



Board of Directors Regular Meeting
Tuesday, May 11, 2021 at 1:00 PM
Valley Sanitary District
45-500 Van Buren Street, Indio, CA 92201

*****SPECIAL NOTICE – VIA VIDEOCONFERENCE*****

Pursuant to the Governor’s Executive Order N-25-20 issued on March 4, 2020 and N-29-20 issued on March 18, 2020; the Board of Directors regular meeting will be conducted remotely through Zoom. **Members of the public wanting to participate in the open session of the meeting may do so via the following Zoom registration link: <https://zoom.us/j/95590234164>** Meeting ID: 955 9023 4164 or by calling 669-900-9128 or 253-215-8782. Members of the public wanting to address the Board, either during public comment or for a specific agenda item, or both, are requested to send an email notification no later than 12:30 p.m. on the day of the meeting to the Valley Sanitary District’s Clerk of the Board at hgould@valley-sanitary.org.

Page

1. CALL TO ORDER

- 1.1. Roll Call
- 1.2. Pledge of Allegiance
- 1.3. May Employee Anniversaries
 - Tino Tijerina, Electrician/Instrumentation Supervisor - 31 years
 - Anna Bell, Laboratory & Compliance Supervisor - 8 years
 - Austin Lopanec, Wastewater Operator I - 6 years
 - Cassidy Laughy, Wastewater Operator-in-Training - 1 year
- 1.4. New Employee Introduction

- Andrew Sorensen, Wastewater Operator-in-Training

2. PUBLIC COMMENT

This is the time set aside for public comment on any item not appearing on the agenda. Please notify the Secretary in advance of the meeting if you wish to speak on a non-hearing item.

3. CONSENT CALENDAR

Consent calendar items are expected to be routine and noncontroversial, to be acted upon by the Board of Directors at one time, without discussion. If any Board member requests that an item be removed from the consent calendar, it will be removed so that it may be acted upon separately.

- | | | |
|------|---|---------|
| 3.1. | Approve April 27 , 2021 Regular Meeting Minutes
3.1 27 Apr 2021 Meeting Minutes.pdf  | 5 - 7 |
| 3.2. | Approve Warrants for April 22 through May 5, 2021
3.2 Warrants for April 22 to May 5, 2021.pdf  | 8 - 9 |
| 3.3. | Authority Tuition Reimbursement for Beverli A. Marshall,
General Manager, Per District Policy in an Amount Not to
Exceed \$1,000
3.3 Staff Report Marshall Tuition Reimbursement.pdf 
3.3 Attachment A Tuition Reimbursement Form.pdf 
3.3 Attachment B Unofficial Transcript.pdf 
3.3 Attachment C Proof of Payment.pdf  | 10 - 16 |

4. PUBLIC HEARING

- | | | |
|------|--|----------|
| 4.1. | Public Hearing to Receive Input Regarding the Proposed
Sewer Service Charge Increase and Consider Adopting
Resolution No. 2021-1142
-General Notice and Call
-President Announces Public Hearing Procedures
-General Manager's Report
-President Declares Public Hearing Open
-Public Comments
-President Declares Public Hearing Closed | 17 - 118 |
|------|--|----------|

- Board Discussion
- Adoption of Resolution

[4.1 Staff Report Public Hearing Sewer Service Charge.pdf](#) 

[4.1 Attachment A Resolution No. 2021-1142.pdf](#) 

[4.1 Attachment B Prop 218 Card.pdf](#) 

[4.1 Attachment C Public Hearing Notice.pdf](#) 

[4.1 Attachment D Wastewater Rate Study Report FINAL 05-04-2021.pdf](#) 

5. NON-HEARING ITEMS

- 5.1. Discuss and Consider Adopting the Fixed Assets Accounting Policy 119 - 154

[5.1 Approval of Fixed Assets Accounting Policy.pdf](#) 

[5.1 Attachment A Fixed Assets Accounting Policy.pdf](#) 

[5.1 Attachment B VSD Equipment Disposition Form.pdf](#) 

[5.1 Attachment C Lessee Inventory Schedule.pdf.pdf](#) 

[5.1 Attachment D Lessee Journal Entries.pdf](#) 

[5.1 Attachment E Lessor Inventory Schedule.pdf](#) 

[5.1 Attachment F Lessor Journal Entries.pdf](#) 

[5.1 Attachment G Current Fixed Assets Accounting Policy.pdf](#) 

- 5.2. Discuss and Consider Adopting the Bank Account and Check Policy 155 - 159

[5.2 Approval of Bank Account and Check Writing Policy.pdf](#) 

[5.2 Attachment A Bank Account and Check Writing Policy.pdf](#) 

6. GENERAL MANAGER'S ITEMS

General Manager's items not listed are for discussion only; no action will be taken without an urgency vote pursuant to State law.

- 6.1. Monthly Manager's Report - March 2021 160 - 172

[6.1 Staff Report GM Report March.pdf](#) 

[6.1 Attachment A Admin Services Report March.pdf](#) 

[6.1 Attachment B NPDES Report for March.pdf](#) 

[6.1 Attachment C Collection Services Report March.pdf](#) 

[6.1 Attachment D Development Services Report April.pdf](#) 

[6.1 Attachment E Capital Improvement Program Update for April.pdf](#)


7. COMMITTEE REPORTS

- 7.1. Budget & Finance Committee - Draft May 4, 2021 Regular Meeting Minutes 173 - 174

[7.1 Draft 4 May 2021 Committee Meeting Minutes.pdf](#) 

8. DIRECTOR'S ITEMS

Director's items not listed are for discussion only; no action will be taken without an urgency vote pursuant to State law.

9. INFORMATIONAL ITEMS

10. PUBLIC COMMENT

This is the time set aside for public comment on any item to be discussed in Closed Session. Please notify the Secretary in advance of the meeting if you wish to speak on an item.

11. CONVENE IN CLOSED SESSION

Items discussed in Closed Session comply with the Ralph M. Brown Act.

- 11.1. Pursuant to Government Code Section 54954.5 Public Employee Performance Evaluation - General Manger

12. CONVENE IN OPEN SESSION

Report out on Closed Session items

13. ADJOURNMENT

Pursuant to the Brown Act, items may not be added to this agenda unless the Secretary to the Board has at least 72 hours advance notice prior to the time and date posted on this notice.

UNOFFICIAL UNTIL APPROVED

VALLEY SANITARY DISTRICT MINUTES OF REGULAR BOARD MEETING

April 27, 2021

Valley Sanitary District conducted this meeting in accordance with California Governor Newsom's Executive Orders N-29-20 and COVID-19 protocols.

A regular Board Meeting of the Governing Board of Valley Sanitary District (VSD) was held via videoconference, on Tuesday, April 27, 2021.

1. CALL TO ORDER

President Sear called the meeting to order at 1:02 p.m.

1.1 Roll Call

Directors Present:

Debra Canero, Dennis Coleman, Mike Duran, Scott Sear, William Teague

Staff Present:

Beverli Marshall, General Manager, Holly Gould, Jeanette Juarez, Ron Buchwald, Anna Bell, and Robert Hargreaves, Best Best & Krieger

1.2 Pledge of Allegiance

2. PUBLIC COMMENT

This is the time set aside for public comment on any item not appearing on the agenda. Please notify the Secretary in advance of the meeting if you wish to speak on a non-hearing item.

None.

3. CONSENT CALENDAR

3.1 Approve April 13, 2021 Regular Meeting and April 20, 2021 Special Meeting Minutes

3.2 Approve Warrants for April 8 through April 21, 2021

3.3 Accept Monthly Financial Report for Period Ending March 31, 2021

ACTION TAKEN:

MOTION:

Director Duran a motion to approve the consent calendar items as presented. Director Teague seconded the motion. Motion carried unanimously.

MINUTE ORDER NO. 2021-3095

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4. NON-HEARING ITEMS

4.1 The NELAC Institute (TNI) Laboratory Compliance Presentation by Anna Bell, Laboratory & Compliance Supervisor

Anna Bell, Laboratory & Compliance Supervisor, gave a presentation to the Board about The NELAC Institute (TNI). The presentation included an explanation of the Environmental Laboratory Accreditation Program (ELAP), the program deficiencies that were identified and led to the TNI regulations that will improve the effectiveness of ELAP. She presented the timeline of when the District's lab must meet these new guidelines and the work that will go into it. The Board thanked Anna for her very informative presentation.

4.2 Adopt the Brand & Image Use Policy

Beverli Marshall, General Manager, reported that in April 2020 the Board asked staff to develop a plan to build a brand for the District and to ensure that the public knows it. The first step was to develop a new logo for the District, which was completed and adopted by the Board on March 24, 2020. Staff implemented the new logo and applied it to VSD vehicles, uniforms, hats, business cards, and other District items. The next step in the rebranding process is to ensure that the VSD brand is used appropriately and reflects positively on the District. With that in mind, staff drafted the Brand & Image Use Policy. The purpose of the Policy is to establish and strengthen the VSD brand through a unified message, repetition, and consistency. At the Board meeting on March 23, 2021. the Board requested that staff send out a survey to employees and their families to allow input into the selection of a tagline. After analyzing the responses to the survey, the consensus of the Board was to go with the most popular option "Giving Water Another Chance".

ACTION TAKEN:

MOTION:

Secretary Canero made a motion to adopt the Brand & Image Use Policy.

Director Duran seconded the motion. Motion carried by the following roll call vote:

AYES: Canero, Coleman, Duran, Sear, Teague

NOES: None

MINUTE ORDER NO. 2021-3096

5. GENERAL MANAGER'S ITEMS

Beverli Marshall, General Manager, requested direction from the Board on transitioning back to in person board meetings. The Board feels the best option for now, is to conduct a hybrid meeting, still utilizing Zoom for those that are not yet comfortable with attending in person.

6. COMMITTEE REPORTS

Vice President Coleman gave report of the East Valley Reclamation Authority Meeting that was held on April 26, 2021. At the meeting, the EVRA Board received the fiscal year 2019/20 audited financial statements and the fiscal year 2020/21 mid-year budget report. He also updated the Board on the presentation made by Reymundo Trejo, Assistant General Manager at Indio Water Authority, and Brian Villalobos, from Geoscience Support Services, Inc. The report stated that well injection appears to be feasible at the VSD site. It is recommended to postpone the bore drilling phase until staff can meet with

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the regulatory agencies that will impact the permits this project will require. The EVRA Board voted to approve staff to meet with the Regional Water Quality Control Board (RWQCB) and the State Water Resources Control Board (SWRCB) to discuss the Recycled Water Project.

7. DIRECTOR'S ITEMS

Director Teague inquired about setting up a tour for a group of residents from Indian Palms Country Club. The Board thanked Anna Bell for her expertise and report on the NELAC Institute.

8. INFORMATIONAL ITEMS

May 2 – 7, 2021 is National Public Service Recognition Week, which was created in 1985 to honor those who serve as federal, state, county, and local government employees. You can find more information about this event at <https://psrw.ourpublicservice.org/>.

9. PUBLIC COMMENT

This is the time set aside for public comment on any item to be discussed in Closed Session. Please notify the Secretary in advance of the meeting if you wish to speak on an item.

None.

10. CONVENE IN CLOSED SESSION

Items discussed in Closed Session comply with the Ralph M. Brown Act.

10.1 Pursuant to Government Code Section 54954.5
Public Employee Performance Evaluation
Title: General Manager

The Board adjourned to closed session at 2:15 p.m.

11. CONVENE IN OPEN SESSION

Report out on Closed Session items

The board reconvened to open session at 2:25 p.m. President Sear stated there was nothing to report.

12. ADJOURNMENT

There being no further business to discuss, the meeting was adjourned at 2:25 p.m. The next regular Board meeting will be held on May 11, 2021.

Respectfully submitted,

Holly Gould, Clerk of the Board
Valley Sanitary District

DISBURSEMENTS
Approved at the Board Meeting of
May 11, 2021

39227	Indio Water Authority	Main Water Shutdown fee 04/30/2021	\$429.00
39228	ABS Facility Services, Inc	Additional Punch List Items to be Completed	\$541.00
39229	Alliance Integration	Service Labor	\$562.50
39230	Calif. Water Environment Assn.	Membership - 06/01/2021-05/31/2022	\$192.00
39231	Caltest Analytical Laboratory	Quarterly Samples	\$196.65
39231	Caltest Analytical Laboratory	Monthly Samples - April 2021	\$223.25
39231	Caltest Analytical Laboratory	Additional Monthly Samples - April 2021	\$870.20
39232	City of Indio Alarm Program	Annual Alarm Permit Renewal Charge 5/27/2021-5/26/2022	\$20.00
39233	Clairemont Equipment	Rental of Boom Lift	\$1,210.61
39234	Consolidated Electrical Distributors, Inc.	Plant Lighting Repair	\$146.62
39235	Denali Water Solutions	Biosolids Hauling - March 2021	\$5,963.07
39236	DRT Transport	AC Repair 13 KW Vac Truck	\$2,470.72
39237	E.S. Babcock & Sons, Inc.	Plant Monitoring Testing	\$42.00
39238	Foster-Gardner, Inc.	Calcium Hypochlorite	\$877.62
39239	Grainger	Pleated Air Filters	\$138.46
39239	Grainger	Disposable Gloves	\$200.53
39240	Haaker Equipment Company	Repair of Autowind on Vactor 2112P	\$7,875.70
39240	Haaker Equipment Company	Finned Skid	\$295.80
39241	Hach Company	KS400 Cleaning Solution, Nitrogen Nitrate	\$602.05
39241	Hach Company	Nitrogen Nitrate	\$88.05
39242	Harrington Industrial Plastics, Inc.	CPVC Insulated Tee	\$404.42
39243	Harris & Associates	*PADM Coll Sys Infr Prog - Phase 2 - March 2021	\$5,266.15
39243	Harris & Associates	*Indio Blvd Trunk Sewer Rehab Proj - March 2021	\$11,579.98
39244	Kaman Industrial Technologies	DOD Element	\$199.97
39244	Kaman Industrial Technologies	Omega Element	\$671.06
39244	Kaman Industrial Technologies	Threadlocker	\$99.94
39245	McMaster-Carr Supply Co.	Gear Oil	\$183.50
39245	McMaster-Carr Supply Co.	CPVC Pipe for Hot Water	\$497.88
39245	McMaster-Carr Supply Co.	Connector for Drain	\$61.79
39246	National Business Furniture	Executive Chairs	\$3,563.69
39247	Polydyne, Inc.	Polymer Delivery - 04/30/2021	\$3,624.31
39248	Praxair Distribution, Inc.	Cylinder Rental - April 2021	\$140.90
39248	Praxair Distribution, Inc.	Tank Rental - March 2021	\$127.42
39249	ReadyRefresh by Nestle	Water Delivery - 03/23/2021-04/22/2021	\$737.95
39250	Rudy's Pest Control	Gopher Control on 04/07/2021	\$759.00
39251	South Coast A.Q.M.D	AQMD Fee July 2020- June 2021	\$137.63
39252	Specialty Testing Services, Inc	*Indio Blvd Trunk Sewer Rehab Proj Lab Testing	\$750.00
39253	Superior Protection Consultants	Security Patrol - April 2021	\$6,240.00
39254	The Sherwin-Williams Co.	Safety Tape	\$751.03
39255	Tops 'N Barricades Inc.	LED Lightbar Install on 2021 Ford	\$7,837.07
39255	Tops 'N Barricades Inc.	Reflective Shirts	\$1,419.32
39255	Tops 'N Barricades Inc.	Green Marking Paint	\$103.10
39256	Total Compensation Systems, Inc.	GASB 75 Full Valuation - 1st Installment	\$1,620.00
39257	Trimax Systems, Inc.	Influent Pump 4 Travel and Troubleshooting	\$1,400.00
39257	Trimax Systems, Inc.	Wireless Ammonia and Nitrate Probes	\$21,320.00
39258	United Way of the Desert	PR 04/02/2021 - 04/15/2021 PD 04/23/2021	\$25.00
39259	Univar Solutions	Sodium Hypochlorite Delivery - 04/21/2021	\$7,218.64
39259	Univar Solutions	Ferric Chloride Delivery - 04/26/2021	\$5,959.50
39259	Univar Solutions	Sodium Bisulfite Delivery - 04/26/2021	\$5,731.63
39260	USA Blue Book	Honeywell Chart Recorder	\$2,287.64
39260	USA Blue Book	Battery Charger, Y-Connector Cable	\$273.69
39260	USA Blue Book	Square Bottles	\$161.84
39261	Western Water Works	Plant Valve Repair	\$10,092.65
202104251	Umpqua Bank	New Charges for March 2021	\$16,167.77
202104271	Colonial Life	PR 03/19/2021 - 04/01/2021 PD 04/09/2021	\$751.37
202104271	Colonial Life	PR 04/02/2021 - 04/15/2021 PD 04/23/2021	\$9.74
202104271	Colonial Life	PR 04/02/2021 - 04/15/2021 PD 04/23/2021	\$741.63
202104272	Standard Insurance Company	Dental and Vision Insurance - May 2021	\$3,451.00
202104273	TASC	FSA - Plan Only Documents	\$184.20
202104281	CalPERS Health	Health Insurance - May 2021	\$31,226.25
202104301	Domino Solar LTD	Electricity for March 2021	\$11,092.16
202105011	Standard Insurance Company	Life and Disability Insurance for May 2021	\$1,332.83
202105031	Indio Water Authority	Hydrant Water - March 2021	\$526.26
202105041	Verizon Wireless	Cell Service for April 2021	\$789.86
202105042	Imperial Irrigation District	Electricity - March 2021	\$35,465.13
202105052	Cintas Corp	Uniforms, Mats, Towels for Week of 04/01/2021	\$612.47
202105052	Cintas Corp	Uniforms, Mats, Towels for Week of 04/22/2021	\$746.41
202105052	Cintas Corp	Uniforms, Mats, Towels for Week of 04/15/2021	\$669.18
202105052	Cintas Corp	Uniforms, Mats, Towels for Week of 04/08/2021	\$612.47
202105052	Cintas Corp	Uniforms, Mats, Towels for Week of 04/29/2021	\$625.87
202105053	Cintas Corp	First Aid Replenishment - 04/05/2021	\$155.68
202105054	UPS	Shipping Charges - 04/24/2021	\$119.07

202105054 UPS	Shipping Charge - 04/26/2021	\$125.77
202105061 CalPERS Retirement	PR 04/16/2021 - 04/29/2021 PD 05/07/2021JM	\$338.76
202105061 CalPERS Retirement	PR 04/16/2021 - 04/29/2021 PD 05/07/2021	\$18,413.89
202105071 Paychex - Direct Deposit	PR 04/16/2021 - 04/29/2021 PD 05/07/2021	\$71,849.03
202105072 Paychex - Fee	PR 04/16/2021 - 04/29/2021 PD 05/07/2021	\$202.18
202105073 Paychex - Garnishment	PR 04/16/2021 - 04/29/2021 PD 05/07/2021	\$210.46
202105075 Paychex - Tax	PR 04/16/2021 - 04/29/2021 PD 05/07/2021	\$33,609.67
202105076 CalPERS 457	PR 04/16/2021 - 04/29/2021 PD 05/07/2021	\$1,025.00
202105077 Vantage Point Transfer Agents - ICMA	PR 04/16/2021 - 04/29/2021 PD 05/07/2021	\$1,520.00
202105078 MassMutual	PR 04/16/2021 - 04/29/2021 PD 05/07/2021	\$10.00
202105079 Nationwide Retirement Solution	PR 04/16/2021 - 04/29/2021 PD 05/07/2021	\$1,535.00
202105101 Burrtec Waste & Recycling Svcs	Trash Service - May 2021	\$241.21
202105103 SoCal Gas	Gas Service - April 2021	\$226.76
	Totals	\$358,779.61



**Valley Sanitary District
Board of Directors Meeting
May 11, 2021**

TO: Board of Directors
FROM: Beverli A. Marshall, General Manager
SUBJECT: **Authorize Tuition Reimbursement for Beverli A. Marshall, General Manager, Per District Policy in an Amount Not to Exceed \$1,000**

<input checked="" type="checkbox"/> Board Action	<input type="checkbox"/> New Budget Approval	<input type="checkbox"/> Contract Award
<input type="checkbox"/> Board Information	<input checked="" type="checkbox"/> Existing FY Approved Budget	<input type="checkbox"/> Closed Session

Executive Summary

The purpose of this report is to present the request for reimbursement for the Board’s approval.

Strategic Plan Compliance

This item complies with VSD Strategic Plan Objective 1: Fully staffed with a highly trained and motivated team.

Fiscal Impact

The total reimbursement request is \$1,000 and is included in the FY 2020/21 Budget.

Background

VSD’s Education & Training policy authorizes the reimbursement of up to \$1,000 per quarter, semester, or course with a maximum tuition reimbursement of \$3,000 per employee in a single fiscal year. The attached request is the third request submitted for Fiscal Year 2020/21, for a total of \$3,000 FY to date.

To qualify for reimbursement, the employee must provide proof of payment and evidence that the employee received a passing grade [“C” or equivalent or better]. The attached transcript shows that the employee received a grade of “A” in all courses. Approval by the Board of Directors is necessary for the General Manager to receive the requested reimbursement.

Recommendation

Staff recommends that the Board authorize the reimbursement as submitted.

Attachments

- Attachment A: Reimbursement Request Form,
- Attachment B: Unofficial Transcript showing grades

Attachment C: Proof of Payment

**VALLEY SANITARY DISTRICT
TUITION AND TRAINING REIMBURSEMENT APPLICATION
FOR EMPLOYEE USE: Tuition and Training Expense Plan (Complete in advance of Enrollment)**

Employee Name:	Beverli A. Marshall
Department:	Administrative Services
Date of Request:	5/3/2021 (Request #3 for FY 2020/21)

School	Allian International University
Mailing Address	10455 Pomerado Rd
City , State and Zip	San Diego, CA 92131

Signature of Payee: *Beverli A. Marshall*

By signing I affirm that the reimbursement requested is within the guidelines of the tuition and training reimbursement program

Course Titles	Course Dates (From - To)	Number of Units	Costs (attach receipts)
BUS70110 Foundations & Critical Issues in Global Busin	January - March, 2021	3	\$2,850.00
BUS80640 Competency Project I	January - March, 2021	3	\$2,850.00
Service Fees			\$ 65.00
Founder's Grant			\$ (2,496.00)

\$3,269.00

Are Books Eligible for Reimbursement ? (CIRCLE ONE) YES NO

List Books Purchased (include Receipts)

Text Books Utilized	Cost

Grand Total to be Reimbursed

\$1,000.00

Unofficial Transcript

10455 Pomerado Rd.
 San Diego, CA 92131
 (626) 284-2777
www.alliant.edu

Student: Beverli A Marshall

Student ID: 645978

DOB: 4/7

Course Code	Course Title	Credits Attempted	Credits Earned	Grade	Quality Points	Course Code	Course Title	Credits Attempted	Credits Earned	Grade	Quality Points
Program: Doctor of Business Administration CA School of Mgmt & Leadership Enrollment #: MA19128446 Status: Active Start Date: 10/21/19						Term: 20_T_07JUL 2020 July Term MGT80210 Contemporary Readings In Strategy 3.00 3.00 A 12.00 MGT80220 Management, Strategy And Leadership 3.00 3.00 A 12.00 <hr/> 6.00 6.00 24.00 Term GPA: 4.00 Cum GPA: 4.00					
Term: 19_T_10OCT 2019 October Term BUS7035 Advanced Statistics I 3.00 3.00 A 12.00 <hr/> 3.00 3.00 12.00 Term GPA: 4.00 Cum GPA: 4.00						Term: 20_T_08AUG 2020 August Term BUS70360 Advanced Statistics II 3.00 3.00 A 12.00 LDR87800 Creating Change And Innovation 3.00 3.00 A 12.00 <hr/> 6.00 6.00 24.00 Term GPA: 4.00 Cum GPA: 4.00					
Term: 20_T_01JAN 2020 January Term BUS8011 Organizational Behavior And Development 3.00 3.00 A 12.00 <hr/> 3.00 3.00 12.00 Term GPA: 4.00 Cum GPA: 4.00						Term: 20_T_10OCT 2020 October Term BUS70540 Research Scholars Community 3.00 3.00 A 12.00 ELM88320 Law, Ethics And Equity 3.00 3.00 A 12.00 <hr/> 6.00 6.00 24.00 Term GPA: 4.00 Cum GPA: 4.00					
Term: 20_T_03MAR 2020 March Term BUS7062 Cross Cultural Management And Global Issues 3.00 3.00 A 12.00 DAT7024 Qualitative And Survey Research 3.00 3.00 A 12.00 <hr/> 6.00 6.00 24.00 Term GPA: 4.00 Cum GPA: 4.00						Term: 21_T_01JAN 2021 January Term BUS70110 Foundations And Critical Issues In Global Business 3.00 3.00 A 12.00 BUS80640 Competency Project I 3.00 3.00 A 12.00 <hr/> 6.00 6.00 24.00 Term GPA: 4.00 Cum GPA: 4.00					
Term: 20_T_05MAY 2020 May Term BUS70250 Foundations Of Research 3.00 3.00 A 12.00 <hr/> 3.00 3.00 12.00 Term GPA: 4.00 Cum GPA: 4.00											

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** Indicates Retaken Course
 ♦ Indicates Associated Course

Unofficial Transcript

10455 Pomerado Rd.
 San Diego, CA 92131
 (626) 284-2777
www.alliant.edu

Student: Beverli A Marshall

Student ID: 645978

DOB: 4/7

Course Code	Course Title	Credits Attempted	Credits Earned	Grade	Quality Points	Course Code	Course Title	Credits Attempted	Credits Earned	Grade	Quality Points
Term: 21_T_03MAR		2021 March Term									
BUS80650	Competency Project II	0.00	0.00		0.00						
	<i>In Progress</i>										
Doctor of Business Administration		GPA: 4.00	39.00	39.00							
Concentration(s): Management											
*** End of Transcript ***											

Student Registration Bill Summary by Term

4/28/2021
12:39:47PM

Student Name Beverli Marshall
 Student ID 645978
 Term(s) 2021 January Term

Description	Amount	Date	Term Description
Charges:			
Tuition	\$5,700.00	01/20/2021	2021 January Term
Institutional Services Fee	\$65.00	01/20/2021	2021 January Term
Total:	\$5765.00		
Anticipated Financial Aid:			
Total:	\$0.00		
Payments:			
Founder's Grant 2020-21	\$2,496.00	1/20/21	2021 January Term
Web Payment on Account	\$3,269.00	1/11/21	2021 January Term
Total:	\$5765.00		

Student Registration Bill Summary by Term

4/28/2021
12:39:47PM

Student Name Beverli Marshall
Student ID 645978
Term(s) 2021 January Term

Description	Amount	Date	Term Description
Account Summary:			
Charges:	\$5765.00		
Financial Aid:	\$0.00		
Payments:	\$5765.00		
Amount due or (due to Student) :	\$0.00		



**Valley Sanitary District
Board of Directors Meeting
May 11, 2021**

TO: Board of Directors

THROUGH: Beverli A. Marshall, General Manager

FROM: Jeanette Juarez, Business Services Manager

SUBJECT: **Conduct a Public Hearing to Receive Input from the Community Regarding the Proposed Sewer Service Charge Increase and Consider Adoption of Resolution 2021-1142 Establishing Sewer Service Charges for Fiscal Year 2021/22**

<input checked="" type="checkbox"/> Board Action	<input type="checkbox"/> New Budget Approval	<input type="checkbox"/> Contract Award
<input type="checkbox"/> Board Information	<input type="checkbox"/> Existing FY Approved Budget	<input type="checkbox"/> Closed Session

Executive Summary

The purpose of this report is for the Board to conduct a public hearing, in accordance with Proposition 218, regarding the proposed sewer service charge increase.

Strategic Plan Compliance

This item complies with VSD Strategic Plan Objective 5.1: Align long-term financial planning with strategic priorities.

Fiscal Impact

The adoption of the proposed sewer rate will increase annual revenue in Fiscal Year 2021/22 by \$1,512,349.

Background

The District provides wastewater service to its customers, and continually strives to provide excellent service while maximizing cost reductions and better utilization of its assets. In addition, the District must be fiscally responsible to ensure financial stability in the years to come. To this end, the District engaged an independent consultant to perform a cost of service analysis and rate study for its sewer service charges.

Based upon the rate study, the District anticipates there will be future increases in the costs of operating and maintaining the wastewater systems. The proposed wastewater rate increases are necessary to enable the District to:

1. maintain the operational and financial stability of the District, including keeping pace with inflation and other cost increases including wastewater treatment costs; and
2. comply with State and Federal regulations governing the treatment, disposal, and reuse of wastewater; and
3. fund capital infrastructure improvements needed to repair and update the District's aging wastewater system; and
4. Construction of the Recycled Water System

In compliance with California Proposition 218, a notice was sent to the record owners and/or tenants via U.S. Mail at least 45 days before the Public Hearing to consider an increase to the sewer service charges. Additionally, a notice of the Public Hearing was advertised in the Desert Sun, a newspaper of general circulation, on March 20, 2021 and March 21, 2021.

Recommendation

Staff recommends that the Board of Directors conduct a Public Hearing, in accordance with Proposition 218, regarding the proposed sewer rate increase, and adopt Resolution No. 2021-1142, setting the sewer service charges for Fiscal Year 2021/22 and repealing Resolution No. 2020-1129.

Attachments

- Attachment A: Resolution 2021-1142
- Attachment B: Copy of Proposition 218 Notice
- Attachment C: Copy of Public Hearing Notice
- Attachment D: Wastewater Rate Study by NBS

RESOLUTION NO. 2021-1142
A RESOLUTION OF THE BOARD OF DIRECTORS OF VALLEY SANITARY DISTRICT ADOPTING SEWER SERVICE CHARGES FOR FISCAL YEAR 2021/22

WHEREAS, the Valley Sanitary District (the “District”) is authorized to provide sewer service to properties within its service area, and pursuant to Ordinance 94-115 the Board of Directors established the authority under State law to collect fees and charges for costs reasonably borne and charges levied by the District; and

WHEREAS, costs for providing sewer service and operating the sewer system have increased, and the District previously retained NBS, an independent rate consultant, to perform a cost of service analysis and rate study, entitled Wastewater Rate Study; and

WHEREAS, on March 9, 2021, the District held a Board meeting, where NBS presented the results and recommendations from the Wastewater Rate Study to the Board of Directors for review; and

WHEREAS, the Wastewater Rate Study found that increases and adjustments to the District’s sewer service charges are necessary to meet increased costs of providing service and operating the system, and

WHEREAS, based on this analysis, the District is proposing to change the structure of the sewer rate to 70% fixed and 30% volumetric charge, and

WHEREAS, the proposed sewer service charges include an incremental increase over the next five (5) years, and

Annual Sewer Rate Schedule	July 1, 2021	July 1, 2022	July 1, 2023	July 1, 2024	July 1, 2025
70% Fixed Service Charge					
	Rates Per Equivalent Dwelling Unit (EDU)				
Single Family	\$ 342.72	\$ 385.56	\$ 433.76	\$ 487.98	\$ 497.74
Multi-Family	\$ 150.00	\$ 168.75	\$ 189.84	\$ 213.57	\$ 217.84
Mobile Home	\$ 181.28	\$ 203.94	\$ 229.43	\$ 258.11	\$ 263.27
RV Park	\$ 141.25	\$ 158.91	\$ 178.77	\$ 201.12	\$ 205.14
Commercial-Low/Med Strength	\$ 199.03	\$ 223.91	\$ 251.90	\$ 283.39	\$ 289.06
Commercial-High Strength	\$ 607.00	\$ 682.88	\$ 768.24	\$ 862.27	\$ 881.56
30% Volumetric Rate					
	\$ per Hundred Cubic Feet (HCF) winter average water consumption				
Single Family	\$ 0.98	\$ 1.10	\$ 1.24	\$ 1.40	\$ 1.43
Multi-Family	\$ 0.98	\$ 1.10	\$ 1.24	\$ 1.40	\$ 1.43
Mobile Home	\$ 0.98	\$ 1.10	\$ 1.24	\$ 1.40	\$ 1.43
	\$ per Hundred Cubic Feet (HCF) annualized water consumption				
RV Park	\$ 1.10	\$ 1.23	\$ 1.38	\$ 1.55	\$ 1.58
Commercial-Low/Med Strength	\$ 0.88	\$ 0.99	\$ 1.11	\$ 1.25	\$ 1.28
Commercial-High Strength	\$ 2.00	\$ 2.25	\$ 2.53	\$ 2.85	\$ 2.91

WHEREAS, the revenues derived from the sewer service charges will not exceed the funds required to provide the services for which the sewer service charges are imposed, and will be used exclusively for the operation and maintenance of the District's sewer systems; and

WHEREAS, the sewer service charges are equitable to all customer classes; and

WHEREAS, the amount of the sewer service charges will not exceed the proportional cost of the service attributable to each parcel upon which they are proposed for imposition; and

WHEREAS, the sewer service charges will not be imposed on a parcel unless the service for which such charge is imposed, is actually used by, or immediately available to, the owner of the parcel; and

WHEREAS, article XIII D, section 6 of the California Constitution ("Article XIII D") requires that prior to imposing any increase to the charges, the District shall provide written notice (the "Notice") by mail of the new or increased sewer service charges to the record owner of each parcel upon which the Charges are proposed for imposition and any tenant directly liable for payment of the sewer service charges, the amount of the sewer service charges proposed to be imposed on each parcel, the basis upon which the sewer service charges were calculated, the reason for the sewer service charges, and the date time and location of a public hearing (the "Hearing") on the proposed sewer service charges; and

WHEREAS, pursuant to Article XIII D such Notice is required to be provided to the affected property owners and any tenant directly liable for the payment of the sewer service charges not less than 45 days prior to the Hearing on the proposed sewer service charges; and

WHEREAS, on May 11, 2021, the Board of Directors held a duly noticed Hearing on the proposed sewer service charges contained in this resolution, and at that time invited oral and written comments from the public; and

WHEREAS, at the time of this writing the District received **twenty-four (24)** written protests to the proposed annual increase to the various annual sewer service charges, and received **no additional protests** during the Hearing; and

WHEREAS, the Board of Directors now desires to establish sewer service charges for Fiscal Year 2021/22, effective July 1, 2021.

NOW, THEREFORE, the Board of Directors of Valley Sanitary District **HEREBY RESOLVES**:

1. The matters set forth in the recitals to this Resolution are true and correct statements.

2. Written protests against the proposed rates and charges were not presented by a majority of owners.

3. The sewer service charge set forth in the schedule is hereby approved and adopted.

Annual Sewer Rate Schedule	July 1, 2021	July 1, 2022	July 1, 2023	July 1, 2024	July 1, 2025
70% Fixed Service Charge					
	Rates Per Equivalent Dwelling Unit (EDU)				
Single Family	\$ 342.72	\$ 385.56	\$ 433.76	\$ 487.98	\$ 497.74
Multi-Family	\$ 150.00	\$ 168.75	\$ 189.84	\$ 213.57	\$ 217.84
Mobile Home	\$ 181.28	\$ 203.94	\$ 229.43	\$ 258.11	\$ 263.27
RV Park	\$ 141.25	\$ 158.91	\$ 178.77	\$ 201.12	\$ 205.14
Commercial-Low/Med Strength	\$ 199.03	\$ 223.91	\$ 251.90	\$ 283.39	\$ 289.06
Commercial-High Strength	\$ 607.00	\$ 682.88	\$ 768.24	\$ 862.27	\$ 881.56
30% Volumetric Rate					
	\$ per Hundred Cubic Feet (HCF) winter average water consumption				
Single Family	\$ 0.98	\$ 1.10	\$ 1.24	\$ 1.40	\$ 1.43
Multi-Family	\$ 0.98	\$ 1.10	\$ 1.24	\$ 1.40	\$ 1.43
Mobile Home	\$ 0.98	\$ 1.10	\$ 1.24	\$ 1.40	\$ 1.43
	\$ per Hundred Cubic Feet (HCF) annualized water consumption				
RV Park	\$ 1.10	\$ 1.23	\$ 1.38	\$ 1.55	\$ 1.58
Commercial-Low/Med Strength	\$ 0.88	\$ 0.99	\$ 1.11	\$ 1.25	\$ 1.28
Commercial-High Strength	\$ 2.00	\$ 2.25	\$ 2.53	\$ 2.85	\$ 2.91

4. The sewer service charges shall take effect on July 1, 2021.

5. To the extent the sewer service charges set forth in this Resolution conflict with any fee or charge previously adopted by the District, it is the intent of the Board of Directors that these sewer service charges will prevail.

6. In accordance with the California Environmental Quality Act (“CEQA”), Public Resources Code §21000 et seq., and the regulations promulgated pursuant to CEQA (“The State Guidelines”) the District Board finds that this Resolution establishes rates and charges for the purposes of meeting operating expenses of the District, meeting financial reserve needs and requirements of the District and obtaining funds for capital projects which are necessary to maintain sewer service within existing service areas in the District. (State Guidelines § 15273).

PASSED, APPROVED, and ADOPTED this 11th day of May 2021, by the following roll call vote. A summary notice thereof has been published twice in a newspaper of general circulation in the Valley Sanitary District prior to said hearing as required by law. Resolution 2019-1115 is hereby repealed at the effective date of this resolution.

AYES:
 NAYES:
 ABSENT:

ABSTAIN:

Scott Sear, President

ATTEST:

Debra Canero, Secretary

Proposed Annual Sewer Rate Schedule Starting July 1, 2021 through June 30, 2026

Annual Sewer Rate Schedule Programa Annual de Tarifas de Alcantarillado	Current Ahora	July 1, 2021	July 1, 2022	July 1, 2023	July 1, 2024	July 1, 2025
Fixed Service Charge (Cargo Por Servicio Fijo)						
	Per EDU	Rates per EDU (Tarifas por EDU)				
Single Family (Unifamiliar)	\$330.00	\$ 342.72	\$ 385.56	\$ 433.76	\$ 487.98	\$ 497.74
Multi-Family (Multifamilia)	\$330.00	\$ 150.00	\$ 168.75	\$ 189.84	\$ 213.57	\$ 217.84
Mobile Home (Casas Moviles)	\$330.00	\$ 181.28	\$ 203.94	\$ 229.43	\$ 258.11	\$ 263.27
RV Park (Parque RV)	\$330.00	\$ 141.25	\$ 158.91	\$ 178.77	\$ 201.12	\$ 205.14
	Per EDU	Rates per Account (Tarifas por Cuenta)				
Commercial-Low/Med Strength (Baja Resistencia)	\$330.00	\$ 199.03	\$ 223.91	\$ 251.90	\$ 283.39	\$ 289.06
Commercial-High Strength (Alta Resistencia)	\$330.00	\$ 607.00	\$ 682.88	\$ 768.24	\$ 864.27	\$ 881.56
Volumetric Rate (Tasa Volumetrica)						
		\$ per hcf average winter water consumption (\$ por hcf consumo medio de agua en invierno)				
Single Family (Unifamiliar)	-	\$ 0.98	\$ 1.10	\$ 1.24	\$ 1.40	\$ 1.43
Multi-Family (Multifamilia)	-	\$ 0.98	\$ 1.10	\$ 1.24	\$ 1.40	\$ 1.43
Mobile Home (Casas Moviles)	-	\$ 0.98	\$ 1.10	\$ 1.24	\$ 1.40	\$ 1.43
		\$/hcf annualized water consumption (\$/hcf del consume de agua anualizado)				
RV Park (Parque RV)	-	\$ 1.10	\$ 1.23	\$ 1.38	\$ 1.55	\$ 1.58
Commercial-Low/Med Strength (Baja Resistencia)	-	\$ 0.88	\$ 0.99	\$ 1.11	\$ 1.25	\$ 1.28
Commercial-High Strength (Alta Resistencia)	-	\$ 2.00	\$ 2.25	\$ 2.53	\$ 2.85	\$ 2.91

1 Unit (1hcf) = 748 gallons of water

Why the rate increase? ~ ¿Por qué la tarifa aumenta?

