow over 100 different crops and often harvest two or three crops from the same parcel of land during any given year. In 2014, the estimated gross value for all agriculture in Ventura County was \$2.137 billion. Strawberries, lemons, raspberries, nursery stock and celery are among the five leading crops grown. The most recent data available from the U.S. Department of Agriculture ranks Ventura County 10<sup>th</sup> among all counties in the U.S. in total crop value.

**Commercial Activity** – Retail sales throughout Ventura County increased by 5.2% in 2014 compared to 2013. Taxable sales in 2014 were 13.5 billion, an increase from 2009 of 12.5 billion.

**Income and Unemployment** – The unemployment rate in Ventura County decreased from 6.4 percent in September 2014 to 5.3 percent in September 2015 according to the State of California Employment Development Department. Ventura County continues to see job declines in Manufacturing while Leisure and Hospitality, Professional and Business Services, and Agriculture have gained jobs. According to the U. S. Census Bureau, the median household income in Ventura County is \$76,544 and per capita income is \$32,930.

**Real Estate** – Ventura County’s real estate market year to year change in sales is 11.6 percent. The median single-family-home price in Ventura County is \$604,610, a 3.6 percent increase compared to last year. Because of limited home construction, home price growth will remain steady slowly growing to 6.1 percent in 2017.

### **LONG-TERM FINANCIAL PLANNING**

The District’s emphasis is to continue offering the highest level of service and lowest possible cost to our customers and member agencies. The many challenges facing the District are, for the most part, multi-year issues that involve multi-year solutions. The expansion of traditional operations and maintenance services for waste and potable water facilities remains a short, intermediate, and long-term goal of the District.

Staff is also exploring opportunities to assist client agencies with upgrading wastewater treatment processes, biosolids processing and disposal projects, asset management, environmental management, and water reclamation. These activities may provide opportunities for new District facilities as well as water and wastewater engineering, technology evaluation, and inspection services.

The District’s FY2014-15 Five-Year Capital Improvement Plan (CIP) was updated by staff and approved by the District Board as part of the budget process. The CIP for FY 2015 is mainly focused on the various financial software upgrades, replacement of the Toland Road site improvements, gas collection system, Toland Road Landfill Phase 4 project, replacement of aging vehicles and heavy equipment, and various capital improvements for the Biosolids and Microturbine Electrical Generation Facilities.

District staff provides a five-year forecast to the District Board as part of the budget process and approved by the District Board. Although the forecast only includes information gathered from historical data and known future expenses, it is an important tool to assist in planning the budget from year-to-year.

Finally, the Five-Year District Reserve analysis is also included as part of the budget process and approved by the District Board. The District’s Reserve Level Policy is a guideline District staff follows in maintaining reserves based on legal requirements, contractual agreements, Board’s direction and express authorization and cash reserves to cover operating shortfalls to cover for both short term cash flow and contingency planning for unforeseen situations. Due to the economic conditions affecting the District, the Board has approved to first maintain and fund restricted reserves and the remaining to fund the cash reserves to cover operating shortfalls.

## **Solid Waste Operations**

**Toland Road Landfill** – This is the only open solid waste facility operated by the District. Multi-year phased development of the Toland Road landfill provides for incremental construction of new areas just prior to completely filling the operating area. With the design of the entire landfill footprint complete, these small phases of construction can be accomplished with little disruption to landfill operations, minimal dust and noise impacts on neighbors, and easily manageable demands for cash flow to pay for improvements. The District’s waste disposal tipping fee remains very competitive compared to similar agencies. The tipping fees include solid waste facilities operations and maintenance costs, state and local regulatory agency fees, capital upgrade, and relevant future closure and postclosure costs. A table reflecting the District’s 10-year service charge rate history is located on page 84 of the Statistical Section.

## **Water & Wastewater Operations**

The Water & Wastewater Division continues to focus on maintaining and expanding its customer base in an increasingly competitive environment. The District supports this continued emphasis on Water & Wastewater customer growth by including a section in the FY 2015 budget document to address Unanticipated Reimbursable Work. This budget serves as an authorized holding place for resources that can be quickly allocated to work that develops after budget adoption, thereby giving Water & Wastewater staff the ability to implement a “can do” marketing strategy and deliver promptly on the promise. On an annual basis, as part of the budget process, the District publishes billing rates for its customers.

Water & Wastewater staff provides complete operational services for two member agencies, the Triunfo Sanitation and Saticoy Sanitary Districts. The District has installed and operates an onsite wastewater treatment system (OWTS) at the Toland Road Landfill and Malibu Bay Club, and is promoting additional OWTS construction and operation services in Ventura County areas where it is not feasible to connect to sanitary sewers.

