



COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

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GRACE ROBINSON HYDE
Chief Engineer and General Manager

June 6, 2019

Board of Directors
County Sanitation District No. 20
of Los Angeles County

Dear Directors:

Wastewater Revenue Program for Fiscal Year 2019-20

The agenda for the Board meeting on June 13, 2019, contains an item relating to wastewater budget matters for fiscal year (FY) 2019-20. These matters include establishing an appropriations limit on the proceeds of taxes, adopting the sewerage system final budget, requesting the tax levy, and authorizing appropriations per the sewerage system budget.

APPROPRIATIONS LIMIT

The Constitution of the State of California places a limit on the authorization to expend the proceeds of taxes levied by state and local governments in California. In addition, the Government Code requires the governing body for each local jurisdiction to establish, by resolution, an appropriations limit for each fiscal year. The appropriations limit for FY 2019-20 has been determined by adjusting the previous limit for FY 2018-19 based upon the population change factor for the District and the change in the California Personal Per Capita Income. The appropriations limit has also been adjusted to include both the operational and capital costs of the facilities needed to comply with the mandates of the Regional Water Quality Control Board. All of this is in accordance with the procedures outlined in Article XIII B of the Constitution and Section 7910 of the Government Code. The proposed appropriations limit and anticipated tax revenue are shown in Exhibit No. 1. This information has been available to the public at the Districts' Joint Administration Office in conformance with the requirement that the documentation used in the determination of the appropriations limit be available fifteen days prior to its establishment by the Board of Directors.

FINAL BUDGET FOR FISCAL YEAR 2019-20

Enclosed for your review is the proposed final budget for FY 2019-20, a list of proposed capital projects, and information on the monies set aside in various funds/reserves. These funds and reserves were established in accordance with the District's Wastewater Financial Reserve Policy adopted in November 2018.

The final budget provides a comparison with the current 2018-19 budget and a breakdown of the items included in the budget. It is divided into three sections: anticipated expenses, projected revenues, and transfers to or from reserves. The final budget reflects the service charge rate as adopted by the Board on May 9, 2019, a rate of \$48.91 per month (\$586.88 per year) for a single-family home. In preparing the budget, it is projected that the general revenue sources available to the District for meeting expenses during the coming fiscal year include a pro rata share of the ad valorem (property) taxes, service charges, industrial wastewater surcharges, interest income, and contract revenue. In addition, monies will be utilized from the restricted reserves to cover the cost of capital projects. Lastly, any surplus will be

transferred to the designated reserves to be used for funding the construction of future capital improvements.

In addition to the expenses directly incurred by each District for the facilities it owns, the final budget also includes each District's proportionate share of the costs associated with facilities and services jointly shared with other Districts. In accordance with the Joint Administration Agreement, Joint Administration costs are allocated to each signatory District according to the ratio of the number of sewage units in a District to the total number of sewage units in all the Districts signatory to the Agreement. A sewage unit represents the average daily sewage flow and strength (measured in terms of chemical oxygen demand and suspended solids) from a single-family home. This method of allocating costs considers flow as well as the strength of sewage from all types of users and is the most equitable way to distribute Joint Administration and costs.

SIGNIFICANT EXPENDITURES

Digester Gas Treatment Facilities – This project will install 2 bio-trickling filters (BTFs) to reduce the hydrogen sulfide concentrations in the digester gas. The plant currently doses ferrous chloride in the primary sludge to reduce and control hydrogen sulfide concentrations in the digester gas in compliance with the AQMD permit limits. It is anticipated that chemical costs can be significantly reduced with the installation of BTFs. The total cost of the project is estimated at \$800,000, with \$520,000 to be spent in FY 2019-20.

Purchase of EIR Mitigation Land — A condition of the *Final Environmental Impact Report for the Palmdale Water Reclamation Plant (WRP) 2025 Facilities Plan* requires the District to purchase and preserve approximately 155 acres of undeveloped land. The purpose of this land is to mitigate the loss of Joshua tree habitat due to the construction of the Palmdale WRP recycle water storage reservoirs. The total cost of the project is estimated at \$1 million, with \$250,000 to be spent in FY 2019-20.

Groundwater Adjudication - Although a judgment was made in the Antelope Valley groundwater basin adjudication case, a limited number of parties remain unsatisfied and have filed an appeal. Additionally, the Watermaster has been going through a difficult and contentious process establishing the rules and procedures for implementing the judgment. In order to protect their allotment of 3,400 acre-feet per year, Districts Nos. 14 and 20 have had to remain involved in the on-going legal disputes, albeit to a lesser degree. The estimated cost in FY 2019-20 is \$100,000.

SUMMARY OF REQUIRED ACTIONS

At the June 13, 2019 Board meeting, it will be recommended that the Board of Directors adopt a resolution establishing the appropriations limit on the proceeds of taxes, adopt the budget for FY 2019-20, adopt a resolution requesting the tax levy, and authorize appropriations in the sewerage system budget, all as shown on the agenda.

Very truly yours,



Grace Robinson Hyde

GRH:gc

Enclosures

DOC 5100581