Based on the results of an independent sewer rate study, the rates need to be increased to: (1) maintain operational and financial stability; (2) comply with State and Federal regulations; (3) fund capital improvement projects to repair and update the District's collection and treatment infrastructure and equipment; and (4) constructing a recycled water system for indirect reuse to replenish the Coachella Valley aquifer.

Basado en los resultados de un estudio de tarifas de alcantarillado independiente, las tarifas deben aumentarse para: (1) mantener la estabilidad operativa y financiera; (2) cumplir con las regulaciones estatales y federales; (3) financiar proyectos de mejora de capital para reparar y actualizar la infraestructura y el equipo de recolección y tratamiento del Distrito; y (4) la construcción de un sistema de agua reciclada para reutilización indirecta para reponer el acuífero del Valle de Coachella.



How are the rates determined? ~ Cómo se determinan las tarifas?

Wastewater rates include both fixed and volumetric charges. Approximately 70% of wastewater collection and treatment costs are fixed and include operation and maintenance of the collection system and treatment plant as well as the capital improvements needed to maintain these systems and meet permit requirements.

Single-Family, Multi-Family, and Time Share units are charged based on equivalent dwelling units, while Mobile Home and RV Parks are charged based on the number of lots.

The revenue requirement for each customer class is determined by multiplying the total revenue requirements by allocation factors specific to each customer class, including the estimated effluent volume, effluent strength, and the total number of accounts.

Effluent strength is measured by two factors: biochemical oxygen demand and total suspended solids. While residential customers are assumed to have "normal" strength effluent, commercial customers are assigned to either low/medium-strength or high-strength categories. High-strength commercial customers, who have higher treatment plant costs, have correspondingly higher charges.

Volumetric charges for Single-Family, Multi-Family, and Mobile Home customers are calculated based on each customer's *average winter water consumption* based on the lowest three months of water use. For RV parks and non-residential customers, the volumetric charge will be based on *annual water consumption*. That volume is then multiplied by the volumetric rate for each customer class.

A copy of the rate study is available at the District office and on the District's website at www.valley-sanitary.org.

Las tarifas de aguas residuales incluyen cargos fijos y volumétricos. Aproximadamente el 70% de los costos de recolección y tratamiento de aguas residuales son fijos e incluyen la operación y mantenimiento del sistema de recolección y la planta de tratamiento, así como las mejoras de capital necesarias para mantener el sistemas y cumplir con los requisitos de los permiso.

Las unidades unifamiliares, multifamiliares y de tiempo compartido se cobran en función de las unidades de vivienda equivalentes, mientras que los parques de casas móviles y parques RV se cobran según la cantidad de lotes.

El requisito de ingresos para cada clase de cliente se determina multiplicando los requisitos de ingresos totales por factores de asignación específicos para cada clase de cliente, incluido el volumen de efluente estimado, la fuerza del efluente y el número total de cuentas.

La fuerza del efluente se mide por dos factores: la demanda bioquímica de oxígeno y el total de sólidos en suspensión. Si bien se supone que los clientes residenciales tienen efluentes de intensidad "normal", los clientes comerciales se asignan a categorías de intensidad baja / media o alta. Los clientes comerciales de gran fuerza, que tienen costos de planta de tratamiento más altos, tienen tarifas correspondientemente más altas.

Los cargos volumétricos para los clientes de casas unifamiliares, multifamiliares y casas móviles se calculan en función del consumo promedio de agua en invierno de cada cliente en función de los tres meses más bajos de uso de agua. Para los parques RV y los clientes no residenciales, el cargo volumétrico se basará en el consumo anual de agua. Luego, ese volumen se multiplica por la tasa volumétrica para cada clase de cliente.

Una copia del studio está disponible en la oficina del Distrito y en el sitio web del Distrito www.valley-sanitary.org.



Voice Your Opinion ~ Expresar tu Opinión

The property owner of record or tenant may submit to the District a written protest on the proposed rate increase, which must be received at or before the time set for the public hearing.

Protests should contain the following information: (1) a description of the property (assessor's parcel #); (2) if you are the property owner of record or tenant; and (3) the parcel owner's or tenant's signature. Only one written protest per parcel will be counted.

The Board will consider all protests. If the protests represent a majority of parcels, the Board will not impose the increase. If there is no majority protest, the Board may vote to adopt the proposed rates.

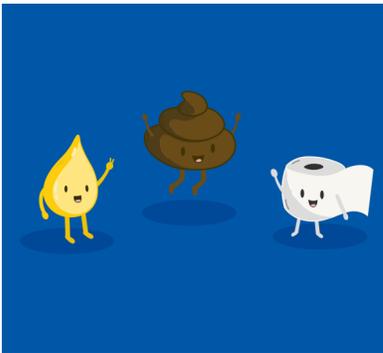
Mail or deliver written protests to: Board of Directors, Valley Sanitary District, 45-500 Van Buren Street, Indio, CA 92201.

El dueño de la propiedad registrado o el inquilino puede presentar al Distrito una protesta por escrito sobre el aumento de tarifa propuesta, que debe recibirse antes de la hora establecida para la audiencia pública.

Las protestas deben contener la siguiente información: (1) una descripción de la propiedad (número de parcela del tasador); (2) si usted es el propietario registrado o el inquilino; y (3) la firma del propietario o inquilino de la parcela. Solo se contará una protesta por escrito por paquete.

La Junta considerará todas las protestas. Si las protestas representan la mayoría de las parcelas, la Junta no impondrá el aumento. Si no hay una protesta mayoritaria, la Junta puede votar para adoptar las tarifas propuestas.

Envíe por correo o entregue protestas por escrito a: Board of Directors, Valley Sanitary District, 45-500 Van Buren Street, Indio, CA 92201.



Flush only the three P's — pee, poop, and (toilet) paper.

Lave solo las tres P: pipí, popo y papel (higiénico).

Toallitas desechables obstruyen las tuberías.



Vierta grasa enfriada en una lata. Quite la grasa antes de lavar los platos. Ponga los restos de comida en la basura.

Valley Sanitary District
45-500 Van Buren Street
Indio, CA 92201

Valley Sanitary District
45-500 Van Buren
Indio, CA 92201

Visit our website:

www.valley-sanitary.org

Follow us on Facebook:

www.facebook.com/Valley-Sanitary-District-556532824874362



**Notice of Public Hearing
Proposed Changes to
Sewer Use Rates**

Date: May 11, 2021

Time: 1:00 P.M.

Location:

Valley Sanitary District
45-500 Van Buren St
Indio, CA 92201

All members of the public
are welcome to participate in
the public hearing.

For more information,
please call 760-238-5400.

**Aviso de Audiencia Pública
Cambios Propuestos a
las Tarifas de Uso de
Alcantarillado**

Date: May 11, 2021

Time: 1:00 P.M.

Location:

Valley Sanitary District
45-500 Van Buren St
Indio, CA 92201

Todos los miembros del
público pueden
participar en la
audiencia pública.

Para obtener más
información, llame al
760-238-5400.

**PROOF OF
PUBLICATION**

**STATE OF CALIFORNIA SS.
COUNTY OF RIVERSIDE**

VALLEY SANITARY DISTRICT
45500 VAN BUREN ST

INDIO CA 92201

RECEIVED

MAR 26 2021

Valley Sanitary District

**NOTICE OF PUBLIC HEARING
VALLEY SANITARY DISTRICT
PROPOSED NEW RATES FOR SEWER SERVICES**

On Tuesday, May 11, 2021, the Valley Sanitary District Board of Directors will hold a public hearing to consider the proposed rate described in the Proposition 218 Notice mailed to property owners of record within the District's service area.

The hearing will begin at 1:00 p.m. in the Valley Sanitary District Boardroom located at 45-500 Van Buren Street, Indio, CA 92201.

How to protest the proposed new rate:

Under Proposition 218, the property owner of record or a tenant may submit a written protest against the proposed rate increase to the District at or before the time set for the public hearing.

Protests should contain the following information: (1) a description of the property, such as the assessor's parcel number; (2) whether you are the property owner of record or a tenant; and (3) the parcel owner's or tenant's signature. One written protest per parcel will be counted.

Please mail written protests to:

Board of Directors
Valley Sanitary District
45-500 Van Buren Street
Indio, CA 92201

Or you can deliver your protest to the Clerk of the Board at the same address, Monday - Friday between the hours of 8:00 a.m. and 5:00 p.m. Written protests must be received by Valley Sanitary District no later than 1:00 p.m. on Tuesday, May 11, 2020. Electronically submitted protests will not be accepted.

The Board of Directors will consider all protests against the proposed increase. If written protests against the proposed increase are presented by the majority of property owners, the Board of Directors will not impose the increase. If there is no majority protest, the District Board of Directors may vote to adopt the proposed rates for sewer services, which will become effective as of July 1, 2021.
Published: 3/20, 3/21/2021

I am over the age of 18 years old, a citizen of the United States and not a party to, or have interest in this matter. I hereby certify that the attached advertisement appeared in said newspaper (set in type not smaller than non pariel) in each and entire issue of said newspaper and not in any supplement thereof on the following dates, to wit:

03/20/2021, 03/21/2021

I acknowledge that I am a principal clerk of the printer of The Desert Sun, printed and published weekly in the City of Palm Springs, County of Riverside, State of California. The Desert Sun was adjudicated a Newspaper of general circulation on March 24, 1988 by the Superior Court of the County of Riverside, State of California Case No. 191236.

I certify under penalty of perjury, under the laws of the State of California, that the foregoing is true and correct.. Executed on this 22nd of March 2021 in Green Bay, WI, County of Brown.

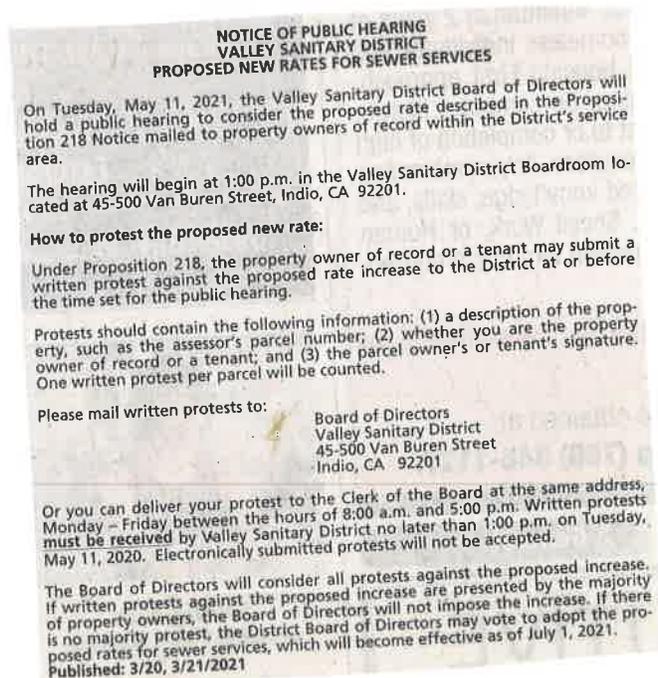

DECLARANT

Ad#:0004651213

P O :

This is not an invoice

of Affidavits: 1





Aerial view of Valley Sanitary District
via Google Earth

VALLEY SANITARY DISTRICT

Final Report for:

Wastewater Rate Study

May 2021

OFFICE LOCATIONS:

Temecula – Corporate Headquarters
32605 Temecula Parkway, Suite 100
Temecula, CA 92592

San Francisco – Regional Office
870 Market Street, Suite 1223
San Francisco, CA 94102

California Satellite Offices
Atascadero, Davis
Huntington Beach,
Joshua Tree, Riverside
Sacramento, San Jose

www.nbsgov.com

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SECTION 1. PURPOSE AND OVERVIEW OF THE STUDY

Valley Sanitary District (District) retained NBS to conduct a comprehensive wastewater rate study for a number of reasons, including meeting revenue requirements, providing greater financial stability for the wastewater enterprise, and complying with certain legal requirements (e.g., California Constitution Article XIII D, Section 6, which is commonly referred to as Proposition 218 [Prop 218]). The rates resulting from this Study were developed in a manner that is consistent with industry standards and cost-of-service principles. In addition to documenting the rate study methodology, this report is provided with the intent of assisting the District maintain transparent communications with the residents and community it serves.

In developing new wastewater rates, NBS worked cooperatively with District staff, the Budget and Finance Committee, and the Board of Directors (Board) in selecting appropriate rate alternatives. This report summarizes the input and direction received from these stakeholders.

A. Overview of the Study

Key Issues Addressed - In addition to ensuring that wastewater rates collect sufficient revenue to meet the annual operating costs and fund capital improvement plans, other key issues include:

- **Financial Plans** – The long-term financial plan developed for the District incorporates all revenue sources, expenditures, reserves, capital improvement costs, and repair and replacement costs in determining the net revenue requirements that must be funded from rates. This financial plan fully funds operations and maintenance (O&M) and capital improvement costs in an effort to develop annual rate increases necessary to meet the District’s financial obligations.
- **Capital Improvement Funding** – The District’s 2020 Capital Improvement Program was incorporated into the financial plan with the objective of funding all planned capital projects. Balancing these needs against the financial impact on customers was a critical aspect of this Study. Over the next twenty years, capital improvement costs are significant and approximately half of those projects are planned for the next five years. As a result, a significant percentage of these projects are being funded with debt financing. However, to minimize rate increases, the funding alternatives used the funds available from reserves and cash-funding from rates in addition to debt financing.
- **Review of Equivalent Dwelling Units** – The District’s records of the equivalent dwelling units (EDUs) assigned to various customers have been developed over the years using a largely undocumented process and data from several sources.¹ Because of this, updating and verifying the accuracy of these EDU calculations was not an easy process. NBS worked with District staff and the Budget and Finance Committee to improve the accuracy and the equity of this data. While we believe the proposed assignments represent a significant improvement, additional verification would be helpful, and the District is planning on making further improvements in the future.

¹ Sources include the Tax Roll submittal for FY 2020/21, the *Net Billed Water Consumption by Location (RAC)* data provided by the Indio Water Agency, and the District’s ACTS Database.

- **Rate Design** – The alternative rate structures evaluated included several with a volumetric component based on the estimated volume and strength of wastewater discharged by each customer class, in addition to the improvements in the fairness and equity of the EDU assignments for each user classification. As a part of the volumetric rates, the amount of rate revenue collected from monthly fixed vs. variable charges was also closely examined. After carefully considering the customer bill impacts and the overall fairness and equity of each rate alternative, the Board decided on a rate alternative that collects 70 percent of the rate revenue from fixed charges and 30 percent from the volumetric charges.

B. Rate Study Methodology

Comprehensive rate studies, such as this one, typically include the three components outlined in **Figure 1**:

Figure 1. Primary Components of a Rate Study



These steps are intended to follow industry standards and reflect the fundamental principles of cost-of-service rate making embodied in American Water Works Association’s *Principles of Water Rates, Fees, and Charges*,² also referred to as the M1 Manual. The rate study also addresses requirements under Proposition 218 that rates must not exceed the cost of providing the service and that rates be proportionate to the cost of providing service for all customers. In terms of the chronology of the Study, these three steps represent the order in which they were performed.

The District provided NBS with the data necessary to conduct the Study, including historical, current, and projected revenues and expenditures, number of customer accounts, and water consumption data along with other operational and capital cost information. Detailed tables and figures documenting the development of the proposed rates are provided in the *Appendix*.

As noted above, significant efforts were made to improve the calculation of the EDUs assigned to the various types of customers. These efforts are reflected in the proposed rates discussed below. The next sections provide more details on each of these three rate study components.

² *Principles of Water Rates, Fees, and Charges, Manual of Water Supply Practices, M1 Manual, American Water Works Association (AWWA), Seventh Edition, 2017.*

Financial Plan

As a part of the rate study, NBS projected revenues and expenditures on a cash-flow basis for the next twenty years, although the proposed rates are for a 5-year period (FY 2021/22 through FY 2025/26). The amount of rate revenue that will also maintain adequate reserves is known as the *net revenue requirement*. Recommended reserve levels are based on a combination of industry standards and the Utility's unique financial needs. More detail on recommended reserve levels is included in Section 2. When current rate revenue falls short of the net revenue requirement, rate adjustments - or more accurately, adjustments in the total revenue collected from rates - are recommended. This report presents an overview of the methodology, assumptions, and data used along with the financial plan and proposed rates developed in this Study.

Cost-of-Service Analysis

The basic purpose of the cost-of-service analysis (COSA) is to fairly and equitably allocate costs to customer classes. A key task in this effort is "classification" of the sewer revenue requirements into three basic categories:

- Flow (volume) related costs
- Strength costs related to Biochemical Oxygen Demand (BOD) and Total Suspended Solids (TSS)
- Customer service-related costs

These cost allocation factors represent the three primary types of cost allocations in the cost of service. For example, effluent with higher levels of BOD and TSS is more costly to treat and, therefore, should be allocated a greater proportion of the treatment costs. Likewise, customer classes that generate significantly more flow to the wastewater treatment plant should also be charged accordingly. Further details are discussed below and documented in the *Appendix*.

Rate Design Analysis

Rate Design is typically the stage in the study where NBS, District staff, and Committees work closely together to develop rate alternatives that will meet the District's objectives. It is important for the wastewater utility to send proper price signals to its customers about the actual cost of providing service. This objective is typically addressed through both the magnitude of the rate adjustments and the rate structure design. In other words, both the amount of revenue collected and the way in which the revenue is collected from customers are important.

Several criteria are typically considered in setting rates and developing sound rate structures. The fundamentals of this process have been well documented in various rate-setting manuals, such as AWWA's M1 Manual. The foundation for evaluating rate structures is generally credited to James C. Bonbright in *Principles of Public Utility Rates*³ which outlines pricing policies, theories, and economic concepts along with various rate designs. The following is a simplified list of the attributes of a sound rate structure:

³ James C. Bonbright, Albert L. Danielsen, and David R. Kamerschen, *Principles of Public Utility Rates*, Arlington, VA: Public Utilities Report, Inc., Second Edition, 1988, pp. 383-384.

- Rates should be easy to understand from the customer’s perspective.
- Rates should be easy to administer from the utility’s perspective.
- Rates should promote the efficient allocation of the resource.
- Rates should be equitable and non-discriminating (that is, cost based).
- There should be continuity in the rate making philosophy over time.
- Rates should provide month-to-month and year-to-year revenue stability.

Rate Structure Terminology

Although the District’s current rates are 100-percent fixed, the Board considered a volumetric rate to be an important rate design alternative because it is generally more equitable. Particularly in the last 10 years, many sewer utilities have incorporated a volumetric component into their sewer rates solely for the purpose of improving customer equity.

The relationship between fixed and variable costs can have a significant impact on customer bills. Fixed costs, such as debt service and personnel costs, typically do not vary with the amount of wastewater effluent, whereas variable costs, such as the cost of chemicals and electricity used in pumping effluent flows, tend to change with the quantity of wastewater effluent generated. Volumetric sewer charges are generally based on metered water use, with average winter water use being used for residential customers and monthly or annual water use often being used for non-residential customers.

Key Financial Assumptions

Following are the key assumptions used in the rate analysis:

- **Funding of Capital Projects** – Without rate increases and additional long-term debt, the District would find it difficult to pay for the planned capital improvements. Therefore, both rate increases and new long-term debt are used to fund most of the planned capital improvements.
- **Reserve Fund Targets** – Reserves for operations and capital needs are set based on NBS input, recommendations from District staff, and the District’s Reserve Policy,⁴ which are generally consistent with industry standards for utility fund management:
 - Operating Reserve – Equal to 50%, or 6 months, of operating and maintenance expenses.
 - Capital Replacement Reserve – Equal to 50%, or 6 months, of operating and maintenance expenses.
 - Emergency Reserve – Equal to 5% of operating and maintenance expenses.

⁴Valley Sanitary District, *Resolution No. 2013-1040, Exhibit A – Valley Sanitary District Financial Reserve Policy*. Source file: https://www.valley-sanitary.org/sites/g/files/vyhlif721/fj/uploads/2013-1040_district_reserve_policy.pdf.

- **Inflation and Growth Projections:**

- General cost inflation is approximately 3% annually.
- Labor cost inflation is 4% annually.
- Customer growth is 1% annually.

The next section presents the wastewater rate study.

SECTION 2. WASTEWATER RATE STUDY

This section presents further details on the primary rate study components previously outlined in Figure 1.

A. Financial Plan

It is important for municipal utilities to maintain reasonable reserves in order to handle emergencies, fund working capital, maintain a good credit rating, and generally follow sound financial management practices. Rate increases are governed by the need to meet operating and capital costs, maintain adequate debt coverage, and build reasonable reserve funds. The current state of the District’s wastewater utility regarding these objectives, is as follows:

- **Meeting Net Revenue Requirements:** For Fiscal Year 2021/22 through FY 2025/26, the projected net revenue requirement (that is, total annual expenses plus debt service and rate-funded capital costs less non-rate revenues) for the District averages \$11.5 to \$18.1 million annually. Without rate increases, the District is projected to run an annual deficit of approximately \$414,000 by FY 2023/24 which would continue to grow to \$5.6 million by FY 2025/26, thus requiring more significant increases in the future.
- **Funding Capital Improvement Projects:** The District must also be able to fund necessary capital improvements in order to maintain current service levels for its customers. As
- **Figure 2** below shows, District staff has identified roughly \$259.5 million in expected capital expenditures for FY 2021/22 through FY 2040/41 with approximately 53%, or \$138.8 million, of the total costs planned in the next five years.

Figure 2. Capital Improvement Costs for FY 2021/22 through FY 2040/41

Capital Project Costs 2022-2041 ¹	2022-2026	2027-2031	2032-2041	Total
Fund 12 - Capital Replacement Projects	\$ 96,753,803	\$ 47,995,610	\$ 13,666,946	\$ 158,416,359
Fund 13 - Capital Improvement Projects	41,496,341	34,534,738	21,830,151	97,861,230
Contingency	534,722	684,415	2,011,255	3,230,393
Total Costs	\$ 138,784,867	\$ 83,214,763	\$ 37,508,352	\$ 259,507,982
<i>Average Annual Expenditure</i>	53%	32%	14%	\$ 12,975,399

1. Capital project costs include estimated cost inflation.

The recommended rate increases will allow the District to complete planned capital projects while building reserve levels to meet the minimum recommended targets.

To minimize the impacts on ratepayers, the District is also planning to issue new debt in the form of 30-year loans (e.g., State Revolving Fund Loans) beginning in FY 2021/22 and then in 3-year increments totaling \$165 million, as shown in **Figure 3** below.

Figure 3. 30-Year Debt Issues

Estimated Debt Financing	Loan Issues	Annual Debt Service Payment ¹
Issue #1, FY 2021/22	\$ 50,000,000	\$ 2,386,803
Issue #2, FY 2024/25	100,000,000	4,773,605
Issue #3, FY 2027/28	15,000,000	716,041
Total Debt Service in FY 2027/28 and Beyond	\$ 165,000,000	\$ 7,876,449

1. Assumes 30-year repayment for each issue and 2% interest rate.

- Building and Maintaining Reserve Funds:** Reserve funds provide a basis for a utility to cope with fiscal emergencies, such as revenue shortfalls, asset failure, and natural disasters, among other events. Reserve policies provide guidelines for sound financial management, with an overall long-range perspective to maintain financial solvency and mitigate financial risks associated with revenue instability, volatile capital costs, and unexpected emergencies.

NBS along with District staff have chosen to set the following reserve targets:

- **Operating Reserves** equal 6 months of operating and maintenance expenses, which will be approximately \$4.4 million in FY 2021/22 and increase to \$5.3 million by FY 2025/26. An operating reserve is intended to promote financial viability in the event of any short-term fluctuation in revenues and/or expenditures. Fluctuations in revenue can be caused by weather patterns, the natural inflow and outflow of cash during billing cycles, natural variability in demand-based revenue streams (such as, volumetric charges), and – particularly in periods of economic distress – changes or trends in the age of receivables.
- **Capital Replacement Reserves** equal to 50% of operating and maintenance expenses, which will be approximately \$4.4 million in FY 2021/22 and increase to \$5.3 million by FY 2025/26. This reserve is set aside to address long-term and routine capital system replacement and rehabilitation needs.
- **Emergency Reserves** equal to 5% of the operating and maintenance budget, which will be approximately \$444,000 in FY 2021/22 and increase to \$526,000 by FY 2025/26. This reserve is intended to provide additional financial security should any unforeseen revenue shortages or capital emergency occur.
- Maintaining Adequate Bond Coverage:** The District is required by the rate covenants of the 2015 Wastewater Revenue Refunding Bonds to maintain a debt service coverage ratio of at least 1.25. The benefit of maintaining a higher coverage ratio is that it strengthens the District’s credit rating which can help lower interest rates for debt-funded capital projects and, in turn, reduce annual debt service payments. It is projected that, without the recommended rate increases, the District will not be able to meet the debt coverage requirement beginning in FY 2021/22.
- Inflation and Growth Projections:** Assumptions regarding cost inflation were made in order to project future revenues and expenses for the rate adoption period. According to District staff, customer growth is expected to be about 1% percent annually. This factor was used in the analysis

for certain revenues and expenses, while all other factors were based on averages made available by the U.S. Bureau of Labor Statistics for Riverside County.⁵

Rate revenue increases of 12.5 percent (12.5%) annually for the first four years of the rate adoption period from FY 2021/22 through 2024/25 and a 2 percent (2%) increase in FY 2025/26 will be needed in order to fully fund all operating and maintenance expenses, as well as planned capital projects, while still maintaining reserves at the recommended target levels. **Figure 4** summarizes the sources and uses of funds, net revenue requirements, and the recommended annual percent increases in total rate revenue recommended for the next five (5) years. These rates take into consideration the input and direction provided by District staff, the Budget and Finance Committee, and the Board.

Figure 4. Summary of Revenue Requirements

Summary of Sources and Uses of Funds and Net Revenue Requirements	Budget	Projected Rates for Adoption Period				
	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26
Sources of Sewer Funds						
Rate Revenue Under Prevailing Rates	\$ 11,979,000	\$ 12,098,790	\$ 12,219,778	\$ 12,341,976	\$ 12,465,395	\$ 12,590,049
Additional Revenue from Rate Increases ¹	-	1,512,349	3,245,879	5,230,876	7,501,758	7,980,112
Non-Rate Revenues	1,072,300	1,222,360	1,107,706	924,761	915,793	997,240
Total Sources of Funds	\$ 13,051,300	\$ 14,833,498	\$ 16,573,363	\$ 18,497,613	\$ 20,882,946	\$ 21,567,401
Uses of Sewer Funds						
Operating Expenses	\$ 8,092,960	\$ 8,878,352	\$ 9,470,994	\$ 9,808,141	\$ 10,157,538	\$ 10,519,638
Debt Service	1,445,048	3,827,601	3,826,851	3,825,913	8,601,269	8,601,019
Rate-Funded Capital Expenses	-	-	-	-	-	-
Total Use of Funds	\$ 9,538,008	\$ 12,705,953	\$ 13,297,845	\$ 13,634,055	\$ 18,758,807	\$ 19,120,657
Surplus (Deficiency) before Rate Increase	\$ 3,513,292	\$ 2,127,545	\$ 3,275,518	\$ 4,863,558	\$ 2,124,139	\$ 2,446,744
Surplus (Deficiency) after Rate Increase	\$ 3,513,292	\$ 3,639,894	\$ 6,521,396	\$ 10,094,435	\$ 9,625,897	\$ 10,426,856
Projected Annual Rate Increase	0.00%	12.50%	12.50%	12.50%	12.50%	2.00%
<i>Cumulative Rate Increases</i>	0.00%	12.50%	26.56%	42.38%	60.18%	63.38%
Net Revenue Requirement ²	\$ 8,465,708	\$ 11,483,594	\$ 12,190,139	\$ 12,709,294	\$ 17,843,014	\$ 18,123,417
Debt Coverage After Rate Increase	3.43	1.56	1.86	2.27	1.25	1.28

1. Assumes new rates are implemented July 1, 2021 and on July 1st each year thereafter.

2. Total Use of Funds less Non-Rate Revenues. This is the annual amount needed from wastewater rates.

Figure 5 summarizes the District’s full Capital Improvement Program, providing the expected cost and timing of capital projects during the 5-year rate adoption period and beyond. It is notable to mention that \$165 million in new debt will be issued to help fund the District’s planned capital projects to be paid back over the next 30 years.

⁵ Bureau of Labor Statistics. Website: <https://data.bls.gov/cgi-bin/dsrv>.

Figure 5. Summary of Capital Improvement Plan

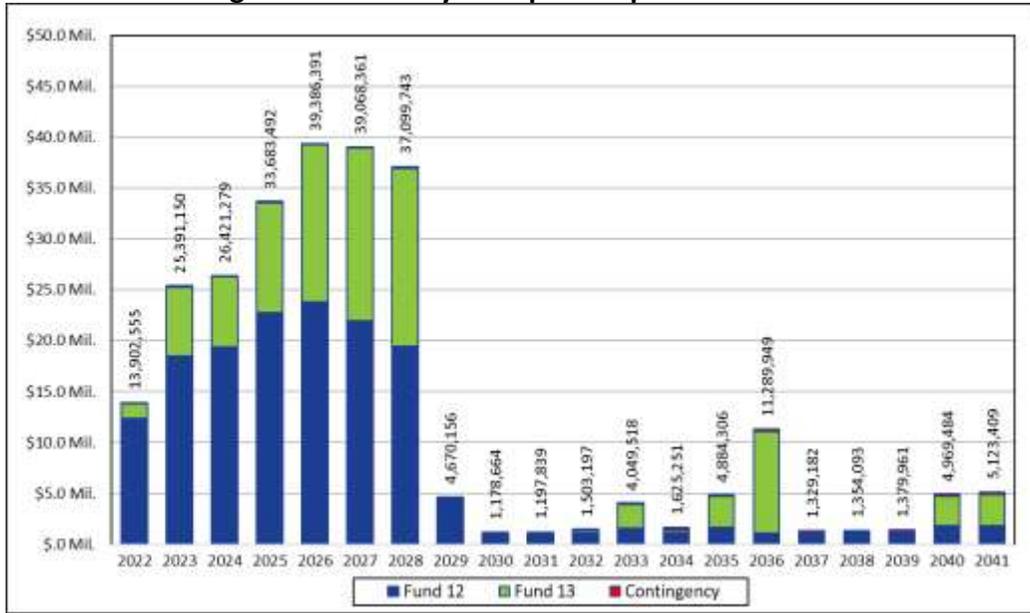


Figure 6 summarizes the projected reserve fund balances and reserve targets for the Utility’s unrestricted funds. A more detailed version of the District’s proposed 5-year financial plan is included in the Appendix. The appendix tables include revenue requirements, reserve funds, revenue sources, proposed rate increases, and the capital improvement program.

Figure 6. Summary of Reserve Funds

Beginning Reserve Fund Balances and Recommended Reserve Targets	Budget		Projected Rates for Adoption Period			
	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26
Un-Restricted Reserves						
Operating Reserve						
Ending Balance	\$ 4,046,500	\$ 4,439,200	\$ 4,735,500	\$ 4,904,100	\$ 5,078,800	\$ 5,259,800
Recommended Minimum Target	\$ 4,046,500	\$ 4,439,200	\$ 4,735,500	\$ 4,904,100	\$ 5,078,800	\$ 5,259,800
Capital Rehabilitation & Replacement Reserve						
Ending Balance	\$ 22,333,466	\$ 12,001,689	\$ 4,735,497	\$ 4,904,071	\$ 5,078,769	\$ 5,259,819
Recommended Minimum Target	\$ 4,046,480	\$ 4,439,176	\$ 4,735,497	\$ 4,904,071	\$ 5,078,769	\$ 5,259,819
Emergency Fund Balance						
Ending Balance	\$ 481,000	\$ 481,000	\$ 481,000	\$ 490,407	\$ 507,877	\$ 525,982
Recommended Minimum Target	\$ 404,648	\$ 443,918	\$ 473,550	\$ 490,407	\$ 507,877	\$ 525,982
Total Ending Balance	\$ 26,860,966	\$ 16,921,889	\$ 9,951,997	\$ 10,298,578	\$ 10,665,446	\$ 11,045,601
Recommended Minimum Target	\$ 8,497,628	\$ 9,322,294	\$ 9,944,547	\$ 10,298,578	\$ 10,665,446	\$ 11,045,601

B. Cost-of-Service Analysis

Once the net revenue requirements are determined, the cost-of-service analysis (COSA) proportionately distributes the revenue requirements to each of the customer classes. The COSA consists of the classification of expenses and then the allocation of those expenses to customer classes based on allocation factors such as water consumption and number of equivalent dwelling units (EDUs), or accounts. Ultimately, a COSA is intended to result in rates that are proportional to the cost of providing service to each customer class.

Classification of Costs

As previously noted, costs are classified into three basic categories: (1) flow-related costs; (2) strength-related costs; and (3) customer-related costs. Most costs are typically allocated to more than one of these categories. The District’s budgeted costs were reviewed and allocated to these basic categories which serve as the basis for calculating fixed and variable charges. Tables in the *Appendix* show how the District’s expenses were classified and allocated to these cost-causation components.

Based on the District’s projected costs, the COSA resulted in a distribution that is approximately 45.5 percent fixed and 54.5 percent variable. Currently, the District’s rate structure collects 100-percent of the revenue from fixed charges based on EDUs. The Board, in considering revenue stability and customer bill impacts as important factors in this rate setting process, decided on a rate structure that collects 70 percent of revenue from fixed charges and 30 percent from variable charges.⁶ This adjustment moves the District closer to the cost-of-service analysis results and allocates revenue requirements to customers more equitably.

Figure 7 summarizes the allocation of the net revenue requirements to each cost-causation component for the proposed new rate structure. The rate design of 70 percent fixed and 30 percent volumetric was part of the rate design analysis performed after the COSA. More details on the development of the allocation factors are discussed in the following section.

Figure 7. Allocation of Revenue Requirements by Customer Class

Allocation of FY 2021/22 Revenue Requirements by Customer Class						
Customer Class	Cost Classification Components				Cost-of-Service Net Revenue Req'ts.	% of COS Net Revenue Req'ts.
	Volume	Treatment		Customer Related ³		
		BOD	TSS			
Net Revenue Requirements¹	\$ 7,422,331	\$ 2,672,978	\$ 2,672,978	\$ 842,852	\$ 13,611,139	--
	54.5%	19.6%	19.6%	6.2%	100.0%	
Residential						
Single-Family Residential	\$ 5,374,845	\$ 1,873,015	\$ 1,871,270	\$ 663,048	\$ 9,782,178	71.9%
Multi-Family Residential	697,152	242,942	242,716	9,893	1,192,703	8.8%
Mobile Home ²	203,337	70,858	70,792	50,728	395,715	2.9%
RV Park ²	279,822	97,512	97,421	93,488	568,242	4.2%
Residential Totals	\$ 6,555,156	\$ 2,284,327	\$ 2,282,199	\$ 817,157	\$ 11,938,839	87.7%
Non-Residential						
Commercial - Low/Med. Strength	\$ 741,987	\$ 221,628	\$ 221,422	\$ 23,339	\$ 1,208,376	8.9%
Commercial - High Strength	125,188	167,022	169,357	2,357	463,924	3.4%
Non-Residential Totals	\$ 867,175	\$ 388,650	\$ 390,779	\$ 25,696	\$ 1,672,300	12.3%
Total	\$ 7,422,331	\$ 2,672,978	\$ 2,672,978	\$ 842,852	\$ 13,611,139	100%

1. The revenue requirement for each customer class is determined by multiplying the revenue requirement from each cost classification by the allocation factors for each customer class.
2. Revenue requirements for Mobile Home and RV Park customers are based on the number of lots.
3. Based on number of accounts, not EDUs.

⁶ The fixed and variable charges presented in this section are based on “Rate Alternative 3 – 70% Fixed / 30% Volumetric,” approved by the Board on March 9, 2021.

Characteristics of Customers by Class

Customer classes are determined by combining customers with similar flow and strength characteristics into customer classes. The most recent water consumption data was used to estimate the amount of flow that goes to the treatment plant. Residential volumetric charges for Single Family, Multi-Family and Mobile Home customers were based on the average winter water consumption for the three lowest months of use,⁷ while annual water consumption was used for non-residential and RV Park customers. For non-residential customers that do not have typical (i.e., residential) effluent strengths, volumetric rates also reflect their estimated effluent strength.

Determining Customer Class Effluent Strengths – Effluent strength factors for each customer class were determined by using the State Water Resources Control Board’s (SWRCB) *Revenue Program Guidelines*⁸ as described below:

- Residential customers, including single family, multi-family, and mobile homes, were assigned BOD and TSS strength factors of 175 mg/l which is within the normal range for residential users.
- Commercial low/medium strength customers (e.g., offices, shopping centers, churches, etc.) were assumed to have a strength that is consistent with normal sewage; therefore, a strength factor of 150 mg/L was used.
- Commercial high strength customers (e.g., restaurants, groceries, hotels with dining, etc.) were assumed to have excessive strength; therefore, strength factors on the high-end of the range for commercial users were applied at 670 mg/L for BOD and 680 mg/L for TSS.

Figure 8 summarizes the development of the strength allocation factors by customer class, with the percentage allocations by customer class highlighted in the blue columns.

Figure 8. Annual Flow and Strength Characteristics by Customer Class

Customer Class	Adjusted Total Annual Volume (HCF) ¹	Biochemical Oxygen Demand (BOD)				Total Suspended Solids (TSS)			
		Avg. Strength Factor (mg/l) ²	Calculated BOD (lbs./yr.) ³	Adjusted BOD (lbs./yr.)	Percent of Total	Avg. Strength Factor (mg/l) ²	Calculated TSS (lbs./yr.) ³	Adjusted TSS (lbs./yr.)	Percent of Total
Residential									
Single-Family Residential	2,986,744	175	3,260,646	1,501,866	70.1%	175	3,260,646	2,477,906	70.0%
Multi-Family Residential	387,400	175	422,927	194,802	9.1%	175	422,927	321,400	9.1%
Mobile Home ⁴	112,992	175	123,354	56,817	2.7%	175	123,354	93,742	2.6%
RV Park ⁴	155,494	175	169,754	78,189	3.6%	175	169,754	129,003	3.6%
Non-Residential Totals									
Commercial - Low/Med. Strength	412,315	150	385,822	177,711	8.3%	150	385,822	293,203	8.3%
Commercial - High Strength	69,566	670	290,761	133,926	6.2%	680	295,101	224,260	6.3%
Total:	4,124,510		4,653,265	2,143,311	100.0%		4,657,604	3,539,514	100.0%
		<i>Target, from WWTP Data</i>		<i>2,143,311 BOD (lbs./yr.)</i>				<i>3,539,514 TSS (lbs./yr.)</i>	
				<i>0.461 BOD Adj. Factor</i>				<i>0.760 TSS Adj. Factor</i>	

1. RV Parks and Commercial customers are based on annual water consumption. The remaining residential accounts are based on annual average winter water use.

2. Source: CA State Water Resources Control Board, *Revenue Program Guidelines (Appendix G)*, G-21.

3. Calculated BOD and TSS are from source file: *16.ASP & Pond Effluent Data + loading (01.2017 - 08.2020).xlsx*.

⁷ Lowest consecutive winter months - December 2019, January 2020, and February 2020.

⁸ State Water Resources Control Board (SWRCB). *Revenue Program Guidelines, Appendix G*, page G-21 “Commercial User Strength Characteristics.” Site: https://www.waterboards.ca.gov/publications_forms/publications/general/docs/srf_wastewater_facilities_b.pdf.

Figure 9 summarizes the development of the customer allocation factors. The percentages of accounts were used to allocate customer-related costs while EDUs were used in calculating the annual fixed charges, except for Mobile Homes and RV Parks, which were calculated using the number of accounts.