**Biosolids Project** – The Ventura County Board of Supervisors approved the Biosolids project in September 2007. Ten cities, five special districts, and the County of Ventura will benefit from this project. The project includes the construction and operation of landfill gas electrical generators and a biosolids drying facility. The site is comprised of approximately 2.44 acres and is located entirely within the existing boundaries of the Conditional Use Permit for Toland Road Landfill. The biosolids drying facility will import biosolids from local wastewater treatment plants and will use landfill gas to power electrical generators and biosolids dryers to process the biosolids to a level specified by the end-use of the biosolids. Potential beneficial uses of the dried biosolids include alternative cover at Toland Road Landfill and commercial use. The site construction and equipment installation is complete. The District celebrated the opening of the biosolids facility on November 18, 2009.

## **RELEVANT FINANCIAL POLICIES**

The District’s investment policy’s primary objectives are safety of principal while maintaining liquidity to meet all operating requirements, and attaining a market rate of return on its portfolio. The District’s investment policy is in accordance with provisions of the California Government Code. The Finance Officer directs the collection and disbursement of all monies into and out of the District treasury, makes investments, and opens and closes bank accounts as necessary to conduct the business of the District.

The District Board adopted the Identity Theft Prevention Program issued by the Federal Trade Commission (FTC) Red Flags Rule that requires companies and creditors with covered account to develop and implement a written Identity Theft Prevention Program to detect, prevent, and mitigate identity theft in connection with opening and/or modifying customer accounts.

The Personnel and Finance Committee of the District is comprised of the Chair of the Board and three members of the Board. The Committee provides recommendations to the Board regarding the budget, financial policies, billing rates, and fees.

### MAJOR INITIATIVES

Solid waste management continues to be a great concern as population in Ventura County continues to increase while the landfill capacity is shrinking. The District continues to investigate future municipal solid waste disposal options such as waste-to-energy thermal conversion process to conserve landfill capacity.

CalRecycle modified the AB2296 financial assurance regulations for both currently active landfills and closed landfills. The modified regulations will have financial impact to the District. The new regulation for the active landfills is a rolling 30-year approach with the ability to step down every five years as long as the qualifying criteria are met with a ceiling of 15 years. The ceiling of 15 years also applies to the currently closed landfills with the ability to step down annually until reaching the 15 years ceiling. This new regulation was effective on July 1, 2010.

### AWARDS & ACKNOWLEDGMENTS

**Independent Audit** - The District is required to have an annual audit of the books of account, financial records, and transactions conducted by independent Certified Public Accountants selected by the Board of Directors. The unmodified opinion of the District's auditor—Rogers, Anderson, Malody & Scott, LLP, San Bernardino, California—is included in this report.

**Certificate of Achievement** - The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Ventura Regional Sanitation District for its Comprehensive Annual Financial Report (CAFR) for the Fiscal Year ended June 30, 2014. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both Generally Accepted Accounting Principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

**Acknowledgements** – The preparation and completion of this report would not have been possible without the dedicated and coordinated team efforts of the entire District staff. We would like to acknowledge the special efforts of the Finance & Administration Division staff, and our independent auditors, Rogers, Anderson, Malody & Scott, LLP for their assistance in the report preparation. These members have our sincere appreciation for the contributions made in the preparation of this report.

We also give recognition to the Board of Directors for its continued leadership, interest, and support in planning and conducting the financial operations of the District in a responsive and effective manner.

