



Costa Mesa Sanitary District Fiscal Year 2012-13 Adopted Budget



Protecting our community's health and the environment by providing solid waste and sewer collection services

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Costa Mesa Sanitary District

Adopted Budget

Fiscal Year July 1, 2012 – June 30, 2013

Board of Directors

Bob Ooten

President

Jim Ferryman

Vice President

Mike Scheafer

Secretary

Jim Fitzpatrick

Assistant Secretary

Art Perry

Board Member

Submitted by
Scott Carroll, General Manager

Prepared by the Finance Department
Teresa Gonzalez, Accounting Manager

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**Costa Mesa Sanitary District
 Adopted Budget
 For the Fiscal Year 2012-13
 Table of Contents**

General Manager’s Budget Message.....	1
 BUDGET FORWARD	
Mission Statement, Vision Statement, Core Values.....	7
Organizational Chart.....	8
Service Area Map.....	9
Profile of the Costa Mesa Sanitary District.....	10
Financial Policies.....	12
Reserve Policy.....	13
Basis of Budgeting and Accounting.....	14
Budget Control.....	14
Budget Process.....	15
Budget Calendar.....	15
Fund Descriptions.....	16
Revenue Assumptions.....	17
Operating Assumptions.....	19
 FINANCIAL SUMMARIES	
Statement of Budgeted Revenues and Expenses (All Funds).....	23
Fund Balance Summary (Accrual Basis), Fiscal Year Ending June 30, 2013.....	24
Fund Balance Summary (Accrual Basis), Fiscal Year Ending June 30, 2012.....	25
Total Revenues and Expenses (All Funds).....	26
Total Revenues by Fund.....	28
Total Expenses by Fund.....	30
Total Revenues by Account.....	32

**Costa Mesa Sanitary District
 Adopted Budget
 For the Fiscal Year 2012-13
 Table of Contents**

FINANCIAL SUMMARIES (continued)

Total Expenses by Account.....	34
Capital Projects Trend by Fiscal Year.....	36
Personnel Trends by Fund.....	38
Personnel Trends by Position.....	39
Rate History.....	40

FUND SUMMARIES

Solid Waste Fund.....	43
Liquid Waste Fund.....	49

CAPITAL PROJECTS

Capital Improvement Projects	59
Liquid Waste Project Descriptions.....	60

APPENDIX

Glossary of Terms & Acronyms.....	65
Resolution No. 2012-816, Adopting a Budget for the Fiscal Year 2012-13.....	71
Resolution No. 2012-814, Adopting Annual Charges for Solid Waste.....	73
Resolution No. 2012-815, Adopting Annual Charges for Liquid Waste.....	77



COSTA MESA SANITARY DISTRICT

. . .an Independent Special District

General Manager's Budget Message

2012-13 Budget

June 28, 2012

To the Honorable President and Board of Directors:

It is my pleasure to submit to you the Costa Mesa Sanitary District Operating and Capital Improvement Budget for the fiscal year 2012-13 for your consideration. This fiscal plan was developed to serve not only as a monetary statement of services, programs and policies, but as a document that reflects the many goals, programs and service priorities that the Costa Mesa Sanitary District is committed in providing its citizens. I am delighted this spending plan is being achieved with a rate decrease, after no rate increases for the past seven consecutive years, for refuse collection services and the fourth consecutive year without a sewer rate increase.

The FY 2013 budget is based on operating revenues of \$10,303,400 and operating expenses of \$9,047,927, which reflect a decrease of 2.6% in operating revenues and an increase of 0.36% in operating expenses over last year's budget submittal. New requests in the Capital Improvement Project (CIP) budget include sewer improvement project expenses of \$2,170,000. This projection represents a decrease of 9.48% in the Liquid Waste Fund. Total revenues of \$14,809,400 and total expenses of \$15,398,927 are budgeted, representing a 0.62% decrease in revenues and a 0.78% decrease in expenses over last year's submittal.

*Protecting our community's health and the environment by providing solid waste and sewer collection services
cmsdca.gov*

Organizational Priorities

This budget will be furthering the advancement of the District's vision, mission and core values, as identified in the Strategic Plan, by funding all seven of the strategic elements along with the service goals the Board established to achieve in FY 12-13. The funding of the Strategic Plan will assure that operations and management of the District are well supported for continued success.

Our first priority is to effectively incorporate the newly established Asset Replacement Fund and Asset Management Fund into our financial plan, system and activities. These funds were established for the purpose of segregating and accumulating funds for the purchase and replacement of equipment and capital improvement projects. The budget for the first time will disclose the financial activities of these two new funds. The budget now discloses the full effect of transfers-in and transfers-out.

The purpose of the Asset Management Fund is to accumulate reserves for capital improvement projects. This fund has a reserve requirement of \$5,000,000. The financial position of this fund will be evaluated every year by staff to ensure there is adequate and sustainable funding for the next thirty years. The financial plan for this fund is obtained from the Asset Management Model. The model is a computerized program where the District's infrastructure inventory has been entered. The model has the capability to calculate the yearly amount of estimated replacement costs or CIP and the reserve contribution required (transfer-in) from the Liquid Waste Fund in order to maintain the targeted reserve balance. The model's objective is to ensure current and future wastewater is continually being collected and transported in a safe and efficient manner.

The final organizational priority for CMSD is *Succession Planning*. The Board of Directors directed staff to develop a succession plan to fill key leadership positions when there is a vacancy while at the same time the organization can experience a smooth transition during the change in personnel. However, a succession plan is not simply plugging a vacant position with any employee. Succession planning is a process for identifying and developing internal people with the potential to fill key leadership positions in the organization. It requires a timeline for succession, an evaluation of individual assessment skills and a gap analysis (comparing the current work force or candidate profile for the future and current years and comparing the current skill set with what will be required in the new positions). The process also includes development of a formal training plan for the successor candidates and mentoring. The Board has adopted a proposed organization chart where it will provide most employees within the organization the opportunity to grow within the profession and within the organization.

Economic and Policy Issues

The economic and policy issues the District currently faces are a reflection of the statewide environmental policies, demands for increased transparency, and the ramifications of a sluggish economy. On a state-wide level, Assembly Bill 939 (AB939) sets State diversion goals at 50%. Currently CMSD diverts close to 54% of the solid waste collected from the local landfills. The District is in the process of evaluating all options to obtain an even higher diversion rate in cooperation with other public and non-profit organizations by the year 2020. The plan includes educational and public outreach programs along with compliance measures to encourage residents to participate in waste reduction and recycling efforts.

As you know, CMSD is a strong advocate to being transparent by disclosing to the public all financial activities of the District. The audited Comprehensive Annual Financial Report (CAFR), Budget document and salary and benefit information are all readily available and easy to locate on the District's website. Our efforts have not gone unnoticed with the 2010-11 Grand Jury citing CMSD's website as being superior to others for transparency and the 2011-12 Grand Jury gave the District high remarks for its easy access and simplicity to understanding employee salaries and pension costs. In FY 2013, CMSD will continue its commitment to actively influence economic and policy issues and decisions made through the state and federal legislative process to ensure our customers' best interest are well represented. The Board of Directors and staff actively participate in public policy groups related to water and sewer, special district efficiency, public employee pension reform, and governance reform. The Costa Mesa Sanitary District will continue being an active member of local, state and national professional organizations such as the California Special District Association (CSDA), LAFCO, California Association of Sanitation Agencies (CASA), Solid Waste Association of North America (SWANA), Independent Special Districts of Orange County and the Water Advisory Committee of Orange County (WACO).

Major Changes in Budget from Current Year and Funding Levels

Revenues

Unlike municipalities, the District is not dependent on state and local economies for revenues. The District does not receive sales tax and the small portion of property tax the District does receive is insignificant to balancing the budget. District revenues are primarily derived from sanitation and sewer fees. The sanitation and sewer fees are charged for residential refuse collection services and residential, industrial and commercial sewer services. The Solid Waste Fund has a very healthy fund balance estimated at approximately \$5.5 million at June 30, 2012, therefore the Board of Directors concluded, at the May 24, 2012 Regular Board meeting, it to be prudent to begin giving some of the money back to the ratepayers. The annual trash charge in the amount of \$4,915,000 is projected based upon an annual charge of \$228 per year, or \$19 per month for approximately 21,558 units. This annual charge is a decrease from the \$239.41 annual charge in fiscal year 2011-12. It is anticipated that the reduction of the annual trash charge will produce an estimated decrease in reserves for the fiscal year 2012-13 in the amount of

\$102,247. The reduction in the trash charge will not equate to a reduction in services. The District's intent is to keep providing all the current refuse services and programs by using the accumulated reserves. The Board will analyze the unreserved fund balance every year to determine if the lowered rates can continue.

Staffing Levels

In fiscal year 2012-13 CMSD will have a staffing level of 14.0 full time equivalents (FTE). The total authorized staffing will increase by two staff positions and a reclassification of one position. The newly added paid positions are a full-time Management Assistant and a part-time Maintenance Assistant. Additionally, we plan on augmenting some of our staffing needs with the addition of an unpaid management student intern. The Board of Directors approved to reclassify the District Clerk position to Executive Assistant/Deputy Clerk at a savings of \$60,000. In total the salaries and benefits expenses of \$1,522,670 reflect an increase of 6.4% over last year's budget submittal and 16.83% of the operating expenses.

Conclusion

Costa Mesa Sanitary District continues to grow and flourish as an organization. The fiscal year 2012-13 budget continues the District's history of responsible fiscal management. Available resources are focused on maintaining and improving services, the District's facilities and infrastructure and improving the quality of service to the patrons of Costa Mesa Sanitary District. I believe that this budget maintains and enhances the District's mission; *Protecting our community's health and the environment by providing solid waste and sewer collection services.*"

Special Thanks

Many thanks to the Board of Directors for your review, advice, suggestions, and policy direction during the budget process. I would also like to thank the CMSD staff for their contributions and participation in the development of the fiscal year 2012-13 budget.

Respectfully submitted,



Scott C. Carroll
General Manager

BUDGET FORWARD

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COSTA MESA SANITARY DISTRICT
Mission Statement, Vision Statement, Core Values

Mission

“Protecting our community’s health and the environment by providing solid waste and sewer collection services.”

Vision of the Costa Mesa Sanitary District

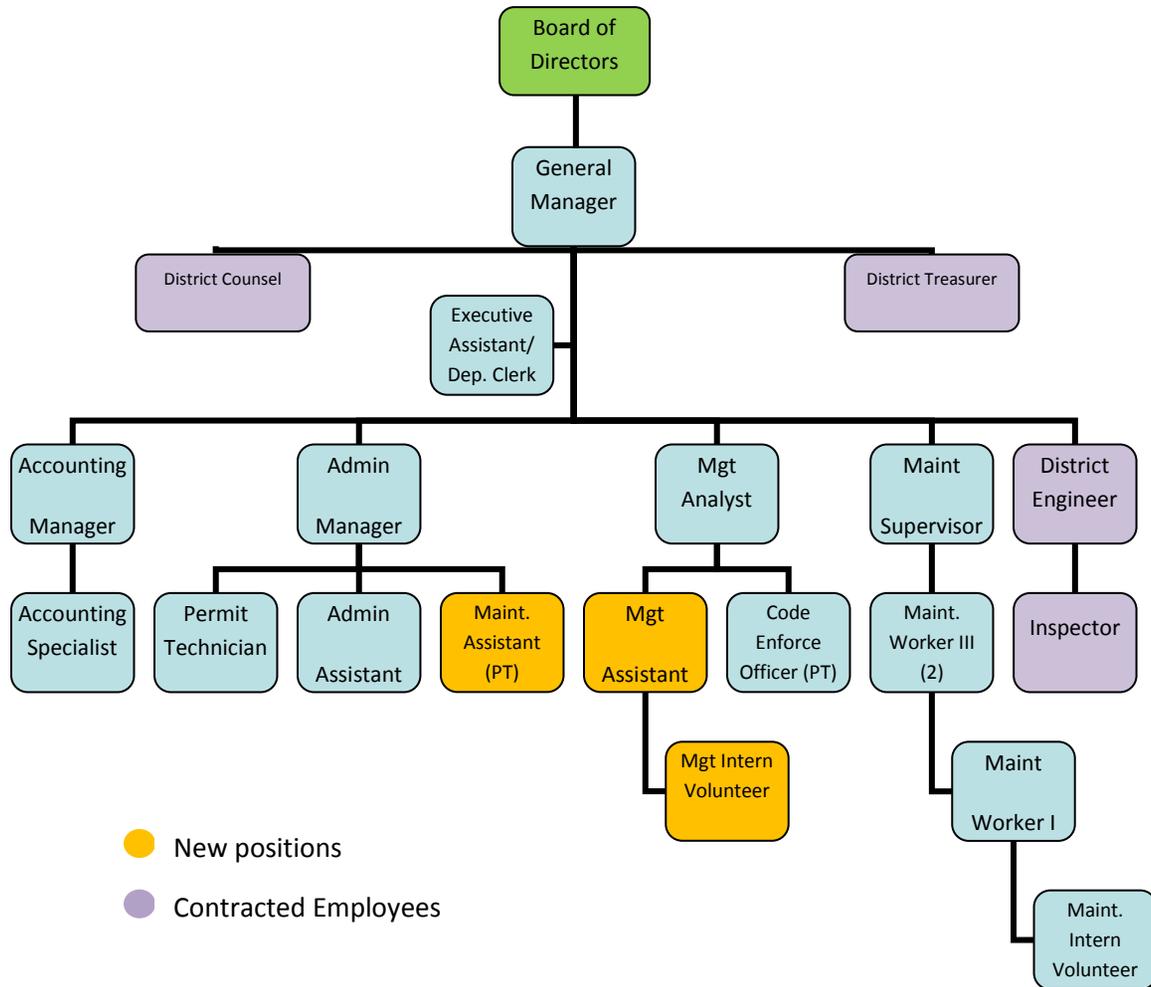
IN FIVE YEARS THE DISTRICT WILL HAVE:

- Eliminated areas in our sewer system that require significant enhanced maintenance;
- a positive reputation in the community;
- significantly lessened infiltration and inflow into our sewer system;
- mitigated calcium buildup in the sewer collection system;
- diverted as much solid waste as practical from the landfill;
- eliminated all public sewer system overflows;
- implemented modern technologies to all of our operations;
- completed the Westside Pumping Station Abandonment;
- diversified out our revenue sources;
- continued our model sewer lateral program;
- implemented a working succession plan; and
- maintained reasonable rates and reserves to support current and future infrastructure.

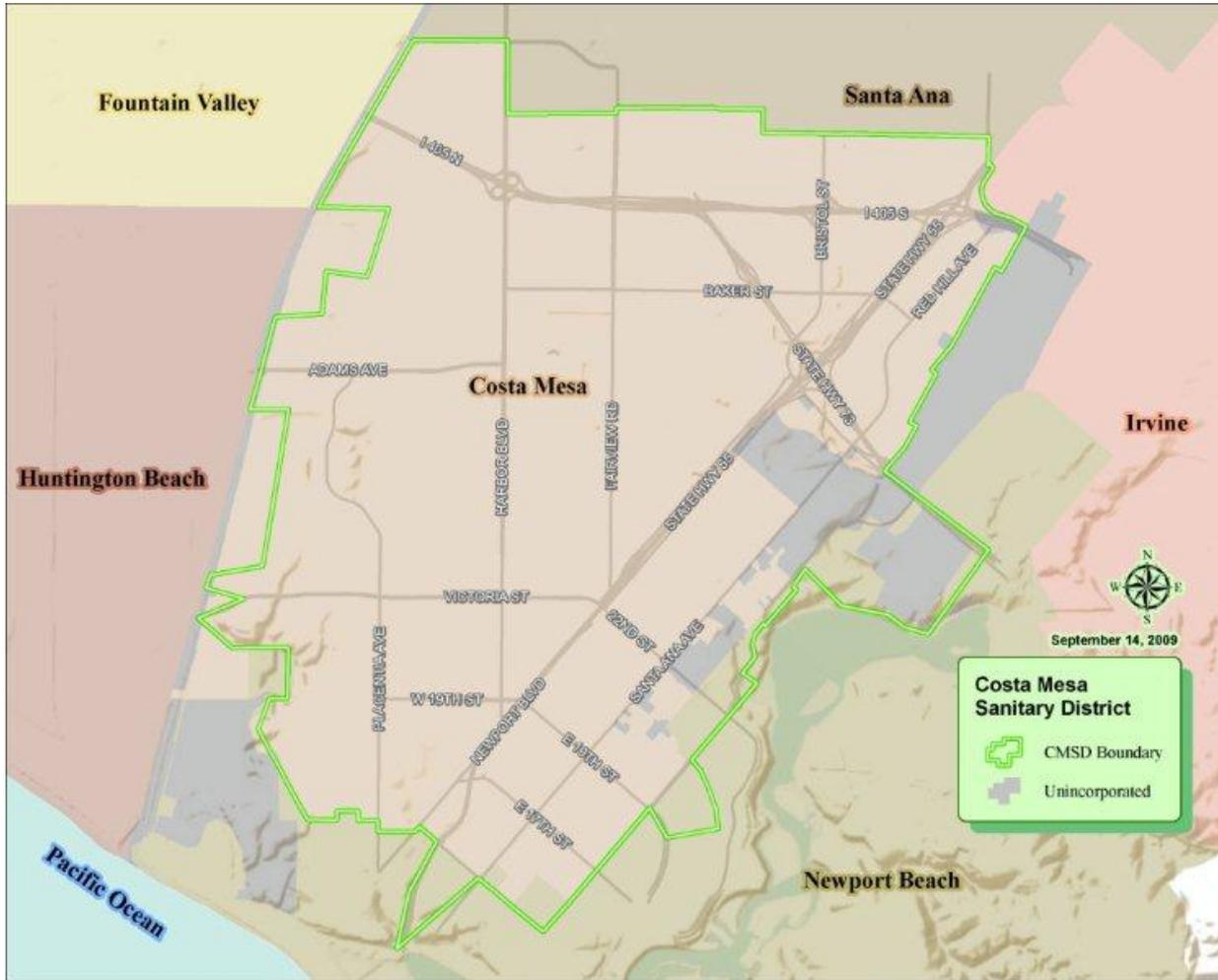
Core Values of the Costa Mesa Sanitary District

- Is it responsive to our customers?
- Is it cost efficient, practical and sensitive to rates?
- Does it protect the environment?
- Will it support our commitment to maintenance and rehabilitation of our sewer infrastructure?
- Does it support our employees to be productive and motivated?
- Will it support our commitment to reliability in the services we provide?

COSTA MESA SANITARY DISTRICT ORGANIZATIONAL CHART JULY 2012



COSTA MESA SANITARY DISTRICT SERVICE AREA MAP



PROFILE OF THE COSTA MESA SANITARY DISTRICT

The District is a California Special District established and incorporated in February 1944 pursuant to Division VI, Part 1 of the Health and Safety Code of the State of California (sometimes referred to as the Sanitary District Act of 1923).

The District is located in the City of Costa Mesa, in the County of Orange. The District provides trash and sewer services to the City of Costa Mesa, sections of Newport Beach and some unincorporated Orange County areas. The District serves approximately 116,700 residents. Sewage from the District's service area is transported to the Orange County Sanitation District's facilities where it is treated to federally mandated standards to protect the public health. The District has an agreement with CR&R for collection of all solid waste from single family dwellings and small multi-family residents utilizing curbside collection. CR&R Environmental Services transports all of the solid waste to its subsidiary owned recycling and transfer station located in Stanton, California.

The District recovers the cost of its services through service rates imposed on users of the service. The annual rates for the fiscal year 2012-13 are \$228 per unit for residential curbside trash service and the sewer service is \$69.23 per single family residential unit; \$51 per multi-family unit; \$38.52 per 1000 square feet of commercial unit and \$113.50 per 1000 square feet of industrial unit. All sewer customers have an additional charge ranging from \$2.77 to \$180.00 for funding of the grease control program. Residential customers make up 100% of the District's trash fees and approximately 53% of the sewer fees.

Governance. The affairs of the District are directed by a five member Board of Directors elected at large by the registered voters residing in the District. The Directors, who are elected, are residents and have the same concerns as their constituents. The Board members, who serve four-year staggered terms, are responsible for establishing policy and ordinances, adopting the annual budget, hiring the District's General Manager, and District Counsel. The General Manager is responsible for carrying out the policies and ordinances of the District Board and for overseeing the day-to-day operations of the District. The District Counsel is responsible for legal matters regarding the District.

The Board has established the Operations Committee that assists with policy-making decisions. This committee consists of Board members and appropriate management staff. The committee reports to the full Board of Directors on its efforts and makes recommendations of Board action as appropriate. The Operations Committee reviews the activities of both the sewer and trash operations. The committee monitors and reviews sewer collection, demand-side management, construction and system projects and related activities. It also reviews and promotes source reduction, community outreach efforts for recycling programs and tours and provides direction to staff to monitor advancements and technology in the solid waste industry.

Local Economy. The Costa Mesa Sanitary District continues to benefit from its unique geographic location, which is in the City of Costa Mesa, in the County of Orange. The local economy is primarily based on retail commercial business and light manufacturing of electronics, pharmaceuticals, and plastics. CMSD's service area includes several major regional facilities: John Wayne Airport, Orange Coast College, Whittier Law School, Vanguard University, State of California Fairview Development Center, Orange County Fairgrounds, Sergerstrom Performing Arts Center, South Coast Repertory Theater, and South Coast Plaza shopping complex. The volume of sales generated by South Coast Plaza, on the strength of over 300 stores, secures its place as the highest volume regional shopping center in the nation.

The economic condition of the City of Costa Mesa continues to suffer from the turmoil in the real estate and financial markets. As an independent enterprise special district having the ability to adjust service rates as required, the District's operating revenues are somewhat insulated from the local economy. The current economy has not had a negative impact on our revenues as it had on other government agencies whose major source of revenues are from sales, property and other taxes. The District has a secure revenue stream collected from user fees by the County of Orange through the property tax bills.

The District's Board of Directors is aware of the need to ensure the District's financial stability. Through a coordinated strategic process, the Board has established a series of policies and plans to effectively meet the District's anticipated future needs. The cornerstone of these policies is the District's Strategic Plan for Fiscal Years 2010-15 that serves as a framework for planning and decision making over the next five years. The District utilizes this information to anticipate future expense obligations and to develop and estimate service rates to ensure these expense obligations are fully funded.

Financial Policies

The Costa Mesa Sanitary District (District) has adopted financial policies to guide the General Manager and Board of Directors through the budget decision-making process. These policies are:

1. Operating Reserves – The District will maintain a minimum designated Reserve for Working Capital equal to 15% of its operating budget within its Solid Waste Fund and 10% of its operating budget within its Liquid Waste Fund.
2. Fairness and Equity – All customers of the District will pay their fair, equitable and proportionate cost of the services provided by the District.
3. Recurring Revenue Growth – Recurring increases in expenses should not be approved which exceed recurring revenue growth. Any new or expanded programs will be required to identify new funding sources and/or off-setting reductions in expenses.
4. Risk Management/Retention – The District will maintain appropriate reserves for general liability claims and other programs or self-insured risk retention levels to meet statutory requirements and actuarially projected needs.
5. Long Range Fiscal Perspective (Capital Expense Policy) – The District will maintain a long-range fiscal perspective through the use of an annual operating budget, long -range capital improvement program, and multi-year revenue and expense forecasting.
6. Capital Improvements – Major capital improvement projects will be funded using the most financially prudent method available. Such methods include: 1) traditional long-term financing (bond issues); 2) “pay as you go” financing; and 3) using accumulated cash reserves in excess of policy requirements.
7. Generally Accepted Accounting Principles – District staff shall comply with all generally accepted accounting principles promulgated by the state and federal government, regulatory agencies such as the Government Accounting Standards Board (GASB) and relevant professional associations such as the Government Finance Officers’ Association (GFOA).
8. Level of Budgetary Control – The level of budgetary control is at the account level. Budgetary variances up to \$50,000 within these accounts will be addressed by the General Manager. Transfers to capital improvement projects (CIP) requires Board approval.

Reserve Policy

The Board has adopted a reserve policy to establish a minimum level of reserves for working capital within the operating funds of the District. Operating funds of the District consist of the Solid Waste Fund and the Liquid Waste Fund. On September 18, 2008, the reserve policy was amended by the Board as follows:

- (a) Policy: The District will maintain a minimum designated Reserve for Working Capital equal to 15% of its operating budget within its Solid Waste Fund, and 10% of its operating budget within its Liquid Waste Fund.