Figure 9. Number of Accounts and EDUs by Customer Class

Sewer Customer Classes	Number of Accounts ¹	Percent of Total	Number of EDUs ¹	Percent of Total
Residential				
Single-Family Residential	19,972	78.67%	19,980	57.62%
Multi-Family Residential	298	1.17%	5,566	16.05%
Mobile Home ²	1,528	6.02%	1,528	4.41%
RV Park ²	2,816	11.09%	2,816	8.12%
Non-Residential				
Commercial - Low/Med. Strength	703	2.77%	4,250	12.26%
Commercial - High Strength	71	0.28%	535	1.54%
Total:	25,388	100.00%	34,675	100.00%

1. Consumption, customer accounts, and EDUs are from source file: *Net Join Tax Roll 07-30-2020 Final V8.xlsx*.

2. Number of accounts for Mobile Homes and RV Parks are based on the number of lots.

C. Rate Design Analysis

The process of evaluating the wastewater rate structure provides the opportunity to incorporate and balance rate design objectives and policies, such as revenue stability, equity among customer classes, and customer bill impacts. NBS discussed several rate alternatives with District staff over the course of this Study, in addition to the percentage of revenue collected from fixed versus variable charges and how rates should be differentiated by customer class.

Fixed Charges

Three factors were used to develop the fixed charges: (1) the annual net revenue requirement; (2) the number of dwelling units for Single Family, Multi-Family, and non-residential customers; and (3) the number of accounts, or lots, for Mobile Home and RV Park customers. The proposed annual fixed charges are calculated by multiplying the annual revenue requirement by 70 percent, then dividing by the number of EDUs or accounts. The fixed charges for each customer class are shown in **Figure 10**.

Figure 10. Development of Fixed and Variable Charges

Customer Class	Number of Accounts	No. of EDU's ¹	Estimated Sewer Flow ²	Total Revenue Requirement	Fixed & Volumetric Charges	
					Annual Fixed Charge	Vol. Rate \$/hcf
Residential						
Single-Family Residential	19,972	19,980	2,986,744	\$ 9,782,178	\$ Per EDU \$342.72	\$0.98
Multi-Family Residential	298	5,566	387,400	1,192,703	\$150.00	\$0.98
Mobile Home ³	1,528	1,518	112,992	395,715	\$181.28	\$0.98
RV Park ³	2,816	1,576	155,494	568,242	\$141.25	\$1.10
Residential Totals	24,614	28,640	3,642,630	\$ 11,938,839		
Non-Residential						
Commercial - Low/Med. Strength	703	4,250	412,315	\$ 1,208,376	\$ Per EDU \$199.03	\$0.88
Commercial - High Strength	71	535	69,566	463,924	\$607.00	\$2.00
Non-Residential Totals	774	4,785	481,880	\$ 1,672,300		
Total	25,388	33,425	4,124,510	\$ 13,611,139		

1. EDU's are from the tax roll. Source file: 4. FY 21 Tax Roll for Rate Study.xlsx.
2. Estimated sewer flow based on average winter consumption for SFR, MFR and MH customers. RV Parks and Commercial customers are based on annual consumption. Source file: 14. IWA Net Billed Water Consumption by Location (RAC) Jan 2019 - Sept 2020.xlsx.
3. Fixed charges for SFR and MFR customers are calculated based on EDU, while rates for MH and RV Park customers are based on the number of accounts, or lots.

Variable Charges

Variable charges, on the other hand, are calculated by taking the remaining 30 percent of the revenue requirement for each customer class and dividing it by the estimated effluent volume produced. This effluent volume is the adjusted total annual volume shown in **Figure 11** below. The volumetric charges for each customer class are also summarized in the rate design table above.

Figure 11. Calculation of Adjusted Sewage Volume

Customer Class	Number of Accounts ¹	Number of EDU's ¹	Annual Volume (hcf) ¹	Winter Water Use (hcf) ^{1,2}	Est. Annual Sewer Flow (ccf/year) ⁴	Percentage of Adjusted Volume
<i>Calculation Components</i>						
			<i>A</i>	<i>B</i>	<i>C = B * 4</i>	
Residential						
Single-Family Residential	19,972	19,980	4,090,849	746,686	2,986,744	72.4%
Multi-Family Residential	298	5,566	447,858	96,850	387,400	9.4%
Mobile Home ³	1,528	1,518	140,899	28,248	112,992	2.7%
RV Park ³	2,816	1,576	155,494	38,099	155,494	3.8%
Non-Residential						
Commercial - Low/Med. Strength	703	4,250	412,315	90,540	412,315	10.0%
Commercial - High Strength	71	535	69,566	15,974	69,566	1.7%
Total:	25,388	33,425	5,316,980	1,016,396	4,124,510	100.0%

1. Consumption, customer accounts, and EDU's from source file: Net Join Tax Roll 07-30-2020 Final V8.xlsx.
2. The three consecutive month period of lowest water usage overall during FY 2019/20.
3. Number of accounts for Mobile Homes and RV Parks are based on the number of lots.
4. RV Parks and Commercial customers are based on annual water consumption. The remaining residential accounts are based on annual average winter water use.

Rate Structure Alternatives

District staff directed NBS to develop new rates that would collect rate revenue from a combination of volumetric and fixed charges. Before deciding on the recommended rate design alternative, District staff, the Budget and Finance Committee, and NBS evaluated a number of fixed/variable rate design alternatives that would reduce fluctuations in annual rate revenue. By collecting a portion of the revenue from volumetric charges, rates are better aligned with the true cost of service and rate equity is improved among customer classes.

NBS developed several alternatives with different amounts of revenue coming from fixed charges ranging from 100 to 50 percent, with the remainder coming from volumetric charges. However, the final rate alternatives considered in the Study are those presented in **Figure 12**:

Figure 12. Final Rate Alternatives

Alternative 1 - 100% Fixed based on EDU - Varies by Class
Alternative 2 - 80% Fixed / 20% Volumetric
Alternative 3 - 70% Fixed / 30% Volumetric

Description of the Selected Rate Alternative

In the face of increasing operating and maintenance costs and significantly higher planned capital improvements, the selected rate alternative represents an update of the current rate structure. The basic criteria for evaluating rate structure alternatives and details of the selected alternative are described below.

Basic Criteria for Selecting a Rate Alternative: The main criteria used to compare and ultimately select a rate alternative included:

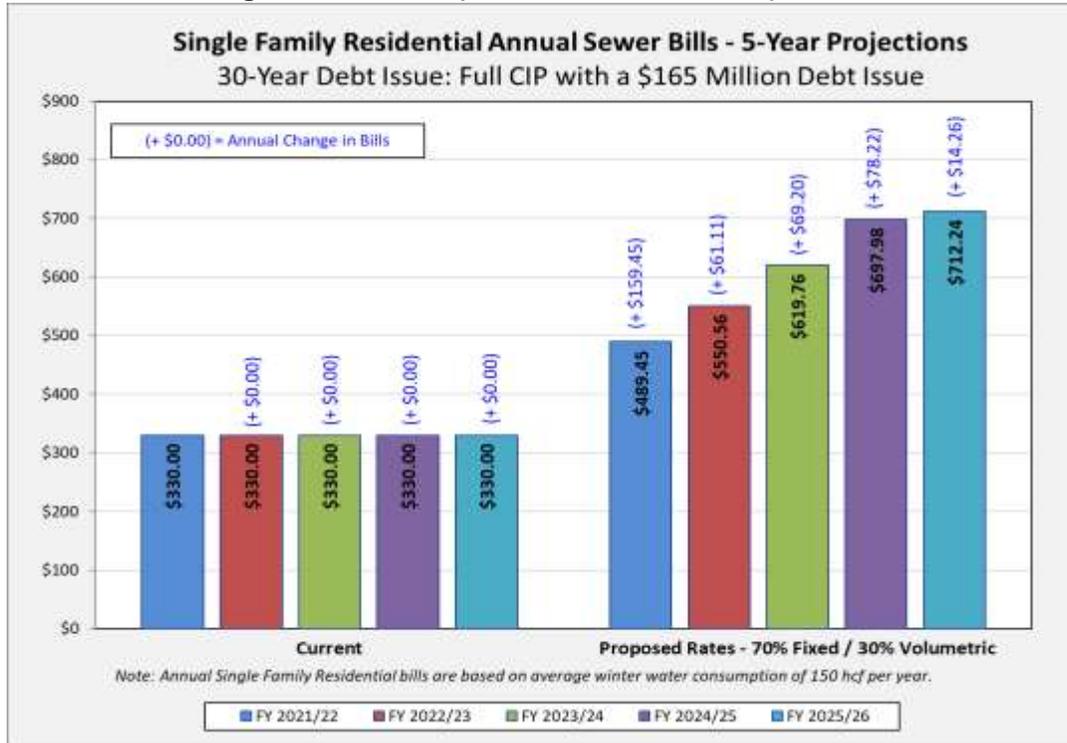
- Levels of Rate Increases – The burden that higher rates place on customers is a key factor, including how annual customer bills are impacted.
- Reserve Fund Levels – The District needs to maintain reasonable levels of reserves to manage the sewer utility’s finances in a responsible manner.
- Coverage Ratios – Debt Service Coverage Ratios are an obligation that comes with issuing debt that the District needs to make every attempt to meet, especially because it plans to issue future debt.

Selected Rate Alternative – Based on these criteria, the selected rate alternative includes:

- Annual rate increases of 12.5% over the next four years (FY 2021/22 through FY 2024/25) and 2% in the final year of the rate adoption period (FY 2025/26).
- Three separate debt issues totaling \$165 million within the next ten years to help fund planned capital improvement projects totaling approximately \$259.5 million.

Figure 13 shows the projected customer bills for the average single-family customer under the 100-percent fixed current rates versus the selected 70 percent fixed and 30 percent variable rate alternative. This comparison incorporates the differences in the billing basis for single family customers; current bills are based on the number of EDUs regardless of water usage, while proposed customer bills include a volumetric component based on average winter water use, which is 150 HCF per year.

Figure 13. Summary of Annual Sewer Bill Projections



D. Current and Proposed Rates

The proposed wastewater rates in this Study were developed based on input provided by District staff, the Budget and Finance Committee, and the Board. One of the District’s goals for this Study was to develop a new rate structure that consists of both a fixed and variable rate component based on EDUs (or accounts, as needed) and water consumption.

Figure 14 compares the current and proposed rates for FY 2021/22 through FY 2025/26 by customer class. Projected rates for each fiscal year⁹ reflect adjustments based on the cost-of-service analysis, the 70% Fixed and 30% Variable rate design structure, and the recommended annual percent increases in rate revenue. More detailed tables on the development of the proposed rates are documented in the *Appendix*.

⁹ The initial rate adjustment and all future rate adjustments are scheduled to be effective on July 1st of each year.

Figure 14. Current vs. Proposed Rates

Sewer Rate Schedule	Current Rates (\$/EDU)	Proposed Annual Sewer Rates				
		Year 1	Year 2	Year 3	Year 4	Year 5
		FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26
<i>Projected Increase in Rate Revenue:</i> ¹		12.50%	12.50%	12.50%	12.50%	2.00%
Fixed Service Charges (Per EDU or Accounts)						
Residential		Rates Per EDU or Account²				
Single-Family Residential	\$330.00	\$342.72	\$385.56	\$433.76	\$487.98	\$497.74
Multi-Family Residential	\$330.00	\$150.00	\$168.75	\$189.84	\$213.57	\$217.84
Mobile Home	\$330.00	\$181.28	\$203.94	\$229.43	\$258.11	\$263.27
RV Park	\$330.00	\$141.25	\$158.91	\$178.77	\$201.12	\$205.14
Non-Residential		Rates Per EDU				
Commercial - Low Strength	\$330.00	\$199.03	\$223.91	\$251.90	\$283.39	\$289.06
Commercial - High Strength	\$330.00	\$607.00	\$682.88	\$768.24	\$864.27	\$881.56
Volumetric Rate (\$/hcf of annualized average winter water consumption)³						
Residential		Rates Per HCF⁴				
Single-Family Residential	--	\$0.98	\$1.10	\$1.24	\$1.40	\$1.43
Multi-Family Residential	--	\$0.98	\$1.10	\$1.24	\$1.40	\$1.43
Mobile Home	--	\$0.98	\$1.10	\$1.24	\$1.40	\$1.43
RV Park	--	\$1.10	\$1.23	\$1.38	\$1.55	\$1.58
Non-Residential						
Commercial - Low Strength	--	\$0.88	\$0.99	\$1.11	\$1.25	\$1.28
Commercial - High Strength	--	\$2.00	\$2.25	\$2.53	\$2.85	\$2.91

1. This is the increase in annual rate revenue as shown in the Financial Plan, not an across-the-board adjustment to individual rate. Based on the cost-of-service adjustments, individual rates may be more or less than this amount in FY 2021/22.
2. Rates for SFR and MFR customers are calculated based on EDU, while rates for MH and RV Park customers are based on the number of accounts, or lots. Commercial rates are based on estimated EDUs.
3. One Unit is equal to one HCF (Hundred Cubic Feet) or 748 gallons.
4. HCF based on **average winter consumption** for SFR, MFR and MH customers and **annual consumption** for RV Parks and Commercial customers.

E. Comparison of Current and Proposed Customer Bills

Residential Customers

The following figures compare annual sewer bills under current and proposed rates for residential customers in the first year of the new rate period. These annual bill comparisons are calculated at various levels of average winter water consumption and reflect adjustments to how EDUs are calculated. Here are the results:

- Single family customers are expected to see an increase in their annual bill. In addition to the \$14.72 increase in the fixed charge, they will also be charged \$0.98 per HCF. **Figure 15** shows customer bills under various consumption levels, including the average winter, annual, and summer consumptions.
- Multi-family residential customers will see their annual bill decrease due to a \$180.00 reduction in the fixed charge even if average winter consumption of 70 HCF were to double. **Figure 16** shows the customer bill impacts under various consumption levels.
- Mobile home customers will also see their annual bill decrease due to a \$148.72 reduction in their fixed rate. **Figure 17** shows the customer bill impacts under various consumption levels.

Figure 15. Annual Bill Comparison for Single Family Customers

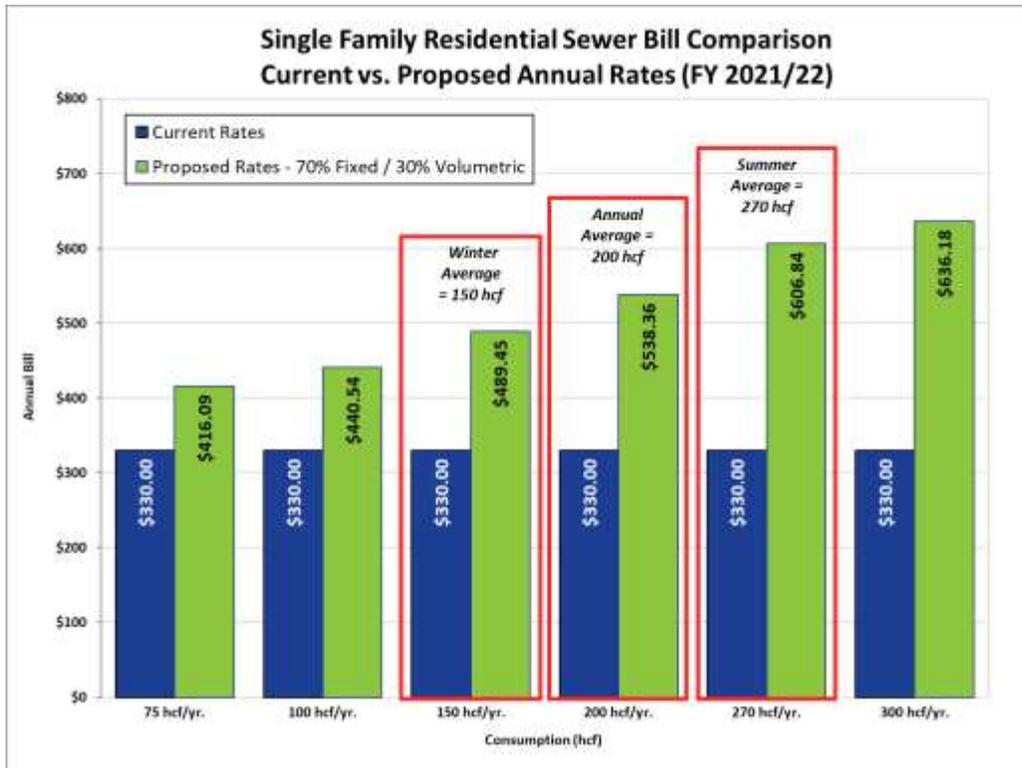


Figure 16. Annual Bill Comparison for Multi-Family Customers

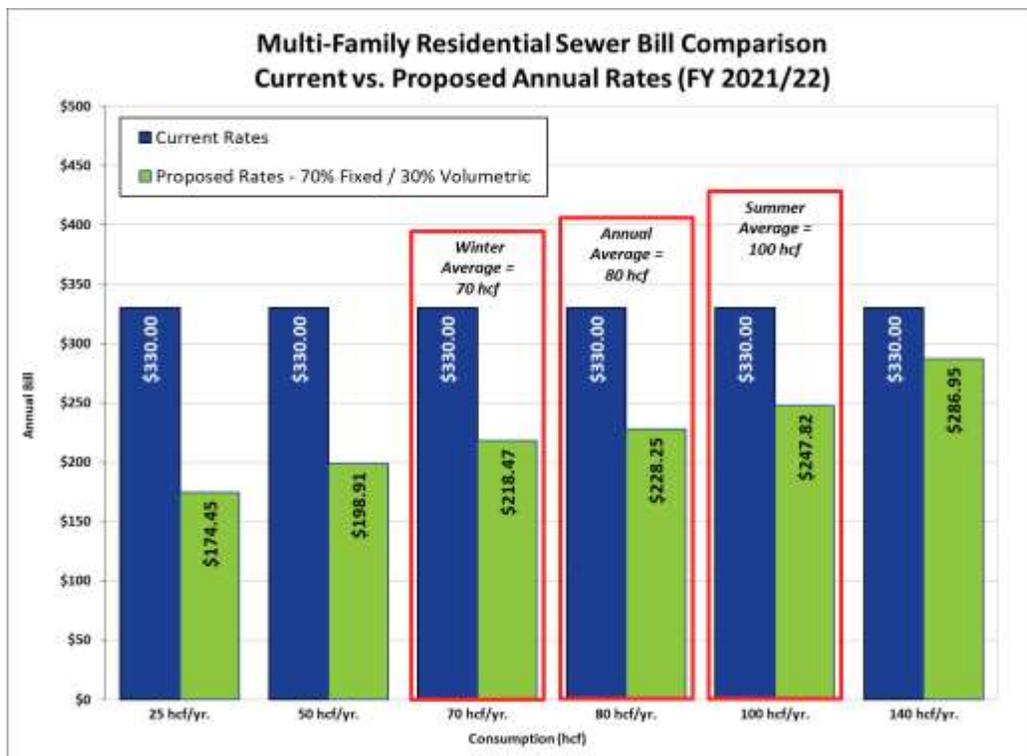
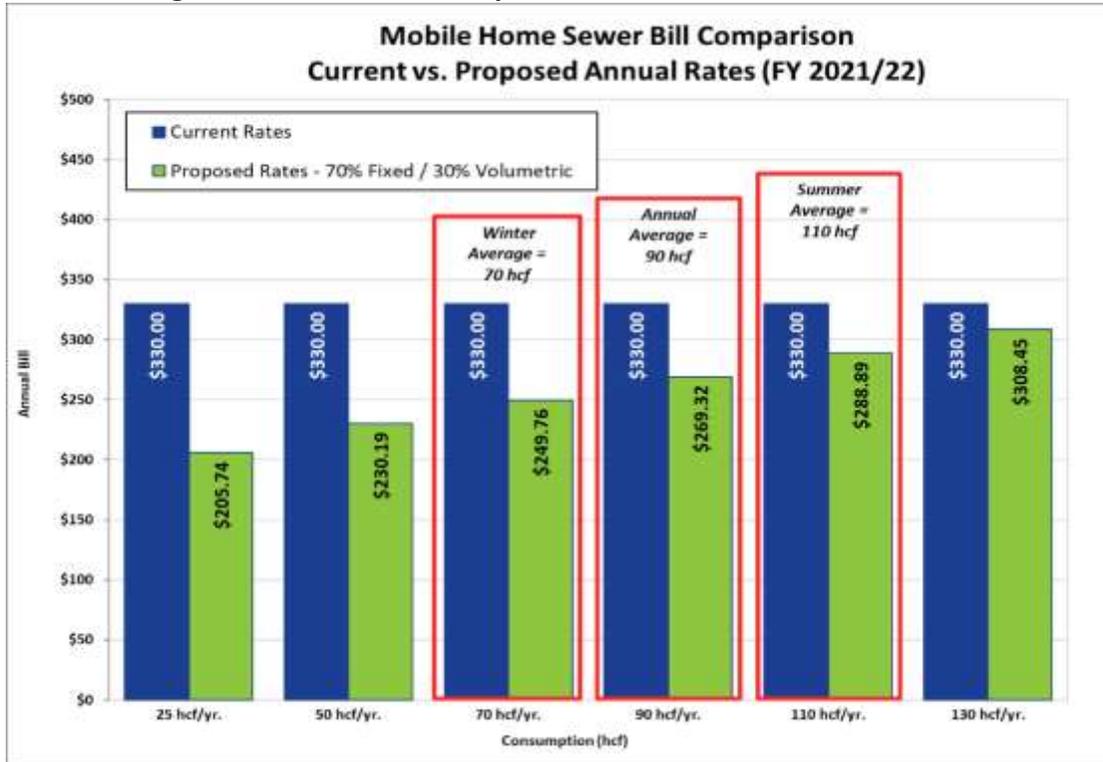


Figure 17. Annual Bill Comparison for Mobile Home Customers



RV Parks and Commercial Customers

If the proposed rates are adopted, RV Parks and Non-Residential customers will also be subject to a fixed rate as well as a volumetric charge. As a result, annual sewer bills for these customers will also vary based on their actual consumption. Here are the results:

- RV Park customers will see their annual bill decrease due to a \$188.75 reduction in the fixed charge even if average annual water consumption of 60 HCF were to double. **Figure 18** shows the customer bill impacts.
- Commercial low/medium-strength customers will see an increase in their annual bill if they are using the average annual consumption of 590 HCF. These customers would only see a decrease in their bill if their annual water use were less than 150 HCF. **Figure 19** shows the customer bill impacts.
- Commercial high-strength customers will also see an increase in their annual bill if they are using the annual average amount of water of 980 HCF. **Figure 20** shows the customer bill impacts.

Figure 18. Annual Bill Comparison for RV Park Customers

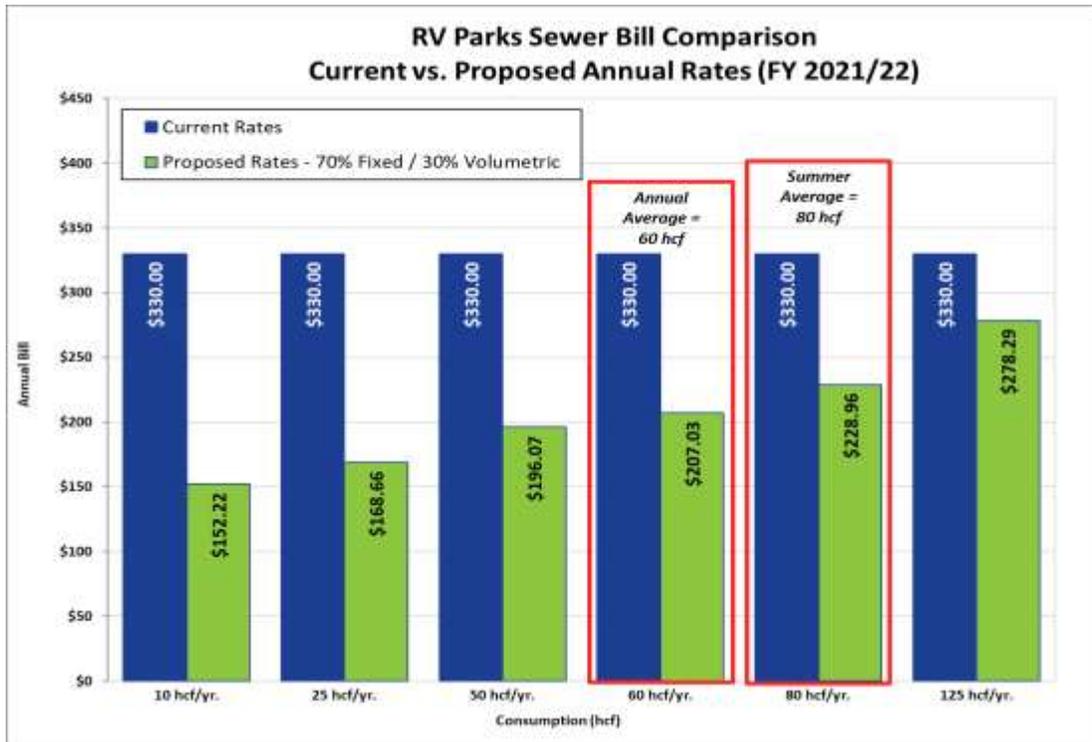


Figure 19. Annual Bill Comparison for Commercial Low/Medium Strength Customers

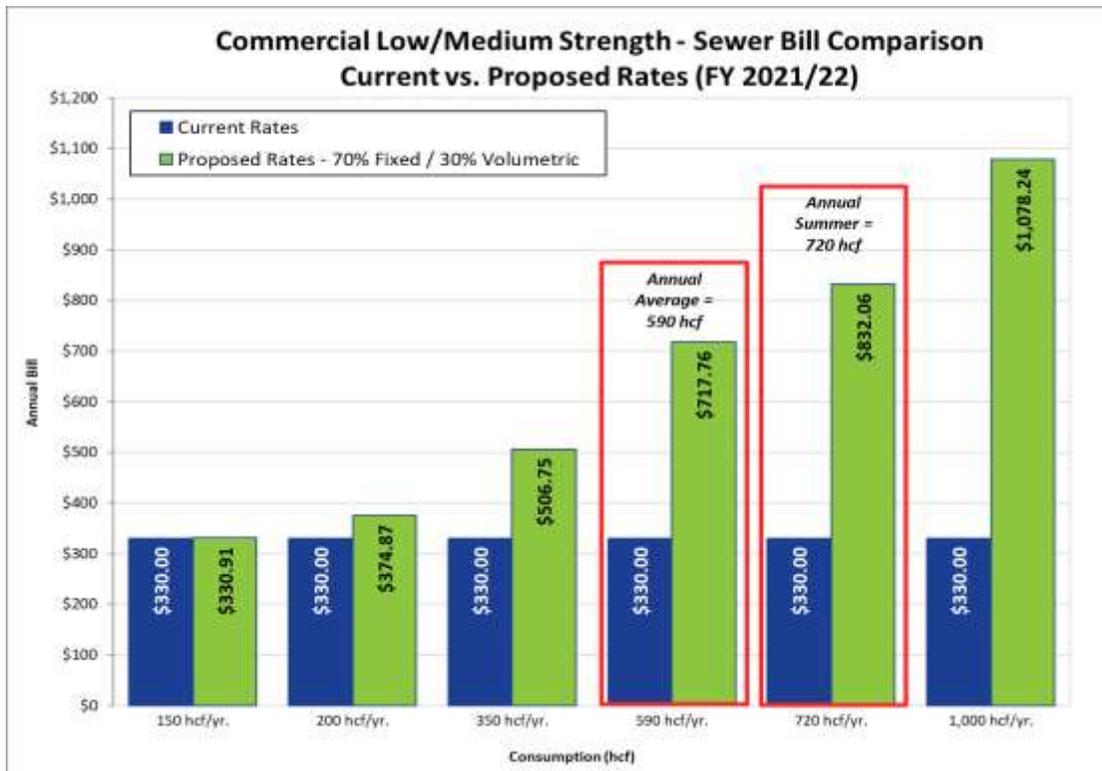


Figure 20. Annual Bill Comparison for Commercial High Strength Customers

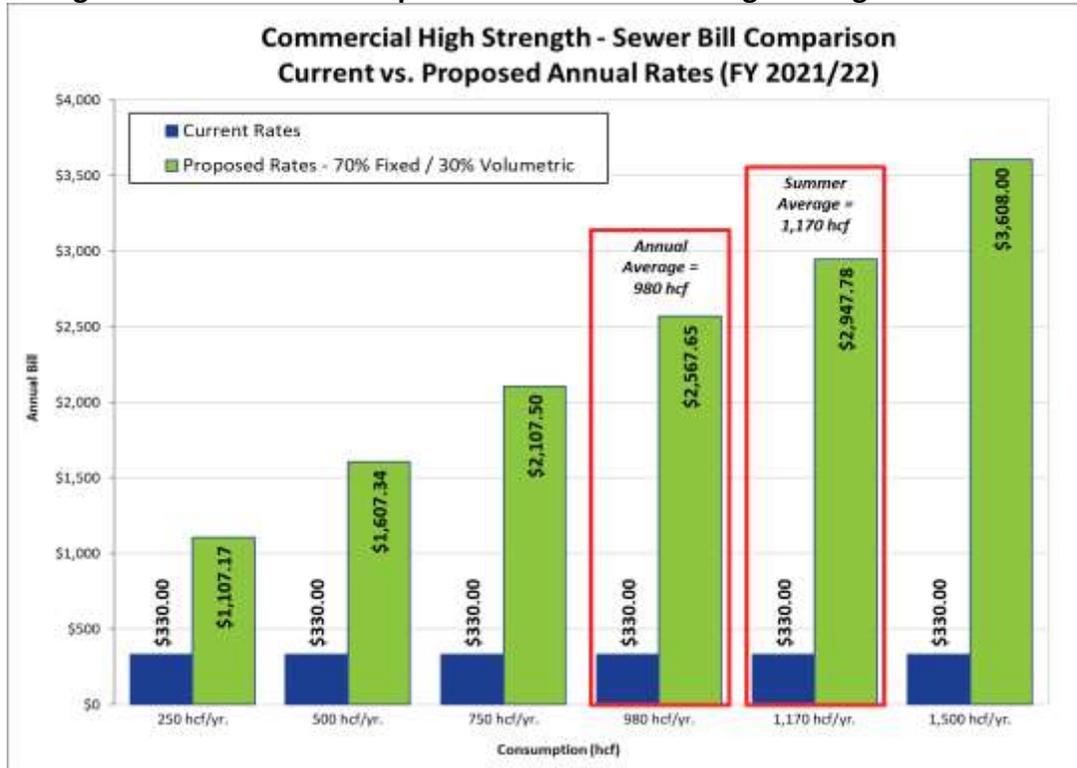
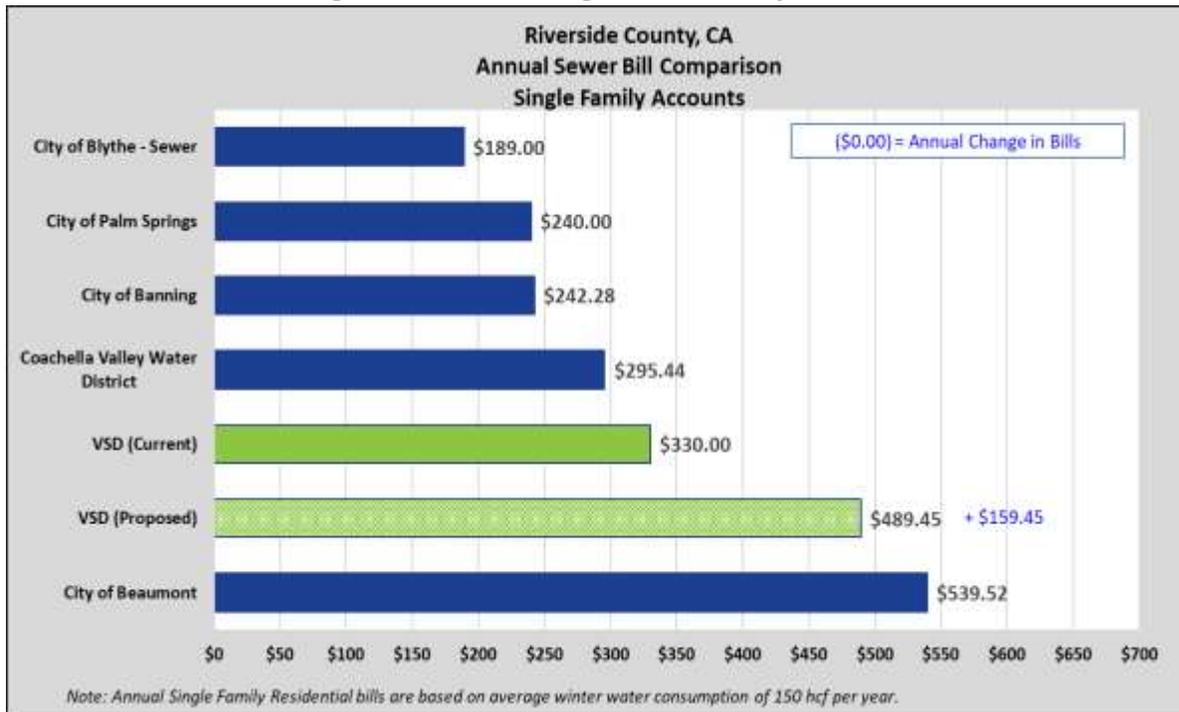


Figure 21 compares the current and proposed annual sewer bills for the typical single-family residential customer to those of other surrounding communities.

Figure 21. Annual Regional Bill Comparisons



Septage Charges

In addition to updating the wastewater rates, NBS also updated the RV Dump (i.e., Septage) Charge at the District's request. **Figure 22** summarizes the calculation of the septage charges, assuming an average RV tank capacity of 40 gallons. NBS recommends the District apply a minimum charge based on 40 gallons, although larger tanks should pay for the additional volume.

Figure 22. Calculation of Septage Charges

Calculation of RV-Dump Charges					
Customer Class	One-Time Effluent Volume (HCF) ¹	Biochemical Oxygen Demand		Total Suspended Solids (TSS)	
		Avg. Strength Factor (mg/l) ²	Lbs. of BOD ³	Avg. Strength Factor (mg/l) ²	Lbs. of TSS ³
RV Dump Charge Components:					
1. Septage Vol. , Strength and lbs.	0.053476	5,400	1.80	12,000	4.00
2. Unit costs (\$/HCF or /lbs.) ⁴	\$ 1.80		\$ 1.25		\$ 0.76
3. Charge (1. x 2.)	\$0.10		\$2.25		\$3.02
Total Flow & Strength Charges	\$5.37				
Admin. Charges (.25 hrs @ \$58/hr)	\$14.50				
RV Dump Charge (\$/ 40-Gal.)	\$19.87				

1. Assumes a standard RV dump of 40 gallons.
2. Typical septage strength from Water Resource Control Board Guidelines (Appendix G).
3. Formula: Effluent Volume (HCF)*748 gal/HCF*Strength Factor (mg/L)*(8.34/10⁶).
4. From COSA results (Table 30: Flow, BOD and TSS Costs divided by system-wide units).

SECTION 3. RECOMMENDATIONS AND NEXT STEPS

A. Consultant Recommendations

NBS recommends the District take the following actions:

Approve and Accept this Study: NBS recommends the Board formally approve and adopt this Study report, including the *Appendix*, and its recommendations as a first step to implementing the proposed rates. This Study provides documentation of the rate study and the basis for analyzing potential changes to future rates.

Implement Recommended Levels of Rate Adjustments and Proposed Rates: Based on successfully meeting the Proposition 218 procedural requirements, the Board should proceed with implementing the 5-year schedule of proposed rates previously shown in Figure 14. This will help ensure the continued financial health of District's wastewater utility.

B. Next Steps

Annually Review Rates and Revenue: Any time an agency adopts new utility rates or rate structures, those new rates should be closely monitored over the next several years to ensure the revenue generated is sufficient to meet the annual revenue requirements. Particularly in the District's case, where the basis of EDU calculations has been revised, this is a concern. Additionally, changing economic and water consumption patterns underscore the need for this ongoing review, as well as potential and unseen changing revenue requirements—particularly those related to environmental regulations that can significantly affect capital improvements and repair and replacement costs.

Note: The attached Appendix provides more detailed information on the analysis of the wastewater revenue requirements, cost-of-service analysis and cost allocations, and the rate design analyses that have been summarized in this report.

C. NBS' Principal Assumptions and Considerations

In preparing this report and the opinions and recommendations included herein, NBS has relied on a number of principal assumptions and considerations with regard to financial matters, conditions, data used in estimating EDUs, and events that may occur in the future. This information and these assumptions, including District's budgets, capital improvement costs, and information from District staff were provided by sources we believe to be reliable, although NBS has not independently verified this data.

While we believe NBS' use of such information and assumptions is reasonable for the purpose of this report and its recommendations, some assumptions will invariably not materialize as stated herein and may vary significantly due to unanticipated events and circumstances. Therefore, the actual results can be expected to vary from those projected to the extent that actual future conditions differ from those assumed by us or provided to us by others.

ABBREVIATIONS & ACRONYMS

AAF	Average Annual Flow
AF	Acre Foot, equal to 435.6 HCF/CCF or 325,851 gallons
Alt.	Alternative
Avg.	Average
AWWA	American Water Works Association
BMP	Best Management Practice
BOD	Biochemical Oxygen Demand
CA	Customer
CAP	Capacity
CCF	Hundred Cubic Feet (same as HCF); equal to 748 gallons
CCI	Construction Cost Index
CIP	Capital Improvement Program/Plan
COD	Chemical Oxygen Demand
COM	Commodity
Comm.	Commercial
COS	Cost-of-Service
COSA	Cost-of-Service Analysis
CPI	Consumer Price Index
DU	Dwelling Unit
Excl.	Exclude
ENR	Engineering News Record
EDU	Equivalent Dwelling Unit
Exp.	Expense
FY	Fiscal Year
FY 2019/20	July 1, 2019 through June 30, 2020
GPD	Gallons Per Day
GPM	Gallons Per Minute
HCF	Hundred Cubic Feet; equal to 748 gallons or 1 CCF
Ind.	Industrial
Irr.	Irrigation
LAIF	Local Agency Investment Fund
Lbs.	Pounds
MFR	Multi-Family Residential
MGD	Million Gallons Per Day
MG/L	Milligrams Per Liter
Mo.	Month

This appendix identifies abbreviations and acronyms that may be used in this report. This appendix has not been viewed, arranged, or edited by an attorney, nor should it be relied on as legal advice. The intent of this appendix is to support the recognition and analysis of this report. Any questions regarding clarification of this document should be directed to staff or an attorney specializing in this particular subject matter.

ABBREVIATIONS & ACRONYMS

Muni.	Municipal
NH ₃	Ammonia
NPV	Net Present Value
N/A	Not Available or Not Applicable
O&M	Operating & Maintenance Expenses
Prop 13	Proposition 13 (1978) – Article XIII A of the California Constitution which limits taxes on real property to 1% of the full cash value of such property.
Prop 218	Proposition 218 (1996) – State Constitutional amendment expanded restrictions of local government revenue collections.
Req't.	Requirement
Res.	Residential
Rev.	Revenue
RTS	Readiness-to-Serve
R&R	Rehabilitation & Replacement
SFR	Single Family Residential
SRF Loan	State Revolving Fund Loan
SWRCB	State Water Resources Control Board
TSS / SS	Total Suspended Solids
V. / Vs. /vs.	Versus
WWTP	Wastewater Treatment Plant

This appendix identifies abbreviations and acronyms that may be used in this report. This appendix has not been viewed, arranged, or edited by an attorney, nor should it be relied on as legal advice. The intent of this appendix is to support the recognition and analysis of this report. Any questions regarding clarification of this document should be directed to staff or an attorney specializing in this particular subject matter.

