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**Executive Summary .....1**



August 12, 2016

Honorable Board of Directors  
Ventura Regional Sanitation District  
Ventura County, California

Members of the Board of Directors:

I am pleased to submit the Ventura Regional Sanitation District (District) Fiscal Year 2016-2017 (FY2017) Operations and Capital Plan Budget. The FY2017 Budget has been prepared to meet the needs of the District while at the same time complying with the District's mission, goals & objectives, and financial policies. The budget is the District's financial work plan and serves as the spending plan supported by revenues for the upcoming fiscal year. The budget contains estimated expenses for the fiscal year and the proposed means of financing those expenses.

This executive summary provides a high-level overview of the District's Budget, Budget Highlights and Goals & Objectives. The District's Operating Budget and Capital Plan are adaptable documents and may change based on unforeseen and/or unanticipated events during the fiscal year by Board of Directors' approval.

## **BUDGET HIGHLIGHTS**

- The total tonnage is expected to be approximately 390,400 tons of refuse.
- An average of 6.5 percent increase in the District's hourly rates for Central Administration and Operations employees is effective July 1, 2016.
- Biosolids uniformed rate decrease from \$62.50 to \$50.00 per ton.
- Anticipated \$150,000 revenue increase in Microturbine Electrical Generation
- The District's capital plan includes vehicles, equipment, and capital improvements. Appropriations for the capital plan total \$4,083,420. The three major capital expenses are Toland Road Landfill Master Planning and Phase 4 Project (\$1,193,000), Gas Collection (\$1,656,000), and purchase of vehicles and heavy equipment (\$788,000).
- The District anticipates meeting the 1.25x debt service coverage target to comply with the loan agreements.

## **BUDGET OVERVIEW**

The FY2017 Operating Budget has a net decrease of \$2,476,006. This includes operating revenue, operating expenses, and non-operating revenue and expenses.

## **OPERATING REVENUES**

The operating revenues for FY2017 is estimated at \$21,902,815, which is approximately \$1,870,800 more than FY2016. The increase in operating revenues is mainly due to the anticipated increase in solid waste

tonnage, biosolids tonnage, and the sale of self-generated electricity to the grid. The most notable revenues of the District include the Biosolids and Electric Generation Project, Toland Road Landfill municipal solid waste and Water & Wastewater contract services.

### ***Biosolids and Electric Generation Facility***

This is the seventh year of operation for the District's Biosolids and Microturbine Electrical Generation facility.

#### Biosolids

The District continues to receive biosolids from Oxnard, Ventura, Santa Paula, and Fillmore. FY2017 Biosolids revenue is estimated at \$2,300,000, or 46,000 tons. The District is in the process of lowering the biosolids rate to \$50.00 per ton to all its customers.

#### Electrical Generation Project

The Electric Generation Project consists of six low emission microturbines that use compressed landfill gas and have the ability to produce up to 2.32 megawatts of electricity. The electricity produced by the microturbines is delivered to the local power grid. The estimated FY2017 revenue is anticipated in the amount of \$400,000.

### ***Toland Road Landfill***

The projected landfill disposal revenue for FY2017 is estimated to be \$12,051,800, with annual tonnage of approximately 390,400. In addition, we expect revenue of \$321,508 from City of Oxnard (River Ridge Golf Course) Environmental Program Group (\$147,058), wood waste (\$80,000), Pyramid Flowers lease (\$60,000) and the Millenium Grove (\$26,100).

### ***Water & Wastewater***

The District's Water & Wastewater Division (WWW) is currently providing water and wastewater services to more than fifteen cities and special districts in Ventura County. These services include collection system cleaning, engineering and permitting support, repair and protective coatings, industrial source control, groundwater sampling, and monitoring. There is a close correlation between WWW revenue and expenses. FY2017 revenue is estimated at \$5,578,200. The FY2017 Proposed Budget includes an average of 6.5 percent increase in hourly rates effective July 1, 2016. Revenue is generated by charging external customers billable rates for the services provided to them. Labor is charged at an hourly billable rate developed for each classification or job title. In addition, materials, supplies and other charges are billed at cost plus fifteen percent (15%). For more information, please see page 4-3 of the FY2017 Proposed Budget.

## **OPERATING EXPENSES**

The total operating expense is estimated at \$23,620,000, including depreciation. There are three main expense line items that contribute to the bottom line amount of the operating expenses. They are Salaries & Employee Benefits, other operating expenses, and depreciation.

Salaries & Employee Benefits: Salaries & Employee Benefits increased by approximately \$165,000, or 2%. The net increase is primarily due to the recent classification and compensation study. For more information, please see Pages 10-11 and 11-6 of the FY2017 Budget.

Other Operating Expenses: Other operating expenses increased by approximately \$317,000 which include costs associated with management and administration, materials and supplies, contract services expenses, professional services, facility maintenance, permits, and fees. The net increase is mainly attributable to

the permits and fees due to increased solid waste and biosolids tonnage (\$144,400) and facility maintenance (\$110,800) which includes utilities, rents and leases for equipment and office building, and equipment maintenance. Despite the continued upward costs of doing business, staff continues to reassess the District's budget needs, identify potential efficiencies, and delay projects whenever possible.

Depreciation: Depreciation increased by \$696,800. This increase is based on recently purchased equipment and completed capital projects that are added in the District's list of assets to be depreciated.

## **NON-OPERATING REVENUES & EXPENSES**

Net non-operating revenues and expenses (before transfers in/out) increased by \$71,200 compared to the FY2016 Adopted Budget. This is mainly due to the anticipated decrease in interest and investment earnings.

The increase (\$315,000) in Transfers In/Out is attributable to the closure/post closure funds for the Toland Road Landfill because of the additional tonnage expected this fiscal year.

## **CAPITAL PROJECTS**

Capital projects are usually multi-year processes and expenditures are determined by what phase the project is in. The capital spending detail in FY2017 is included in Section 9 of the FY2017 Budget.

## **GOALS & OBJECTIVES**

In February 2016, the District Board conducted a Goals and Objectives setting session with staff as follows:

- 1) New Board resolution regarding post-closure financial assurances to Cal Recycle
- 2) Application for landfill permit time extension
- 3) Revision to Solid Waste rates
- 4) Evaluate gas-to-energy options.

## **SUMMARY**

The District continues to face financial challenges posed by stagnant revenue growth and continued cost increases of doing business. The District has been committed to establishing and maintaining good fiscal health and will continue to look at different alternatives in cutting costs and generating revenue.

I appreciate the Board of Directors' support in providing the vision and resources necessary to respond to the challenges and improve the District's financial outlook in the years ahead. I also want to thank the members of the Personnel & Finance Committee for their enormous efforts in assessing the District's financial needs, reviewing the various financial policies, and making a series of recommendations to the District Board. Their recommendations serve as a critical component of this budget and the District's rates and fees.

District Board. Their recommendations serve as a critical component of this budget and the District's rates and fees.

Finally, I want to recognize staff's dedication and hard work in assessing their budgetary needs, continuing to identify opportunities for efficiencies, and for supporting the restructuring of resources to where they are most needed. Although the District is faced with various and difficult challenges, I believe, with the excellent and committed staff, we are well prepared to take on these challenges and any other issues that may come in the future.

Respectfully submitted,



Chris Theisen  
General Manager

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