- (b) Operating Reserves Required: The Reserves for Working Capital for Operating Funds will be maintained at a level equal to 15% of its operating budget within its Solid Waste Fund, and 10% of its operating budget within its Liquid Waste Fund, for the fiscal year. The District has a period of negative cash flow for the first five months of the fiscal year until such time as the annual charges have been collected and remitted to the District. This level of operating reserve provides the District with the necessary liquidity and resources to cover this period of negative cash flow as well as unanticipated expenses. It is prudent for governmental entities to maintain operating reserves which constitutes a sound operating practice as determined by oversight bodies, professional organizations, bond rating agencies and bond insurance companies. The operating reserve may only be accessed under the following circumstances, and only with Board approval.
 - 1. Federal/State budget cuts resulting in loss of grant funding;
 - 2. Local revenue shortfalls due to a downturn in the local economy;
 - 3. Increase in demand for specific services without another source of recovery;
 - 4. Legislative or judicial mandates to provide new or expanded services or programs without new or fully off-setting revenues;
 - 5. One-time Board approved expenses;
 - 6. Unexpected increases in inflation (Consumer Price Index); or
 - 7. Natural disasters (earthquakes, fires or other general infrastructure failures).

If the operating reserves are required to be used, staff will incorporate a plan to restore the Reserves for Working Capital to 15% of the Solid Waste operating budget and 10% of the Liquid Waste operating budget as part of the subsequent year's proposed budgets.

An Asset Management Fund reserve policy has been established to maintain a minimum \$5,000,000 fund balance to replace or refurbish the current sewer collection system and facilities at their end of their useful economic lives. Annual reserve contributions are made with transfers from the Liquid Waste Fund estimated by the Asset Management Program. Transfers back to the Liquid Waste Fund are in accordance with the capital budget plan and provide funding for capital improvement projects.

Basis of Budgeting and Accounting

The District is a California Special District established and incorporated in February 1944 pursuant to Division VI, Part 1 of the Health and Safety Code of the State of California (sometimes referred to as the Sanitary District Act of 1923).

The accounts of the District are presented as enterprise and internal service funds. An enterprise fund is a proprietary fund type used to account for operations: (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

An internal service fund is also a proprietary fund type which accounts for the goods or services purchased by one cost center on behalf of another cost center. Revenue is derived from charges to other funds.

Budget Control

The General Manager is responsible for keeping the expenses within budget allocations and may adopt budget policies necessary to carry out that responsibility. No expenditure of funds shall be authorized unless sufficient funds have been appropriated by the Board.

The level of budgetary control is the account level. Budgetary variances up to \$50,000 within accounts objects will be addressed by the General Manager, i.e., the General Manager has the authority to transfer budget amounts at the line item level. A transfer to any district CIP projects requires prior Board approval. All budget modifications or adjustments are documented and tracked in the District's computerized financial system.

The General Manager may hire personnel as necessary, as long as the position(s) or classification(s) have been authorized in advance by the Board.

In the event that the General Manager determines that an emergency exists requiring immediate action, the General Manager is authorized to order emergency work pursuant to Public Contract Code Section 22050 and if such action is ordered, the General Manager shall report to the Board at successive regular meetings stating the justification for continuing with the emergency work.

Budget Process

The Costa Mesa Sanitary District's budget is prepared on an annual basis and is based on the priorities, goals and objectives established by the Board of Directors. The District's Strategic Plan for Fiscal Years 2010-15 serves as a framework for planning and decision making over the next five years. The District utilizes this information to anticipate future expense obligations and to develop and estimate service rates to ensure these expense obligations are fully funded.

Budget Calendar

February 22, 2012	Departmental budget requests due from staff
March 3, 2012	General Manager review of requested budgets with individual departments
March 7, 2012	Special Board meeting to review District's Strategic Plan
March 16, 2012	February 2011-2012 CPI released
March 26, 2012	General Manager review
April 16, 2012	Present fiscal year 2011-12 mid-year budget review to Board
April 16, 2012	Review fiscal year 2012-13 preliminary budget at Regular Board meeting
May 24, 2012	Review fiscal year 2012-13 preliminary budget at Regular Board meeting
June 28, 2012	Annual budget for Fiscal Year Ending June 30, 2013, submitted to Board of Directors for adoption

Fund Descriptions

The District accounts for its revenue and expenses in enterprise funds. Enterprise funds provide services that are financed through user charges. The funds currently used by the District are as follows:

Enterprise Funds:

1. Solid Waste Fund – This fund accounts for the annual charge for providing solid waste collection services to the District’s customers and the cost of managing the refuse collection and recycling processes.
2. Liquid Waste Fund – This fund accounts for the annual charge for providing sewer services to the District’s customers. Expenses include operations and capital improvement projects.
3. Sewer Construction Fund – This fund is restricted and accounts for deposits received from developers in lieu of constructing required sewer improvements associated with a development project. The funds on deposit are held by the District until such time as the District constructs the required sewer improvement. An annual budget for this fund is not adopted. Rather, as required projects are ready to be constructed, a budget adjustment will be brought to the Board to appropriate the required monies.
4. Facilities Revolving Fund – This fund is restricted and accounts for the receipt and disbursement of capacity charges (fixture fees). Funds collected can only be used for new sewer facilities and cannot be used for maintenance. An annual budget for this fund is not adopted. Rather, as required projects are ready to be constructed, a budget adjustment will be brought to the Board to appropriate the required monies.
5. Asset Replacement Fund – The purpose of this fund is to accumulate reserves for the purchase of new or replacement vehicles, equipment and computers. Revenues to this fund are received as charges for services from the Solid Waste and Liquid Waste funds. User funds are charged an annual rental rate for the use of the asset. Transfers back to the user funds are in accordance with the operating budget plan and provide funding for the purchase of the assets at the user fund level.
6. Asset Management Fund – The purpose of this fund is to accumulate reserves for capital improvements. This fund has a reserve requirement of \$5,000,000. Annual Reserve Contributions are made with transfers from the Liquid Waste Fund estimated by the Asset Management Program. Transfers back to the Liquid Waste Fund are in accordance with the capital budget plan and provide funding for capital improvement projects.

Revenue Assumptions

District revenues are primarily derived from sanitation and sewer fees. The sanitation and sewer fees are charged for residential refuse collection services and residential, industrial and commercial sewer services. Assumptions used in developing the fiscal year 2012-13 revenue estimates are as follows:

Solid Waste Fund

The annual trash charge in the amount of \$4,915,000 is projected based upon an annual charge of \$228 per year, or \$19 per month for approximately 21,558 units. This adopted budget includes a decrease in the annual charge from \$239.41. It is anticipated that the reduction of the annual trash charge will produce an estimated decrease in reserves for the fiscal year 2012-13 in the amount of \$102,247. This decrease in reserves will reduce the unreserved fund balance. The Solid Waste Fund has a very healthy fund balance estimated at approximately \$5.5 million at June 30, 2012, therefore the Board has concluded it to be prudent to begin giving some of the money back to the ratepayers. The Board will analyze the unreserved fund balance every year to determine if the lowered rates can continue.

The additional container charge in the amount of \$96,000 is projected based upon 96% of the variable container fee for the 2011-12 fiscal year. The additional container charge is estimated based upon an \$8 monthly fee for approximately 1,000 households. This revenue source is used for rate stabilization purposes. During the fiscal year 2011-12, the District negotiated with the trash hauler, CR&R, to retain the split of the additional container fee with the current percentage of 86% to the District and 14% to CR&R.

Property taxes in the amount of \$150,000 are projected based upon 76% of the estimated amount for the 2011-12 fiscal year. This conservative estimate is due to the uncertainty surrounding the District's continued receipt of general property tax given the State's financial condition. The budgeting of property taxes is a reversal of the District's past practice of not budgeting this revenue source.

Interest income on the investment of the District's operating cash and reserves is estimated based upon an average yield of 0.90% for the year. The District has an investment portfolio that includes the purchase of low risk securities that yield small earnings when the securities reach maturity.

Liquid Waste Fund

The adopted budget does not include an increase in the annual charge for sewer fees. The annual charge for a single family resident is \$66.23 per year or \$5.52 per month. The District maintains 216 miles of sewer mainline that transport 10.4 million gallons a day to treatment facilities for 116,700 residents residing in Costa Mesa, Newport Beach and unincorporated County of Orange.

Revenue Assumptions
(Continued)

Annual Charge

The following current rates were used in the development of this proposed budget.

Service type	FY 2012-13
Single family residence	\$ 66.23
Multi-family residence	\$ 51.00
Commercial *	\$ 38.52
Industrial *	\$113.50
Other *	\$ 34.14
*This annual charge is on a per 1000 square foot basis	

The current Fats Oils & Grease (FOG) rates are adequate to meet our FOG requirements and no change is required. Our current FOG rates are:

Service type	FOG rate
Single family residence	\$ 2.77
Multi family residence	\$ 2.77
Commercial without food service	\$ 2.77
Commercial with cold food service	\$ 72.00
Commercial with hot food service	\$180.00
Other	\$ 2.77

The breakdown of the sewer customers are as follows:

Single family residential units	18,358
Multi-family residential units	26,512
Number of commercial parcels	1,577 with a total 32,141,057 building square feet area
Number of industrial parcels	789 with a total 9,601,103 building square feet area

Operating Assumptions

The fiscal year 2012-13 budget is based on operating expenses of \$9,047,927, which reflect an increase of 0.36% over last year's budget submittal. This increase translated into dollars is an increase of \$32,842.

The total authorized staffing for fiscal year 2012-13 will increase by two staff positions and a reclassification of one position. The newly added paid positions are a full time Management Assistant and a part-time Maintenance Assistant. A nonpaid Management Intern position is also included. The Board of Directors approved to reclassify the District Clerk position to Executive Assistant/Deputy Clerk at a savings of \$60,000. In total the salaries and benefits expenses of \$1,522,670 reflect an increase of 6.4% over last year's budget submittal.

The salaries budget includes a cost of living adjustment (COLA) or increase of 2.1%. This increase was based on the February to February Consumer Price Index (CPI) annual adjustment for the Los Angeles/Riverside/Orange County area.

The District adopted a two tier pension program in fiscal year 2011-12. The current retirement formulas are 2% at 55 and 2% at 60. The new hires will be enrolled in the 2% at 60 retirement formula and the employee will pay his/her 7% share of retirement costs. The employer rate for Tier 1 (2% at 55) is 11.088% and the employer rate for Tier 2 (2% at 60) is projected at 9%. In fiscal year 2012-13 the District will have five employees on the 2% at 60 formula, which is an annual savings of approximately \$28,600. Approximately half of the District's full time workforce will be participating on the second tier retirement system.

The cafeteria benefit is offered to all full-time employees. Employees with medical single coverage, or employee plus one, or who opt out of medical coverage receive a monthly allowance in the amount of \$799. Employees with family medical coverage receive a monthly allowance in the amount of \$1,199. The cafeteria benefit also includes the pick-up payment for employee's long term disability and life insurance cost, which is approximately \$45 a month per employee or \$7,020 annually for all thirteen full-time employees.

The Board developed a strategic plan element that addresses the importance of continual training and staff development. For this purpose the budget will continue to reflect an emphasis on safety, technical, and management training. The staff development budget in the amount of \$33,620 is based on recent actual costs.

In 2012 the District will have elections for two Board seats. The County's Registrar Office coordinates and manages the elections for the District at an approximate cost of \$60,000. The cost is split evenly between the solid waste and sewer funds.

The website redesign has a budget of \$20,000. The District plans to hire a consultant that has proven experience designing and managing public agencies websites.

Operating Assumptions (Continued)

CR&R Environmental Services is the District's trash hauler. The trash hauling expense is a major expense of the Solid Waste fund. The trash hauler budget includes collection of solid waste and recyclable materials for approximately 21,575 households at a monthly fee of \$9.15.

The recycling and disposal budget paid to CR&R is based on the collection of 40,200 tons at a cost of \$52.22 per ton. Together the trash hauler and recycling/disposal budget make up 84% of the Solid Waste fund's budget.

The District is budgeting \$50,000 for the preparation of a Zero Waste Plan. The plan will set a course to establish new programs and methods for residents to change their habits on disposing solid waste.