CHART 1

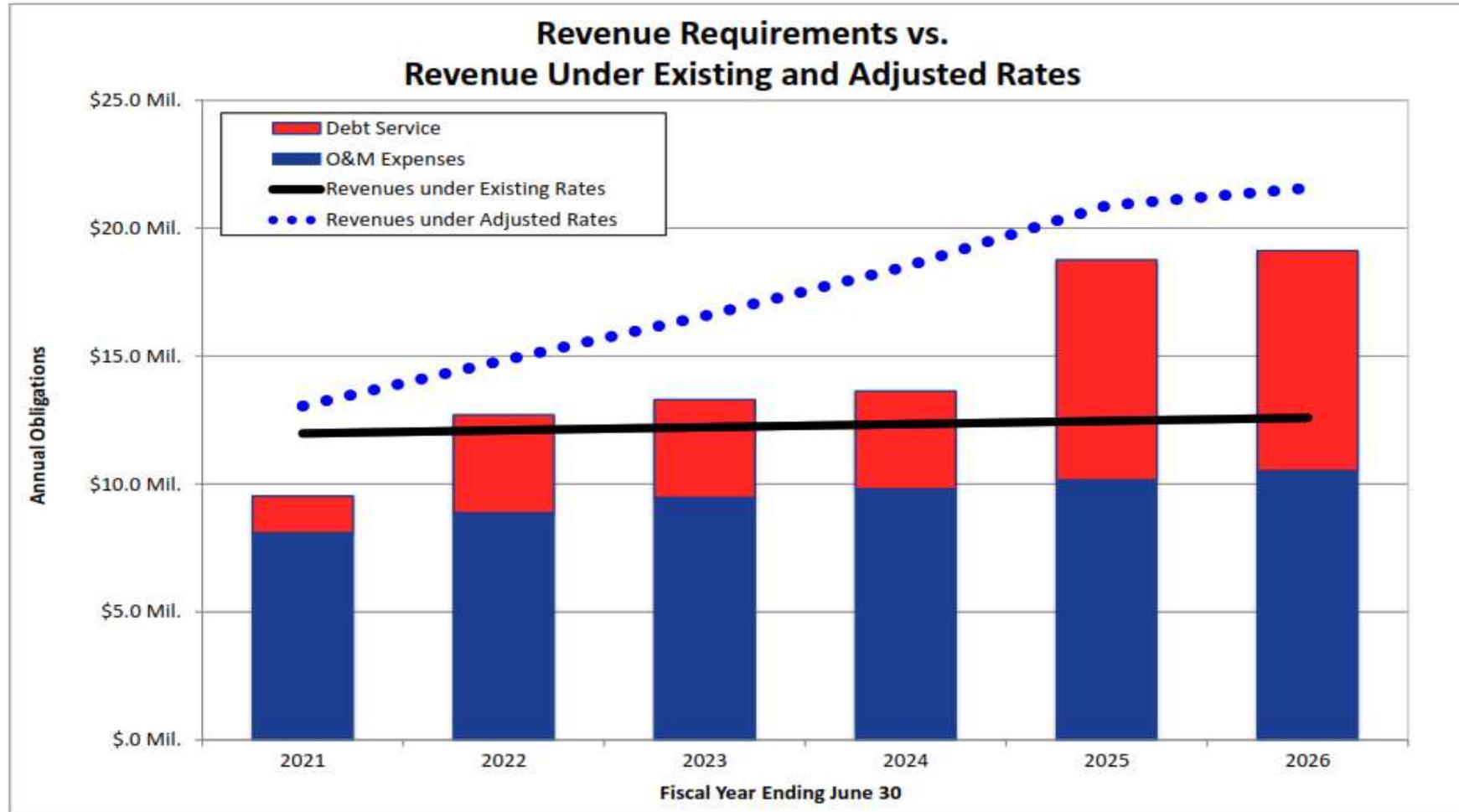


CHART 2

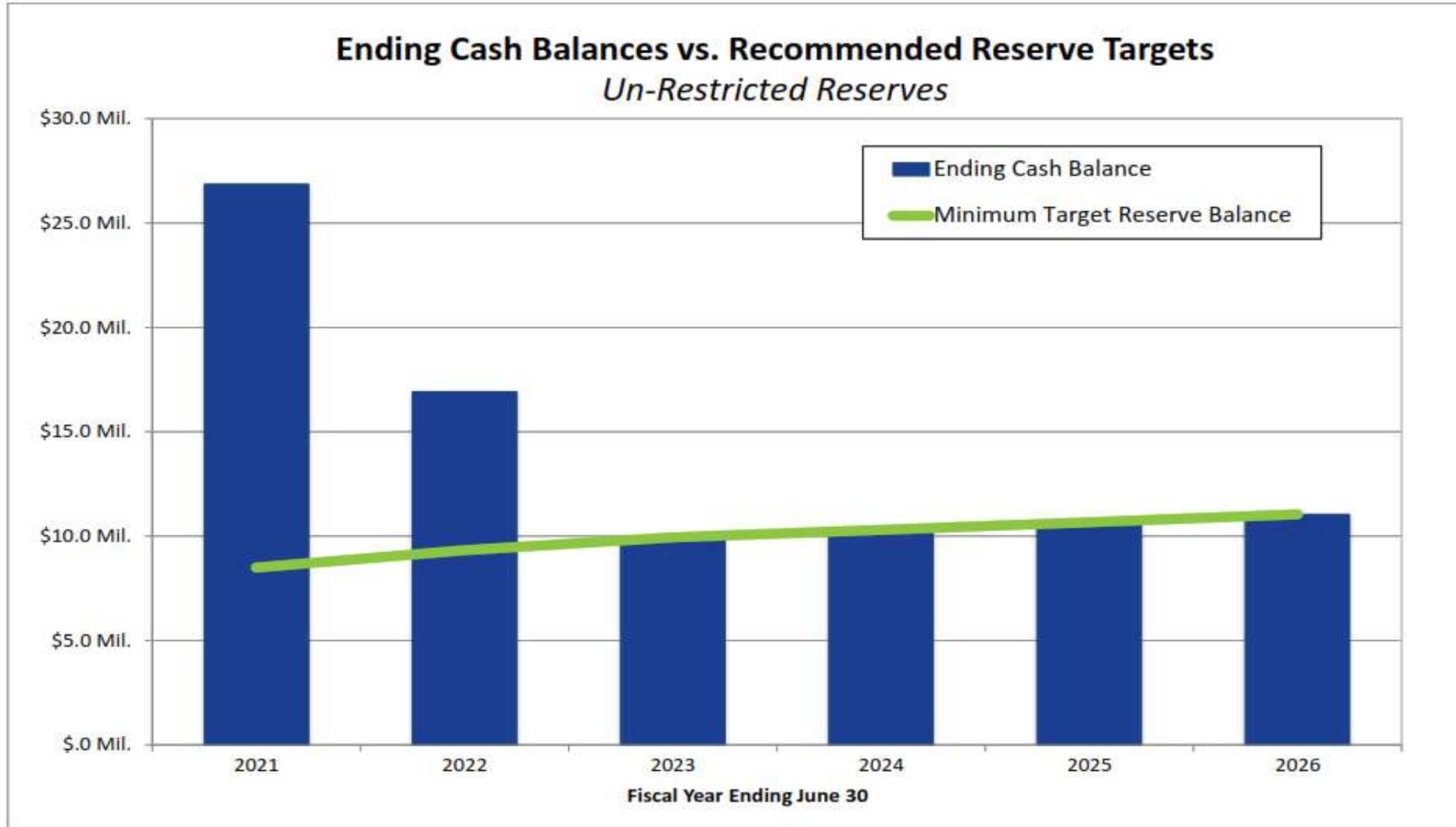
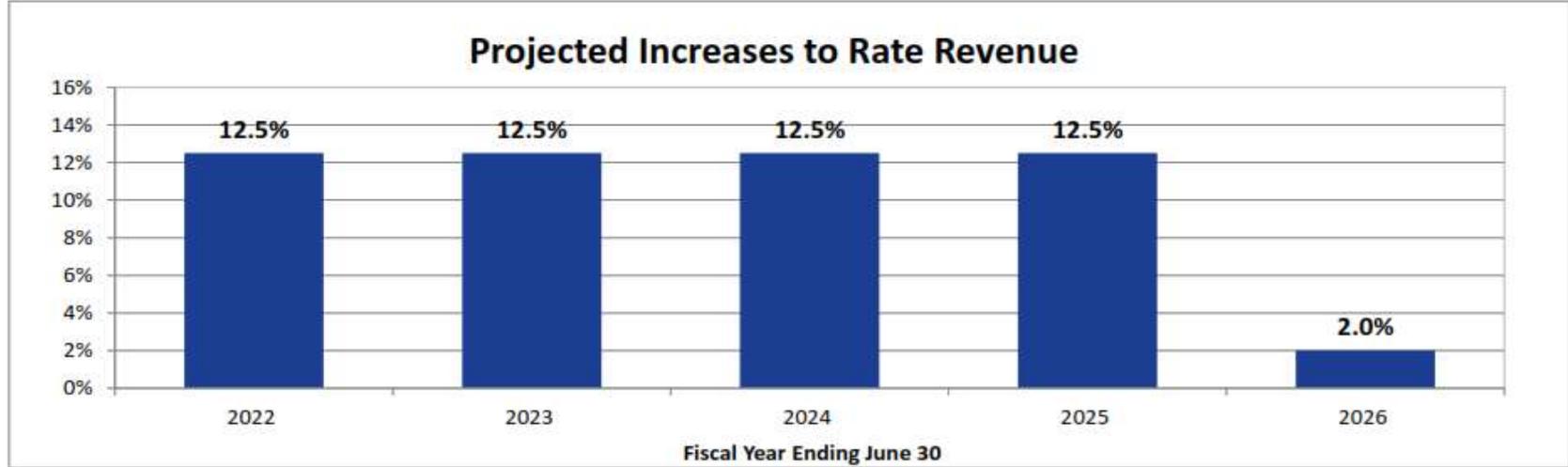


CHART 3



VALLEY SANITARY DISTRICT
SEWER RATE STUDY
Operating Revenue and Expenses
Preliminary Draft Subject to Material Revision, Do Not Cite or Distribute

TABLE 11: OPERATING EXPENSE FORECAST¹

Table with columns: DEPT., CODE, DESCRIPTION, Basis, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031. Rows include categories like ADMINISTRATION/BOARD, Salary, Benefits, and Services & Supplies, with specific line items and monetary values.

**VALLEY SANITARY DISTRICT
SEWER RATE STUDY
Operating Revenue and Expenses
Preliminary Draft Subject to Material Revision, Do Not Cite or Distribute**

TABLE 12: OPERATING EXPENSE FORECAST***

DEPT.	CODE	DESCRIPTION	Basis	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
ADDITIONAL STAFFING														
		Engineering Technician	3	\$ 139,000	144,560	150,342	156,356	162,610	169,115	175,879	182,915	190,231	197,840	205,754
		Maintenance Tech-in-Training	3	90,000	93,600	97,344	101,238	105,287	109,499	113,879	118,434	123,171	128,098	133,222
		Operator-in-Training	3	98,000	101,920	105,997	110,237	114,646	119,232	124,001	128,961	134,120	139,485	145,064
		Assistant to the Board	3	-	122,000	126,880	131,955	137,233	142,723	148,432	154,369	160,544	166,965	173,644
		Associate Engineer	3	-	180,000	187,200	194,688	202,476	210,575	218,998	227,757	236,868	246,342	256,196
		Electrician Tech-in-Training	3	-	101,000	105,040	109,242	113,611	118,156	122,882	127,797	132,909	138,225	143,754
		Operator-in-Training	3	-	98,000	101,920	105,997	110,237	114,646	119,232	124,001	128,961	134,120	139,485
		Collection Tech-in-Training	3	-	-	90,000	93,600	97,344	101,238	105,287	109,499	113,879	118,434	123,171
		Maintenance Tech-in-Training	3	-	-	90,000	93,600	97,344	101,238	105,287	109,499	113,879	118,434	123,171
		Operator-in-Training	3	-	-	98,000	101,920	105,997	110,237	114,646	119,232	124,001	128,961	134,120
TOTAL: ADDITIONAL STAFFING Expenses				\$ 327,000	\$ 841,080	\$ 1,152,723	\$ 1,198,832	\$ 1,246,785	\$ 1,296,657	\$ 1,348,523	\$ 1,402,464	\$ 1,458,563	\$ 1,516,905	\$ 1,577,581
GRAND TOTAL: SEWER EXPENSES				\$ 8,092,960	\$ 8,878,352	\$ 9,470,994	\$ 9,808,141	\$ 10,157,538	\$ 10,519,638	\$ 10,894,911	\$ 11,283,846	\$ 11,686,949	\$ 12,104,745	\$ 12,537,780

VALLEY SANITARY DISTRICT
SEWER RATE STUDY
Operating Revenue and Expenses
Preliminary Draft Subject to Material Revision, Do Not Cite or Distribute

Exhibit 1

TABLE 13: FORECASTING ASSUMPTIONS²

COST INFLATION FACTORS	Basis	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Customer Growth ¹	1	--	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
General Cost Inflation (prior 5-year average) ³	2	--	2.97%	2.97%	2.97%	2.97%	2.97%	2.97%	2.97%	2.97%	2.97%	2.97%
Labor Cost Inflation ⁴	3	--	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
No Cost Inflation	4	--	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

1. Revenues and expenses for FY 2020/21 were provided by District staff. Source file: 1. Budget 2020-2021 0-9-2020.xlsx.
2. Connection fee revenues for FY 2020/21 through FY 2038/39 provided by the District. Source file: FY 20-21 Capital Spreadsheet 06012020 2021 Plus 5 yr finance Final.xlsx .
3. Expenses are inflated each year by the following annual inflation factor categories. These factors are from the BLS website: <https://data.bls.gov>.
4. Based on the email provided by District staff on 10-28-2020.
5. General cost inflation is the annual change in CPI for all Urban Consumers in the Riverside-San Bernardino-Ontario areas per the BLS.
6. Labor cost inflation is the 5-year average change in the Riverside County Employment and Wage Inflation Index (all industries) per the BLS.

***Additional staffing expenses provided via email by VSD staff on 1/8/2021. This is fully-loaded cost for each position.

TABLE 14: CAPITAL FUNDING SUMMARY

CAPITAL FUNDING FORECAST	Budget	Projected Rates for Adoption Period					Projected				
	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Funding Sources:											
Grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Use of Connection Fee Reserves	350,000	1,456,296	6,761,469	2,567,043	1,340,000	1,380,000	1,422,500	1,450,000	-	-	-
SRF Loan Funding	-	-	-	-	-	-	-	-	-	-	-
Loan Proceeds	-	-	8,120,491	19,178,312	30,419,826	35,693,076	34,193,446	33,649,743	3,743,106	-	-
Use of Capital Rehabilitation and Replacement Reserve	7,594,928	12,446,259	10,509,190	4,675,924	1,923,666	2,313,315	3,452,414	2,000,000	925,050	1,178,064	1,197,839
Rate Revenue	-	-	-	-	-	-	-	-	-	-	-
Total Sources of Capital Funds	\$ 7,944,928	\$ 13,902,555	\$ 25,391,150	\$ 26,421,279	\$ 33,083,492	\$ 39,386,391	\$ 39,068,361	\$ 37,099,743	\$ 4,670,156	\$ 1,178,064	\$ 1,197,839
Uses of Capital Funds:											
Total Project Costs	\$ 7,944,928	\$ 13,902,555	\$ 25,391,150	\$ 26,421,279	\$ 33,083,492	\$ 39,386,391	\$ 39,068,361	\$ 37,099,743	\$ 4,670,156	\$ 1,178,064	\$ 1,197,839
Capital Funding Surplus (Deficiency)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
New SRF Loan Funding	\$ -	\$ 50,000,000	\$ -	\$ -	\$ 100,000,000	\$ -	\$ -	\$ 15,000,000	\$ -	\$ -	\$ -

Selection of Financial Plan Alternative

Insert policy choice in box to right, based on options listed above

3

Alternative	Bond Funding Options - to populate row 24	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
1	Alternative 1 - Full CIP with no Debt Issue	-	-	-	-	-	-	-	-	-	-	-
2	Alternative 2 - Full CIP with a \$150 million Debt	-	50,000,000	-	-	100,000,000	-	-	-	-	-	-
3	Alternative 3 - Full CIP with a \$165 million Debt	-	50,000,000	-	-	100,000,000	-	-	15,000,000	-	-	-

CAPITAL IMPROVEMENT PROGRAM¹

TABLE 15: CAPITAL IMPROVEMENT PROGRAM COSTS (In Current-Year Dollars)²

Project Description	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
FUND 12											
PLANT											
3 Reclaimed Water Project Phase 1 Design Build	\$ -	\$ 1,320,000	\$ 9,500,000	\$ 9,500,000	\$ 9,500,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reclaimed Water Project Phase 2 Design Build	-	-	-	-	2,247,815	8,991,259	-	-	-	-	-
4 Reclaimed Water Project Phase 3 Design	-	-	-	-	-	2,922,379	-	-	-	-	-
4 Reclaimed Water Project Phase 3 Construction	-	-	-	-	-	-	9,498,292	9,498,292	-	-	-
4 Future Plant Expansion 2040 & beyond	-	-	-	-	-	-	-	-	-	-	-
Influent Pump Station Rehabilitation Design Build	1,200,000	1,200,000	-	-	-	-	-	-	-	-	-
6 Training & Office Building - Design (Carry Over)	-	-	-	-	-	-	-	-	-	-	-
6 Training & Office Building - Construction	-	-	-	-	-	-	-	-	-	-	-
7 Vehicle & Major Equipment Replacement Fund	638,000	638,000	638,000	638,000	638,000	638,000	638,000	638,000	638,000	638,000	638,000
7 Fence Extension & Fortification (Carry Over) plus	280,000	-	-	-	-	-	-	-	-	-	-
7 Steel Water Line Replacement (Carry Over)	-	-	-	-	-	-	-	-	-	-	-
7 Van Buren Slope Protection	250,000	-	-	-	-	-	-	-	-	-	-
6 Additional Parking & Landscaping	-	-	-	-	-	-	-	-	-	-	-
7 Recycled Water Main Extension (Carry Over)	-	-	-	-	-	-	-	-	-	-	-
7 Switch Board Main Service Replacement	-	250,000	-	-	-	-	-	-	-	-	-
SUBTOTAL - PLANT	\$ 2,368,000	\$ 3,408,000	\$ 10,198,000	\$ 10,198,000	\$ 12,445,815	\$ 12,551,638	\$ 10,136,292	\$ 10,136,292	\$ 638,000	\$ 638,000	\$ 638,000
COLLECTIONS											
7 Lateral Grant Program	\$ 34,000	\$ 34,000	\$ 34,000	\$ 34,000	\$ 34,000	\$ 34,000	\$ 34,000	\$ 34,000	\$ 34,000	\$ 34,000	\$ 34,000
7 Sewer Main Rehabilitation or Replacement Design	834,074	1,293,148	1,330,598	1,385,517	1,432,071	1,480,188	1,529,923	1,054,219	544,820	-	-
7 Sewer Main Rehabilitation or Replacement Const.	1,809,854	3,741,341	5,800,570	6,012,871	6,214,904	6,423,724	6,639,561	4,575,105	2,304,407	-	-
7 Manhole Rehabilitation	-	-	-	-	-	-	-	-	-	138,424	138,424
7 Sewer Main Emergency Repairs	112,000	112,000	112,000	112,000	112,000	112,000	112,000	112,000	112,000	112,000	112,000
3 Avenue 48 Sewer Main Upgrade Design	-	-	-	-	-	-	-	-	-	-	-
3 Avenue 48 Sewer Main Upgrade Construction	-	-	-	-	-	-	-	-	-	-	-
3 Interim Collection System CIP Design	-	-	-	-	-	-	-	-	-	-	-
3 Interim Collection System CIP Construction	-	-	-	-	-	-	-	-	-	-	-
3 Build-out Collection System CIP projects	-	-	-	-	-	-	-	-	-	-	-
3 Emergency Sewer Siphon Replacement Design	325,000	400,000	-	-	-	-	-	-	-	-	-
6 Emergency Sewer Siphon Replacement Const.	2,000,000	3,000,000	-	-	-	-	-	-	-	-	-
SUBTOTAL - COLLECTIONS	\$ 5,134,928	\$ 8,000,489	\$ 7,303,168	\$ 7,564,388	\$ 7,812,975	\$ 8,009,912	\$ 8,335,484	\$ 5,795,324	\$ 3,075,227	\$ 304,424	\$ 304,424
Placeholder for Future Year Capital Projects ³	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL - FUND 12	\$ 7,502,928	\$ 12,008,489	\$ 17,501,168	\$ 17,762,388	\$ 20,258,790	\$ 20,621,550	\$ 18,471,776	\$ 15,931,616	\$ 3,713,227	\$ 942,424	\$ 942,424

TABLE 14: CAPITAL IMPROVEMENT PROGRAM COSTS (in Current-Year Dollars), cont.²

Project Description	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
FUND 13 - Connection Fees											
PLANT											
3 Reclaimed Water Project Phase 1 Design Build	\$ -	\$ 880,000	\$ 6,373,333	\$ 6,373,333	\$ 6,373,333	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reclaimed Water Project Phase 2 Design Build	-	-	-	-	1,498,543	5,994,173	-	-	-	-	-
4 Reclaimed Water Project Phase 3 Design	-	-	-	-	-	4,383,568	-	-	-	-	-
4 Reclaimed Water Project Phase 3 Construction	-	-	-	-	-	-	14,247,438	14,247,438	-	-	-
4 Future Plant Expansion 2040 & beyond	-	-	-	-	-	-	-	-	-	-	-
Influent Pump Station Rehabilitation Design Build	-	-	-	-	-	-	-	-	-	-	-
6 Training & Office Building - Design (Carry Over)	100,000	533,880	-	-	-	-	-	-	-	-	-
6 Training & Office Building - Construction	-	-	-	-	1,768,241	2,901,835	-	-	-	-	-
7 Vehicle & Major Equipment Replacement Fund	-	-	-	-	-	-	-	-	-	-	-
7 Fence Extension & Fortification (Carry Over) plus	-	-	-	-	-	-	-	-	-	-	-
7 Steel Water Line Replacement (Carry Over)	-	-	-	-	-	-	-	-	-	-	-
7 Van Buren Slope Protection	-	-	-	-	-	-	-	-	-	-	-
6 Additional Parking & Landscaping	250,000	-	-	-	-	-	-	-	-	-	-
7 Recycled Water Main Extension (Carry Over)	-	-	-	-	-	-	-	-	-	-	-
7 Switch Board Main Service Replacement	-	-	-	-	-	-	-	-	-	-	-
SUBTOTAL - PLANT	\$ 350,000	\$ 1,413,880	\$ 6,373,333	\$ 6,373,333	\$ 9,040,118	\$ 13,339,576	\$ 14,247,438	\$ 14,247,438	\$ -	\$ -	\$ -
COLLECTIONS											
7 Lateral Grant Program	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7 Sewer Main Rehabilitation or Replacement Design	-	-	-	-	-	-	-	-	-	-	-
7 Sewer Main Rehabilitation or Replacement Const.	-	-	-	-	-	-	-	-	-	-	-
7 Manhole Rehabilitation	-	-	-	-	-	-	-	-	-	-	-
7 Sewer Main Emergency Repairs	-	-	-	-	-	-	-	-	-	-	-
3 Avenue 48 Sewer Main Upgrade Design	-	-	-	-	-	-	-	-	-	-	-
3 Avenue 48 Sewer Main Upgrade Construction	-	-	-	-	-	-	-	-	-	-	-
3 Interim Collection System CIP Design	-	-	-	-	-	-	-	-	-	-	-
3 Interim Collection System CIP Construction	-	-	-	-	-	-	-	-	-	-	-
3 Build-out Collection System CIP projects	-	-	-	-	-	-	-	-	-	-	-
3 Emergency Sewer Siphon Replacement Design	-	-	-	-	-	-	-	-	-	-	-
6 Emergency Sewer Siphon Replacement Const.	-	-	-	-	-	-	-	-	-	-	-
SUBTOTAL - COLLECTIONS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<i>Placeholder for Future Year Capital Projects²</i>											
TOTAL - FUND 13	\$ 350,000	\$ 1,413,880	\$ 6,373,333	\$ 6,373,333	\$ 9,040,118	\$ 13,339,576	\$ 14,247,438	\$ 14,247,438	\$ -	\$ -	\$ -
CONTINGENCY³											
	\$ 92,000	\$ 93,840	\$ 95,717	\$ 97,031	\$ 99,584	\$ 101,576	\$ 103,608	\$ 105,080	\$ 107,794	\$ 109,950	\$ 112,149
TOTAL: CIP Program Costs (Current Year Dollars)	\$ 7,944,928	\$ 13,516,209	\$ 23,970,218	\$ 24,233,352	\$ 29,998,491	\$ 34,062,702	\$ 32,822,822	\$ 30,264,734	\$ 3,821,021	\$ 1,052,374	\$ 1,054,573

TABLE 16: CAPITAL IMPROVEMENT PROGRAM COSTS (In Future-Year Dollars)

Project Description	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
FUND 12											
PLANT											
3 Reclaimed Water Project Phase 1 Design Build	\$ -	\$ 1,359,000	\$ 10,142,204	\$ 10,446,470	\$ 10,759,864	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reclaimed Water Project Phase 2 Design Build	-	-	-	-	2,529,935	10,423,334	-	-	-	-	-
4 Reclaimed Water Project Phase 3 Design	-	-	-	-	-	3,387,838	-	-	-	-	-
4 Reclaimed Water Project Phase 3 Construction	-	-	-	-	-	-	11,341,457	11,081,701	-	-	-
4 Future Plant Expansion 2040 & beyond	-	-	-	-	-	-	-	-	-	-	-
Influent Pump Station Rehabilitation Design Build	1,200,000	1,236,000	-	-	-	-	-	-	-	-	-
6 Training & Office Building - Design (Carry Over)	-	-	-	-	-	-	-	-	-	-	-
6 Training & Office Building - Construction	-	-	-	-	-	-	-	-	-	-	-
7 Vehicle & Major Equipment Replacement Fund	638,000	638,000	638,000	638,000	638,000	638,000	638,000	638,000	638,000	638,000	638,000
7 Fence Extension & Fortification (Carry Over) plus	280,000	-	-	-	-	-	-	-	-	-	-
7 Steel Water Line Replacement (Carry Over)	-	-	-	-	-	-	-	-	-	-	-
7 Van Buren Slope Protection	250,000	-	-	-	-	-	-	-	-	-	-
6 Additional Parking & Landscaping	-	-	-	-	-	-	-	-	-	-	-
7 Recycled Water Main Extension (Carry Over)	-	-	-	-	-	-	-	-	-	-	-
7 Switch Board Main Service Replacement	-	257,500	-	-	-	-	-	-	-	-	-
SUBTOTAL - PLANT	\$ 2,308,000	\$ 3,491,100	\$ 10,780,204	\$ 11,084,470	\$ 13,927,800	\$ 14,449,172	\$ 11,979,457	\$ 12,319,701	\$ 638,000	\$ 638,000	\$ 638,000
COLLECTIONS											
7 Lateral Grant Program	\$ 34,000	\$ 55,020	\$ 57,289	\$ 59,007	\$ 60,777	\$ 62,001	\$ 64,479	\$ 66,413	\$ 68,406	\$ 70,458	\$ 72,371
7 Sewer Main Rehabilitation or Replacement Design	834,074	1,331,942	1,417,997	1,513,992	1,611,809	1,715,944	1,826,808	1,290,550	690,162	-	-
7 Sewer Main Rehabilitation or Replacement Const.	1,809,854	3,833,581	6,153,825	6,570,426	6,994,929	7,446,857	7,927,983	5,026,802	2,995,100	-	-
7 Manhole Rehabilitation	-	-	-	-	-	-	-	-	-	180,012	180,030
7 Sewer Main Emergency Repairs	112,000	115,360	118,821	122,385	126,057	129,839	133,734	137,746	141,878	146,135	150,519
3 Avenue 48 Sewer Main Upgrade Design	-	-	-	-	-	-	-	-	-	-	-
3 Avenue 48 Sewer Main Upgrade Construction	-	-	-	-	-	-	-	-	-	-	-
3 Interim Collection System CIP Design	-	-	-	-	-	-	-	-	-	-	-
3 Interim Collection System CIP Construction	-	-	-	-	-	-	-	-	-	-	-
3 Build-out Collection System CIP projects	-	-	-	-	-	-	-	-	-	-	-
3 Emergency Sewer Siphon Replacement Design	325,000	412,000	-	-	-	-	-	-	-	-	-
6 Emergency Sewer Siphon Replacement Const.	2,000,000	3,090,000	-	-	-	-	-	-	-	-	-
SUBTOTAL - COLLECTIONS	\$ 5,134,928	\$ 8,858,504	\$ 7,747,931	\$ 8,265,811	\$ 8,793,572	\$ 9,355,240	\$ 9,953,004	\$ 7,127,518	\$ 3,895,006	\$ 397,204	\$ 409,120
Placeholder for Future Year Capital Projects ²	-	-	-	-	-	-	-	-	-	-	-
TOTAL - FUND 12	\$ 7,502,928	\$ 12,349,604	\$ 18,528,135	\$ 19,350,281	\$ 22,721,372	\$ 23,804,411	\$ 21,932,461	\$ 19,447,219	\$ 4,533,006	\$ 1,035,204	\$ 1,047,120



Table 15 : CAPITAL IMPROVEMENT PROGRAM COSTS (In Future-Year Dollars) , cont.

Project Description	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
FUND 13 - Connection Fees											
PLANT											
3 Reclaimed Water Project Phase 1 Design Build	\$ -	\$ 908,400	\$ 6,761,469	\$ 8,964,313	\$ 7,173,243	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4 Reclaimed Water Project Phase 2 Design Build	-	-	-	-	1,086,024	6,948,889	-	-	-	-	-
4 Reclaimed Water Project Phase 3 Design	-	-	-	-	-	3,081,757	-	-	-	-	-
4 Reclaimed Water Project Phase 3 Construction	-	-	-	-	-	-	17,012,180	17,522,552	-	-	-
4 Future Plant Expansion 2040 & beyond	-	-	-	-	-	-	-	-	-	-	-
6 Influent Pump Station Rehabilitation Design Build	-	-	-	-	-	-	-	-	-	-	-
6 Training & Office Building - Design (Carry Over)	100,000	549,898	-	-	-	-	-	-	-	-	-
6 Training & Office Building - Construction	-	-	-	-	1,990,171	3,433,579	-	-	-	-	-
7 Vehicle & Major Equipment Replacement Fund	-	-	-	-	-	-	-	-	-	-	-
7 Fence Extension & Fortification (Carry Over) plus	-	-	-	-	-	-	-	-	-	-	-
7 Steel Water Line Replacement (Carry Over)	-	-	-	-	-	-	-	-	-	-	-
7 Van Buren Slope Protection	-	-	-	-	-	-	-	-	-	-	-
6 Additional Parking & Landscaping	250,000	-	-	-	-	-	-	-	-	-	-
7 Recycled Water Main Extension (Carry Over)	-	-	-	-	-	-	-	-	-	-	-
7 Switch Board Main Service Replacement	-	-	-	-	-	-	-	-	-	-	-
SUBTOTAL - PLANT	\$ 350,000	\$ 1,450,298	\$ 6,761,469	\$ 8,964,313	\$ 10,850,037	\$ 15,464,225	\$ 17,012,180	\$ 17,522,552	\$ -	\$ -	\$ -
COLLECTIONS											
7 Lateral Grant Program	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7 Sewer Main Rehabilitation or Replacement Design	-	-	-	-	-	-	-	-	-	-	-
7 Sewer Main Rehabilitation or Replacement Const.	-	-	-	-	-	-	-	-	-	-	-
7 Manhole Rehabilitation	-	-	-	-	-	-	-	-	-	-	-
7 Sewer Main Emergency Repairs	-	-	-	-	-	-	-	-	-	-	-
3 Avenue 48 Sewer Main Upgrade Design	-	-	-	-	-	-	-	-	-	-	-
3 Avenue 48 Sewer Main Upgrade Construction	-	-	-	-	-	-	-	-	-	-	-
3 Interim Collection System CIP Design	-	-	-	-	-	-	-	-	-	-	-
3 Interim Collection System CIP Construction	-	-	-	-	-	-	-	-	-	-	-
3 Build-out Collection System CIP projects	-	-	-	-	-	-	-	-	-	-	-
3 Emergency Sewer Siphon Replacement Design	-	-	-	-	-	-	-	-	-	-	-
6 Emergency Sewer Siphon Replacement Const.	-	-	-	-	-	-	-	-	-	-	-
SUBTOTAL - COLLECTIONS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Placeholder for Future Year Capital Projects ²	-	-	-	-	-	-	-	-	-	-	-
TOTAL - FUND 13	\$ 350,000	\$ 1,450,298	\$ 6,761,469	\$ 8,964,313	\$ 10,850,037	\$ 15,464,225	\$ 17,012,180	\$ 17,522,552	\$ -	\$ -	\$ -
CONTINGENCY⁴	\$ 92,000	\$ 96,655	\$ 101,546	\$ 106,684	\$ 112,083	\$ 117,754	\$ 123,713	\$ 129,973	\$ 136,550	\$ 143,460	\$ 150,719
Total: CIP Program Costs (Future-Year Dollars)	\$ 7,944,928	\$ 13,902,555	\$ 25,391,150	\$ 20,421,279	\$ 33,683,492	\$ 39,386,391	\$ 39,008,361	\$ 37,099,743	\$ 4,670,150	\$ 1,178,664	\$ 1,197,839

TABLE 17: FORECASTING ASSUMPTIONS

Economic Variables	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Annual Construction Cost Inflation, Per Engineering News Record	0.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Cumulative Construction Cost Multiplier	1.00	1.03	1.06	1.09	1.13	1.16	1.19	1.23	1.27	1.30	1.34

1. The capital improvement plan provided by the District. Source file: FY 20-21 Capital Spreadsheet 00012020 2021 Plus 5 yr finance Final.xlsx .
2. Planned capital improvements for Fund 12 provided by the District. Source file: FY 20-21 Capital Spreadsheet 00012020 2021 Plus 5 yr finance Final.xlsx .
3. Calculated future capital expenditures beyond FY 2038/39 based on 5-year average (FY 2034/35 - FY 2038/39).
4. The estimated contingency includes all departments per District.
5. For reference purposes, the annual Construction Cost Inflation percentage is the 10-year average change in the Construction Cost Index from August 2010 to August 2020 (2.63%). The District provided costs in future-year dollars.
 Source: Engineering News Record website (<http://enr.construction.com>).

VALLEY SANITARY DISTRICT
 SEWER RATE STUDY
 Debt Service
 Preliminary Draft Subject to Material Revision, Do Not Cite or Distribute

TABLE 20: FUTURE DEBT FINANCING ASSUMPTIONS

Long-Term Debt Terms	Revenue Bonds	SRF Loan Proceeds
Issuance Cost	2.00%	2.00%
Annual Interest Cost (%)	4.00%	2.00%
Term	20	30
Debt Reserve Funded?	Yes	Yes
Loan Amount	\$ -	\$ 165,000,000
Coverage Requirement (% above annual pmt)	125%	125%

TABLE 21: FUTURE DEBT OBLIGATIONS

Annual Repayment Schedules	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
SRF Loan Funding											
Principal Payment	\$ -	\$ 1,317,684	\$ 1,344,038	\$ 1,370,919	\$ 4,033,706	\$ 4,114,380	\$ 4,196,667	\$ 4,675,906	\$ 4,769,424	\$ 4,864,813	\$ 4,962,109
Interest Payment	-	1,069,118	1,042,765	1,015,884	3,126,702	3,046,028	2,963,741	3,200,543	3,107,025	3,011,636	2,914,340
Subtotal: Annual Debt Service	\$ -	\$ 2,386,803	\$ 2,386,803	\$ 2,386,803	\$ 7,160,408	\$ 7,160,408	\$ 7,160,408	\$ 7,876,449	\$ 7,876,449	\$ 7,876,449	\$ 7,876,449
Grand Total: Future Annual Debt Service	\$ -	\$ 2,386,803	\$ 2,386,803	\$ 2,386,803	\$ 7,160,408	\$ 7,160,408	\$ 7,160,408	\$ 7,876,449	\$ 7,876,449	\$ 7,876,449	\$ 7,876,449
Grand Total: Future Annual Coverage Requirement	\$ -	\$ 2,983,503	\$ 2,983,503	\$ 2,983,503	\$ 8,950,510	\$ 8,950,510	\$ 8,950,510	\$ 9,845,561	\$ 9,845,561	\$ 9,845,561	\$ 9,845,561
Grand Total: Future Debt Reserve Target	\$ -	\$ 2,386,803	\$ 2,386,803	\$ 2,386,803	\$ 7,160,408	\$ 7,160,408	\$ 7,160,408	\$ 7,876,449	\$ 7,876,449	\$ 7,876,449	\$ 7,876,449

TABLE 22: TOTAL DEBT SERVICE

Annual Obligations	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Annual Debt Service	\$ 1,445,048	\$ 3,827,601	\$ 3,826,851	\$ 3,825,913	\$ 8,601,269	\$ 8,601,019	\$ 7,713,769	\$ 8,429,810	\$ 8,429,810	\$ 8,429,810	\$ 8,429,810
Annual Coverage Requirement	1,114,609	4,092,800	4,091,863	4,090,691	10,059,885	10,059,573	8,950,510	9,845,561	9,845,561	9,845,561	9,845,561
Total Debt Reserve Target	317,042	2,663,967	2,620,170	2,571,560	7,290,904	7,229,725	7,160,408	7,876,449	7,876,449	7,876,449	7,876,449

**VALLEY SANITARY DISTRICT
SEWER RATE STUDY**

Projected Sewer Rates Under Existing Rate Schedule

Preliminary Draft Subject to Material Revision, Do Not Cite or Distribute

Exhibit 4

TABLE 23: Current Sewer Rates

Annual Sewer Rate	FY 2020/21
Equivalent Dwelling Unit (EDU) Fee ¹	\$330.00

1. Definition: EDU shall mean the numerical value designation where 1 EDU represents an average sewer flow of 230 gallons per day from one single family household. For non-household uses, the value of equivalency to a household is for purposes of computing uniform financial obligations.

VALLEY SANITARY DISTRICT

SEWER RATE STUDY

Cost of Service Analysis

Preliminary Draft Subject to Material Revision, Do Not Cite or Distribute

TABLE 30: CLASSIFICATION OF EXPENSES FOR COST OF SERVICE ANALYSIS, cont.

Classification of Expenses									
Budget Categories	Total Revenue Requirements	Flow	Strength		Customer	Basis of Classification			
	FY 2021/22	(VOL)	(BOD)	(TSS)	(CA)	(VOL)	(BOD)	(TSS)	(CA)
ADDITIONAL STAFFING									
Engineering Technician	\$ 144,560	\$ 79,508	\$ 28,912	\$ 28,912	\$ 7,228	55.0%	20.0%	20.0%	5.0%
Maintenance Tech-in-Training	93,600	51,480	18,720	18,720	4,680	55.0%	20.0%	20.0%	5.0%
Operator-in-Training	101,920	56,056	20,384	20,384	5,096	55.0%	20.0%	20.0%	5.0%
Assistant to the Board	122,000	-	-	-	122,000	0.0%	0.0%	0.0%	100.0%
Associate Engineer	180,000	99,000	36,000	36,000	9,000	55.0%	20.0%	20.0%	5.0%
Electrician Tech-in-Training	101,000	55,550	20,200	20,200	5,050	55.0%	20.0%	20.0%	5.0%
Operator-in-Training	98,000	53,900	19,600	19,600	4,900	55.0%	20.0%	20.0%	5.0%
Collection Tech-in-Training	-	-	-	-	-	55.0%	20.0%	20.0%	5.0%
Maintenance Tech-in-Training	-	-	-	-	-	55.0%	20.0%	20.0%	5.0%
Operator-in-Training	-	-	-	-	-	55.0%	20.0%	20.0%	5.0%
SUB-TOTAL	\$ 841,080	\$ 395,494	\$ 143,816	\$ 143,816	\$ 157,954	47.0%	17.1%	17.1%	18.8%
GRAND TOTAL	\$ 8,878,352	\$ 4,632,161	\$ 1,729,696	\$ 1,729,696	\$ 786,800	52.2%	19.5%	19.5%	8.9%



VALLEY SANITARY DISTRICT
SEWER RATE STUDY
Sewer Cost of Service Analysis
Preliminary Draft Subject to Material Revision, Do Not Cite or Distribute

TABLE 37: DEVELOPMENT OF THE CUSTOMER ALLOCATION FACTOR

Development of the CUSTOMER Allocation Factor				
Sewer Customer Classes	Number of Accounts ²	Percent of Total	Number of EDUs ¹	Percent of Total
Residential				
Single-Family Residential	19,972	78.67%	19,980	57.62%
Multi-Family Residential	298	1.17%	5,566	16.05%
Mobile Home ²	1,528	6.02%	1,528	4.41%
RV Park ²	2,816	11.09%	2,816	8.12%
Non-Residential				
Commercial - Low/Med. Strength	703	2.77%	4,250	12.26%
Commercial - High Strength	71	0.28%	535	1.54%
Total:	25,388	100.00%	34,675	100.00%

Based on # of lots
Based on # of lots

1. Consumption, customer accounts, and EDUs are from source file: *Net Join Tax Roll 07-30-2020 Final V8.xlsx*.
2. Number of accounts for Mobile Homes and RV Parks are based on the number of lots.