  
MARK LAWLER  
General Manager

  
VICKIE DRAGAN  
Director of Finance & Administration

# Ventura Regional Sanitation District

Ventura County, California

## 2015 Board of Directors

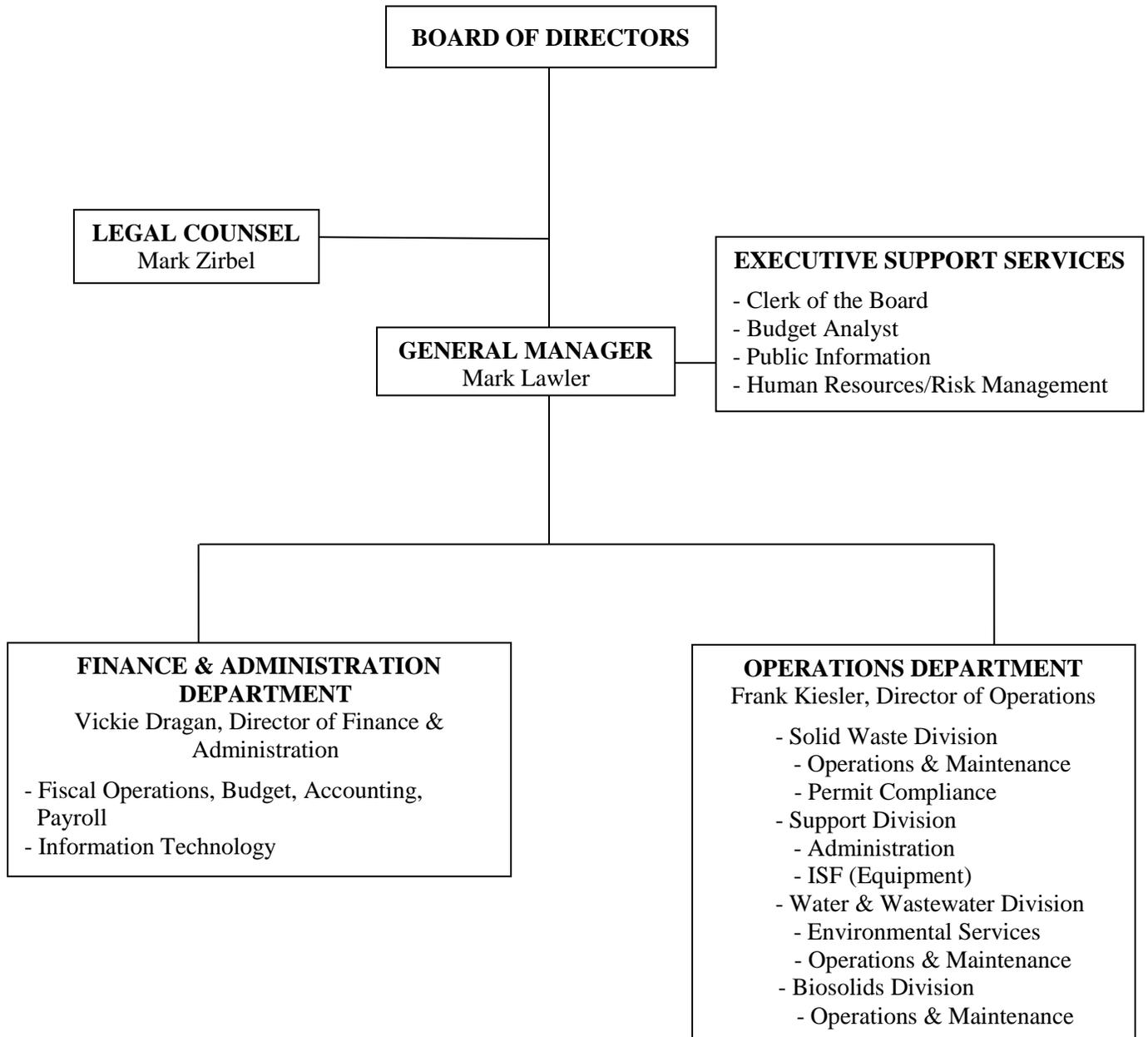
James Acosta	Special District
Betsy Clapp	City of Ojai
Martin Hernandez	City of Santa Paula
Kevin Kildee	City of Camarillo
James Monahan	City of San Buenaventura
Rick Neal <i>Chairman</i>	City of Fillmore
Bert Perello <i>Chairman-elect</i>	City of Oxnard
Joel Price	City of Thousand Oaks
Jonathan Sharkey	City of Port Hueneme

## District Staff

Mark Lawler	General Manager	(805) 658-4600
Vickie Dragan	Director of Finance & Administration	(805) 658-4646
Frank Kiesler	Director of Operations	(805) 658-4674
Lisa McKinley	Acting Clerk of the Board	(805) 658-4642
Mark A. Zirbel	Legal Counsel	(805) 988-9886

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# Ventura Regional Sanitation District Organization Chart



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California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

Executive Director/CEO

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# VENTURA REGIONAL SANITATION DISTRICT

## Ventura County, California

### SITES SERVED AND/OR OPERATED

- **Water and Wastewater Sites**

-  Triunfo Sanitation District – Lake Sherwood
-  Triunfo Sanitation District – Oak Park Water Service
-  Thousand Oaks Hill Canyon Treatment Plant
-  Camrosa Water District Treatment Plant
-  CSA No. 29 (North Coast) Collection System
-  CWD No. 16 (Piru) Treatment Facility
-  Saticoy Sanitary District Treatment Facility
-  CWD No. 1 (Moorpark Area)
-  Thomas Aquinas College
-  Oxnard Treatment Plant
-  Camarillo Sanitary District
-  Toland Water
-  Malibu Bay Club

- **Solid Waste Sites**

-  Santa Clara Sanitary Landfill (Closed)
-  Santa Clara Site (Closed)
-  Coastal Site (Closed)
-  Bailard Site (Closed)
-  Toland Road Sanitary Landfill
-  Ozena Modified Landfill (Closed)
-  Tierra Rejada Landfill (Closed)

- **Growth Projects**

-  Onsite Wastewater Treatment Systems (OWTS)
-  Environmental Monitoring & Source Control
-  Specialized Paintings & Coatings
-  Remote Telemetry & Controls
-  Biosolids Processing
-  Manhole Lining and Renewal

# Ventura County, California