The total engineering services budget is \$132,290. Engineering services include services for general engineering such as designs, inside plan checking (outside agency projects such as City Street improvements, Mesa Consolidated Water improvements, etc.), outside plan checking (new construction and/or development where the cost is recovered through District fees), sewer lateral assistance, infiltration and inflow program and for the District's hot spot abatement program. A total of 1,192 annual hours is budgeted at \$96.50 an hour. An additional \$1,400 monthly retainer is also included in this budget. This service is contracted out to Robin Hamers & Associates.

The total inspection services budget is \$134,160. Inspection services include inside inspections, outside inspections, sewer lateral assistance, and infiltration and inflow program (sealing and plugging manholes). A total of 2,080 annual hours is budgeted at \$64.50 an hour. This service is contracted out to Robin Hamers & Associates.

The District plans to continue the Sewer Lateral Assistance Program. \$200,000 is budgeted to continue this very successful program where the District will reimburse residents up to \$1,800 for making improvements to their sewer lateral. In addition, the District will waive all permitting fees related to the improvements. It is estimated that approximately 140 applicants will benefit from this program.

The District's vector truck is budgeted to be replaced at a cost of \$390,000. The District's vector truck is over twenty years old and experiencing continual repairs. The District has accumulated reserves in the amount of \$138,000 in the Asset Replacement Fund which will be transferred into the Sewer Fund and the additional \$252,000 will be budgeted from the current revenue.

FINANCIAL SUMMARIES

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Costa Mesa Sanitary District
Statement of Budgeted Revenues and Expenses (ALL FUNDS)
For the Fiscal Year Ending June 30, 2013

Account	Solid Waste Fund	Liquid Waste Fund	Facilities Revolving Fund	Asset Replacement Fund	Asset Management Fund	Total
Operating Revenues						
Annual Charge	\$ 4,915,000	\$ 5,093,800	\$ -	\$ -	\$ -	\$ 10,008,800
Charges for Services	-	15,000	-	-	-	15,000
Additional Container Charge	96,000	-	-	-	-	96,000
Sewer Permits	-	10,000	-	-	-	10,000
Permit Inspection Fees	-	28,000	-	-	-	28,000
Other Operating Revenues	-	-	-	145,600	-	145,600
Total Operating Revenue	5,011,000	5,146,800	-	145,600	-	10,303,400
Operating Expenses						
Salaries & Benefits	469,520	1,053,150	-	-	-	1,522,670
Operations & Maintenance	4,754,550	2,656,530	-	-	-	7,411,080
Programs	114,177	-	-	-	-	114,177
Total Operating Expenses	5,338,247	3,709,680	-	-	-	9,047,927
Net Operating Revenue (Expense)	(327,247)	1,437,120	-	145,600	-	1,255,473
Non-Operating Revenues						
Property Taxes	150,000	-	-	-	-	150,000
Investment Earnings	50,000	50,000	-	-	50,000	150,000
Contributions	25,000	-	-	-	-	25,000
Other Non-operating Revenues	-	-	-	-	-	-
Capital Contributions	-	-	-	-	-	-
Total Non-Operating Revenues	225,000	50,000	-	-	50,000	325,000
Non-Operating Expenses						
Capital Improvement Projects	-	2,170,000	-	-	-	2,170,000
Total Non-Operating Expenses	-	2,170,000	-	-	-	2,170,000
Net Change to Fund Balance Reserves Before Transfers	(102,247)	(682,880)	-	145,600	50,000	(589,527)
Transfers						
Transfers In	-	2,433,000	-	-	1,748,000	4,181,000
Transfers Out	-	(1,748,000)	-	(138,000)	(2,295,000)	(4,181,000)
Total Transfers	-	685,000	-	(138,000)	(547,000)	-
Net Change to Fund Balance Reserves	\$ (102,247)	\$ 2,120	\$ -	\$ 7,600	\$ (497,000)	\$ (589,527)

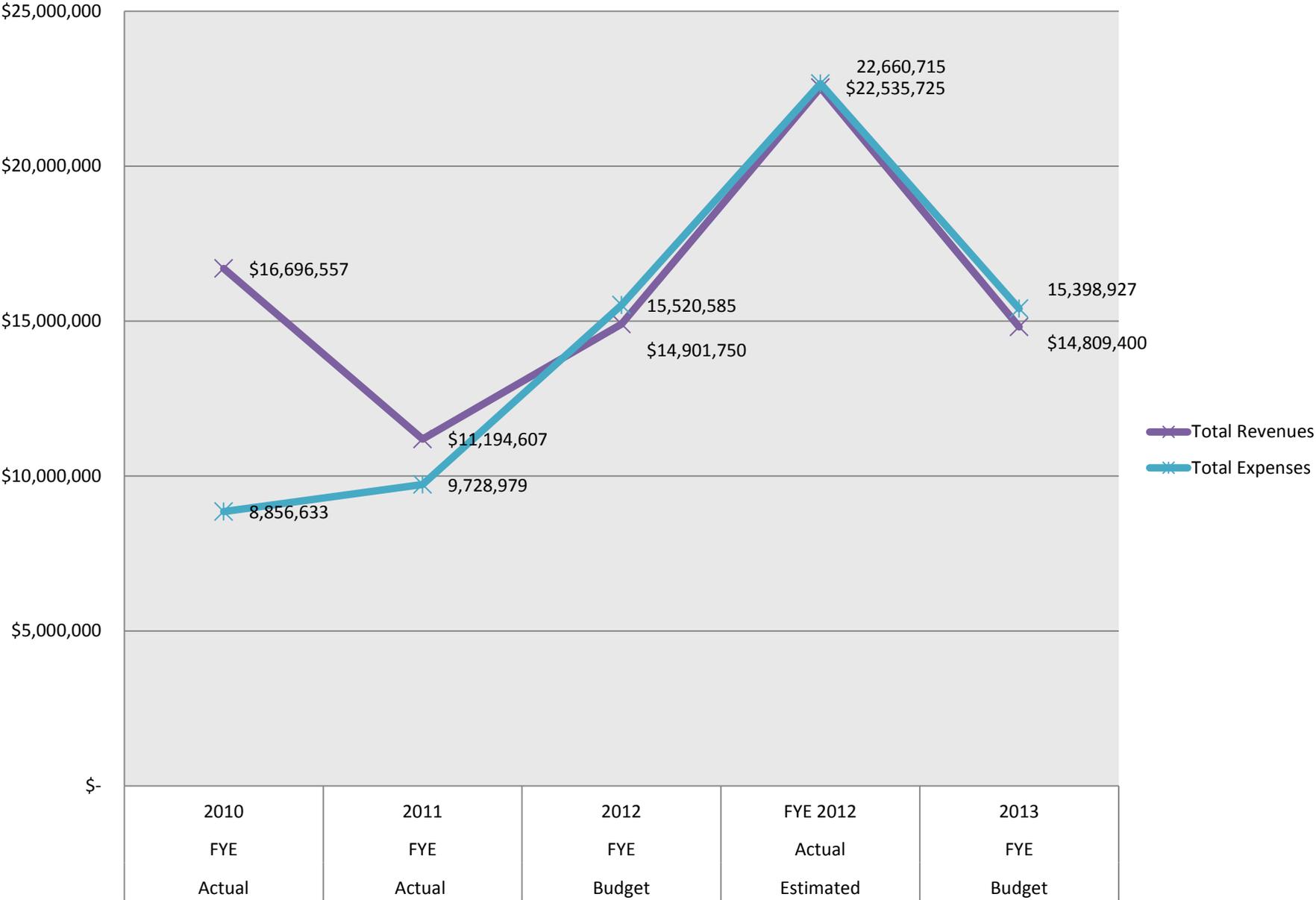
Costa Mesa Sanitary District
Fund Balance Summary (Accrual Basis)
For the Fiscal Year Ending June 30, 2013

	Solid Waste Fund	Liquid Waste Fund	Facilities Revolving Fund	Asset Replacement Fund	Asset Management Fund	Total
Estimated Fund Balance, June 30, 2012	\$ 5,542,001	\$ 41,447,367	\$ 3,562,438	\$ 342,637	\$ 5,965,250	\$ 56,859,693
Estimated Revenues						
Annual Charge	4,915,000	5,093,800				10,008,800
Property Taxes	150,000					150,000
Investment Earnings	50,000	50,000			50,000	150,000
Additional Container Charge	96,000					96,000
Charges for Services				145,600		145,600
Other	25,000	53,000				78,000
Transfers In		2,433,000			1,748,000	4,181,000
Total Estimated Revenues	5,236,000	7,629,800	-	145,600	1,798,000	14,809,400
Estimated Expenses						
Salaries & Benefits	469,520	1,053,150				1,522,670
Operations & Maintenance	4,754,550	2,656,530				7,411,080
Programs	114,177					114,177
Capital Improvement Projects						-
Depreciation		1,500,000				1,500,000
Transfers Out		1,748,000		138,000	2,295,000	4,181,000
Total Estimated Expenses	5,338,247	6,957,680	-	138,000	2,295,000	14,728,927
Estimated Change to Fund Balance Reserves	(102,247)	672,120	-	7,600	(497,000)	80,473
Estimated Fund Balance, June 30, 2013	\$ 5,439,754	\$ 42,119,487	\$ 3,562,438	\$ 350,237	\$ 5,468,250	\$ 56,940,166
Reserves						
Investment in Fixed Assets		(39,744,000)	(3,562,438)			(43,306,438)
Reserved for Capital Outlay		-				-
Reserved for Earthquake/Emergency		(1,000,000)				(1,000,000)
Reserved for Operating	(800,000)	(381,000)				(1,181,000)
Estimated Unreserved Fund Balance, June 30, 2013	\$ 4,639,754	\$ 994,487	\$ -	\$ 350,237	\$ 5,468,250	\$ 11,452,728

Costa Mesa Sanitary District
Fund Balance Summary (Accrual Basis)
For the Fiscal Year Ending June 30, 2012

	Solid Waste Fund	Liquid Waste Fund	Facilities Revolving Fund	Asset Replacement Fund	Asset Management Fund	Total
Retained Earnings, June 30, 2011	\$ 5,224,673	\$ 46,642,185	\$ 3,944,438	\$ 165,137	\$ -	\$ 55,976,433
Estimated Revenues						
Annual Charge	5,156,000	5,092,800				10,248,800
Charges for Services		18,000				18,000
Additional Container Charge	100,000					100,000
Sewer Permits		10,000				10,000
Permit Inspection Fees		49,000				49,000
Other Operating Revenues		25,000	61,000	177,500		263,500
Property Taxes	198,000					198,000
Investment Earnings	32,000	60,000	2,000			94,000
Contributions	30,000					30,000
Other Non-Operating Revenues	97,675					97,675
Transfers In		2,953,250			8,473,500	11,426,750
Total Estimated Revenues	5,613,675	8,208,050	63,000	177,500	8,473,500	22,535,725
Estimated Expenses						
Salaries & Benefits	400,580	977,770				1,378,350
Operations & Maintenance Programs	4,711,690	2,451,598				7,163,288
Capital Improvement Projects	184,077					184,077
Depreciation		1,500,000				1,500,000
Transfer Out		8,473,500	445,000	-	2,508,250	11,426,750
Total Estimated Expenses	5,296,347	13,402,868	445,000	-	2,508,250	21,652,465
Estimated Change to Fund Balance Reserves	317,328	(5,194,818)	(382,000)	177,500	5,965,250	883,260
Estimated Fund Balance, June 30, 2012	\$ 5,542,001	\$ 41,447,367	\$ 3,562,438	\$ 342,637	\$ 5,965,250	\$ 56,859,693