TABLE 38 : TOTAL REVENUE BY CUSTOMER CLASS

Customer Class	FY 2019/20 Rate Revenue ¹	Percentage of Accounts
Residential		
Single-Family Residential	\$ 6,593,400	59.78%
Multi-Family Residential	1,836,798	16.65%
Mobile Home	500,775	4.54%
RV Park	520,235	4.72%
Non-Residential		
Commercial - Low/Med. Strength	\$ 1,402,500	12.72%
Commercial - High Strength	176,550	1.60%
Total	\$11,030,259	100%

1. Source file: *Net Join Tax Roll 07-30-2020 Final V8.xlsx*.

TABLE 43: RV DUMP CHARGE CALCULATION

Calculation of RV-Dump Charges					
Customer Class	One-Time Effluent Volume (HCF) ¹	Biochemical Oxygen Demand		Total Suspended Solids (TSS)	
		Avg. Strength Factor (mg/l) ²	Lbs. of BOD ³	Avg. Strength Factor (mg/l) ²	Lbs. of TSS ³
RV Dump Charge Components:					
1. Septage Vol., Strength and lbs.	0.053476	5,400	1.80	12,000	4.00
2. Unit costs (\$/HCF or /lbs.) ⁴	\$ 1.80		\$ 1.25		\$ 0.76
3. Charge (1. x 2.)	\$0.10		\$2.25		\$3.02
Total Flow & Strength Charges	\$5.37				
Admin. Charges (.25 hrs @ \$58/hr)	\$14.50				
RV Dump Charge (\$/40-Gal.)	\$19.87				

1. Assumes a standard RV dump of 40 gallons.
2. Typical septage strength from Water Resource Control Board Guidelines (Appendix G).
3. Formula: Effluent Volume (HCF)*748 gal/HCF*Strength Factor (mg/L)*(8.34/10⁶).
4. From COSA results (Table 30: Flow, BOD and TSS Costs divided by system-wide units).

VALLEY SANITARY DISTRICT
 SEWER RATE STUDY
 Sewer Cost of Service Analysis/Rate Design
 Preliminary Draft Subject to Material Revision, Do Not Cite or Distribute

TABLE 44: CURRENT VS. PROPOSED SEWER RATES (ANNUAL) **Alternative 1 - 100% Fixed based on EDU - Varies by Class**

Sewer Rate Schedule	Current Rates (\$/EDU)	Proposed Annual Sewer Rates				
		Year 1	Year 2	Year 3	Year 4	Year 5
		FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26
Projected Increase in Rate Revenue per Financial Plan: ¹		12.50%	12.50%	12.50%	12.50%	2.00%
Fixed Service Charges (Per EDU or Accounts)						
Residential		Rates Per EDU or Account²				
Single-Family Residential	\$330.00	\$489.60	\$550.80	\$619.65	\$697.11	\$711.05
Multi-Family Residential	\$330.00	\$214.28	\$241.07	\$271.20	\$305.10	\$311.20
Mobile Home	\$330.00	\$258.98	\$291.35	\$327.77	\$368.74	\$376.11
RV Park	\$330.00	\$201.79	\$227.01	\$255.39	\$287.31	\$293.06
Non-Residential		Rates Per EDU				
Commercial - Low/Med. Strength	\$330.00	\$284.32	\$319.86	\$359.84	\$404.82	\$412.92
Commercial - High Strength	\$330.00	\$867.15	\$975.54	\$1,097.48	\$1,234.67	\$1,259.36

- This is the increase in annual rate revenue as shown in the Financial Plan. Under the current plan, property owners are charged on a per EDU basis regardless of customer class. In this updated rate structure, property owners are charged on a per EDU basis that varies by customer class.
- Rates for SFR and MFR customers are calculated based on EDU, while rates for MH and RV Park customers are based on the number of accounts, or lots. Commercial rates are based on estimated EDUs.

VALLEY SANITARY DISTRICT
 SEWER RATE STUDY
 Sewer Cost of Service Analysis/Rate Design
 Preliminary Draft Subject to Material Revision, Do Not Cite or Distribute

TABLE 45: CURRENT VS. PROPOSED SEWER RATES (ANNUAL)

		Alternative 2 - 80% Fixed / 20% Volumetric				
Sewer Rate Schedule	Current Rates (\$/EDU)	Proposed Annual Sewer Rates				
		Year 1 FY 2021/22	Year 2 FY 2022/23	Year 3 FY 2023/24	Year 4 FY 2024/25	Year 5 FY 2025/26
Projected Increase in Rate Revenue per Financial Plan: ¹		12.50%	12.50%	12.50%	12.50%	2.00%
Fixed Service Charges (Per EDU)		Rates Per EDU or Account²				
Residential						
Single-Family Residential	\$330.00	\$391.68	\$440.64	\$495.72	\$557.69	\$568.84
Multi-Family Residential	\$330.00	\$171.43	\$192.85	\$216.96	\$244.08	\$248.96
Mobile Home	\$330.00	\$207.18	\$233.08	\$262.22	\$295.00	\$300.90
RV Park	\$330.00	\$161.43	\$181.61	\$204.31	\$229.85	\$234.45
Non-Residential		Rates Per EDU				
Commercial - Low Strength	\$330.00	\$227.46	\$255.89	\$287.88	\$323.87	\$330.35
Commercial - High Strength	\$330.00	\$693.72	\$780.43	\$877.98	\$987.73	\$1,007.48
Volumetric Rate (\$/hcf of annualized average winter water consumption)³		Rates Per HCF⁴				
Residential						
Single-Family Residential	--	\$0.65	\$0.73	\$0.82	\$0.92	\$0.94
Multi-Family Residential	--	\$0.65	\$0.73	\$0.82	\$0.92	\$0.94
Mobile Home	--	\$0.65	\$0.73	\$0.82	\$0.92	\$0.94
RV Park	--	\$0.73	\$0.82	\$0.92	\$1.04	\$1.06
Non-Residential						
Commercial - Low Strength	--	\$0.59	\$0.66	\$0.74	\$0.83	\$0.85
Commercial - High Strength	--	\$1.33	\$1.50	\$1.69	\$1.90	\$1.94

1. This is the increase in annual rate revenue as shown in the Financial Plan, not an across-the-board adjustment to each individual rate. Based on the cost-of-service adjustments, individual rates may be more or less than this amount in FY 2021/22.
2. Rates for SFR and MFR customers are calculated based on EDU, while rates for MH and RV Park customers are based on the number of accounts, or lots. Commercial rates are based on estimated EDUs.
3. One Unit is equal to one HCF (Hundred Cubic Feet) or 748 gallons.
4. Estimated sewer flow based on **average winter consumption** for SFR, MFR and MH customers and **annual consumption** for RV Parks and Commercial customers.

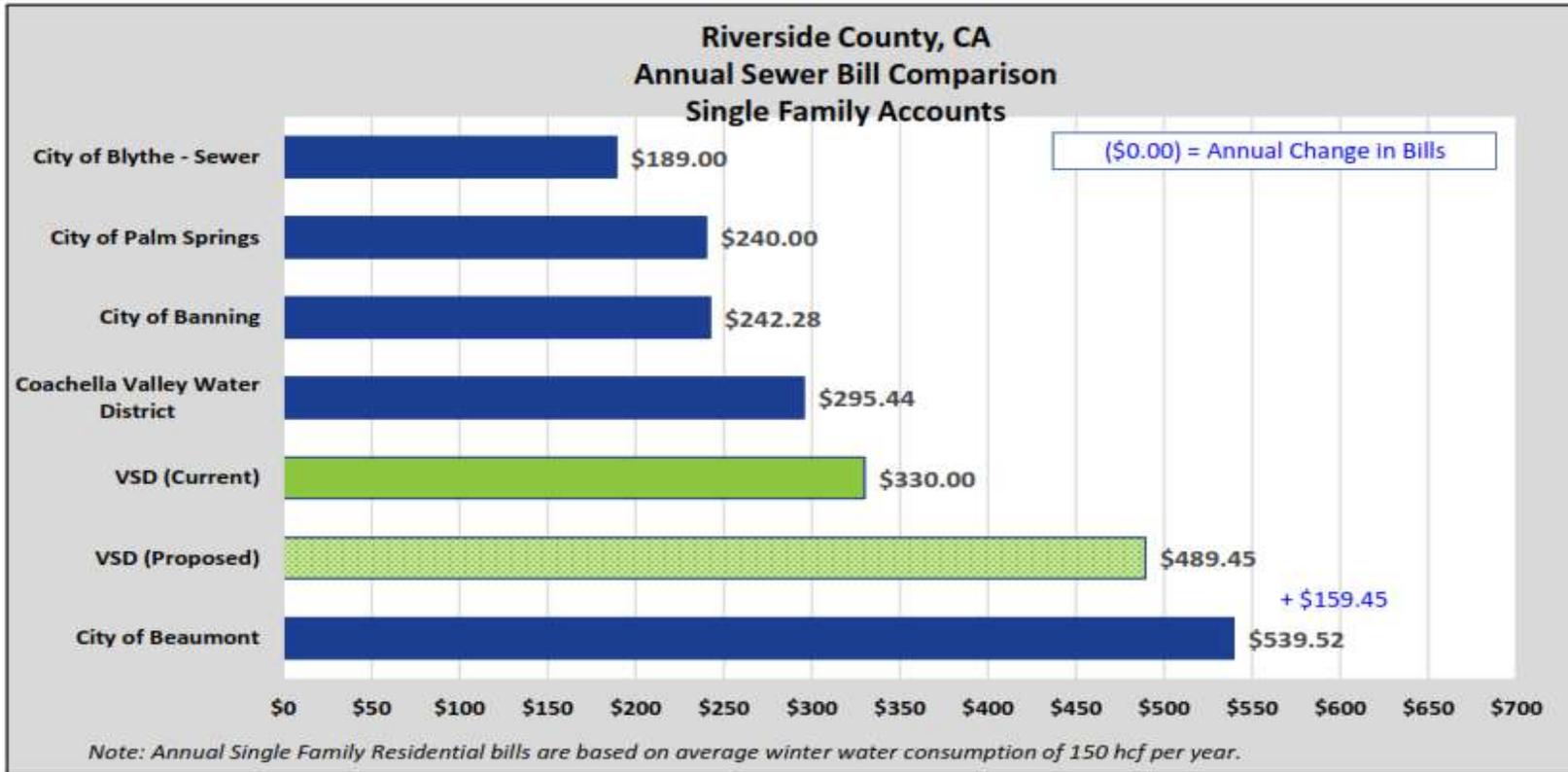
VALLEY SANITARY DISTRICT
 SEWER RATE STUDY
 Sewer Cost of Service Analysis/Rate Design
 Preliminary Draft Subject to Material Revision, Do Not Cite or Distribute

TABLE 46: CURRENT VS. PROPOSED SEWER RATES (ANNUAL) Alternative 3 - 70% Fixed / 30% Volumetric

Sewer Rate Schedule	Current Rates (\$/EDU)	Proposed Annual Sewer Rates				
		Year 1	Year 2	Year 3	Year 4	Year 5
		FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26
<i>Projected Increase in Rate Revenue per Financial Plan:¹</i>		12.50%	12.50%	12.50%	12.50%	2.00%
Fixed Service Charges (Per EDU or Accounts)						
Residential		Rates Per EDU or Account²				
Single-Family Residential	\$330.00	\$342.72	\$385.56	\$433.76	\$487.98	\$497.74
Multi-Family Residential	\$330.00	\$150.00	\$168.75	\$189.84	\$213.57	\$217.84
Mobile Home	\$330.00	\$181.28	\$203.94	\$229.43	\$258.11	\$263.27
RV Park	\$330.00	\$141.25	\$158.91	\$178.77	\$201.12	\$205.14
Non-Residential		Rates Per EDU				
Commercial - Low Strength	\$330.00	\$199.03	\$223.91	\$251.90	\$283.39	\$289.06
Commercial - High Strength	\$330.00	\$607.00	\$682.88	\$768.24	\$864.27	\$881.56
Volumetric Rate (\$/hcf of annualized average winter water consumption)³						
Residential		Rates Per HCF⁴				
Single-Family Residential	--	\$0.98	\$1.10	\$1.24	\$1.40	\$1.43
Multi-Family Residential	--	\$0.98	\$1.10	\$1.24	\$1.40	\$1.43
Mobile Home	--	\$0.98	\$1.10	\$1.24	\$1.40	\$1.43
RV Park	--	\$1.10	\$1.23	\$1.38	\$1.55	\$1.58
Non-Residential						
Commercial - Low Strength	--	\$0.88	\$0.99	\$1.11	\$1.25	\$1.28
Commercial - High Strength	--	\$2.00	\$2.25	\$2.53	\$2.85	\$2.91

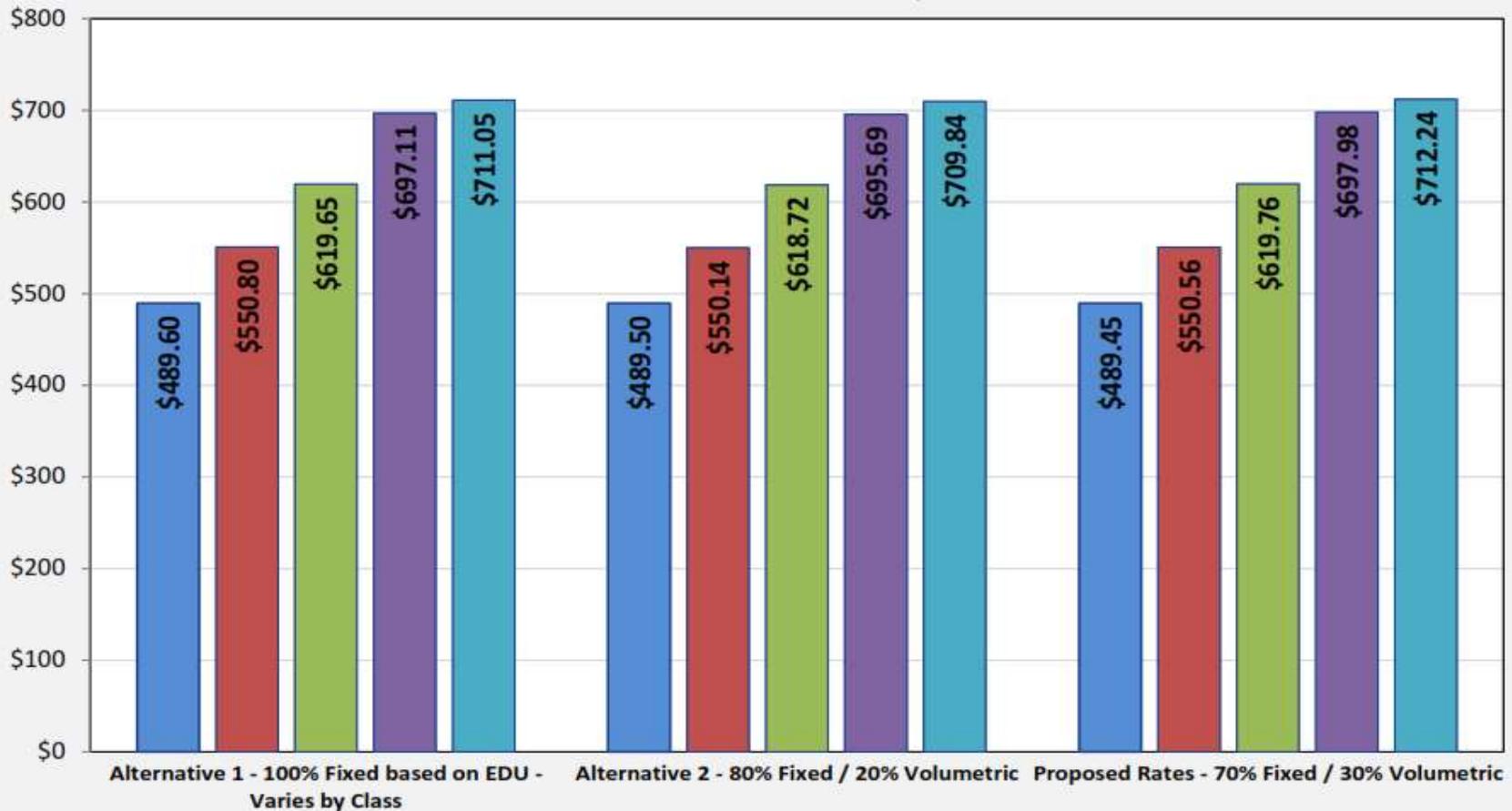
1. This is the increase in annual rate revenue as shown in the Financial Plan, not an across-the-board adjustment to each individual rate. Based on the cost-of-service adjustments, individual rates may be more or less than this amount in FY 2021/22.
2. Rates for SFR and MFR customers are calculated based on EDU, while rates for MH and RV Park customers are based on the number of accounts, or lots. Commercial rates are based on estimated EDUs.
3. One Unit is equal to one HCF (Hundred Cubic Feet) or 748 gallons.
4. Estimated sewer flow based on **average winter consumption** for SFR, MFR and MH customers and **annual consumption** for RV Parks and Commercial customers.

VALLEY SANITARY DISTRICT
SEWER RATE STUDY
Regional Comps

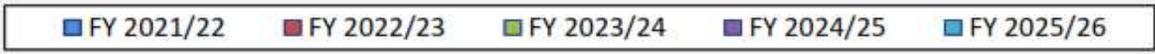


Single Family Residential Annual Sewer Bills - 5-Year Projections

30-Year Debt Issue: Full CIP with a \$165 Million Debt Issue

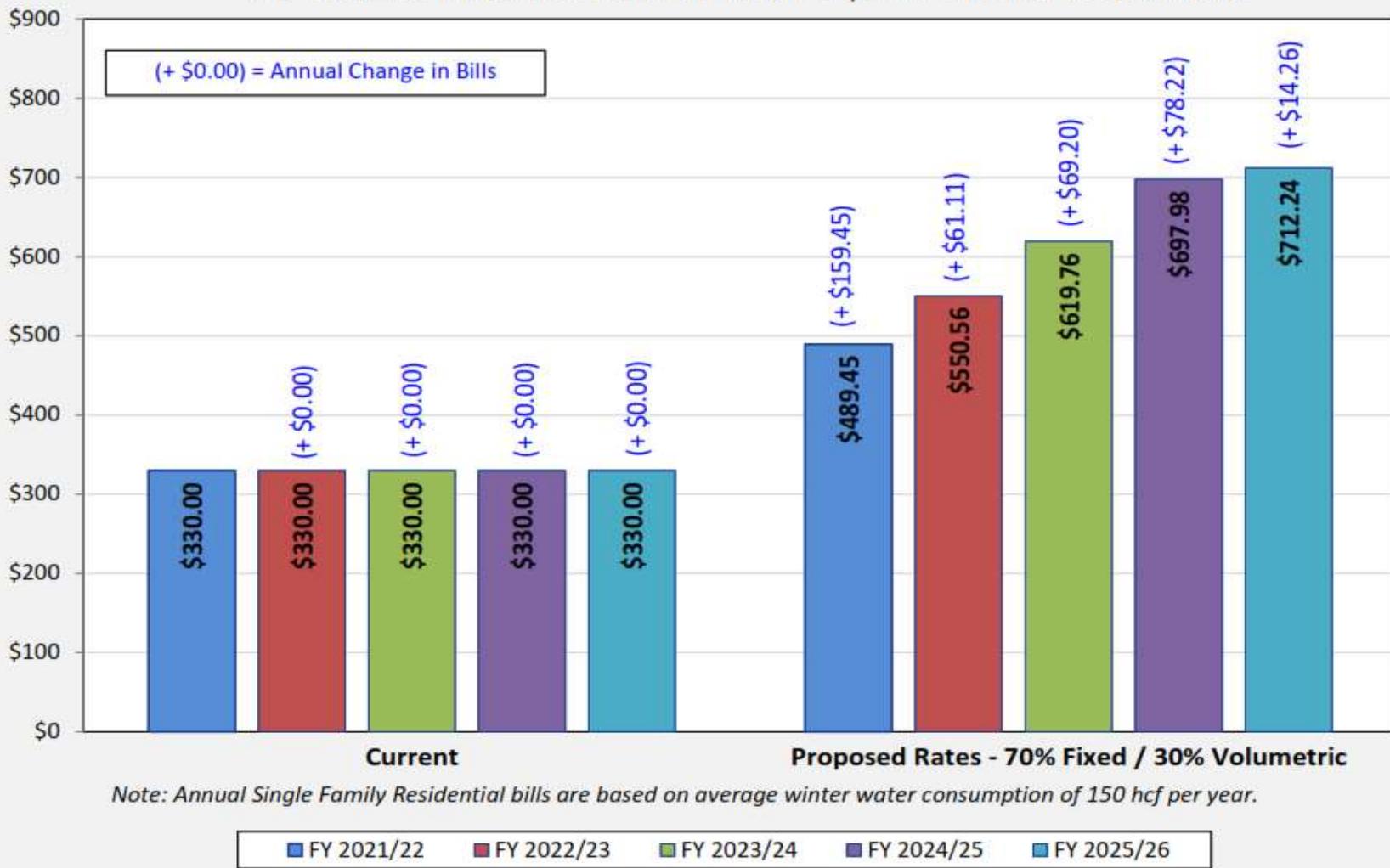


Note: Annual Single Family Residential bills are based on average winter water consumption of 150 hcf per year.

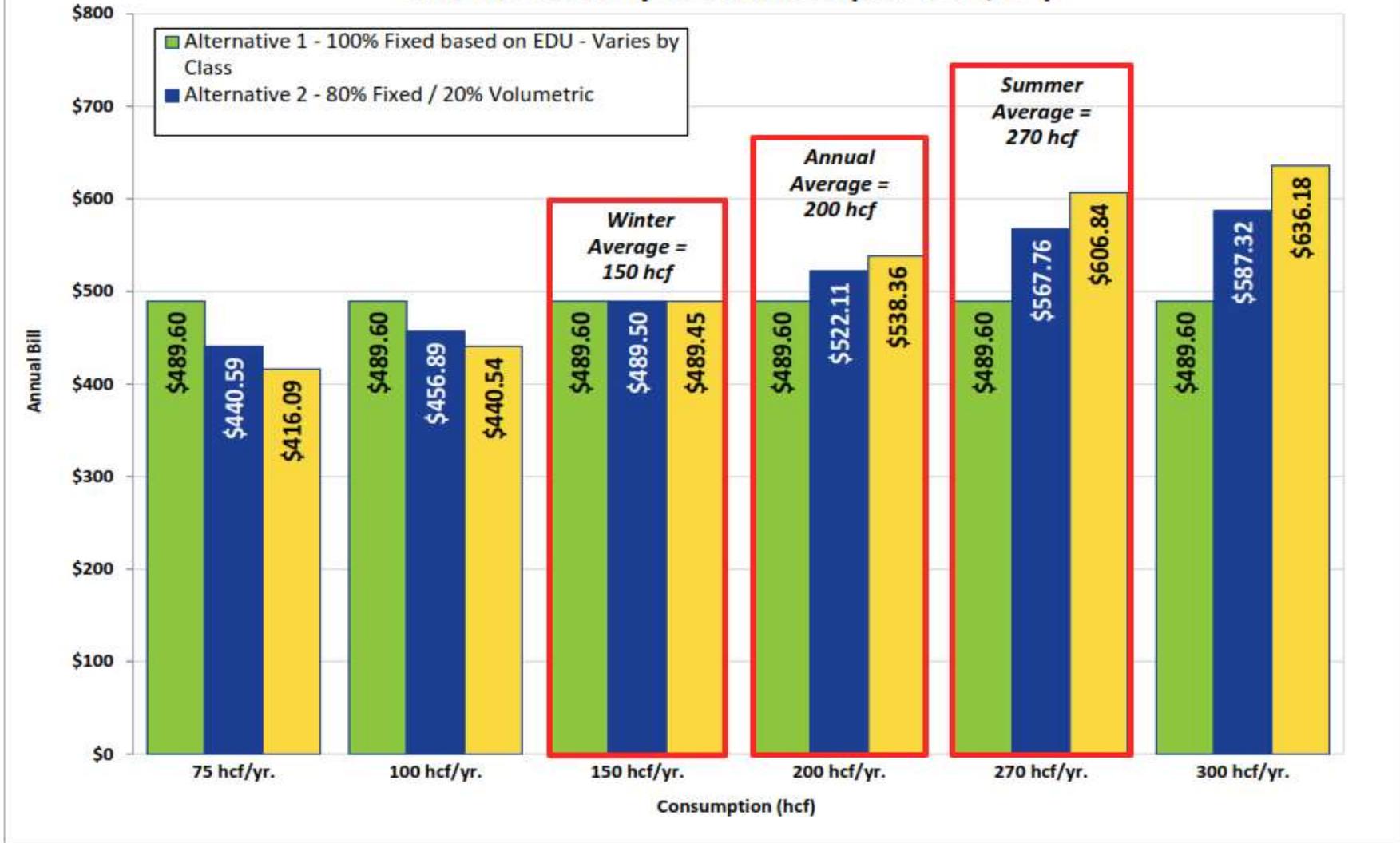


Single Family Residential Annual Sewer Bills - 5-Year Projections

30-Year Debt Issue: Full CIP with a \$165 Million Debt Issue



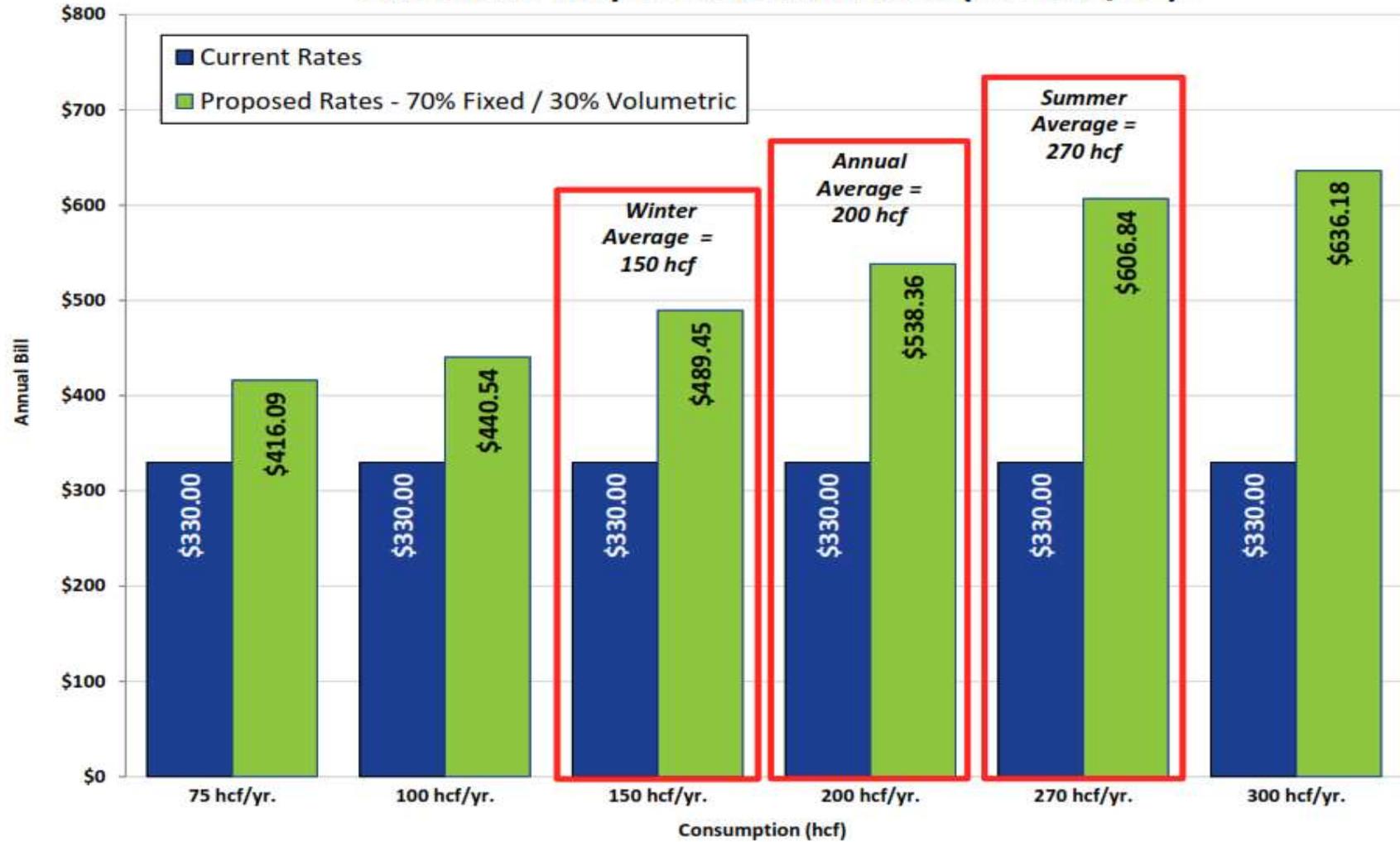
Single Family Residential Sewer Bill Comparison Current vs. Proposed Rates (FY 2021/22)



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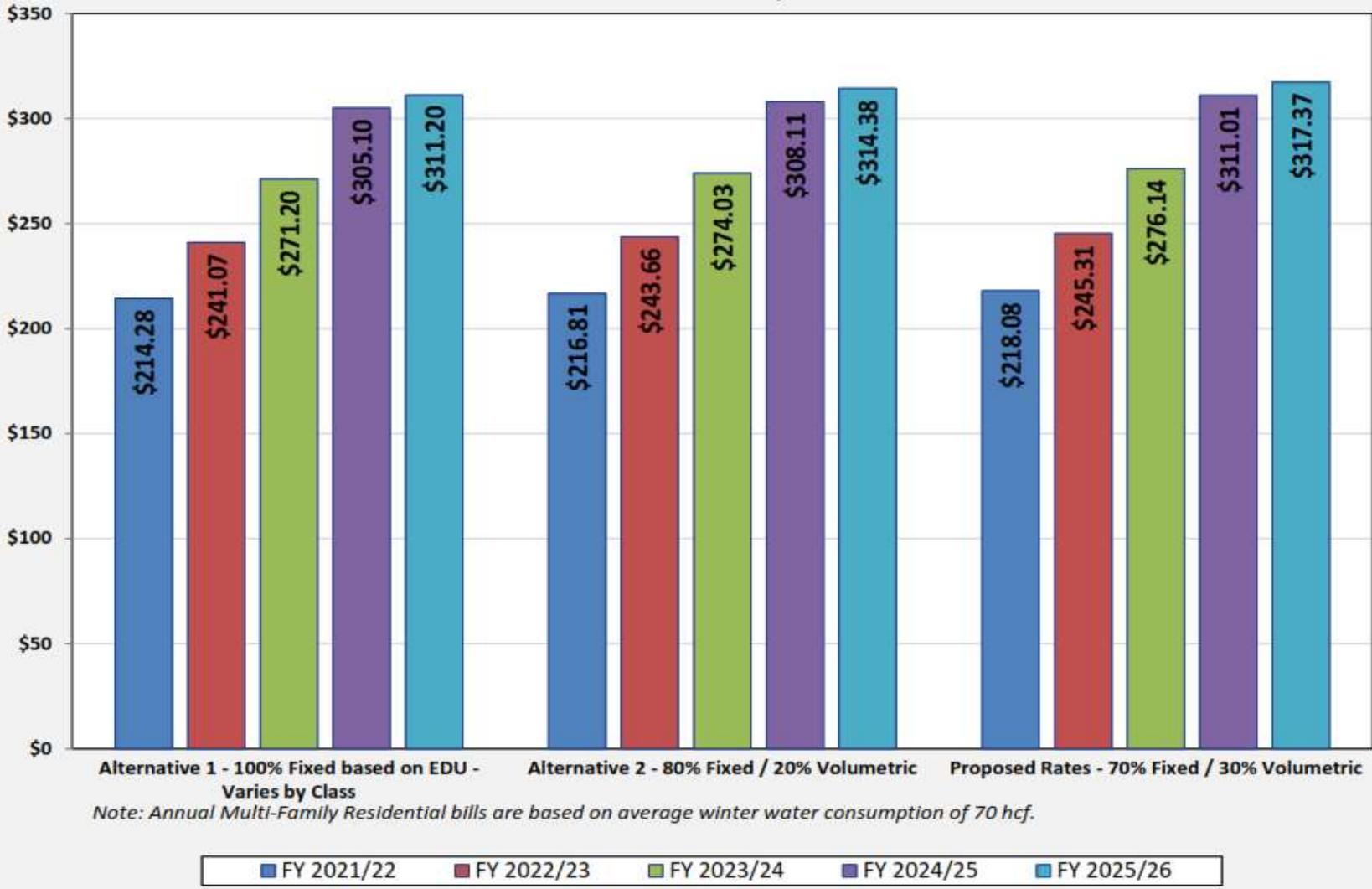
SFR Bill Comp #2, Page 46 of 63

Single Family Residential Sewer Bill Comparison Current vs. Proposed Annual Rates (FY 2021/22)

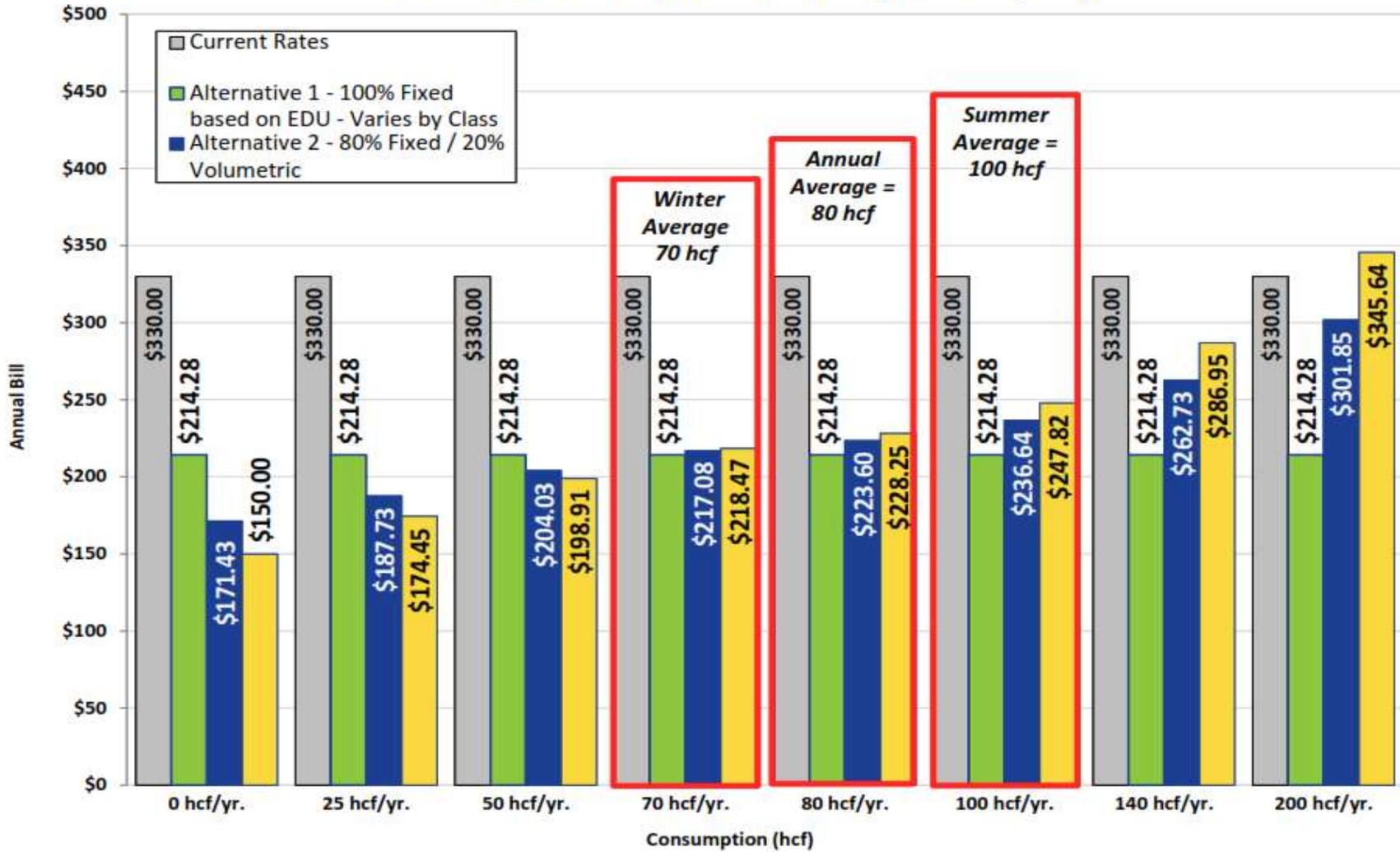


Multi-Family Annual Sewer Bills - 5-Year Projections

30-Year Debt Issue: Full CIP with a \$165 Million Debt Issue



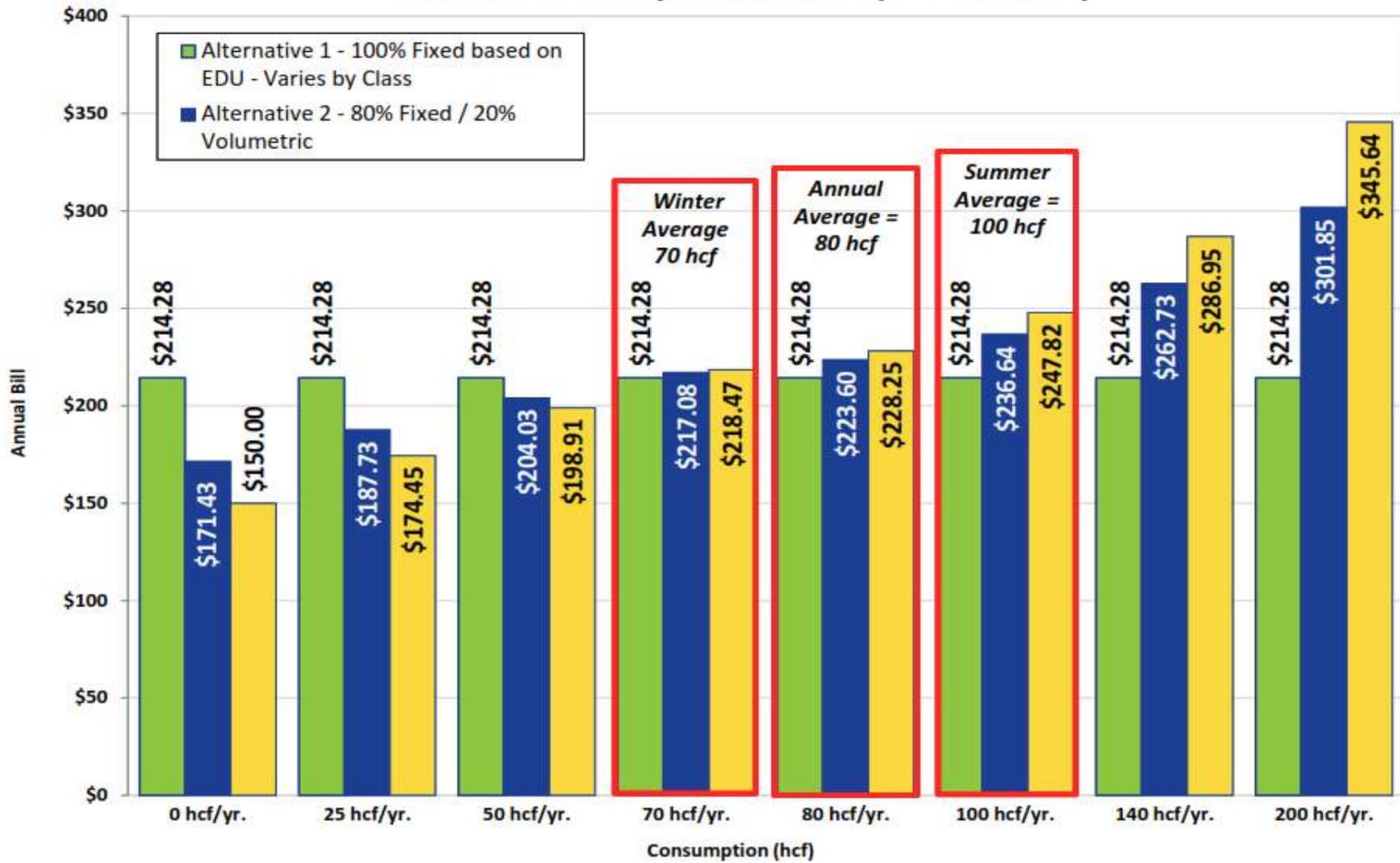
Multi-Family Residential Sewer Bill Comparison Current vs. Proposed Rates (FY 2021/22)



