



COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

1955 Workman Mill Road, Whittier, CA 90601-1400
Mailing Address: P.O. Box 4998, Whittier, CA 90607-4998
Telephone: (562) 699-7411, FAX: (562) 699-5422
www.lacsd.org

GRACE ROBINSON HYDE
Chief Engineer and General Manager

June 10, 2019

Board of Directors
Santa Clarita Valley Sanitation District
of Los Angeles County

Dear Directors:

Wastewater Budget Matters for Fiscal Year 2019-20

The agenda for the Board meeting on June 17, 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 costs of facilities needed to comply with the chloride limits as imposed by the Los Angeles Regional Water Quality Control Board. All of this is in accordance with the procedures outlined in Article XIIIB 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 December 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. 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, grants, state low-interest loans, interest income, and contract revenue. In addition, monies will be transferred from the restricted reserves to cover the cost of capital projects. Lastly, any surplus will be transferred to the designated and unrestricted reserves to be used for funding the construction of the chloride compliance project.

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 CAPITAL EXPENDITURES

The significant expenditures impacting the budget for FY 2019-20 are listed below. Of the capital projects described, only the chloride compliance project is in the construction phase with contracts having been awarded by the Board. The remaining capital projects are either in design or will begin design during FY 2019-20.

Chloride Compliance Project — The chloride compliance project consists of two separate phases: (1) replacing existing chlorination facilities with ultraviolet (UV) disinfection facilities at both the Saugus and Valencia WRPs, and (2) construction of an advanced water treatment (AWT) facility at the Valencia WRP. On August 9, 2018, the Board awarded construction contracts for the UV disinfection facilities at a combined bid price of \$23.8 million. Construction of the UV disinfection facilities is currently under way and is expected to be complete by September 2020 (Saugus) and November 2020 (Valencia). On January 31, 2019, the Board awarded a contract for the construction of the AWT facility at a bid price of \$87.4 million. The new AWT facility is expected to be operational by late 2021.

The District has been awarded grants totaling approximately \$7.5 million for the UV disinfection projects, of which approximately \$3 million will be received during FY 2019-20. In addition, staff has applied for State Revolving Fund (SRF) loans to help finance both the UV disinfection and AWT portions of the project. For both the UV disinfection and AWT projects, the SRF loans are expected to include \$4 million each in principle forgiveness (equivalent to receiving a grant). Approximately \$50.8 million in loan proceeds are expected to be received during FY 2019-20. Lastly, the District is in the process of preparing an application for the upcoming Proposition 1 – Round 1 Integrated Regional Water Management (IRWM) Implementation Grant Program.

Soledad Canyon Relief Trunk Sewer Section 4 — This sewer is currently at capacity. With new developments either proposed or under construction in the tributary area, a new relief sewer is necessary to handle future flows. This work is projected to be completed by fiscal year 2021-22, with a total estimated cost of \$6.7 million, of which \$300,000 is budgeted for fiscal year 2019-20. Because the project represents an expansion to accommodate new users, funding for the sewer will come from connection fees previously placed in the Capital Improvement Fund and will not impact existing users.

Valencia and Saugus WRP Tertiary Filtration Facilities — The Saugus and Valencia WRPs use pressure media filters that are near the end of their useful life. This project involves replacing the pressure media filters with new more cost effective filters. The total cost for the project is estimated at \$20.9 million, with \$1.4 million being budgeted in FY 2019-20.

Valencia WRP Process Air System Improvements — The secondary treatment system relies upon the infusion of compressed air into the wastewater. The air compressors have been in place since the 1970's and are nearing the end of their useful life. The total cost for the project is estimated at \$2.0 million, with \$984,000 being budgeted in FY 2019-20.

Valencia WRP Aeration System Diffuser Upgrade — The treatment plant has discharge limits for nitrogen, and relies on air diffusion equipment for the treatment process to meet these standards. This project will replace obsolete equipment with a new style of diffusers, which will also improve the treatment process. The total cost for the project is estimated at \$1.4 million, with \$646,000 being budgeted in FY 2019-20.

Valencia and Saugus WRP Power Distribution Systems — This project involves the modernization of the power distribution system to include redundant power feeds to improve the maintainability and reliability of the power systems at the plants. The total cost for the project is estimated at \$18.6 million, with \$500,000 being budgeted in FY 2019-20.

Valencia WRP Variable Frequency Drive Replacement — Various critical pumping systems at the Valencia WRP rely on variable frequency drives that are now considered obsolete. Replacement parts are very difficult to obtain for these obsolete drives and also very costly. This project includes replacing or retrofitting this obsolete equipment. The total cost for the project is estimated at \$550,000, with \$500,000 being budgeted in FY 2019-20.

SUMMARY OF REQUIRED ACTIONS

At the June 17, 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