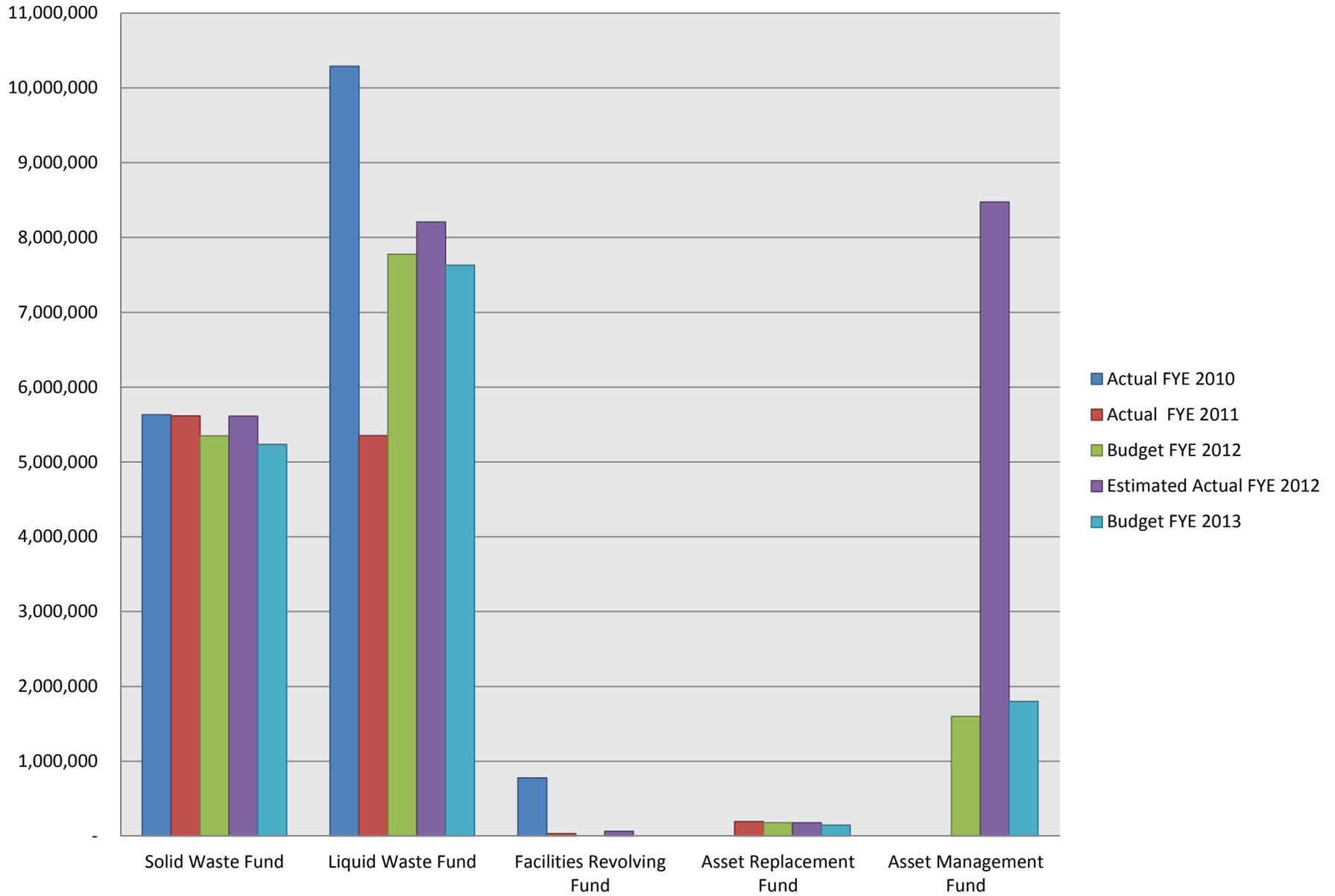
Total Revenues and Expenses (All Funds)



**Costa Mesa Sanitary District
Total Revenues and Expenses (All Funds)**

Activity	Actual FYE 2010	Actual FYE 2011	%	Budget FYE 2012	%	Estimated Actual FYE 2012	Budget FYE 2013	%
			Change		Change			Change
Total Revenues	\$ 16,696,557	\$ 11,194,607	-32.95%	\$ 14,901,750	33.12%	\$ 22,535,725	\$ 14,809,400	-34.28%
Total Expenses	8,856,633	9,728,979	9.85%	15,520,585	59.53%	22,660,715	15,398,927	-32.05%
Net Change to Fund Balance Reserves	\$ 7,839,924	\$ 1,465,628	-81.31%	\$ (618,835)	-142.22%	\$ (124,990)	\$ (589,527)	371.66%
Changes to Fund Balance Details:								
Solid Waste Fund	753,966	457,195	-39.36%	360	-99.92%	317,328	(102,247)	-132.22%
Liquid Waste Fund	6,309,871	919,930	-85.42%	111,555	-87.87%	(6,203,068)	2,120	100.03%
Facilities Revolving Fund	776,087	(76,634)	-109.87%	-	-100.00%	(382,000)	-	100.00%
Asset Replacement Fund	-	165,137	100.00%	177,500	7.49%	177,500	7,600	-95.72%
Asset Management Fund	-	-	0.00%	(908,250)	-100.00%	5,965,250	(497,000)	-108.33%
Net Change to Fund Balance Reserves	7,839,924	1,465,628	-81.31%	(618,835)	-142.22%	(124,990)	(589,527)	-371.66%

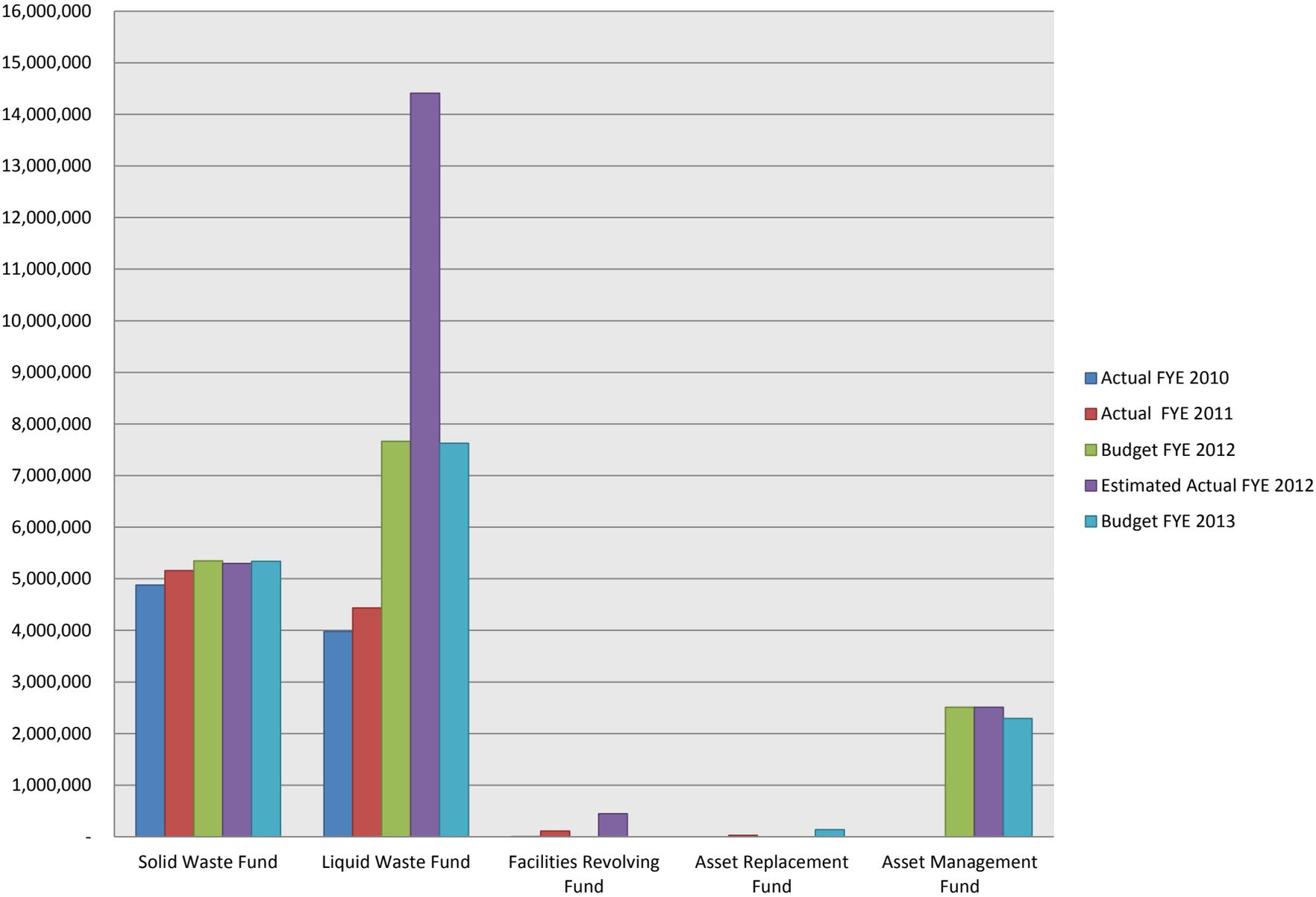
Total Revenues by Fund



**Costa Mesa Sanitary District
Total Revenues by Fund**

Fund	Actual FYE 2010	Actual FYE 2011	%	Budget FYE 2012	%	Estimated Actual FYE 2012	Budget FYE 2013	%
			Change		Change			Change
Solid Waste Fund								
Operating Revenues	\$ 5,295,116	\$ 5,294,202	-0.02%	\$ 5,255,000	-0.74%	\$ 5,256,000	\$ 5,011,000	-4.66%
Non-Operating Revenues	335,088	320,722	-4.29%	94,000	-70.69%	357,675	225,000	-37.09%
Transfers In	-	-	0.00%	-	0.00%	-	-	0.00%
Total Fund Revenues	5,630,204	5,614,924	-0.27%	5,349,000	-4.74%	5,613,675	5,236,000	-6.73%
Liquid Waste Fund								
Operating Revenues	\$ 5,155,453	\$ 5,216,300	1.18%	\$ 5,147,000	-1.33%	\$ 5,194,800	\$ 5,146,800	-0.92%
Non-Operating Revenues	5,132,304	108,392	-97.89%	120,000	10.71%	60,000	50,000	-16.67%
Transfers In	-	28,520	100.00%	2,508,250	8694.71%	2,953,250	2,433,000	-17.62%
Total Fund Revenues	10,287,757	5,353,212	-47.97%	7,775,250	45.24%	8,208,050	7,629,800	-7.04%
Facilities Revolving Fund								
Operating Revenues	\$ 11,468	\$ 28,865	151.70%	\$ -	-100.00%	\$ 61,000	\$ -	-100.00%
Non-Operating Revenues	20,196	3,949	-80.45%	-	-100.00%	2,000	-	-100.00%
Transfers In	746,932	-	-100.00%	-	0.00%	-	-	0.00%
Total Fund Revenues	778,596	32,814	-95.79%	-	-100.00%	63,000	-	-100.00%
Asset Replacement Fund								
Operating Revenues	\$ -	\$ 192,550	100.00%	\$ 177,500	-7.82%	\$ 177,500	\$ 145,600	-17.97%
Non-Operating Revenues	-	1,107	100.00%	-	-100.00%	-	-	0.00%
Transfers In	-	-	0.00%	-	0.00%	-	-	0.00%
Total Fund Revenues	-	193,657	100.00%	177,500	-8.34%	177,500	145,600	-17.97%
Asset Management Fund								
Operating Revenues	\$ -	\$ -	0.00%	\$ -	0.00%	\$ -	\$ -	0.00%
Non-Operating Revenues	-	-	0.00%	-	0.00%	-	50,000	100.00%
Transfers In	-	-	0.00%	1,600,000	100.00%	8,473,500	1,748,000	-79.37%
Total Fund Revenues	-	-	0.00%	1,600,000	100.00%	8,473,500	1,798,000	-78.78%
Total Revenues	\$ 16,696,557	\$ 11,194,607	-32.95%	\$ 14,901,750	33.12%	\$ 22,535,725	\$ 14,809,400	-34.28%