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MFR Bill Comp #2A (2), Page 49 of 63

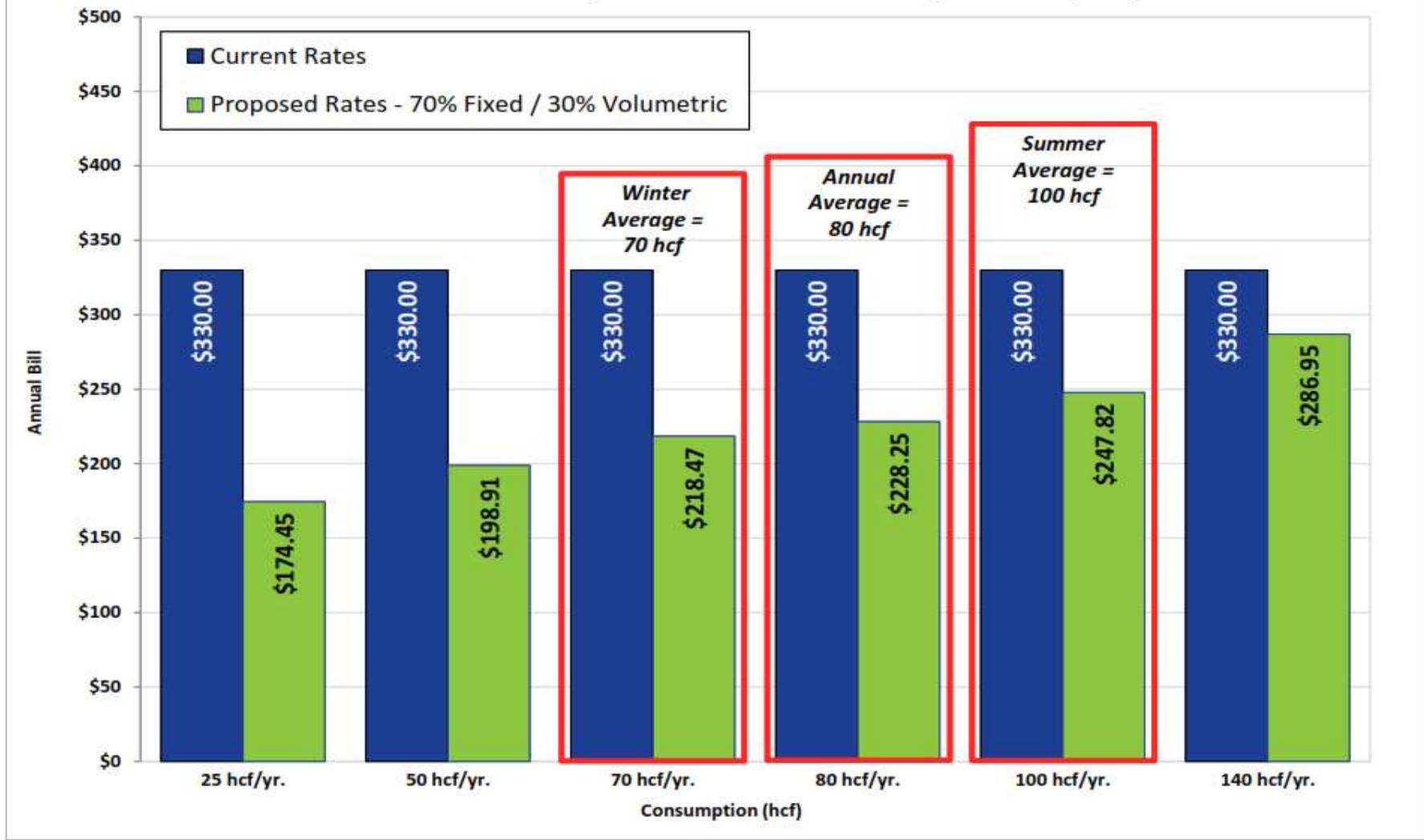
Multi-Family Residential Sewer Bill Comparison Current vs. Proposed Rates (FY 2021/22)



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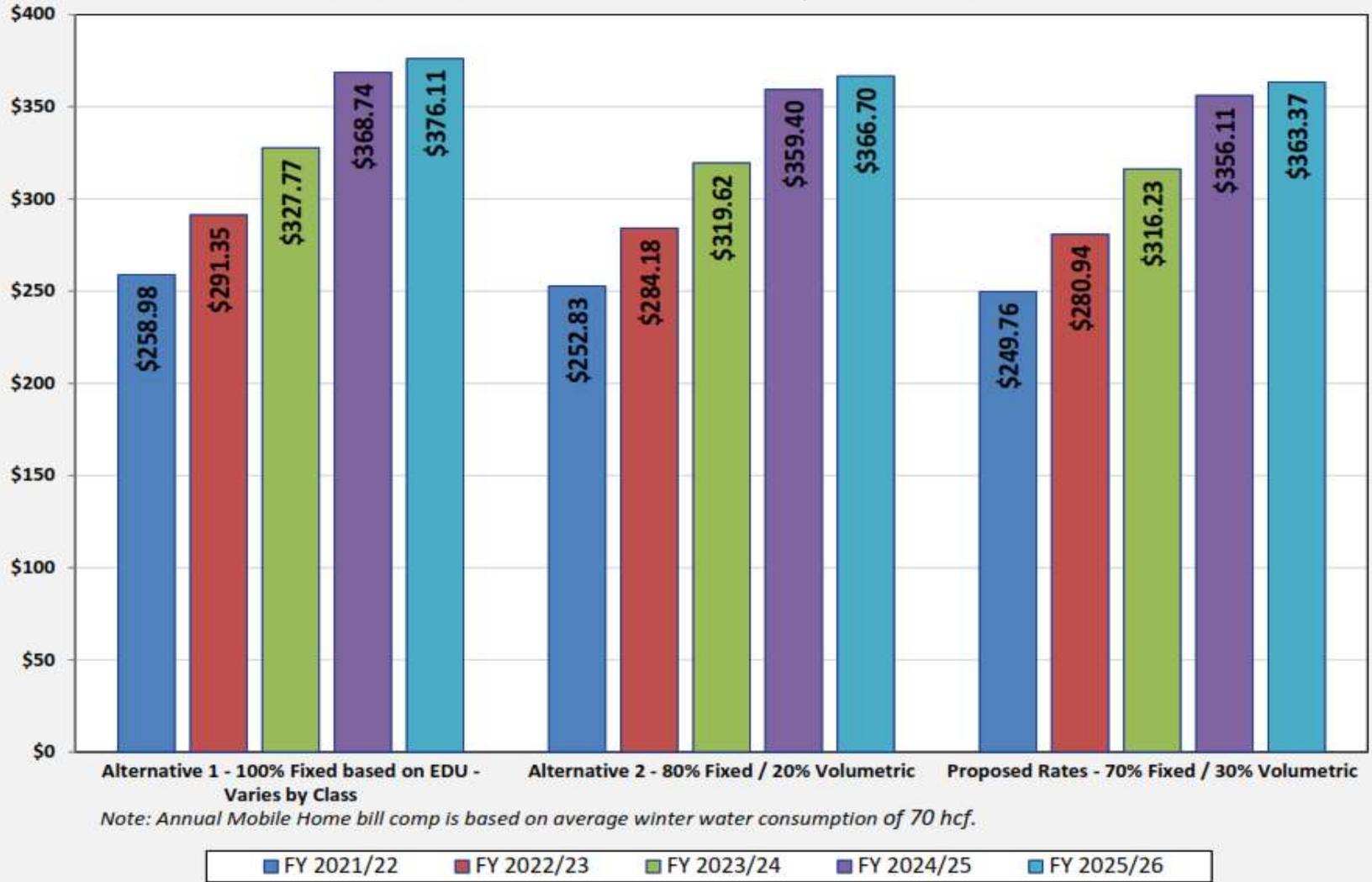
Multi-Family Residential Sewer Bill Comparison Current vs. Proposed Annual Rates (FY 2021/22)



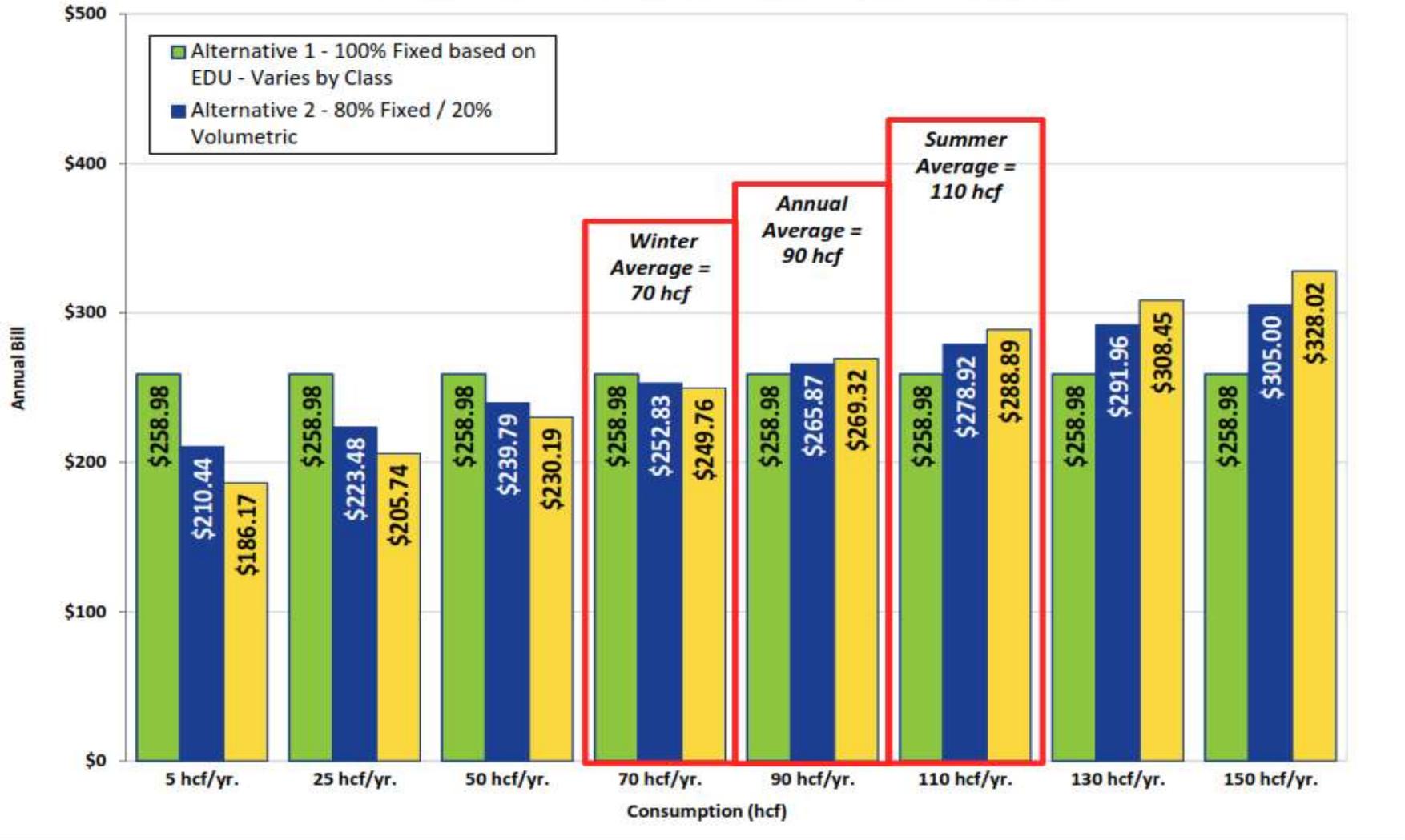
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MFR Bill Comp #2A, Page 51 of 63

Mobile Home Annual Sewer Bills - 5-Year Projections 30-Year Debt Issue: Full CIP with a \$165 Million Debt Issue



Mobile Home Sewer Bill Comparison Current vs. Proposed Rates (FY 2021/22)



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Mobile Home Bill Comp #2, Page 53 of 63

Mobile Home Sewer Bill Comparison Current vs. Proposed Annual Rates (FY 2021/22)

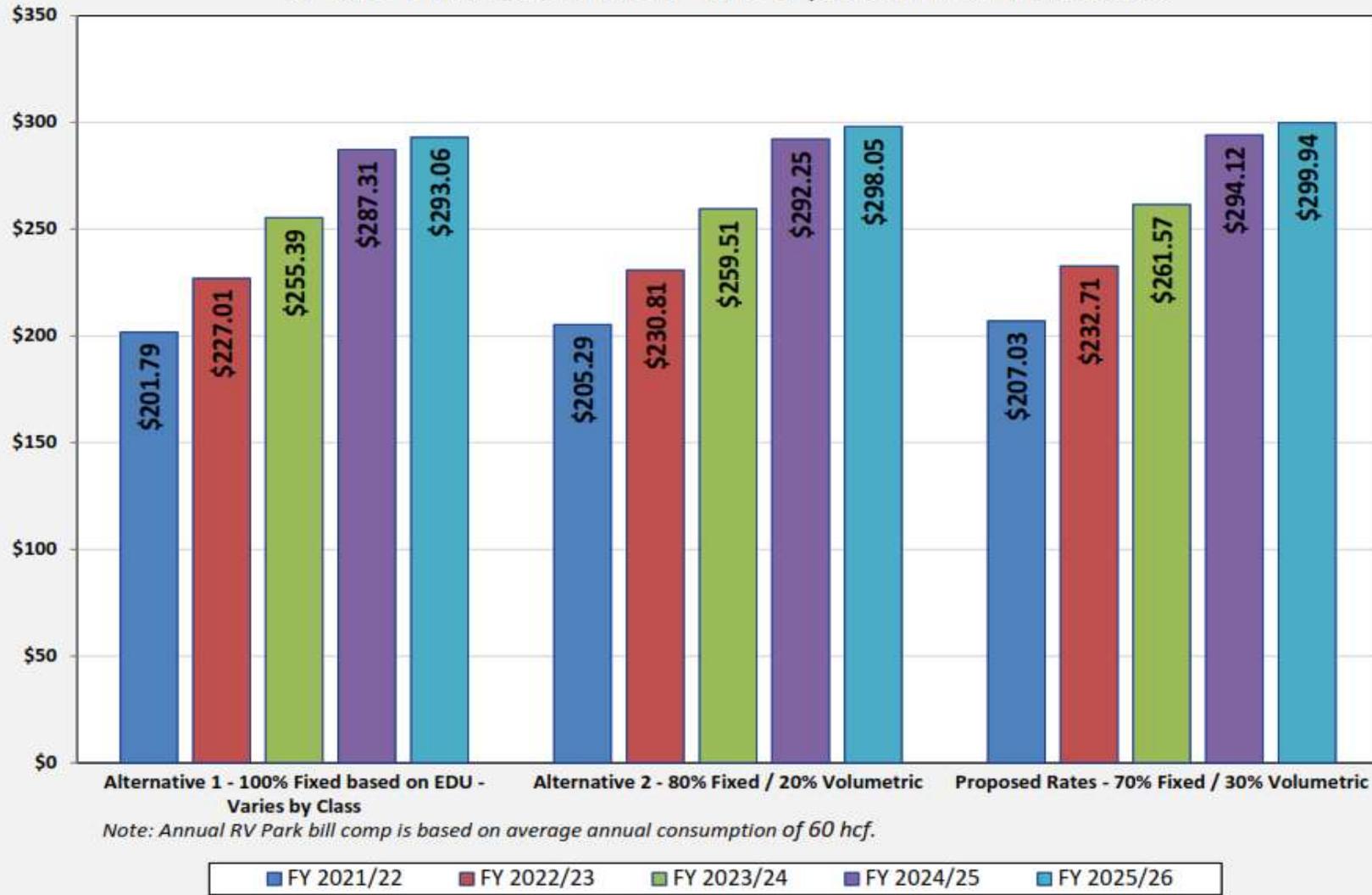


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Mobile Home Bill Comp #2A, Page 54 of 63

RV Parks Annual Sewer Bills - 5-Year Projections

30-Year Debt Issue: Full CIP with a \$165 Million Debt Issue



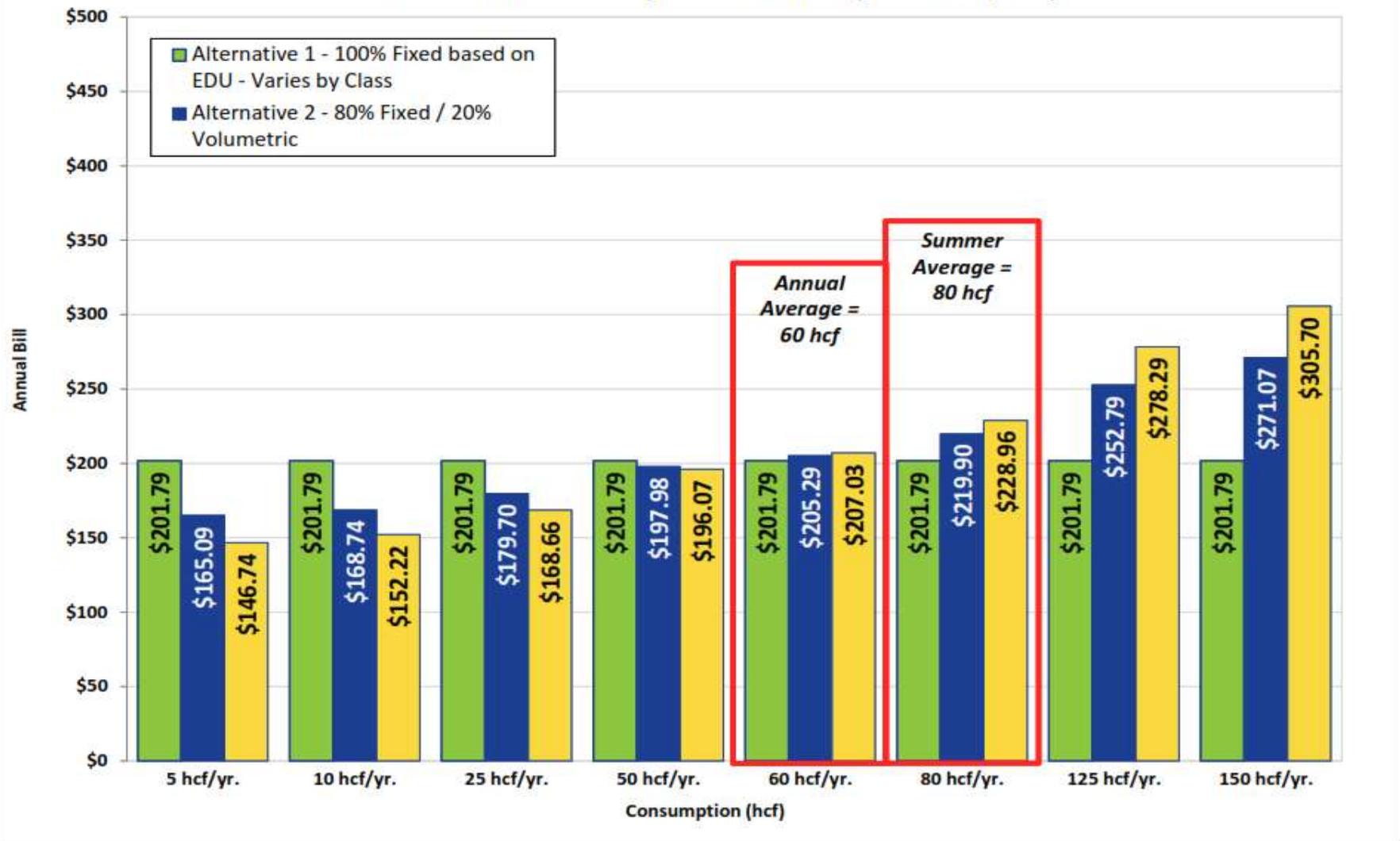
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RV Parks Bill Comp #1, Page 55 of 63



Valley Sanitary District – Wastewater Rate Study
Prepared by NBS – May 2021

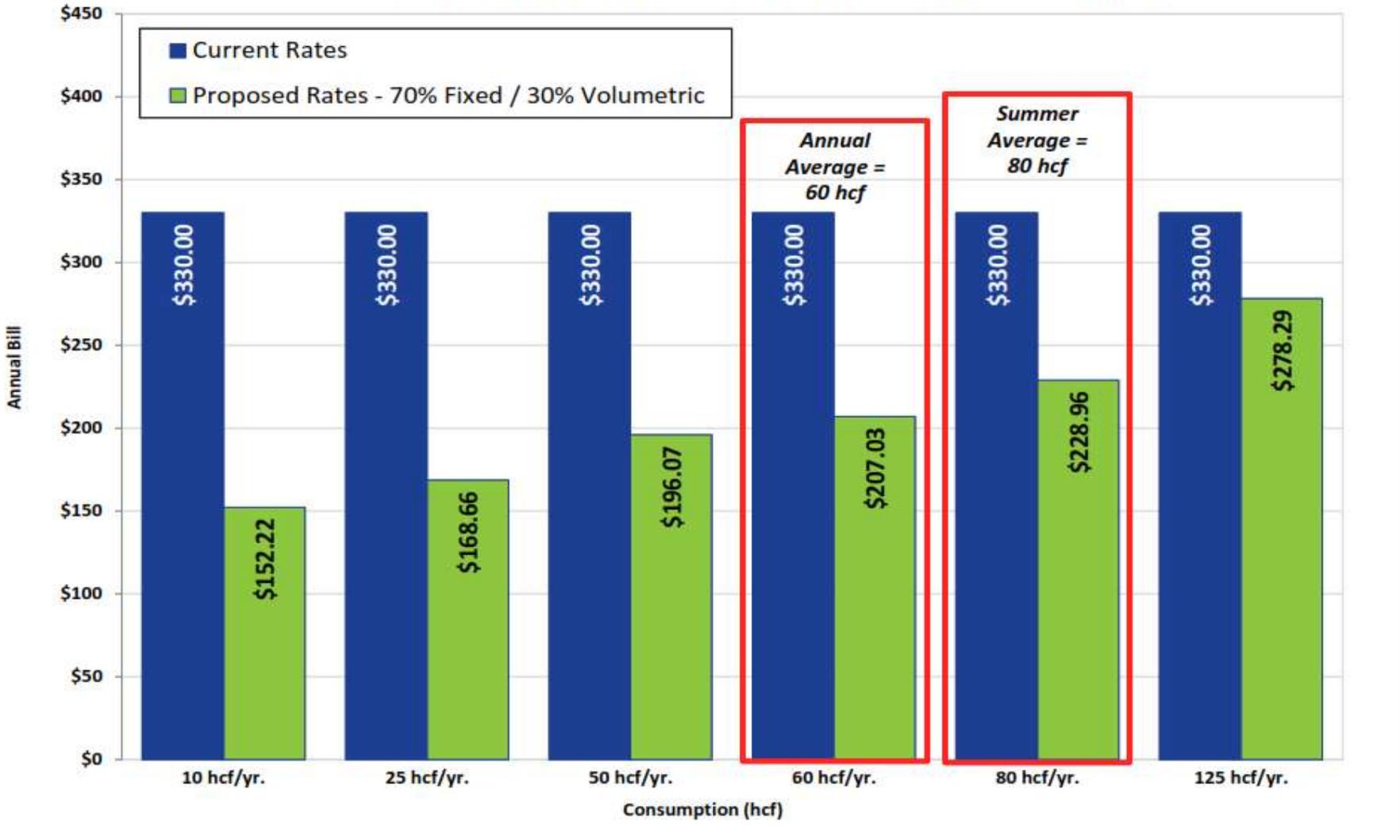
RV Parks Sewer Bill Comparison Current vs. Proposed Rates (FY 2021/22)



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RV Parks Bill Comp #2, Page 56 of 63

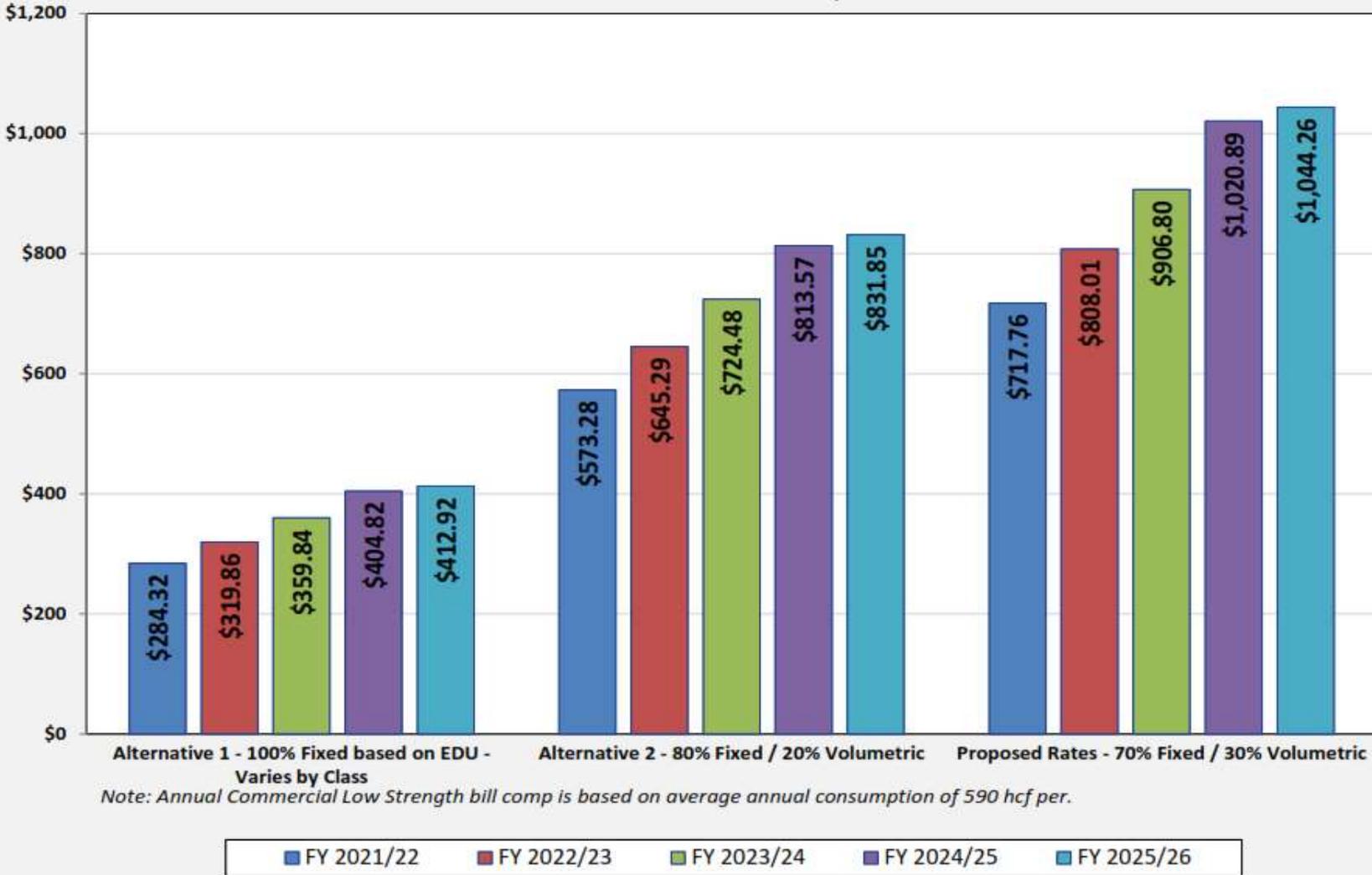
RV Parks Sewer Bill Comparison Current vs. Proposed Annual Rates (FY 2021/22)



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RV Parks Bill Comp #2A, Page 57 of 63

Commercial Low/Medium Strength Annual Sewer Bills - 5-Year Projections 30-Year Debt Issue: Full CIP with a \$165 Million Debt Issue

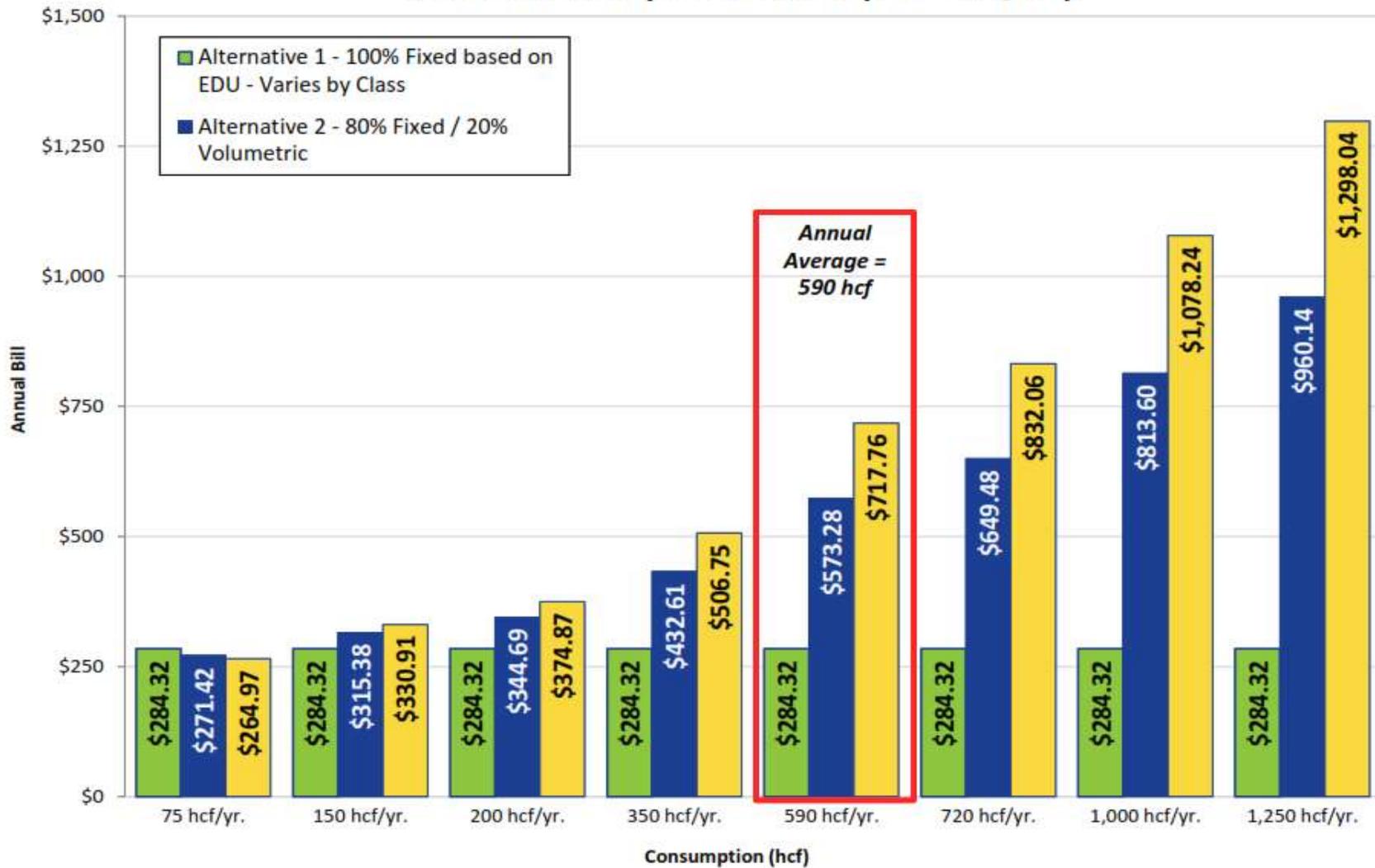


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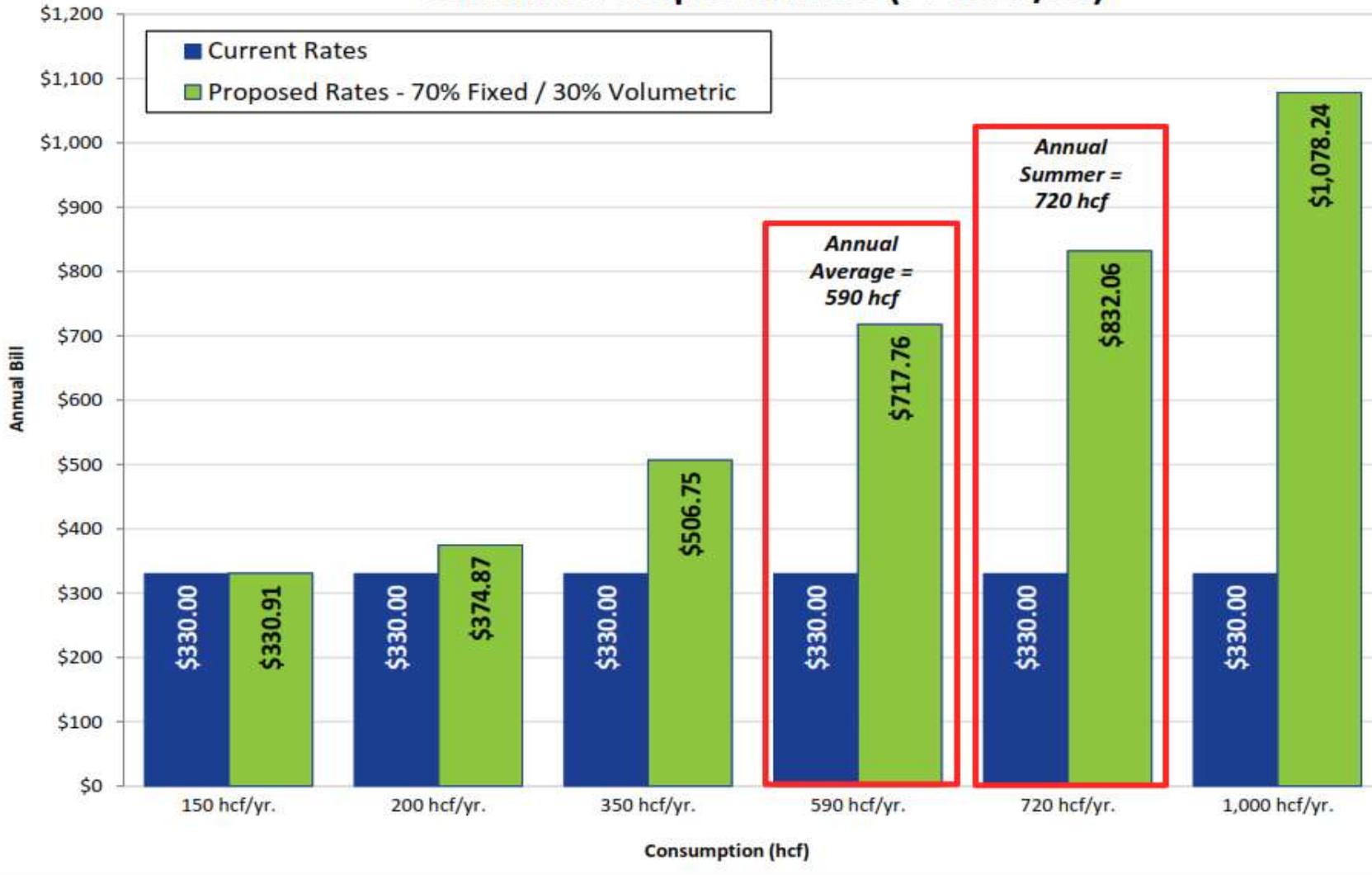
Comm Low Strength Bill Comp #1, Page 58 of 63



Commercial Low/Medium Strength - Sewer Bill Comparison Current vs. Proposed Rates (FY 2021/22)



Commercial Low/Medium Strength - Sewer Bill Comparison Current vs. Proposed Rates (FY 2021/22)



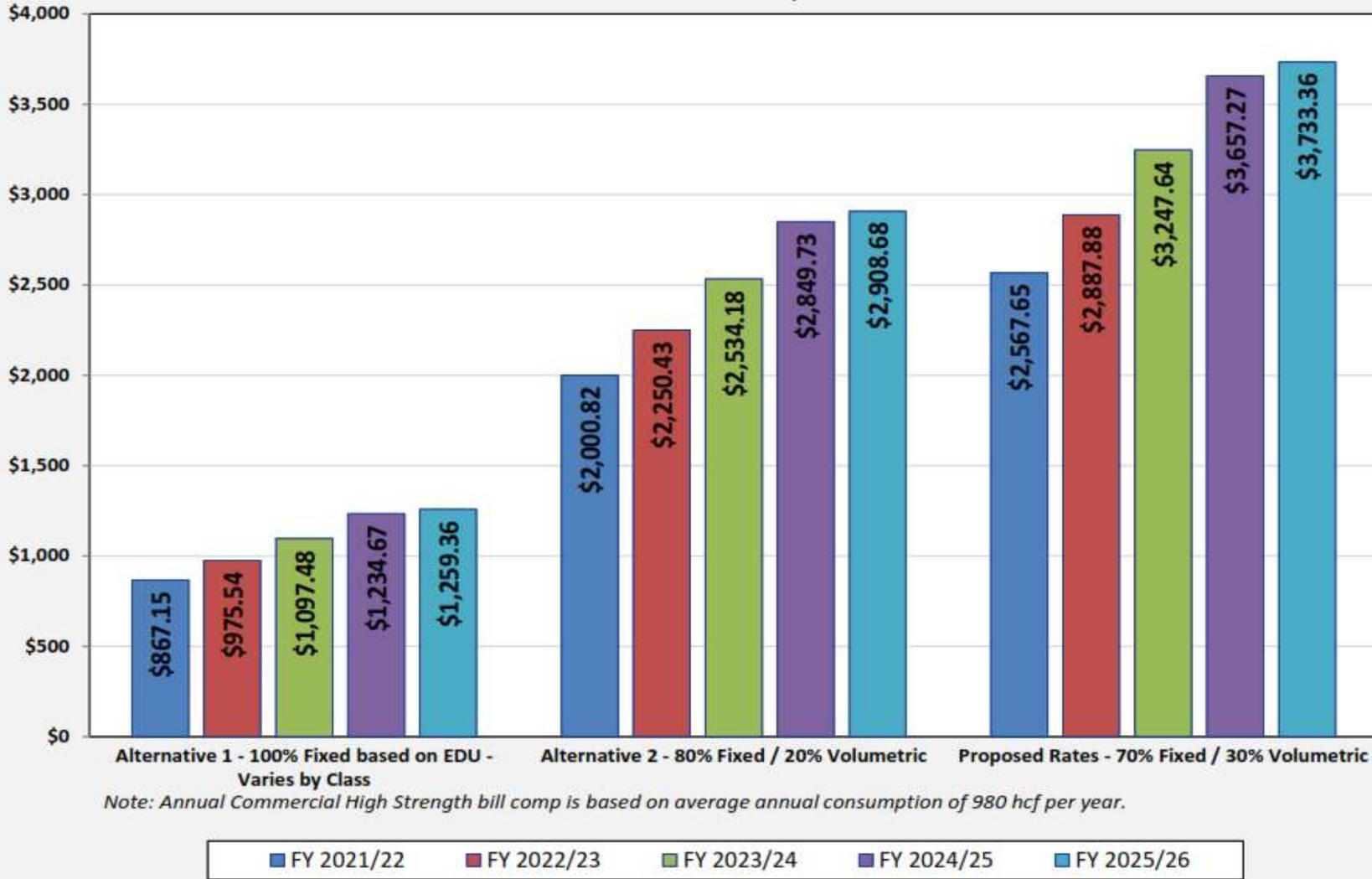
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Comm Low Strength Bill Comp #2A, Page 60 of 63

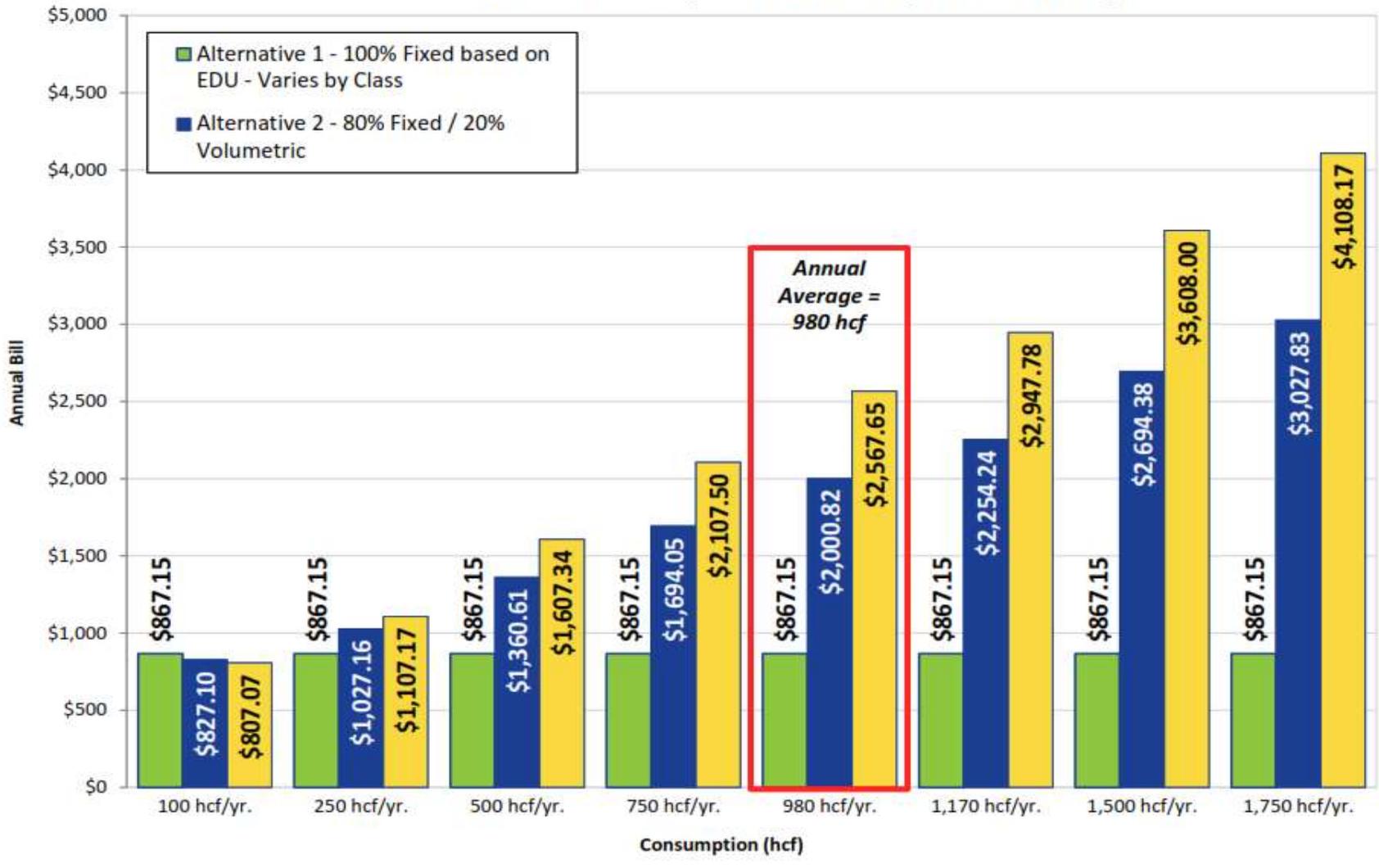


Commercial High Strength Annual Sewer Bills - 5-Year Projections

30-Year Debt Issue: Full CIP with a \$165 Million Debt Issue



Commercial High Strength - Sewer Bill Comparison Current vs. Proposed Rates (FY 2021/22)

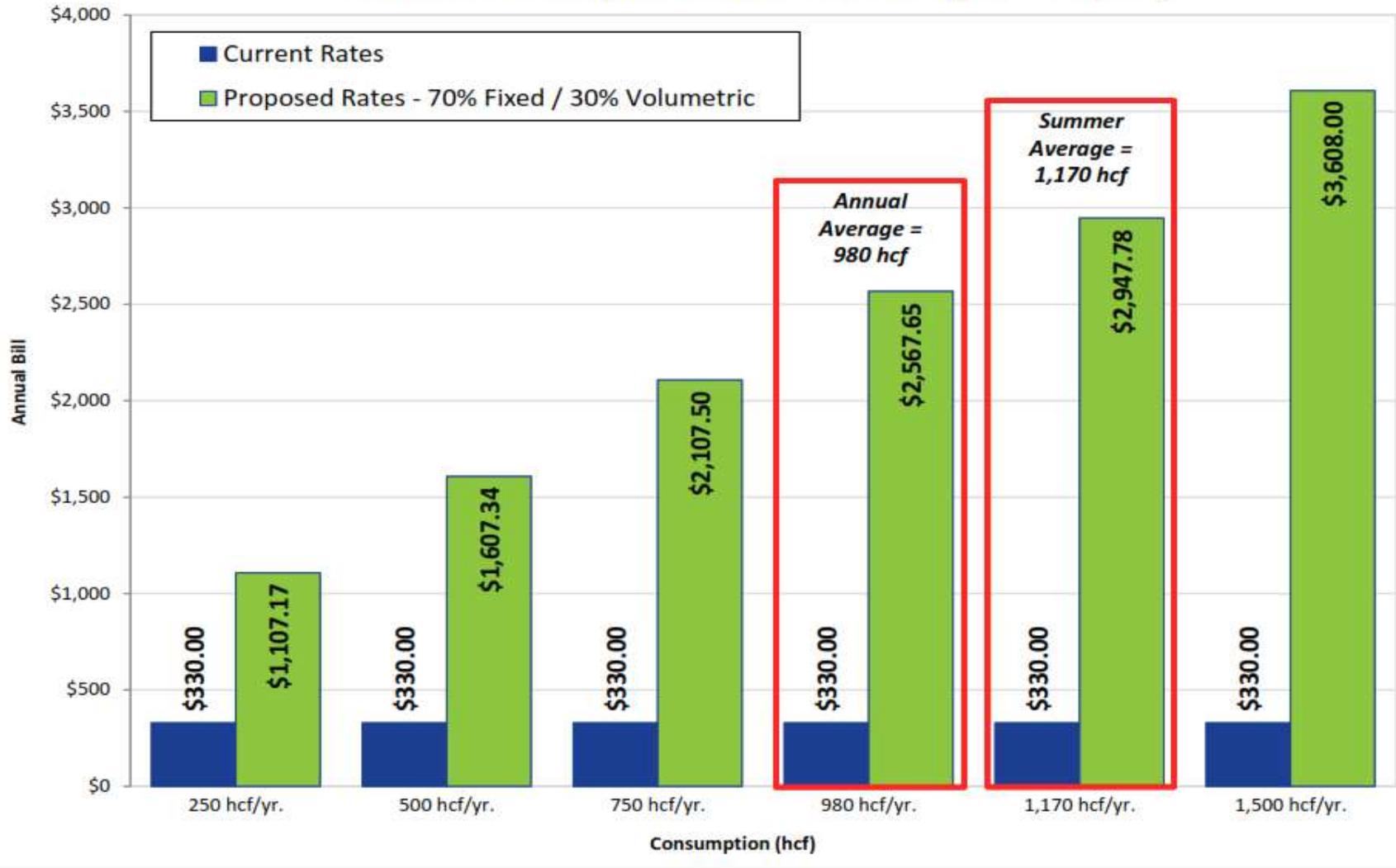


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Commercial High Strength - Sewer Bill Comparison Current vs. Proposed Annual Rates (FY 2021/22)



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Comm Hig Strength Bill Comp #2A, Page 63 of 63





**Valley Sanitary District
Board of Directors Meeting
May 11, 2021**

TO: Board of Directors
FROM: Jeanette Juarez, Business Services Manager
SUBJECT: **Approval of the Valley Sanitary District Fixed Assets Accounting Policy**

<input checked="" type="checkbox"/> Board Action	<input type="checkbox"/> New Budget Approval	<input type="checkbox"/> Contract Award
<input type="checkbox"/> Board Information	<input type="checkbox"/> Existing FY Approved Budget	<input type="checkbox"/> Closed Session

Executive Summary

The purpose of this report is for the Board of Directors to review and approve the Fixed Assets Accounting Policy.

Strategic Plan Compliance

This item complies with VSD Strategic Plan Objective 6.3.1: Review 10% of policies annually and update as needed.

Fiscal Impact

There is no fiscal impact from this report.

Background

The purpose of this policy is to ensure the District’s fixed assets are acquired, safeguarded, controlled, disposed of, and accounted for in accordance with state and federal regulations, auditor requirements, applicable accounting pronouncements, and in a manner that adequately supports the maximum recovery of Facilities and Administrative (indirect) costs associated with these assets. This policy applies to all fixed Assets (land, buildings, infrastructure, and equipment) regardless of source of funds used to acquire these assets (including donated assets) and applies to all departments that use, have custody of, or have been assigned responsibility for such fixed assets. In addition to land, buildings, improvements and equipment, the District will maintain an inventory of all controllable property.

Recommendation

Staff recommends that the Board of Directors approve the Fixed Assets Accounting Policy effective July 1, 2021.

Attachments

- Attachment A: New Fixed Assets Accounting Policy
- Attachment B: Equipment Disposition Form
- Attachment C: Lessee Inventory Template
- Attachment D: Lessee Journal Entries
- Attachment E: Lessor Inventory Template
- Attachment F: Lessor Journal Entries
- Attachment G: Current Fixed Assets Accounting Policy



Fixed Assets Accounting Policy

Adopted: _____/2021

I. PURPOSE

The District has a significant investment in fixed assets that include land, buildings, fixed equipment, infrastructure, and moveable equipment. This policy addresses the basic requirements and procedures that must be followed to meet all state and federal regulations related to fixed assets. In addition to land, buildings, improvements and equipment, the District will maintain an inventory of all controllable items as defined below.

This policy is an overview of various components as they relate to fixed assets:

Table of Contents

Management of Fixed Assets.....	2
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Asset Categorization and Capitalization	5
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Leases.....	9
Disposal of Equipment and Other Fixed Assets	11
Deprecation	12
Non-Capital Expenditures	12
Physical Inventory	13
Budgeting.....	13
Funding Sources.....	14
Accounting	15
Forms	15

Definitions

Capitalizable Assets: A fixed asset with an expected useful life of greater than one (1) year and the asset individually has a value or cost of \$5,000 or greater at the date of acquisition.

Controllable Assets: Tangible property that has an expected life of greater than one (1) year and value or cost less than \$5,000 at the date of acquisition.

Depreciation: The process of allocating the cost of an asset over a period of time, usually its estimated useful life.

Depreciation Method: Straight-line method with half-month convention.

Intangible Assets: An asset that lacks physical substance, is nonfinancial in nature, and has an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, computer software, water rights, timber rights, patents, and trademarks.

Tangible Assets: Assets are physical and measurable assets that are used in a company's operations. Assets like property, plant, and equipment, are tangible assets.

Useful Life: The amount of time that an asset is expected to provide benefit to the District.

II. POLICY

The purpose of this policy is to ensure the District's fixed assets are acquired, safeguarded, controlled, disposed of, and accounted for in accordance with state and federal regulations, auditor requirements, applicable accounting pronouncements, and in a manner that adequately supports the maximum recovery of Facilities and Administrative (indirect) costs associated with these assets. This policy applies to all fixed Assets (land, buildings, infrastructure, and equipment) regardless of source of funds used to acquire these assets (including donated assets) and applies to all departments that use, have custody of, or have been assigned responsibility for such fixed assets.

Management of Fixed Assets

Departmental Responsibilities

All District employees are responsible for protecting District property and are ultimately responsible for, and are held accountable for, assuming proprietary control of all equipment and other fixed assets in their custody or assigned to their department.

1. This responsibility includes establishing business practices and procedures for such equipment and other fixed assets that provide for the following:
2. The proper care, maintenance, control, and reasonable safeguards to prevent loss, damage or theft of such equipment and other fixed assets.
3. The proper usage of such equipment and other fixed assets. Such items should be used for District business purposes and in accordance with District policies and state and federal regulations.
4. The creation of procedures related to the acquisition of equipment and other fixed assets requiring initial screening to avoid the purchase of duplicative equipment is

performed before requisitioning such equipment; verification steps are performed to ensure all items ordered are actually received and are in good operating condition; and assistance is provided to the Business Services Manager to complete the initial inventory of items acquired within 30 days of receipt for those items delivered directly to the ordering department, gather complete demographic information (location, serial number, etc.), and attach a barcode tag to the item whenever possible. Once the barcode tags are put on the equipment they should not be removed.

5. The proper disposal of obsolete, unneeded, or inoperable fixed assets and other property in accordance with the asset disposal policy. Department Heads may act to transfer property to another department but cannot sell or donate property to an individual or commercial firm. The departmental procedures for all disposals or transfers to other departments should ensure that the transfer or disposal forms for all such items are forwarded to the Business Services Manager for recording in Fixed Asset Module on a timely basis.
6. The reporting of thefts of equipment and other fixed assets to the Business Services Manager. In addition, equipment that is lost or has been destroyed because of a casualty (fire, flood, etc.) should be immediately reported to the Business Services Manager.
7. Ensuring that a Loan of District Property Form is completed, with an electronic copy forwarded to the Business Services Manager, for any equipment loaned to employees so that they may work on District business onsite or at home. Ensure that the form is properly authorized by the department head with a signed consent by the employee to return the equipment upon request or upon termination of employment. Include specific details about the equipment (barcode number, serial number, manufacturer, model number, cost, etc.), and have a department process to track all such equipment. Ensure that all loaned equipment is returned from any employee prior to termination of employment.
8. The designation of an equipment coordinator(s) for the department who will assist in the management and control of the equipment and other fixed assets assigned to the department, document and forward all inventory information to include location changes, surplus and disposal documents, and new equipment acquisition documents to the Business Services Manager within 30 days of the change. This individual will also act as the primary point of contact for the department during the District's annual physical inventory process. The department head is responsible for communicating to the Business Services Manager any change of the equipment coordinator duty within the department.

Business Services Manager

The responsibilities of the Business Services Manager are to:

1. Initiate and control the collection of detailed demographic information (location, serial number, etc.) of all equipment acquired by purchase, donation, fabrication, transfer, or other method of acquisition.
2. Coordinate the taking of annual physical inventories of equipment and certain other fixed assets. Reconcile and update the fixed asset module for the results of these inventories and report the results to management.
3. Record disposals (and related sales proceeds, gains or losses, and reduction of accumulated depreciation) through sales, write-offs, trade-ins, and all other means for all fixed assets in the fixed asset module.

4. Provide guidance to Department Heads and other Valley Sanitary District Staff related to fixed assets policies and procedures.
5. Maintain and record changes or updates as appropriate to the land, building, infrastructure, fixed equipment and moveable equipment records in the fixed asset module.
6. Reconcile the fixed asset module to the general ledger for all capital asset categories.
7. Provide Department Heads with accurate and timely information about equipment and other such assets under their control or assigned to their departments.
8. Prepare data on depreciation for the District's financial statements.
9. Assist in the preparation and completion of property information reports, as required by governmental entities, or state or federal auditors, etc.
10. Enter all leases for buildings or equipment into the accounting system for determination of proper reporting category for financial statement purposes (i.e., operating or capital).
11. Prepare calculation for future minimum lease payments for the District's financial
12. statements.

Capitalization Threshold

All fixed assets, including buildings, equipment, furniture, improvements, infrastructure, land, software, and vehicles with an original cost of \$5,000 or more, will be subject to capitalization. All costs associated with the purchase or construction should be considered, including ancillary costs such as freight and transportation charges, site-preparation expenditures, installation charges, professional fees, and legal costs directly attributable to asset acquisition. The purchase of these fixed assets shall be included on the District's statement of net assets and depreciated over the asset's estimated useful life. The purchase of fixed assets for less than \$5,000 shall be expensed.

Specific capitalization requirements are described below.

- The capitalization threshold is applied to individual units of fixed assets. For example, ten desks purchased through a single purchase order each costing \$1,000 will not qualify for capitalization even though the total cost of \$10,000 exceeds the threshold of \$5,000.
- The capitalization threshold will generally not be applied to components of fixed assets. For example, a keyboard, monitor, and central processing unit purchased as components of a computer system will not be evaluated individually against the capitalization threshold. The entire computer system will be treated as a single fixed asset.
- Repairs to fixed assets will generally not be subject to capitalization unless the repair extends the useful life of the asset. In this case, it represents an improvement and is subject to the capitalization policy and should be evaluated separately.
- Improvements to existing fixed assets will be presumed (by definition) to extend the useful life of the related fixed asset and, therefore, will be subject to capitalization only if the cost of the improvement meets the \$5,000 threshold. In theory, an improvement to a fixed asset that had an original cost of less than \$5,000, but now exceeds the threshold because of the improvement, should be combined as a single asset at the total cost (original cost plus the cost of the improvement) and capitalized.

Asset Categorization and Capitalization

Two (2) different categories fixed assets are tracked in the fixed asset module capitalizable and controllable.

1. Capitalizable assets are all fixed assets that meets the District's capitalization criteria as stated in the Threshold Policy. Statement No. 34 Basic Financial Statements and Management's Discussion and Analysis (MD&A) for State and Local Governments of the Governmental Accounting Standards Board (GASB) defines Capital Assets as:

“land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Infrastructure assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams, and lighting systems” (GASB, Para 19).

2. Controllable property is all property that does not meet the District's capitalization criteria, but which the District is obligated to physically control (e.g., laptops, computers, cell phones, lab chemicals, tools). These assets are in the fixed asset module but have no depreciation to distinguish them from capitalized assets. For accounting purposes, controllable property is not included in the fixed assets general ledger control accounts, nor is it included in the calculation of depreciation expense.

Buildings

1. Buildings acquired by purchase are recorded at cost and include all permanent structures and all integral fixtures, machinery, and other appurtenances that cannot be readily removed without disrupting the basic building structure or services to the building. The cost should also include professional fees for attorneys, appraisers or financial advisors, and any other expenditure necessary to put a building or structure within its intended state of operations.
2. Buildings acquired by gift or bequest are recorded at the fair market value at the date of acquisition. Donations from related entities require the asset be recorded at the book value of the donating entity.
3. When buildings are constructed, all identifiable costs are included, such as (but not limited to) contract costs, insurance and interest costs incurred during the period of construction in excess of interest revenue on any borrowed funds. Costs are accumulated in Construction in Progress until the date of beneficial occupancy.
4. Structural remodeling/renovation and additions are capitalized when they enhance the use of, extend the life of the building beyond its original estimated useful life, or significantly increase the efficiency of the building.

Construction-in-Progress

1. Construction in progress includes all expenditures directly related to building construction, renovations, or additions. These costs include contract cost (materials, labor, and overhead) as well as professional fees and interest incurred during the construction period.
2. Upon completion, construction- in- progress costs are transferred to buildings, Improvements, or infrastructure.

Equipment - Capitalized

1. Moveable equipment and separately acquired fixed equipment that has an original unit cost of \$5,000 or more and an expected useful life of greater than one (1) year. The amount capitalized is the purchase price of the asset plus any cost necessary to prepare the asset for use, including shipping and installation. Vendor discounts are deducted, but trade-in allowances are not.
2. Fixed equipment is generally of a configuration requiring contractor installation. Installation often includes charges for various permanent service connections, assembly, site preparations and other miscellaneous types of labor. These associated installation costs, when properly documented, are included in the capitalized cost of newly acquired fixed equipment.

Equipment - Controllable

Controllable equipment carried on the District's inventory is generally defined as moveable, non-consumable items that are not permanently fixed or installed and that have a useful life of at least one-year. Microcomputers, laser printers, LCD projectors, digital cameras, camcorders, and laptop computers with an initial purchase price between \$500 and \$4,999 will be included in the inventory as a controllable asset. It is essential that all controllable assets for the District are always accounted for. Any equipment meeting the definition of controllable equipment will be tagged with a unique bar code label identifying the asset as property of the District. The tagging is generally done at the time the new item is delivered. It is the department's responsibility to notify the Business Services Manager of the receipt and location of the items within 30 days of delivery.

Furniture and Fixtures

Examples of furniture and fixtures are tables, chairs, file cabinets, cubicle walls, etc. used to furnish an office. This category does not include computers or laptops which are classified as equipment.

Improvements

Significant costs incurred after an asset is acquired that increase the future economic benefits of the asset are capital expenditures. Future economic benefits are increased by extending the life of the asset, improving productivity, or improving the quality of service. If the cost incurred was to maintain the asset, it is a current period expense.

Infrastructure

Infrastructure assets are long-lived and can be preserved for a significantly greater number of years than most capital assets and are normally stationary in nature. Examples include paving, roads, bridges, tunnels, utility distribution systems, water and sewer systems, parking lots, fencing and outdoor lighting.

Infrastructure assets with an estimated life greater than one year will be capitalized.

Land

1. Land acquired by purchase is recorded at cost and includes the amount paid for the land itself and all related acquisition costs. Land is considered to be an inexhaustible asset (with infinite life) and therefore is not depreciated. In addition to the costs of acquisition, the cost of land should include ancillary costs such as:
 - Legal and title fees,
 - Unpaid taxes assumed,
 - Surveying and recording fees,
 - Appraisal and negotiation fees,
 - Easements,
 - Damage payments,
 - Site preparation costs (clearing, filling, and leveling) and
 - Demolition of unwanted structures.
2. Land acquired by gift or bequest is recorded at the fair market value at the date of acquisition. Donations from related entities require the asset be recorded at the book value of the donating entity.
3. When land is acquired with buildings erected thereon, total cost is allocated between land and building in reasonable proportion at the date of acquisition. If the transfer document does not show the allocation, other sources may be used, such as an expert appraisal or real estate tax assessment records.
4. Land improvements with an estimated life greater than one year will be capitalized. Examples of such improvements include (but are not limited to) landscaping, athletic fields, and tennis courts.

Those improvements that produce permanent benefits to the land, such as costs for fill and grading that ready the land for erection of a structure, or landscaping are considered inexhaustible and are therefore capitalizable. However, they are not depreciable.

The cost of land does not include those expenditures made in connection with land improvements that are exhaustible (i.e., that deteriorate with use or the passage of time) or are part of an infrastructure asset such as paving, parking lots, and fencing. These fall in the category of infrastructure.

Software

GASB Statement No. 51 Accounting and Financial Reporting for Intangible Assets establishes financial reporting requirements for intangible assets including easements, water rights, timber rights, patents, trademarks, and computer software.

Software intangible assets include computer “programming” or “coding language” that provide the necessary instructions for the computer hardware to perform a desired task or series of tasks. Software intangible assets include purchased “off the shelf” software,

including all necessary modifications, software specifically developed by an outside contractor, and software developed internally by agency personnel, or acquired through any combination of the above.

1. Computer software developed or obtained for internal use should be capitalized if the cost of the license is \$5,000 or more and the software license has a useful life of greater than one (1) year and meets the following condition:
 - Software or licenses purchased and placed into operation without modifications exceeding ten percent of the software purchase price should be considered an intangible asset. This type of computer software is not considered to be internally generated, and therefore, the entire purchase price of the software is capitalized.
2. State agencies often acquire software systems from a vendor that may be customized or developed for their internal use. While the licensing agreement and fee itself would not generally be capitalizable, any significant costs incurred to customize the software to meet the needs of the District should be capitalized. Software is considered to be developed or obtained for internal use if both of the following tests are met:
 - The software is purchased, internally developed, or modified solely to meet the entity's internal needs; and
 - During the software's development or modification, no substantive plan exists or is being developed to market the software externally.

Commercially available software purchased or licensed by an agency that requires modification by agency personnel or a third party and the cost incurred for the modification equals or exceeds ten percent of the total software acquisition cost before being placed into operation should be considered internally generated for purposes of GASB No. 51. For example, licensed financial accounting software that the agency modifies to provide special reporting capabilities and the cost of the modification equals or exceeds ten percent of the software purchase price would be considered internally generated.

Vehicles

Can include company cars, trucks, trailers, and more specialized moving equipment, such as forklifts, Vactors, and TV Vans.

Useful Life

The following durations will be used to determine the useful life and term of depreciation.

<u>Type of Fixed Asset</u>	<u>Life in Years</u>	<u>Life in Miles</u>
Buildings – General Structures	30	N/A
Buildings – Lift Stations, Pump Stations, Out Buildings	20	N/A
Buildings – Modular	10	N/A
Buildings – Office Buildings	50	N/A
Equipment – PCs, Laptops, and Printers	3	N/A
Equipment – Office Equipment (copiers, servers, etc.)	5	N/A
Equipment – Light Duty	5	N/A
Equipment – Medium Duty	10	N/A
Equipment – Heavy Duty	15	N/A
Furniture – Office	5	N/A
Furniture – Office Fixtures	10	N/A
Improvements – General	15	N/A
Infrastructure – Manholes	50	N/A
Infrastructure – Outfall	70	N/A
Infrastructure – Sewer Lines	50	N/A
Infrastructure – Treatment Plant	40	N/A
Land	Indefinite	
Software	5	N/A
Vehicle – Autos & Vans	7	80,000
Vehicle – Trailer	15	N/A
Vehicle – Truck, Light Duty (Inspector, TV, Ops, etc.)	5	60,000
Vehicle – Truck, Heavy Duty (Hydro, Vactor, Dump, etc.)	10	100,000

Leases

GASB Statement No 87 defines a lease as a contract that conveys control of the right to use another entity’s nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment.

Exceptions

- Lessee
 - Short-term lease (maximum possible term of 12 months or less)
 - Lease payments recognized as expense by the lessee and recognized as revenue by the lessor.
 - Contracts that transfer ownership
 - The transaction should be reported as a financed purchase of the underlying asset by the lessee and sale of the asset by the lessor.
 - Leases for \$1 (Exchange/Exchange like Transaction)
- Lessor
 - Investments
 - If the underlying assets meets the requirements of GASB72 then it should be reported as an investment measured at fair value.

Exclusions

- Intangible assets, such as mineral rights, patents, software and copyrights
- Short term leases
- Biological assets, including timber, living plants, and living animals
- Inventory
- Contracts that meet the definition of a service concession agreement (GASB 60)
- Assets financed with outstanding conduit debt, unless both the underlying asset and the conduit debt are reported by the lessor.
- Leases that transfer ownership
- Supply contracts, such as power purchase agreements

Lessee Accounting

A lessee should recognize a lease liability and a lease asset at the commencement of the lease term, unless the lease is a short-term lease or it transfers ownership of the underlying asset. The lease liability should be measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease asset should be measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs.

A lessee should reduce the lease liability as payments are made and recognize an outflow of resources (for example, expense) for interest on the liability. The lessee should amortize the lease asset in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. The notes to financial statements should include a description of leasing arrangements, the amount of lease assets recognized, and a schedule of future lease payments to be made.

Entries for Lessee

- Lease Liability
 - Present value of payments expected to be made during the lease term
- Intangible right-to-use (capital asset)
 - Lease Liability
 - Payments made on the lease prior to commencement of the lease term
 - Direct costs necessary to place the lease asset into service
- If interest rate cannot be determined, use the lessee's incremental borrowing rate
- Lease asset should be amortized over the shorter of the life of the lease or the useful life of the assets
- Debt issuance costs are expensed in the period incurred
- Exclude maintenance type costs when calculating the lease liability

Lessor Accounting

A lessor should recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions for leases of assets held as investments, certain regulated leases, short-term leases, and leases that transfer ownership of the underlying asset. A lessor should not derecognize the asset underlying the lease. The lease receivable should be measured at the present value of lease payments expected to

be received during the lease term. The deferred inflow of resources should be measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods.

A lessor should recognize interest revenue on the lease receivable and an inflow of resources (for example, revenue) from the deferred inflows of resources in a systematic and rational manner over the term of the lease. The notes to financial statements should include a description of leasing arrangements and the total amount of inflows of resources recognized from leases.

Entries for Lessor

- Lease receivable
 - Present value of lease payments, including fixed, certain variable, residual value guarantee, and lease incentives
 - Not including portion of variable payment that is based on performance
 - Discounted using interest rate in the lease (implicit or explicit)
 - Should be remeasured if changes occur to the contract or an event occurs resulting in a variable component becoming fixed
- Deferred inflow of resources
- Other Items:
 - Initial direct costs – current period expense
 - Recognition of both lease revenue and interest revenue
 - Continue to account to the underlying asset (depreciation and impairment)

Disposal of Equipment and Other Fixed Assets

Sale of Surplus Equipment

Obsolete equipment or items worn beyond repair can be classified as surplus. The Department Head or designee must complete the “Equipment Disposition Form” and Board action is required to declare any equipment surplus. Once the Board has declared an item surplus, it is advertised for sale with an indication of the location/hours/days it can be seen and the deadline date for submission of bids. (The advertisement will also stipulate that the District reserves the right to reject any or all bids and that the equipment is sold AS IS.) The District uses GOVDEALS to advertise and sell surplus items.

Value of Property

It is the responsibility of each department to appraise items designated as surplus. If it is determined that the property sold as a unit has a market value of more than \$5,000, the property must be disposed of by a bid process in accordance with District purchasing guidelines. The bid process will be coordinated in conjunction with each respective department and the General Manager. The General Manager is authorized to advertise such surplus property for sale to the public. If it is determined that the property sold as a unit has a value less than \$5,000, the property may be disposed of in a manner approved by the Board.

Disposal Process

Prior to the disposal of any surplus property, each department is required to complete an

"Equipment Disposition Form" (see Exhibit D) and return it to the General Manager for approval and to Administration for processing. Upon retirement/disposal of the asset, Business Services Manager will remove the item from the Fixed Asset Module.

Sale of Real Estate

Board action is required to declare any property surplus. The Board will authorize and grant authority to District staff to obtain an appraisal of surplus property.

In accordance with State law, surplus property is first offered to public agencies at the appraised price. If the property is not purchased by a public agency, it is then advertised in the newspaper with a request that sealed bids be submitted to the District. The Board will review the bids at the next regular Board Meeting and decide to accept or reject the highest bid. Bidders are then notified of the Board's action.

Proceeds from the disposal of surplus property will be allocated to the District's General Fund unless the property was originally purchased with monies from a specific District Fund, in which case, the proceeds will be returned to that specific fund.

Deprecation

Depreciable capital assets include all capital assets except land and construction-in-progress. Depreciation is calculated using the straight-line method over the applicable useful life.

Depreciation is computed from the beginning of the month it is placed in service if it was acquired by the 15th of the month. If the Capital Asset is acquired after the 15th of the month, it is depreciated from the beginning of the next month. Similarly, depreciation for the month of disposition is computed for that month if it is disposed of after the 15th.

Non-Capital Expenditures

Expenditures for repairs, maintenance or replacement of components parts or accessories, which do not extend the unit's original estimated useful life, significantly enhance its net value, or significantly improve its efficiency are noncapital expenditures.

1. For example, assume an automobile has a useful life of five years. In the third year the engine is rebuilt so that the original life expectancy can be realized. The rebuilding of the engine is not a capital even if the total cost exceeds the \$5,000 threshold, because the expected useful life of the automobile has not been extended beyond the original life expectancy.
2. Expenditures incurred in demolishing or dismantling equipment including those expenditures related to the replacement of units or systems are non-capital expenditures.
3. Expenditures incurred in connection with the rearrangement, transfer, or moving capitalized items from one location to another, including expenditures incurred in dismantling, transporting, reassembling and reinstalling such items in a new location are non-capital expenditures.

Physical Inventory

The District will conduct a physical inventory of capital assets equipment annually. The inventory team will be comprised of staff from the Administration Department and Department Supervisors. All movable fixed assets such as machinery, equipment, and office furniture (not land, buildings, or other immovable fixed assets) will be inventoried.

Moveable fixed assets will be subject to inventory control if they meet at least one (1) of the following criteria:

1. The original cost of the fixed asset is equal to or greater than \$5,000.
2. Any asset that cost less than \$5,000 that a department requests to be subject to inventory control. This may include certain machinery and equipment that, due to portability, value outside of the office, or character, are susceptible to theft or loss. It may also include an asset that has been requested by a department to be controlled to satisfy an internal (operational) or external requirement. For example, Information Systems may wish to inventory all computer hardware and software to establish replacement and upgrade requirements for both hardware and software.
3. Any asset required to be controlled and separately reported pursuant to grant conditions or other externally imposed reporting requirement. For example, a grant program that has funded the acquisition of a fixed asset may impose a requirement that the fixed asset be tracked and identified as a grant-funded asset.

Inventory Process

1. The inventory team will use the fixed asset inventory log by department to verify the asset's location. Assets are tagged with property control numbers and these numbers must check back to the fixed asset inventory log by department.
2. Inventory teams will tag all fixed asset items and enter the property control number and other available information on fixed asset inventory log if items were not previously tagged and/or identified.
3. Any information necessary for the fixed asset inventory log that is not available on site will be investigated by the Business Services Manager.
4. Updated information will be entered into the fixed assets log and fixed assets module.
5. Assets not found during the inventory process will be evaluated by the Business Services Manager and Department Supervisor for actual or pending disposal. Assets pending disposal are assets not found during the current inventory. Disposal of these assets will occur only within a one-year period in an effort to confirm nonexistence.

Budgeting

The General Manager is responsible for the oversight of the Capital Improvement Program (CIP) and the development of the Budget. The General Manager may delegate responsibility to various Department Heads to identify what capital assets are needed and requested in the budget process.

Asset purchases are authorized through the budget process (except for emergency projects) which involves the following steps:

Fixed Assets Accounting Policy

1. Need is identified - either a new asset is needed, or an asset needs replacement or major repair.
2. Manager who is responsible for operating the asset submits a Budget Request or Capital Project Request form during the budget process.
3. Funding source for the project is identified.
4. Projects are reviewed by the General Manager & Department Heads.
5. Project funding is granted through approval of the Annual Operating and Capital Budget by the Board of Directors.
6. Each department should budget for the repair and renewal needs of its assets consistent with best practices.

The various requests submitted in the budget process will be compiled by the Administration Department. Funding sources must be identified for each Budget Request and Capital Project Request.

The budgets will be reviewed, in detail, by the General Manager & Department Heads. The Board of Directors will subsequently review and approve the Operating and Capital Budgets.

The procurement process will be handled primarily by the manager who submitted the request. The acquisition of Capital Assets must follow the steps and rules stated in the District's Procurement Policy.

If actual costs are expected to be higher than what was budgeted, these options are available within the requirements of existing policies:

1. Cancel the project or reduce the scope of the project.
2. Transfer funds from another project with lower priority or excess funds available.
3. Appropriate funds from reserves, with Board approval.
4. Re-budget the project, with additional funding, in the following fiscal year.
5. Board approval is required for any new projects added during the fiscal year.

Funding Sources

All expenses included in the Capital Budget must not exceed estimated funding sources available for capital spending. The source of funding for each project must be identified as part of the Capital Budgeting Process.

Possible sources of funding include:

- Pay-As-You-Go "Pay-Go" - this source means that the Asset will be purchased with resources provided by the current year Operating Activities of the District.
- Debt - this source can be used to fund large projects, with useful lives of 20 years or more, with Board Approval.
- Reserves - this source may only be used with Board approval.
- Grant or other outside source - this source may be used only if there is preliminary or guaranteed approval of the project.

Due to the significant size and cost of some assets, staff may wish to fund only preliminary engineering/planning activities before committing to funding the whole project. This policy permits funding preliminary activities.

Accounting

A permanent fixed asset inventory log or database is to be maintained by the Business Services Manager for all fixed assets purchased by Valley Sanitary District. The log should contain the following information:

- Date of purchase.
- Description of item purchased.
- Received by donation or purchased.
- Cost or fair market value on the date of receipt.
- Donor or funding source, if applicable.
- Funding-source restrictions on use or disposition.
- Identification/serial number (if appropriate).
- Depreciation period.
- Vendor name and address.
- Warranty period.
- Number of the Valley Sanitary District check used to pay for the equipment.

Project numbers will be utilized to facilitate tracking of purchases, budgets, and assets in the computerized accounting system.

The Business Services Manager is to be informed, in writing, via an interoffice memorandum of any material changes in the status of property and equipment. This includes changes in location, sale of, scrapping of, and/or obsolescence of items and any purchase or sale of real estate.

At least annually, a physical inspection and inventory should be taken of all Valley Sanitary District fixed assets and reconciled to the general ledger balances. Adjustments for dispositions should be made.

Forms

1. Equipment Disposition Form
2. Lessee Inventory Template
3. Lessee Journal Entries
4. Lessor Inventory Template
5. Lessor Journal Entries

VALLEY SANITARY DISTRICT EQUIPMENT DISPOSITION FORM

(This form is to be completed upon the disposition of fixed assets, including equipment for surplus)

Date of Disposition:	
Department: Administration	Location: VSD

Justification for Disposition: Obsolete / No longer required.
The items will be disposed and recycled.

Item #	Asset Tag #	Quantity	Description	Current Location	Value \$	
1					0	
2					0	
3					0	
4					0	
5						
6						
7						
8						
9						
10						

Check One:
<input type="checkbox"/> Sold (Please attach supporting documentation and sale value.)
<input type="checkbox"/> Lost (Please include complete description of circumstances surrounding loss.)
<input type="checkbox"/> Donated to outside organization (Please attach supporting documentation.)
<input type="checkbox"/> Traded In (Please attach supporting documentation.)
<input type="checkbox"/> Reassigned for use as source of parts
<input type="checkbox"/> Stolen (Please attach police report or complete description of circumstances.)
<input type="checkbox"/> Destroyed (Please include complete description of circumstances.)
<input type="checkbox"/> Declared Surplus (Please attach documentation of Board Action)
<input type="checkbox"/> Other, Please explain:

Department Supervisor:	General Manager:
District Board Action:	

**GASB 87 Lease Inventory Template
Lessee Information**

Asset Being Leased	Department Leasing the Asset	Entity Leasing the Asset to the Organization	General Description of Lease	Date of Lease Agreement	Lease Inception	Lease End	Payments due Monthly, Quarterly or Annual	Total Amount Paid Annually	Do Payments Include a Nonlease Component	Stated Interest Rate per Agreement, if any	Was Lease Reported as a Capital Lease at June 30, 2021?
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General Approach

- a. Take a complete inventory of all lease agreements, both as lessor and lessee
- b. Communicate requirements to other departments to ensure compliance
- c. Review existing policies to establish proper thresholds to limit scope and evaluate materiality
- d. Look for existing agreements not currently being recognized or disclosed as leases to ensure completeness
- e. Evaluate all current leases and contracts to determine if they meet the GASB 87 definition of a lease
- f. Assess all leases greater than twelve months
- g. Review the details of each lease contract, looking for nonlease components and determining the interest rate charged
- h. Leases should be recognized and measured using the facts and circumstances that exist at the beginning of the period of GASB 87 implementation
- i. Calculate the present value of the leases to be reported
- j. Seek input from external auditors

Decision Tree

The following questions are worded so that any "No" response would result in the contract not meeting the requirements of GASB Statement No. 87.