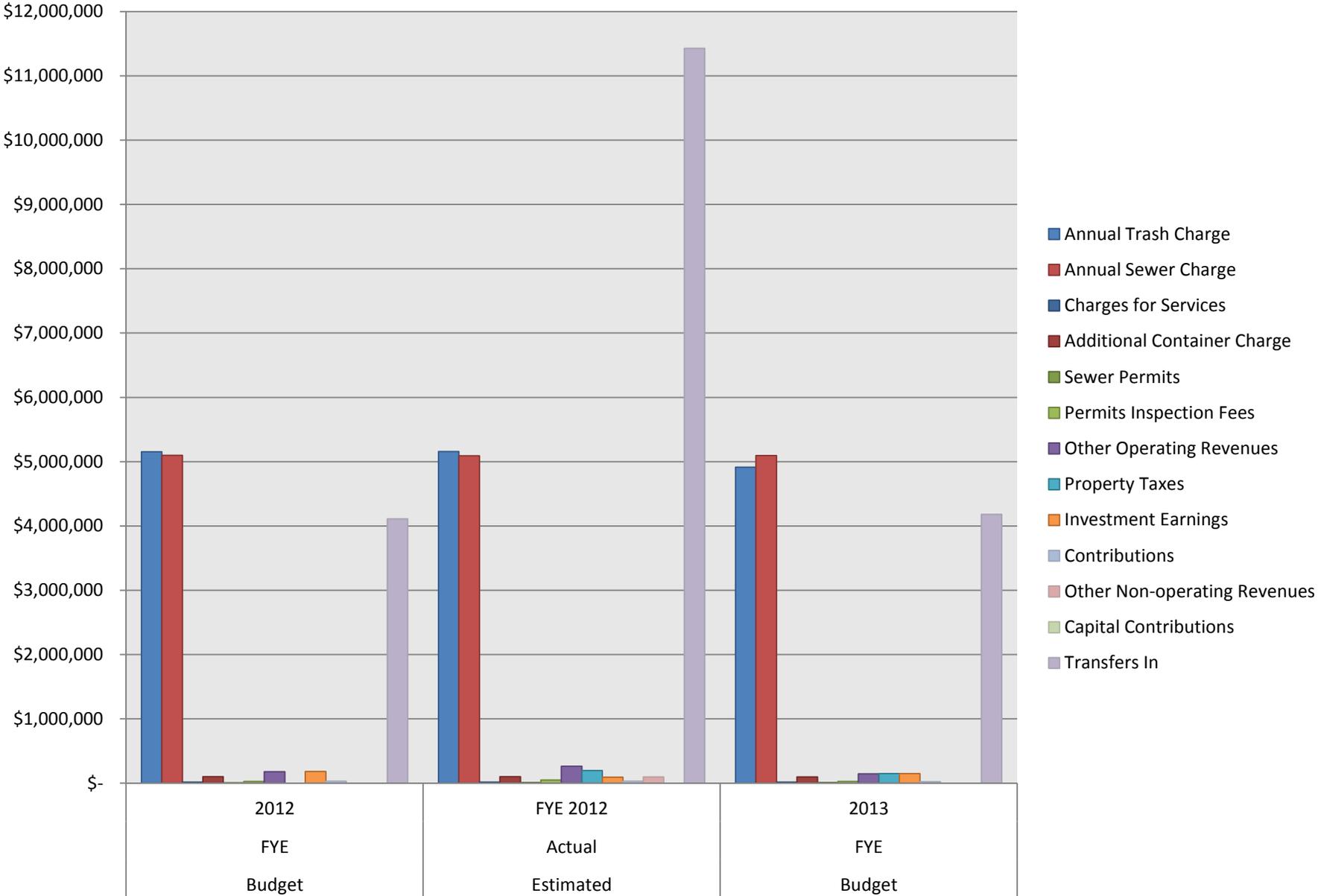
Total Expenses by Fund



**Costa Mesa Sanitary District
Total Expenses by Fund**

Fund	Actual FYE 2010	Actual FYE 2011	% Change	Budget FYE 2012	% Change	Estimated Actual FYE 2012	Budget FYE 2013	% Change
Solid Waste Fund								
Operating Expenses	\$ 4,847,924	\$ 5,157,729	6.39%	\$ 5,348,640	3.70%	\$ 5,296,347	\$ 5,338,247	0.79%
Non-Operating Expenses	-	-	0.00%	-	0.00%	-	-	0.00%
Transfers Out	28,314	-	0.00	-	0.00%	-	-	0.00%
Total Fund Expenses	4,876,238	5,157,729	5.77%	5,348,640	3.70%	5,296,347	5,338,247	0.79%
Liquid Waste Fund								
Operating Expenses	\$ 2,637,080	\$ 2,931,178	11.15%	\$ 3,666,445	25.08%	\$ 3,429,368	\$ 3,709,680	8.17%
Non-Operating Expenses	622,188	1,502,104	141.42%	2,397,250	59.59%	2,508,250	2,170,000	-13.49%
Transfers Out	718,618	-	-100.00%	1,600,000	100.00%	8,473,500	1,748,000	-79.37%
Total Fund Expenses	3,977,886	4,433,282	11.45%	7,663,695	72.87%	14,411,118	7,627,680	-47.07%
Facilities Revolving Fund								
Operating Expenses	\$ 132	\$ 38,177	28821.97%	\$ -	-100.00%	\$ -	\$ -	0.00%
Non-Operating Expenses	2,277	71,271	3030.04%	-	-100.00%	-	-	0.00%
Transfers Out	-	-	0.00	-	0.00%	445,000	-	0.00%
Total Fund Expenses	2,509	109,448	4262.22%	-	-100.00%	445,000	-	-100.00%
Asset Replacement Fund								
Operating Expenses	\$ -	\$ -	0.00%	\$ -	0.00%	\$ -	\$ -	0.00%
Non-Operating Expenses	-	-	0.00%	-	0.00%	-	-	0.00%
Transfers Out	-	28,520	100.00%	-	0.00%	-	138,000	0.00%
Total Fund Expenses	-	28,520	100.00%	-	-100.00%	-	138,000	100.00%
Asset Management Fund								
Operating Expenses	\$ -	\$ -	0.00%	\$ -	0.00%	\$ -	\$ -	0.00%
Non-Operating Expenses	-	-	0.00%	-	0.00%	-	-	0.00%
Transfers Out	-	-	0.00	2,508,250	100.00%	2,508,250	2,295,000	-8.50%
Total Fund Expenses	-	-	0.00%	2,508,250	100.00%	2,508,250	2,295,000	-8.50%
Total Expenses	\$ 8,856,633	\$ 9,728,979	9.85%	\$ 15,520,585	59.53%	\$ 22,660,715	\$ 15,398,927	-32.05%

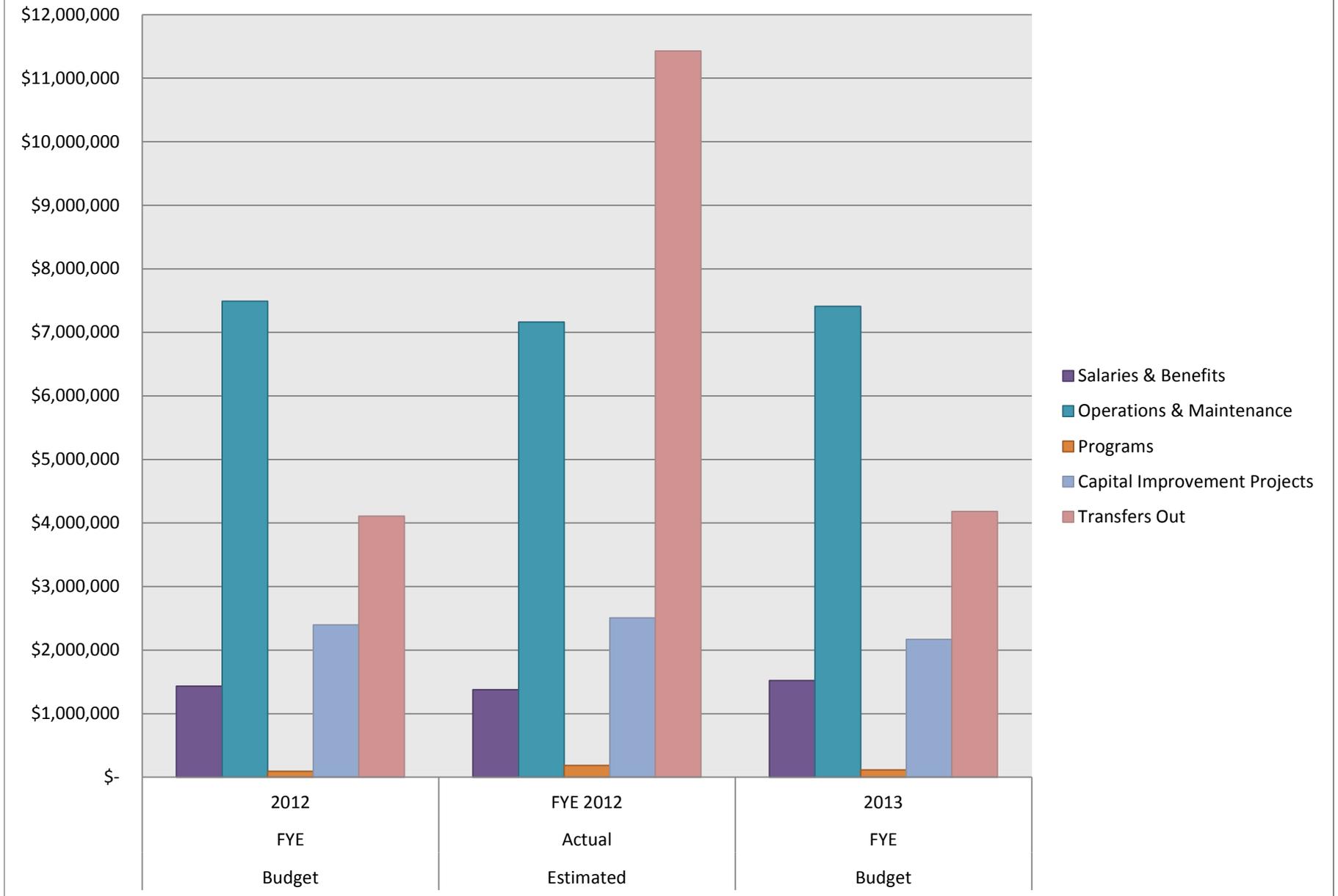
Total Revenues by Account



**Costa Mesa Sanitary District
Total Revenues by Account**

Account	Budget	Estimated	Budget	% Change	% Change
	FYE 2012	Actual FYE 2012	FYE 2013	Budget '12 vs. Budget '13	Est. Actual '12 vs. Budget '13
Annual Trash Charge	\$ 5,155,000	\$ 5,156,000	\$ 4,915,000	-4.66%	-4.67%
Annual Sewer Charge	5,099,000	5,092,800	5,093,800	-0.10%	0.02%
Charges for Services	15,000	18,000	15,000	0.00%	-16.67%
Additional Container Charge	100,000	100,000	96,000	-4.00%	-4.00%
Sewer Permits	5,000	10,000	10,000	100.00%	0.00%
Permits Inspection Fees	28,000	49,000	28,000	0.00%	-42.86%
Other Operating Revenues	177,500	263,500	145,600	-17.97%	-44.74%
Property Taxes	-	198,000	150,000	100.00%	-24.24%
Investment Earnings	184,000	94,000	150,000	-18.48%	59.57%
Contributions	30,000	30,000	25,000	-16.67%	-16.67%
Other Non-operating Revenues	-	97,675	-	0.00%	-100.00%
Capital Contributions	-	-	-	0.00%	0.00%
Transfers In	4,108,250	11,426,750	4,181,000	1.77%	-63.41%
Totals	\$ 14,901,750	\$ 22,535,725	\$ 14,809,400	-0.62%	-34.28%