Lease Definition (GASB 87, par.4)

For purposes of applying this Statement, a lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction.

Does the contract:

- Convey control? (GASB 87, par.5)
- Use another entity's nonfinancial asset? (GASB 87, par.7)
- Cover a period of time? (GASB 87, par.12)
- Involve an exchange or exchange-like transaction? (GASB 87, note 1)
(\$1 per month rent would be a nonexchange transaction)

Yes	No

The GASB 87 Statement does not apply to the following: (GASB 87, par.8)

- a. Leases of intangible assets, including rights to explore for or to exploit natural resources such as oil, gas, and minerals.
- b. Leases of biological assets, including timber, living plants, and living animals.
- c. Leases of inventory.
- d. Contracts that meet the definition of a service concession arrangement in paragraph 4 of Statement No. 60.
- e. Leases in which the underlying asset is financed with outstanding conduit debt, unless both the underlying asset and the conduit debt are reported by the lessor.
- f. Supply contracts, such as power purchase agreements.

The contract does NOT apply to the following:

- Lease of an intangible asset?
- Lease of a biological asset?
- Lease of inventory?
- Service concession arrangement?
- Leases with underlying asset financed with conduit debt?
- Supply contracts?

Yes	No

The GASB 87 Statement does not apply to Short-Term Leases (GASB 87, par.16)

A short-term lease is a lease that, at the commencement of the lease term, has a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. For a lease that is cancelable by either the lessee or the lessor, such as a rolling month-to-month lease or a year-to-year lease, the maximum possible term is the noncancelable period, including any notice periods.

The noncancelable lease term as defined above is greater than 12 months?

Yes	No

The GASB 87 Statement does not apply to Contracts that Transfer Ownership (GASB 87, par.19)

A contract that (a) transfers ownership of the underlying asset to the lessee by the end of the contract and (b) does not contain termination options (see GASB 87 paragraph 12), but that may contain a fiscal funding or cancellation clause that is not reasonably certain of being exercised (see GASB 87 paragraph 13), should be reported as a financed purchase of the underlying asset by the lessee or sale of the asset by the lessor.

The contract does not transfer ownership at the end of the contract?

Yes	No

Additional Lessor Questions:

Two additional questions that apply only to the Lessor in determining whether the GASB 87 Statement applies

The GASB 87 Statement does not apply for Lessors that have Leases for assets that are investments (GASB 87, par.41)

If the underlying asset in a lease meets the requirements in GASB Statement 72 to be reported as an investment measured at fair value, the lessor should not apply the recognition and measurement provisions of this Statement. The lessor should disclose the information in accordance with paragraph 57d of the GASB 87 Statement but is not required to make the other disclosures in paragraph 57.

If the Organization is the Lessor, the lease is not for assets that qualify as investments under GASB Statement 72?

Yes	No
X	

The GASB 87 Statement does not apply for Lessors for certain regulated Leases (GASB 87, par.42)

Certain leases are subject to external laws, regulations, or legal rulings. For example, the U.S. Department of Transportation and the Federal Aviation Administration regulate aviation leases between airports and air carriers and other aeronautical users. Lessors should not apply the provisions in paragraphs 44–59 of this Statement to leases that meet the provisions of paragraph 43.

If the Organization is the Lessor, the lease does not involve regulated leases?

Yes	No
X	

**GASB 87 Lease Inventory Template
Lessor Information**

Asset Being Leased	Department Providing the Leased Asset	Entity Leasing the Asset From the Organization	General Description of Lease	Date of Lease Agreement	Lease Inception	Lease End	Payments due Monthly, Quarterly or Annual	Total Amount Paid Annually	Do Payments Include a Nonlease Component	Stated Interest Rate per Agreement, if any
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General Approach

- a. Take a complete inventory of all lease agreements, both as lessor and lessee
- b. Communicate requirements to other departments to ensure compliance
- c. Review existing policies to establish proper thresholds to limit scope and evaluate materiality
- d. Look for existing agreements not currently being recognized or disclosed as leases to ensure completeness
- e. Evaluate all current leases and contracts to determine if they meet the GASB 87 definition of a lease
- f. Assess all leases greater than twelve months
- g. Leases should be recognized and measured using the facts and circumstances that exist at the beginning of the period of GASB 87 implementation
- h. Review the details of each lease contract, looking for nonlease components and determining the interest rate charged
- i. Calculate the present value of the leases to be reported
- j. Seek input from external auditors

Decision Tree

The following questions are worded so that any "No" response would result in the contract not meeting the requirements of GASB Statement No. 87.

Lease Definition (GASB 87, par.4)

For purposes of applying this Statement, a lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction

Does the contract:

- Convey control? (GASB 87, par.5)
 - Use another entity's nonfinancial asset? (GASB 87, par.7)
 - Cover a period of time? (GASB 87, par.12)
 - Involve an exchange or exchange-like transaction? (GASB 87, note 1)
- (A \$1 per month rent would be a nonexchange transaction)

Yes	No

The GASB 87 Statement does not apply to: (GASB 87, par.8)

- a. Leases of intangible assets, including rights to explore for or to exploit natural resources such as oil, gas, and minerals.
- b. Leases of biological assets, including timber, living plants, and living animals.
- c. Leases of inventory.
- d. Contracts that meet the definition of a service concession arrangement in paragraph 4 of Statement No. 60.
- e. Leases in which the underlying asset is financed with outstanding conduit debt, unless both the underlying asset and the conduit debt are reported by the lessor.
- f. Supply contracts, such as power purchase agreements.

The contract does NOT apply to the following:

- Lease of an intangible assets?
- Lease of a biological asset?
- Lease of inventory?
- Service concession arrangement?
- Lease with underlying asset financed with conduit debt?
- Supply contracts?

Yes	No

The GASB 87 Statement does not apply to Short-Term Leases (GASB 87, par.16)

A short-term lease is a lease that, at the commencement of the lease term, has a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. For a lease that is cancelable by either the lessee or the lessor, such as a rolling month-to-month lease or a year-to-year lease, the maximum possible term is the noncancelable period, including any notice periods.

The noncancelable lease term as defined above is greater than 12 months?

Yes	No

The GASB 87 Statement does not apply to Contracts that Transfer Ownership (GASB 87, par.19)

A contract that (a) transfers ownership of the underlying asset to the lessee by the end of the contract and (b) does not contain termination options (see GASB 87 paragraph 12), but that may contain a fiscal funding or cancellation clause that is not reasonably certain of being exercised (see GASB 87 paragraph 13), should be reported as a financed purchase of the underlying asset by the lessee or sale of the asset by the lessor.

The contract does not transfer ownership at the end of the contract?

Yes	No

Additional Lessor Questions:

Two additional questions that apply only to the Lessor in determining whether the GASB 87 Statement applies

The GASB 87 Statement does not apply for Lessors that have Leases for assets that are investments (GASB 87, par.41)

If the underlying asset in a lease meets the requirements in GASB Statement 72 to be reported as an investment measured at fair value, the lessor should not apply the recognition and measurement provisions of this Statement. The lessor should disclose the information in accordance with paragraph 57d of the GASB 87 Statement but is not required to make the other disclosures in paragraph 57.

If the Organization is the Lessor, the lease is not for assets that qualify as investments under GASB Statement 72?

Yes	No

The GASB 87 Statement does not apply for Lessors for certain regulated Leases (GASB 87, par.42)

Certain leases are subject to external laws, regulations, or legal rulings. For example, the U.S. Department of Transportation and the Federal Aviation Administration regulate aviation leases between airports and air carriers and other aeronautical users. Lessors should not apply the provisions in paragraphs 44–59 of this Statement to leases that meet the provisions of paragraph 43.

If the Organization is the Lessor, the lease does not involve regulated leases?

Yes	No

Manager once per fiscal year for review and approval, after which the General Manager will submit the write-off recommendation for Board approval.

Finance staff will remove the corresponding amounts/charges from the District's general ledger and subsidiary ledgers upon receipt of the documentation granting Board approval to the General Manager for the submitted write-offs. The Board's minute order number is documented as part of the adjusting entry.

Denial of Requests

Accounts receivable write-off requests may be denied based on the criteria below. If the request is denied, it will be returned to the Accounting Department, and it will become the responsibility of the Accounting Department to take the necessary corrective actions.

Criteria for Denial of Requests:

- Insufficient collection efforts have been made or demonstrated.
- Lack of proper approval.
- Knowledge that the debt will be collected in the future.

4.8.8. Refunds and Statute of Limitations

Per the State of California Revenue and Taxation Code, Section 5096, the statute of limitations on any assessment adjustments and/or refunds is four (4) years from when the claim is made.

4.9. Fixed Assets Accounting

The purpose of this policy is to ensure proper control and appropriate use of the District's fixed assets. The procedures are intended to define fixed assets and to establish guidelines for budgeting, purchasing, using, financial reporting, logging, inventorying, transferring, depreciating, and disposing of fixed assets. This policy does

not apply to infrastructure assets.

It is the policy of Valley Sanitary District that fixed assets be used for appropriate District purposes and be properly accounted for and secured. It is the responsibility of District Department Heads to ensure that:

- purchasing guidelines are followed.
- fixed assets are adequately controlled and used appropriately.
- the Admin/Finance Department is notified when fixed assets are acquired, transferred, or otherwise subject to disposal.
- It is the responsibility of the Admin/Finance Department to ensure that.
- fixed-asset information is maintained in accordance with generally accepted accounting principles.
- equipment replacement records and schedules are maintained so that funding will be available to replace obsolete, outdated, and worn-out pieces of equipment.

The General Manager is authorized to grant exceptions to specific provisions on a case-by-case basis within the intent of the overall policy.

All District Departments are subject to the provisions of this policy.

The Valley Sanitary District's fixed asset policy has two (2) objectives.

- Accounting and Financial Reporting: to accurately account for and report fixed assets in financial reports issued to the Board of Directors, external reporting agencies, granting agencies, and the public.
- Safeguarding: to protect its (fixed) assets from loss or theft.

In meeting the two objectives, the District has established a Capitalization Policy and an Inventory Control Policy, providing specific guidance to determine which fixed assets are subject to separate accounting and reporting (i.e., Capitalization) and safeguarding (i.e., Inventory Control), respectively.

The Admin/Finance Department is responsible for, and has established, systems and procedures through which both objectives are met. These systems and procedures are

used to identify, process, control, track, and report District fixed assets.

4.9.1. Capitalization Policy (Accounting and Financial Reporting)

In general, all fixed assets, including land, buildings, machinery, and equipment, with an original cost of \$5,000 or more, will be subject to accounting and reporting (capitalization). All costs associated with the purchase or construction should be considered, including ancillary costs such as freight and transportation charges, site-preparation expenditures, installation charges, professional fees, and legal costs directly attributable to asset acquisition. The purchase of these fixed assets shall be included on the District's statement of net assets and depreciated over the asset's estimated useful life. The purchase of fixed assets for less than \$5,000 shall be expensed. Specific capitalization requirements are described below.

- The capitalization threshold is applied to individual units of fixed assets. For example, ten desks purchased through a single purchase order each costing \$1,000 will not qualify for capitalization even though the total cost of \$10,000 exceeds the threshold of \$5,000.
- The capitalization threshold will generally not be applied to components of fixed assets. For example, a keyboard, monitor, and central processing unit purchased as components of a computer system will not be evaluated individually against the capitalization threshold. The entire computer system will be treated as a single fixed asset.
- Repairs to fixed assets will generally not be subject to capitalization unless the repair extends the useful life of the asset. In this case, it represents an improvement and is subject to the capitalization policy and should be evaluated separately.
- Improvements to existing fixed assets will be presumed (by definition) to extend the useful life of the related fixed asset and, therefore, will be subject to capitalization only if the cost of the improvement meets the \$5,000 threshold. In theory, an improvement to a fixed asset that had an original cost of less than \$5,000, but now exceeds the threshold as a result of the improvement, should be combined as a single

asset at the total cost (original cost plus the cost of the improvement) and capitalized.

- Capital projects will be capitalized as "construction in progress" until completed. Costs to be capitalized include direct costs, such as labor, materials, and transportation, indirect costs such as engineering and construction management, and ancillary costs such as construction period interest.
- A permanent property log or database is to be maintained by the Administration & Finance Manager for all fixed assets purchased by Valley Sanitary District. The log should contain the following information:
 - date of purchase.
 - description of item purchased.
 - received by donation or purchased.
 - cost or fair market value on the date of receipt.
 - donor or funding source, if applicable.
 - funding-source restrictions on use or disposition.
 - identification/serial number (if appropriate).
 - depreciation period.
 - vendor name and address.
 - warranty period.
 - number of the Valley Sanitary District check used to pay for the equipment.
- The Administration & Finance Manager is to be informed, in writing, via an interoffice memorandum of any material changes in the status of property and equipment. This includes changes in location, sale of, scrapping of, and/or obsolescence of items and any purchase or sale of real estate.
- At least annually, a physical inspection and inventory should be taken of all Valley Sanitary District fixed assets and reconciled to the general ledger balances. Adjustments for dispositions should be made.

4.9.2. Inventory Control Policy (Safeguarding)

All Department Supervisors are responsible for safeguarding fixed assets under their control from theft or loss. However, the General Manager and the

Admin/Finance Department are responsible for establishing and maintaining systems and procedures that enable Department Supervisors and program managers to properly safeguard assets.

In general, Inventory Control is applied only to movable fixed assets such as machinery, equipment, and office furniture and not to land, buildings, or other immovable fixed assets. Fixed assets subject to inventory control will be accounted for and controlled through the same systems and procedures used to account for and control fixed assets subject to capitalization.

Fixed assets will be subject to inventory control if they meet at least one of the following criteria:

- The original cost of the fixed asset is equal to or greater than \$5,000.
- Any asset that cost less than \$5,000 that a department requests to be subject to inventory control. This may include certain machinery and equipment that, due to portability, value outside of the office, or character, are susceptible to theft or loss. It may also include an asset that has been requested by a department to be controlled in order to satisfy an internal (operational) or external requirement. For example, Information Systems may wish to inventory all computer hardware and software to establish replacement and upgrade requirements for both hardware and software.
- Any asset required to be controlled and separately reported pursuant to grant conditions or other externally imposed reporting requirement. For example, a grant program that has funded the acquisition of a fixed asset may impose a requirement that the fixed asset be tracked and identified as a grant-funded asset.

4.9.3. Depreciation

Fixed assets will be depreciated using the following guidelines.

4.9.3.1. Fixed-Asset Categories

Each fixed asset will be added to one of the following categories:

Category Description	Examples
Land	Land is any real property such as land, easements, land lease, etc.
Buildings	Buildings are structures permanently affixed to land
Improvements (other than buildings)	Improvements other than buildings are land improvements such as parking lot pavement and improvements, fencing, etc.
Machinery and Equipment	Machinery and Equipment items are in the nature of tools such as saws, lathes, and items used in construction, repair, or manufacturing, and special purpose equipment such as items in an audiovisual or television studio. This category may include special purpose vehicles such as dump trucks and delivery vans.
Vehicles	Vehicles are generally automobiles and small trucks.
Furniture and Fixtures	Furniture and fixtures are office furniture, file cabinets, etc. used to furnish an office.
Office Equipment	Office equipment includes computers, fax machines, calculators, etc.
Equipment under Lease Purchase	Equipment under lease purchase includes items that are being acquired using lease financing.
Capital Improvement Project (GIP) in Progress	Capital Improvement Project in Progress is a holding account for expenditures that will be categorized upon their completion and placement in service

Computer software is not capitalized because of its short useful life and the high annual maintenance and upgrade costs.

4.9.3.2. Depreciable Lives

The categories above are assigned the following depreciable lives.

Category Description	Depreciable Life
Land	N/A
Buildings	50

Improvements other than Buildings	40
Machinery and Equipment	10
Vehicles	5
Furniture and Fixtures	7
Office Equipment	3
Equipment under Lease Purchase	3
Capital Improvement Project (CIP) in progress	N/A

4.9.3.3. Depreciation Convention

Depreciation is computed using the half-month convention. Depreciation is computed from the beginning of the month it is placed in service if it was acquired by the 15th of the month. If not, it is depreciated from the beginning of the next month. Similarly, depreciation for the month of disposition is computed for that month if it is disposed of after the 15th.

4.9.4. Disposal of Equipment and Other Fixed Assets

Equipment for purposes of the policy includes furniture, fixtures, and machinery. Obsolete computers are an example.

4.9.4.1. Sale of Surplus Equipment

Board of Directors action is required to declare any equipment surplus.

Once the Board has declared an item surplus, it is advertised for sale with an indication of the location/hours/days it can be seen and the deadline date for submission of bids. (The advertisement will also stipulate that the District reserves the right to reject any or all bids and that the equipment is sold AS IS.) The District uses GOVDEALS to advertise and sell surplus items.

4.9.4.2. Value of Property

It is the responsibility of each department to appraise items designated as surplus. If it is determined that the property sold as a unit has a market value of more than \$5,000, the property must be disposed of by a bid process in accordance with District purchasing guidelines. The bid process will be coordinated in conjunction with each respective department and the General Manager. The General Manager is authorized to advertise such surplus property for sale to the general public. If it is determined that the property sold as a unit has a value less than \$5,000, the property may be disposed of in a manner approved by the Board.

4.9.4.3. Disposal Process

Prior to the disposal of any surplus property, each department is required to complete an "Equipment Disposition Form" (see Exhibit D) and return it to the General Manager for approval and to Finance for processing. Upon retirement/disposal of the asset, Administration/Finance will remove it from the Fixed Asset database.

4.9.4.4. Sale of Real Estate

Board of Directors action is required to declare any property surplus. The Board will authorize District staff to obtain an appraisal of surplus property.

In accordance with State law, surplus property is first offered to public agencies at the appraised price. If the property is not purchased by a public agency, it is then advertised in the newspaper with a request that sealed bids be submitted to the District. The Board will review the bids at the next regular Board Meeting and decide to accept or reject the highest bid. Bidders are then notified of the Board's action.

Proceeds from the disposal of surplus property will be allocated to the District's General Fund unless the property was originally purchased with monies from a specific District Fund, in which case, the proceeds will be returned to that specific fund.

4.10. Procurement

This policy establishes the procedures for purchasing supplies, equipment and services by the Valley Sanitary District. The purpose of this policy is to establish clear and concise procurement guidelines that comply with best purchasing practices and state law while meeting the demands for operational effectiveness and fiscal accountability.

4.10.1. Definitions

- Shall, must, and will mean that the procedure is mandatory.
 - Should means that the procedure is recommended.
 - May means that the procedure is optional.
1. **Agreement.** A contractual arrangement between the District and a vendor.
 2. **Best Value.** The Best Value method of procurement incorporates cost, quality, and other specified requirements to achieve a resulting award that is fair, efficient, and competitive and meets all of the procurement objectives.
 3. **Bid.** A vendor's formal price offered for goods or services requested on a quotation request.
 4. **Blanket Purchase Order.** A purchase order issued to a vendor for items or services for a specified period of time, but not exceeding the end of the current fiscal year, when it is determined to be in the best interest of the District. After its acceptance by the vendor, purchases may be made against it periodically as required without calling for new purchase orders up to the dollar amount of the blanket purchase order.

5. **Change Order.** A written modification to a purchase order or blanket purchase order by the District directing the vendor to change the contract amount, requirements, or time.
6. **Contractual Services.** Labor, material, or specialized services contracted for a department, except for professional services and advertising.
7. **Contracting Officer's Technical Representative (COTR)** The Federal designation of the liaison between the agency and the vendor, and is responsible for the oversight of the contractual obligations between the agency and vendor.
8. **Design/Build/Finance (DBF)** An alternate delivery mechanism combining the Design, Construction, and Financing of a project.
9. **Design/Build/Finance/Operate (DBFO).** An alternate delivery mechanism combining the Design, Construction, Financing, and Operation of a project.
10. **District Credit Card.** A credit card issued in the District's name and for which the District is responsible for payment.
11. **Fixed Asset.** Any single item costing \$5,000 or more, including tax and shipping. These items must have a fixed asset account established with the District Administrative Office before submitting a requisition.
12. **General Services.** Services shall refer to all services other than public works or professional services. Examples of this type of service are auto repair, office equipment repair, pest control, printing, and towing.
13. **Government Pricing Schedule.** A pre-negotiated and pre-authorized Pricing Schedule established by the U.S. General Services Administration (GSA), the California Multiple Awards Schedule (CMAS), Riverside County, U.S. Communities, or other public entity through which the District is able to participate in government pricing.
14. **Indefinite Quantity / Indefinite Delivery (IDIQ).** A procurement mechanism to obtain services based on qualifications-based selection for a series of tasks from a specified vendor.
15. **Miscellaneous Property.** Items such as supplies, material, furnishings, equipment, vehicles, and material objects other than real estate or buildings.



**Valley Sanitary District
Board of Directors Meeting
May 11, 2021**

TO: Board of Directors

FROM: Jeanette Juarez, Business Services Manager

SUBJECT: Approval of the Valley Sanitary District Bank Account and Check Writing Policy

<input checked="" type="checkbox"/> Board Action	<input type="checkbox"/> New Budget Approval	<input type="checkbox"/> Contract Award
<input type="checkbox"/> Board Information	<input type="checkbox"/> Existing FY Approved Budget	<input type="checkbox"/> Closed Session

Executive Summary

The purpose of this report is for the Board of Directors to review and approve the draft Bank Account and Check Writing Policy.

Strategic Plan Compliance

This item complies with VSD Strategic Plan Objective 6.3.1: Review 10% of policies annually and update as needed.

Fiscal Impact

There is no fiscal impact from this report.

Background

The purpose of this policy is to provide operational procedures to increase efficiency, cost savings and protection from illegal acts with regards to the District’s daily financial activities. It is the policy of the Valley Sanitary District that employees and elected officials of the District exercise sound judgement and follow best practices in the management and oversight of the District’s day-to-day financial activities and transactions including bank account management and check writing.

This policy details protocols for the following activities:

- Bonding
- Account Establishment
- Account Balances
- Signatures
- Fraud Prevention
- Reporting
- Check Status

Recommendation

Staff recommends that the Board of Directors approve the Bank Account and Check Writing Policy effective July 1, 2021.

Attachments

Attachment A: Bank Account and Check Writing Policy



VSD

Bank Account & Check Writing Policy

Adopted: _____/2021

I. PURPOSE

The purpose of this policy is to provide operational procedures to increase efficiency, cost savings and protection from illegal acts with regards to the District's daily financial activities.

II. POLICY

It is the policy of the Valley Sanitary District that employees and elected officials of the District exercise sound judgement and follow best practices in the management and oversight of the District's day-to-day financial activities and transactions including bank account management and check writing.

A. Bonding

Board Members and employees with signature authority on the bank accounts shall be bonded for the value of the accounts.

B. Account Establishment

The Board of Directors must approve the selection of the District's commercial bank. The General Manager must authorize the establishment of any new bank account at an approved bank. Signature cards for any approved and established account must have no less than five signatures on file and include the following: Board President, Vice President, Board Secretary/Treasurer, General Manager, and Engineering Services Manager.

C. Account Balances

In compliance with California Government Code 53646(b)(3), the District will always maintain no less than an amount equal to six months of budgeted expenses in its operating and savings accounts.

D. Signatures

Individuals that have signature authority on the account will not have access to the blank checks, including keys or the combination to the locked repository of the checks.

The General Manager is authorized by the Board of Directors to sign all checks for any amounts up to the adopted spending authority and for items that exceed the spending authority that have been approved by the Board of

Directors. In addition to the General Manager, the Board President shall sign all checks requiring a second signature. If the General Manager or the Board President is unable to sign checks, the Board Secretary/Treasurer or Vice President, in that order, are authorized to provide the second signature.

Accounts payable checks shall require two signatures. Checks in an amount up to \$2,500 may be signed via two digital signatures. Checks in an amount between \$2,500 and \$5,000 must have one original “wet” signature and one digital signature. Checks in an amount greater than \$5,000 will require two original “wet” signatures.

Payroll checks can be processed with digital signatures, no matter the amount. All “wet” signatures must be in blue ink. Under no circumstances shall signature stamps be substituted for “wet” signatures.

E. Fraud Prevention

The person with physical control of the check stock will be accountable for all check numbers and will not have signature authority on the account. Should a check be found to be unaccounted for, the person having control of the checks will notify the Business Services Manager, the General Manager, and the Bank of the lost check so that proper action can be taken.

To reduce the risk of fraud, the District will implement positive pay as an anti-fraud measure. The bank will be notified of all checks issued including date, check number, payee, and amount verification. Any exception will be brought to the District’s attention for approval.

F. Reporting

In accordance with the Government Code, the Business Services Manager will prepare and submit to the Board of Directors a monthly report of revenue and expenditures and a list of all checks issued for the previous month.

The Accounting Analyst shall reconcile the account statements each month. The reconciliation shall be approved and signed by the Business Services Manager and kept on file for inspection by the auditor when performing the annual audit of the District’s finances.

The audit firm performing the annual audit will investigate until they are satisfied that these procedures and safeguards are being properly maintained by the Board and staff and shall comment in the management letter if these procedures are not being adhered to as part of each annual audit report performed for the District.

G. Check Status

Outstanding Checks – The District checks shall have imprinted upon the face “VOID six (6) months from date of issue”. The Accounting Analyst shall maintain and monitor the number and age of the outstanding checks as part of the monthly

bank reconciliation. Stale dated checks will remain outstanding on the books for a period of 180 days, at which time they will be deleted from the accounting system.

Replacement Checks – The District may reissue a check upon satisfactory proof of nonpayment or because a check has been lost or destroyed. Replacement checks are eligible to be reissued for up to 180 days from original date of issue. Individuals or vendors must complete a “Request for Replacement Check” form prior to processing a replacement. The “Request for Replacement Check” will be available at the District’s front counter.

Non-Sufficient Funds Checks – The District will impose any bank fees charged in connection with any check presented for deposit that does not clear the bank for any reason.



**Valley Sanitary District
Board of Directors Meeting
May 11, 2021**

TO: Board of Directors

THROUGH: Beverli A. Marshall, General Manager

SUBJECT: Monthly General Managers Report – March 2021

<input type="checkbox"/> Board Action	<input type="checkbox"/> New Budget Approval	<input type="checkbox"/> Contract Award
<input checked="" type="checkbox"/> Board Information	<input type="checkbox"/> Existing FY Approved Budget	<input type="checkbox"/> Closed Session

Executive Summary

The purpose of this report is to keep the Board and the public informed on VSD’s day-to-day operations.

Strategic Plan Compliance

The recommendation complies with the VSD Strategic Plan Goal 6: Improve Planning, Administration, and Governance.

Fiscal Impact

There is no fiscal impact from this report.

Background

The following data represents the activities and metrics for the month of March 2021.

Administrative Services

- Principal & interest payment of \$769,593.75 for Wastewater Revenue Refunding Bonds, Series 2015 is due May 15, 2020.
- Principal & interest payment of \$553,360.71 to the Clean Water State Revolving Fund is due by June 1, 2020. This payment is for the Requa Interceptor Project.
- The submission of the 2020 Government Compensation in California (GCC) report to the State Controller's Office (SCO) has been submitted.
- Preparing deliverables from the Provided by Client (PBC) list requested by the auditors. The interim audit will be conducted onsite June 23-25, 2021.
- Continue to work on the final draft of the Fiscal Year 2021/22 Budget Book.
- Live application of Caselle is still in progress. Staff has encountered some issues and is actively working with the developers and programmers to

resolve the issues as they arise. Staff is logging all matters and will have a technical memo to review with the General Manager in June.

Operations & Maintenance

- Operations, maintenance, and collections staff attended a two-day forklift operator certification training course instructed by Austin Lopanec.
- Operations staff put both primary clarifiers, and the entire activated sludge plant aeration system into service. Staff is experimenting with different dissolved oxygen (D.O.) control locations to optimize treatment and aeration.
- Maintenance staff replumbed the vent and fill port for the north sodium hypochlorite tank.
- Maintenance staff levelled v-notch weirs in primary clarifiers to equalize overflow rates between the two clarifiers.
- Operations staff continues to dry the biosolids from the north cell within the basin. Some of the material is already being removed from the cell for testing and disposal.
- The backflow preventer associated with the district fire suppression system has failed. A new backflow device has been purchased and is scheduled for replacement on May 3, 2021.
- Operations staff is working on the minimization of sodium hypochlorite consumption, while still meeting the disinfection requirements of the NPDES permit.
- Maintenance staff performed routine maintenance on the chemical dosing pumps for the disinfection and de-chlorination system.
- Electrical staff have been working on cleaning out electrical buckets at various motor control centers.
- The new member of the operations staff started on April 19, 2021.

Development Services

- The tenant improvement work has begun for the Dave's Hot Chicken restaurant in the suite next to the Chipotle on the south west corner of Jackson St and Avenue 42.
- Construction has begun on the Dutch Bros. Coffee near the intersection of Hwy 111 and Las Palmas Rd. This location will have a drive thru and walk-up service only.
- Construction has begun on the Chandi Plaza at the southwest corner of Indio Blvd. and Avenue 44. This project will include a convenience store with fueling station, carwash, restaurants, and retail suites.
- Villa Hermosa Phase III has started construction of 100 apartment units. The new units will be constructed at the Fred Young Farm Labor Camp, near the intersection of Van Buren St. and Dr. Carreon Blvd.

Collection Services

- No-Spill report for the month of April will be submitted to the California Integrated Water Quality System, as required in the Waste Discharge Requirements Monitoring and Reporting Program. Due by the end of the month.
- Field Vactor crew is currently working in the area of Avenue 42 and Calhoun St.
- CCTV Inspection work is currently being conducted in the area of Shields Rd and Avenue 46.

Capital Improvement Program

- The Preliminary Design Report for the replacement of the sewer siphon at Westward Ho Drive is complete. This is a FEMA funded project to replace the damaged sewer siphon from the February 2019 storm. The design is in progress. Staff and the consultant had a preliminary meeting with CVWD regarding requirements for crossing the channel. 50% of design plans and an updated project cost schedule have been submitted by Carollo. Staff reviewed the plans and sent comments back to Carollo for revision. 90% design plans and specifications have been submitted by Carollo and staff has reviewed them and submitted comments for correction. *Update: Staff is finishing their review of the submitted 95% set of plans and specifications. Staff has met with both the City of Indio and La Quinta and both have no requested revisions or concerns.*
- Staff is continuing to work with Harris and Associates on the Collections System Rehabilitation and Maintenance project. Harris has put together bid documents for the CCTV inspection of sewer mains that need special requirements or technology which have been approved by VSD and the City of Indio. This project was put out to bid and advertised to potential bidders on November 23rd, 2020. and sealed bids will be opened on January 14th, 2021. The first rehabilitation project was put out to bid and advertised to potential bidders on August 3, 2020, and the bid was closed on September 10, 2020, with 5 companies submitting bids. The lowest responsible bidder was Insituform with a bid of \$240,483. Harris is also developing plans for the downtown Indio rehabilitation and repair project. This is being done to rehabilitate and replace deficient sewer mains in the streets and allies of the downtown area. 50% design plans for the downtown Indio sewer improvement project have been submitted and staff is currently reviewing them. *Update: All work for the first rehabilitation project has been completed; VSD is waiting on final invoicing to close out the project. The 50% plans for the Downtown Indio Rehabilitation project have been reviewed and comments have been returned to Harris for revision. The CCTV inspection project will begin cleaning and televising on May 4th and will complete all work by July 2nd.*
- VSD has chosen SGH Architects as the architectural firm for the preliminary design of a new single-story training/office building. Staff had a second meeting with the architect to discuss ideas for a functional and adequate building. Staff has selected a new location for the building that will allow the

single-story building with minimal demolition. Staff comments and revisions based on the single-story design have been submitted to the architect who is currently preparing a revised floor plan, conceptual cost estimate, and new proposal for the construction of a new laboratory building. The architect has completed the schematic design cost estimate for the training/office building. The architect has developed a preliminary floor plan for the proposed new laboratory building. Staff have reviewed the floor plan and returned comments to be addressed. *Update: The architect has completed the schematic design and cost estimate for the proposed laboratory.*

- VSD is currently working with Stantec, who is acting as an Owner's Representative, on the repair and rehabilitation of the Influent Pump Station. Stantec and staff have received five (5) Statement of Qualifications as part of the Request for Qualification (RFQ) solicitation. Staff and Stantec shortlisted three (3) of the firms to move on to the next step of submitting a proposal for the work to be completed. The Request for Proposal (RFP) was released on August 28, 2020 and was closed on September 28, 2020. The Board awarded the project to the DCI / Dudek team and a pre-construction meeting was held on December 4th, 2020. The DCI / Dudek has developed a preliminary bypass plan for the initial inspection and shutdown of the influent pump station structure. The preliminary bypass and inspection was completed from February 22nd to February 26th. *Update: VSD has chosen the valves and gates that will be used for this project based on Dudek / DCI and Stantec's recommendations. Dudek is currently preparing the Basis of Design Report which is expected by mid-May 2021.*
- Staff is working on implementing an asset management system for the treatment plant using Lucity web software. VSD is currently working on building out the Lucity Web system with the help of a Lucity implementor. The latest session of virtual training from the implementor was completed on August 25, 2020. Staff has finished the installation of Lucity Mobile and is pursuing the implementation of plant wide Wi-Fi that will allow access to the asset management system from a mobile device anywhere in the plant facility. Training videos for VSD staff training have been recorded. *Update: Operations and maintenance staff will begin to review the training videos and once they have been trained, use the system to create and complete work orders. Staff is also working on populating the system with scheduled work orders.*

Recommendation

Staff recommends that the Board receive the Manager's Report for activities during the month of March.

Attachments

- Attachment A: Administrative Services Report for February
- Attachment B: Monthly NPDES Report for February
- Attachment C: Collection System Report for February
- Attachment D: Development Services Report for February
- Attachment E: Capital Improvement Program Update for February

Total Plant Discharge (Outfall) Grab								
EColi (MPN/100ml)	Oil and Grease (mg/L)	Copper (ug/L)	Di(2-ethylhexyl)phthalate (ug/L)	Cyanide (total) (ug/L)	Ammonia (total, as N) (mg/L)	Nitrate (as N) (mg/L)	Nitrite (as N) (mg/L)	Total Nitrogen (mg/L)
21.0	< 1.4	2	< 0.5	3.8	0.72	12	0.049	14
71.7								
3.1								
6.3								
19.9								
14.2*	1.4	2	0.5	3.8	0.72	12	0.049	14
3.1	< 1.4	2	< 0.5	3.8	0.72	12	0.049	14
71.7	< 1.4	2	< 0.5	3.8	0.72	12	0.049	14
126	<0.01	25		5.9	9.0	4.3		



Monthly Capital Improvement Project Update - May 2021

Project Title	Project Description	Current Status	Fiscal Year Budget	Total Spent to Date
Steel WaterLine Replacement	The above ground, steel waterline adjacent to the aeration basins is old and prone to leaks, especially at the grooved joints, and has exceeded its useful life. The new steel waterline will have traditional joints that will provide a longer life. This project has been on the books for several years and has been a lower priority due to lack of leaks in recent years and the difficult nature of replacement.	Project has not started.	\$142,000.00	\$0.00
Recycled Water Main Extension	Staff would like to extend the secondary effluent pipeline system about 250 feet to the pond chlorine contact chamber to save significant potable water when cleaning the pond chlorine contact chamber. This will allow the use of secondary effluent water to be used to clean the chamber instead of potable water. This project has been in the budget for the second year. It has been on hold waiting for staff to have time to install the water main themselves.	Project has not started.	\$60,000.00	\$0.00
Completion of Perimeter Fence Project	This project has been postponed due to the need for a design of the fence before construction. The location and terrain of the proposed fence is such that it will need design. Staff is limited with the number of projects already in process that have a higher priority than this project. Current night security patrol has limited the theft and damage of District property.	Project has not started.	\$280,000.00	\$0.00
Van Buren Slope Protection	The slope along the south end of the District's property is being eroded during flooding events which is causing the posts of the chain link fence to become exposed and weakened. VSD has coordinated with the City of Indio to design a gravel and rip-rap slope reinforcement that will prevent washout during heavy rain events. This project is split into three phases which will encompass the entire length of fence line along Cabazon Road.	Project complete.	\$250,000.00	\$154,947.10

UNOFFICIAL UNTIL APPROVED

VALLEY SANITARY DISTRICT BUDGET & FINANCE COMMITTEE MEETING MINUTES

May 4, 2021

Valley Sanitary District conducted this meeting in accordance with California Governor Newsom's Executive Orders N-29-20 and COVID-19 protocols.

A regular meeting of the Valley Sanitary District (VSD) Budget & Finance Committee was held via videoconference on Tuesday, May 4, 2021.

1. **CALL TO ORDER**

Chairman Dennis Coleman called the meeting to order at 1:04 p.m.

1.1 Roll Call

Directors Present:
Chairman Dennis Coleman
Committee Member Scott Sear

Staff Present:
Beverli Marshall, General Manager, Jeanette Juarez, Business Services Manager, and Holly Gould

1.2 Pledge of Allegiance

2. **PUBLIC COMMENT**

This is the time set aside for public comment on any item not appearing on the agenda. Please notify the Secretary in advance of the meeting if you wish to speak on a non-hearing item.

None.

3. **DISCUSSION / ACTION ITEMS**

3.1 Discussion of Fixed Assets Accounting Policy

Jeanette Juarez, Business Services Manager, presented the draft Fixed Assets Accounting Policy. The purpose of the policy is to ensure the District's fixed assets are acquired, safeguarded, controlled, disposed of, and accounted for in accordance with state and federal regulations, auditor requirements, applicable accounting pronouncements, and in a manner that adequately supports the maximum recovery of Facilities and Administrative (indirect) costs associated with these assets. Ms. Juarez explained the major changes to the updated policy which includes a modification to the useful life threshold, updated language, and asset tagging. The policy will come before the full Board on May 11, 2021.

3.2 Discussion of Draft Bank Account and Check Writing Policy

Jeanette Juarez, Business Services Manager, presented the draft Bank Account and Check Writing Policy. The purpose of this policy is to provide operational procedures to increase efficiency, cost savings and protection from illegal acts with regards to the District's daily financial activities. She explains that the current policy requires updates. The updated policy will detail protocols for bonding, account establishment, account balances, signatures, fraud prevention, reporting, and check status. This policy will come before the full Board on May 11, 2021.

3.3 Information Item Inquiry About Allowability of Staff to Chair Budget & Finance Committee

It was requested of staff to investigate if a staff member can serve as Chair of the Budget and Finance Committee. Staff reviewed the matter with General Council. It was General Council's determinant that the only true appointed members to the Budget and Finance Committee are the two (2) Directors. Technically speaking Staff members are not appointed to the committee, and therefore cannot Chair the committee.

4. FUTURE MEETING ITEMS

The next Budget & Finance meeting is scheduled for July 6, 2021. Jeanette Juarez will be bringing an update on the interim audit and possible resolutions for review.

5. ADJOURNMENT

There being no further business to discuss, the meeting adjourned at 1:58 p.m. The next regular committee meeting will be held on July 6, 2021.

Respectfully submitted,

Holly Gould, Clerk of the Board
Valley Sanitary District