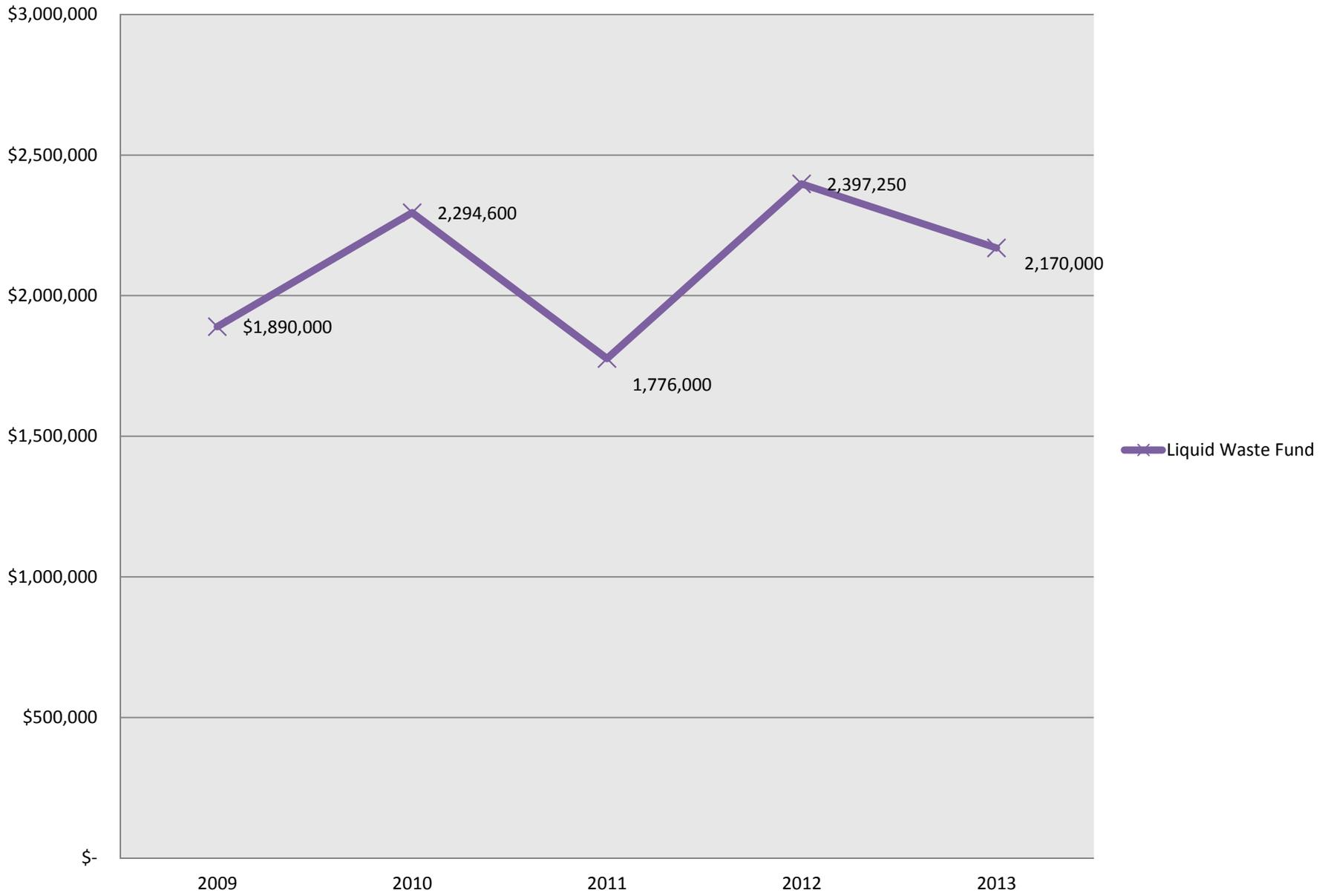
Total Expenses by Account



**Costa Mesa Sanitary District
Total Expenses by Account**

Account	Budget	Estimated	Budget	% Change	% Change
	FYE 2012	Actual FYE 2012	FYE 2013	Budget '12 vs. Budget '13	Est. Actual '12 vs. Budget '13
Salaries & Benefits	\$ 1,431,740	\$ 1,378,350	\$ 1,522,670	6.35%	10.47%
Operations & Maintenance	7,488,845	7,163,288	7,411,080	-1.04%	3.46%
Programs	94,500	184,077	114,177	20.82%	-37.97%
Capital Improvement Projects	2,397,250	2,508,250	2,170,000	-9.48%	-13.49%
Transfers Out	4,108,250	11,426,750	4,181,000	1.77%	-63.41%
Totals	\$ 15,520,585	\$ 22,660,715	\$ 15,398,927	-0.78%	-32.05%

Capital Projects Trend by Fiscal Year



**Costa Mesa Sanitary District
Capital Projects Trend by Fiscal Year**

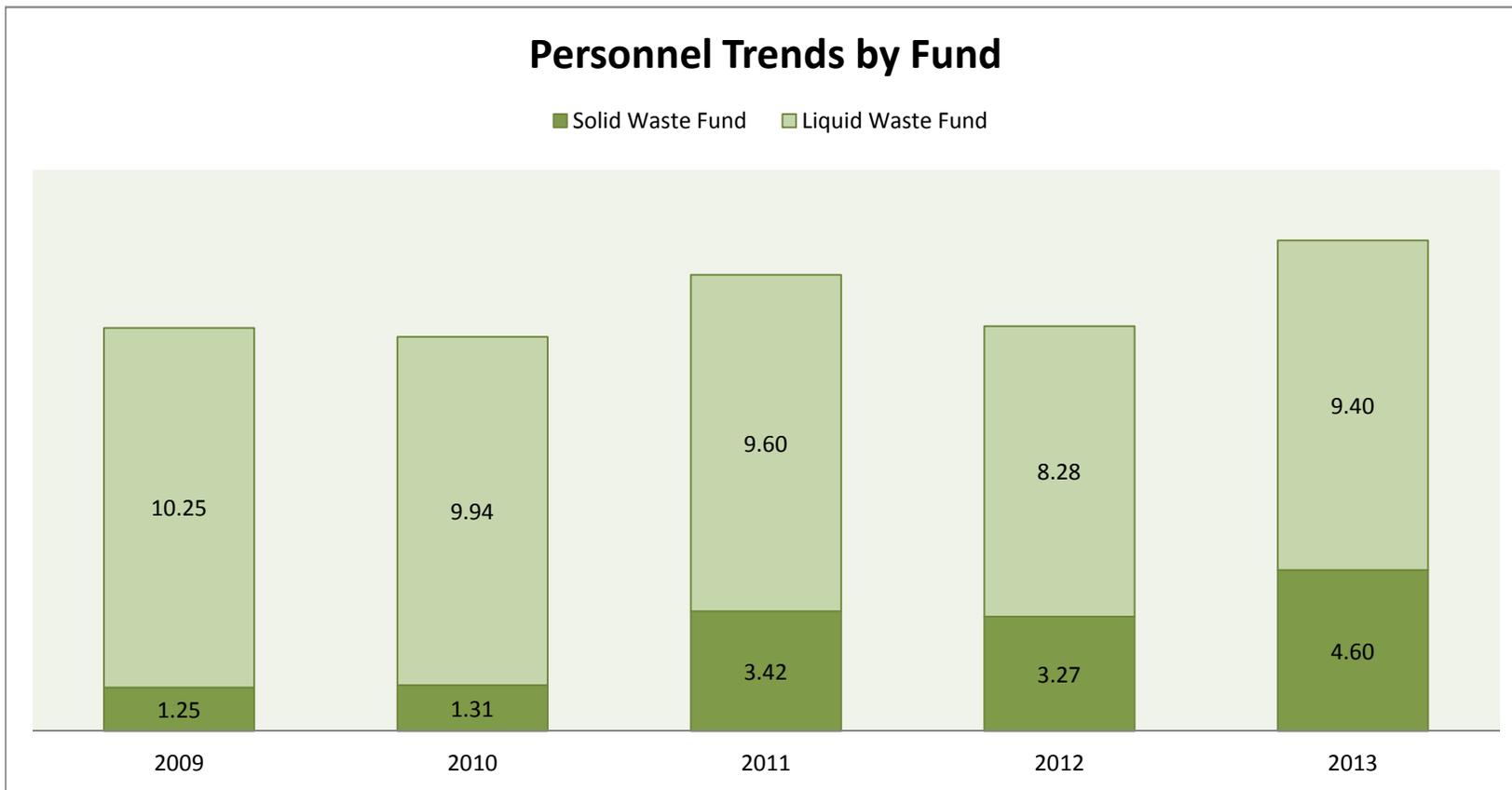
Fiscal Year Ending	Liquid Waste Fund	% Change
2009	\$ 1,890,000	
2010	2,294,600	21.41%
2011	1,776,000	-22.60%
2012	2,397,250	34.98%
2013	2,170,000	-9.48%
Average	\$ 2,105,570	6.08%

Note: All amounts presented above represent the annual budget request approved for the fiscal year.

**Costa Mesa Sanitary District
Personnel Trends by Fund**

Fund	2009	2010	2011	2012	2013
Solid Waste Fund	1.25	1.31	3.42	3.27	4.60
Liquid Waste Fund	10.25	9.94	9.60	8.28	9.40
Totals - Full-time Equivalents (FTE)	11.50	11.25	13.02	11.55	14.00

Note: Five elected officials serve on the Costa Mesa Sanitary District's Board of Directors



**Costa Mesa Sanitary District
Personnel Trends by Position**

Position/Title	2009	2010	2011	2012	2013
General Manager	-	0.50	1.00	1.00	1.00
Assistant Manager	1.00	-	-	-	-
Operations Manager	-	1.00	0.95	-	-
Office Manager/Clerk of District	-	1.00	1.00	0.75	-
Board Secretary/Program Manager/Clerk of District	1.00	-	-	-	-
Executive Assistant/Deputy Clerk	-	-	-	-	1.00
Administrative Manager	-	1.00	1.00	1.00	1.00
Accounting Manager	-	-	-	1.00	1.00
Accountant	1.00	1.00	1.00	-	-
Accounting Specialist II	-	-	-	1.00	1.00
Accounting Specialist I	1.00	1.00	1.00	-	-
Office Specialist II	1.00	0.25	0.60	0.50	-
Administrative Assistant I	-	-	-	0.25	1.00
Permit Technician	-	-	-	1.00	1.00
Permit Processing Specialist	2.00	1.25	0.97	-	-
Program Assistant	1.00	0.75	1.00	-	-
Management Analyst	-	-	-	0.80	1.00
Management Assistant	-	-	-	-	1.00
Maintenance Assistant	-	-	-	-	0.50
Code Enforcement Officer	0.50	0.50	0.50	0.50	0.50
Maintenance Supervisor	1.00	1.00	1.00	1.00	1.00
Maintenance Worker III	-	-	-	2.00	2.00
Maintenance Worker	2.00	2.00	2.00	0.75	1.00
Lead Maintenance Worker	-	-	1.00	-	-
District Total - FTE	11.50	11.25	13.02	11.55	14.00

COSTA MESA SANITARY DISTRICT
Rate History

Fiscal Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Sewer											
<u>Customer Type</u>											
Single family residential	\$ 25.38	\$ 26.90	\$ 29.05	\$ 31.37	\$ 37.64	\$ 56.47	\$ 60.71	\$ 66.23	\$ 66.23	\$ 66.23	\$ 66.23
Multi-family residential	19.54	20.71	22.37	24.16	28.99	43.49	46.75	51.00	51.00	51.00	51.00
Commercial (per 1000 sf)	14.76	15.65	16.90	18.25	21.90	32.85	35.31	38.52	38.52	38.52	38.52
Industrial (per 1000 sf)	43.48	46.09	49.78	53.76	64.51	96.77	104.03	113.50	113.50	113.50	113.50
Other (per 1000 sf)	13.08	13.86	14.97	16.17	19.40	29.11	31.29	34.14	34.14	34.14	34.14
Trash											
<u>Customer Type</u>											
Single family residential	\$ 193.64	\$ 209.13	\$ 225.86	\$ 239.41	\$ 239.41	\$ 239.41	\$ 239.41	\$ 239.41	\$ 239.41	\$ 239.41	\$ 228.00

FUND SUMMARIES

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SOLID WASTE FUND

Objective: Our objective is to manage the collection and recycling of residential trash in the most economical and environmentally friendly way.

Strategy: We will do this by looking for ways to improve efficiencies, achieve high customer satisfaction, and considering prudent new recycling methods.

Overview

The Solid Waste Fund provides weekly collection of refuse for residents of the City of Costa Mesa, Santa Ana Heights, portions of Newport Beach and portions of unincorporated Orange County. Special collection services include but are not limited to Christmas tree disposal and bulk item pickup. The District is responsible for collection of solid waste from residential units only. The service is provided by a private refuse collection hauler that contracts with the District.

Fiscal and Budgetary Impacts

The Solid Waste Fund budget is \$5,338,247 which comprises approximately 35% of the District's overall expense budget.

Strategic Goals

1. **Encourage the use of alternative fuel vehicles.** The use of alternative fuel vehicles such as Compressed Natural Gas (CNG), Liquid Natural Gas (LNG), hybrid, propane, electric and fuel cells, etc., promotes the reduction of vehicle emissions, reduces the dependency on foreign oil, and improves the air quality that we breathe.
2. **Pursue reducing polystyrene food packaging.** The District will coordinate efforts with the Cities of Costa Mesa, Newport Beach and the County of Orange to pursue the possibility of a full or partial polystyrene food package prohibition within District boundaries. The economic impacts will be considered as part of staff's research to ban this product.
3. **Comprehensive School Education Programs.** The District promotes the three "R's" – Reduce, Reuse and Recycle. The District will continue to promote recycling education and recycling principles at schools to reinforce the concepts starting at the earliest ages possible to begin the learned pattern of the three "R's". The District will continue promoting recycling concepts to school children through the waste free lunch program, backyard composting and vermicomposting program, telephone book recycling program, scheduling tours of material recovery facilities, and general recycling presentations.
4. **Encourage Zero Waste.** Zero waste is a philosophy and a design principle for the 21st Century; it is not simply about putting an end to landfilling. Zero waste efforts, just like recycling efforts, will change the face of solid waste management in the future. Instead of managing wastes, the District will encourage the management of resources and encourage eliminating waste through public education programs.
5. **Monitor advancements and technology in the solid waste industry.** The District will pursue advancing technologies and methods for processing solid waste material at material recovery facilities to further increase the diversion of solid waste material from landfills.

Performance Indicators
(Solid Waste Fund)

	FYE 2009	FYE 2010	FYE 2011	Estimated 2012
Programs:				
Compost bins provided to residents	261	221	531	265
Christmas trees collected	6,594	7,509	4,968	5,436
Telephone books recycled	11,126	17,049	10,721	9,903
Tons of large items collected	511	360	296	314
Tons of white goods collected	56	78	51	30
Tours	2	4	2	1
Service:				
Tons of residential waste collected annually	40,996	40,286	40,865	40,000
Number of residential units serviced annually	21,481	21,495	21,531	21,550
Tons recycled	20,632	20,363	21,215	21,600
Diversion rate	50%	51%	52%	54%
Outreach:				
Dollars awarded to schools for phonebook recycling	\$ 5,900	\$ 10,100	\$ 7,500	\$ 5,100
Plastics/ recycling presentations	2	8	0	0
Waste free lunch presentations	2	2	3	0
Composting classes	3	1	14	27
Events:				
Costa Mesa Community Run				
Vanguard University Environmental Sustainable Conference				
Davis Magnet School Eco Night				
Orange Coast College Green Coast Day				
OC Green Fair 2012				
Costa Mesa - Newport Harbor Lions Fish Fry Event				

Personnel Distribution

Personnel Distribution					
Position/Title	2009	2010	2011	2012	2013
General Manager	-	0.05	0.50	0.50	0.50
Assistant Manager	0.10	-	-	-	-
Operations Manager	-	0.10	0.15	-	-
Office Manager/Clerk of District	-	0.10	0.60	0.45	-
Board Secretary/Program Manager/Clerk of District	0.10	-	-	-	-
Executive Assistant/Deputy Clerk	-	-	-	-	0.60
Administrative Manager	-	0.10	0.20	0.20	0.20
Accounting Manager	-	-	-	0.20	0.20
Accountant	0.10	0.10	0.20	-	-
Accounting Specialist II	-	-	-	0.20	0.20
Accounting Specialist I	0.10	0.10	0.20	-	-
Office Specialist II	0.10	0.13	0.10	0.25	-
Administrative Assistant I	-	-	-	0.13	0.50
Permit Technician	-	-	-	0.20	0.20
Permit Processing Specialist	0.20	0.13	0.17	-	-
Program Assistant	0.10	0.05	0.80	-	-
Management Analyst	-	-	-	0.64	0.80
Management Assistant	-	-	-	-	0.80
Maintenance Assistant	-	-	-	-	0.10
Code Enforcement Officer	0.45	0.45	0.50	0.50	0.50
Solid Waste Fund Total	1.25	1.31	3.42	3.27	4.60

Costa Mesa Sanitary District
Solid Waste Fund
Budget for Fiscal Year Ending June 30, 2013

	Actual FYE 2011	Budget FYE 2012	Estimated Actual FYE 2012	Budget FYE 2013
Revenues:				
Annual Charge	\$5,185,184	\$5,155,000	\$5,156,000	\$4,915,000
Additional Container Charge	107,050	100,000	100,000	96,000
Other Operating Revenues	1,968	-	-	-
Property Taxes	212,004	-	198,000	150,000
Investment Earnings	40,830	64,000	32,000	50,000
Contributions	27,527	30,000	30,000	25,000
Other Non-operating Revenues	40,361	-	97,675	-
Total Revenues	5,614,924	5,349,000	5,613,675	5,236,000
Expenses:				
Salaries and Benefits	408,960	427,800	400,580	469,520
Total Salaries and Benefits	408,960	427,800	400,580	469,520
Operations and Maintenance				
Professional Services	2,668	36,150	42,390	73,760
Legal Services	28,680	35,000	35,000	47,250
Fiscal Services	10,221	17,500	17,500	13,300
Medical/employment Services	35	60	60	50
Contract Services	7,444	-	10,290	-
County Collection Fee	15,605	15,500	15,500	15,500
Trash Hauler	2,364,254	2,375,000	2,366,170	2,370,000
Recycling/Disposal	2,134,678	2,209,000	2,097,200	2,100,000
Container Collection Costs	14,987	14,000	14,000	13,440
Election Costs	15,960	-	-	30,000
Building Maintenance	1,756	1,500	1,500	1,050
Equipment Maintenance	2,475	2,500	2,500	5,420
Office Supplies	765	800	800	850

(Solid Waste Fund continued)	Actual FYE 2011	Budget FYE 2012	Estimated Actual FYE 2012	Budget FYE 2013
Multi-media/Copy/Blueprints	113	250	1,200	450
Postage	4,230	9,900	9,900	21,250
Public Info/Education/Promo	9,800	11,700	11,700	15,000
Small Tools/Equipment	-	200	200	40
Membership Dues	9,817	12,560	10,760	11,140
Staff Development	2,892	5,700	6,600	4,660
Board Travel/Meals/Lodging	1,766	2,540	7,840	6,510
Mileage Reimbursement	2,900	1,500	2,000	480
Liability Insurance	5,248	6,000	6,070	6,500
Utilities	1,544	1,710	1,710	1,800
Asset Replacement Charge	3,350	1,520	1,520	12,900
Capital Outlay	8,637	57,100	47,530	3,200
Contingency	-	8,650	1,750	-
Total Operations and Maintenance	4,649,825	4,826,340	4,711,690	4,754,550
Programs				
Sharps Program	9,037	24,000	10,000	15,000
Household Hazardous Waste	21,052	30,000	30,000	35,000
Telephone Book Recycling	9,558	13,000	7,190	10,000
Anti-scavenging	12,317	10,000	26,712	10,000
Educational Programs	537	2,500	2,500	34,177
Pharmaceutical	6,445	15,000	10,000	10,000
Recycling Grant AB 939	39,998	-	97,675	-
Total Programs	98,944	94,500	184,077	114,177
Total Expenses	5,157,729	5,348,640	5,296,347	5,338,247
Net Change in Fund Bal. Reserves before transfers	457,195	360	317,328	(102,247)
Transfers In				-
Transfers Out				-
Net Change in Fund Balance Reserves	\$457,195	\$360	\$317,328	\$(102,247)

Note: Please refer to page 24 for Fund Balance summary for the Fiscal Year Ending June 30, 2013.

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LIQUID WASTE FUND

Objective: Our objective is to collect and transport wastewater to meet the needs of existing and future customers.

Strategy: We will do this by the careful management of the collection infrastructure using prudent planning and maintenance, with financial strategies to maintain sufficient capacity and respond to changing regulatory demands.

Overview

The Liquid Waste Fund provides inspection, routine maintenance, planning, design and construction management of over 216 miles of District sewer lines. The collection system is operated to transport wastewater collected from residential, commercial and industrial customers of the City of Costa Mesa, Santa Ana Heights, portions of Newport Beach and portions of unincorporated Orange County to the Orange County Sanitation District for treatment. Service provided include, cleaning, repairing, dye testing, locating connection points for residents and contractors, and responding to public inquiries and emergency call-outs.

Fiscal and Budgetary Impacts

The Liquid Waste Fund budget is \$7,627,680, which comprises approximately 50% of the District's overall expense budget.

Strategic Goals

- 1 Implement a calcium abatement program.** The District has experienced one form or another of calcium buildup on the inside of its vitrified clay pipe sewers. The buildup is extensive and extremely hard to remove and prevents the regular cleaning and televising of the lines. The National Clay Pipe Institute (NCPI) stated these instances appeared to be the first occurrences of this emerging problem. NCPI has been testing the calcium in labs and is formulating a citric acid solution to soften the calcium followed by removing by hydro jetting. Recently, tests have shown that the acid solution was creating chlorine gas, which is quite dangerous. NCPI is trying to find another solution that is effective at reducing off gasses and moderate cost. Meanwhile, the District found an impact cutter, similar to tunneling equipment, which will remove the calcium. Because the impact cutter might damage offset joints, the citric acid procedure appears safer. The District will continue following NCPI's study results.
- 2 Inflow reduction program.** The State Water Resources Control Board and the Orange County Sanitation District (OCSD) requires agencies to develop programs that prevent infiltration and Inflow (I/I) from entering sewer systems. Inflow is surface water entering from manholes or from illegal connections. The District's Inflow Reduction Program is an attempt to reduce the amount of surface water entering the sewer system. Staff believes plugging and sealing manholes is the best course of action to prevent inflow.
- 3 Hot spot abatement program.** "Enhanced Maintenance Areas" (or "hot spots") are sewer line segments that require frequent cleaning due to sags in the line, heavy grease, offset joints, or other line problems. This program has been concentrating on structurally repairing many line segments and increasing the cleaning frequency. This program will continue until enhanced maintenance areas are eliminated.

- 4 **System wide sewer replacement and repair program.** The most important component for extending the life expectancy of the sewer system is to televise the pipe interior and repair problems before they magnify. The District completed a District-wide televising project in 2009 and recently analyzed and compiled the results into a repair program. Projects high on the priority list are those deficiencies that score 5 on the National Association of Sewer Service Companies (NASSCO) Pipeline Assessment and Certification Program (PACP) rating system used during the televising project. Staff will continue televising sewer mains and make recommendations to the Board for sewer replacement. It is anticipated the funding will continue to handle the on-going rehabilitation necessary to insure the system operates properly as it enters its second 50 years of existence.
- 5 **Sewer line maintenance cleaning program.** Sewer mains are cleaned to remove grit, debris, solids, grease and roots that build up over time. Industry standard cleaning cycles vary from cleaning the system once every year to once every three years.
- 6 **Evaluate force main conditions on a regular basis.** It is prudent for the District to continue tracking the age and operating conditions of the force mains and to replace or rehabilitate the lines as necessary. Because force mains operate under pressure, breaks in force mains are similar to breaks in water lines where water is gushing out at high volumes. Pipe wall thickness is the critical indicator of whether a failure is likely to occur.
- 7 **Pump station maintenance and standardization program.** The District's twenty sewer pumping stations each contain two pumps, piping, valves, fittings, electronic controls, liquid level sensors, and other equipment that requires regular maintenance. The key to avoiding station breakdown and Sanitary Sewer Overflows (SSOs) is a regular maintenance schedule for each of the components.
- 8 **Fats, oils and grease (FOG) program.** Fats, oils and grease (FOG) is discharged into the sewer system mainly from food service establishments (FSEs). The grease cools, then adheres to the pipe walls and decreases the open area of the sewer interior. Unless removed, the FOG will eventually completely block the flow and cause a sanitary sewer overflow (SSO). In addition to the monitoring done by the District's plan check and inspection staff, the District contracts with a consultant to provide permitting, monitoring and enforcement activities for the District's FSEs.
- 9 **Sewer lateral assistance program.** Private property sewer spills are a major cause of ocean water pollution and programs should be developed to reduce spills. The District's Board of Directors became concerned at the significant cost of sewer later repair. Because many property owners are unable to service their sewer laterals due to the lack of a cleanout, the Board approved an incentive program where the District would financially assist the property owner up to \$1,800 for installing a cleanout, cleaning the lateral, root cutting, hydro jetting, spot repair, or installing a liner.

Performance Indicators
(Liquid Waste Fund)

	FYE 2009	FYE 2010	FYE 2011	Estimated 2012
Sewer Later Assistance Program				
Dollars awarded	\$ 154,688	\$ 168,738	\$ 195,840	\$ 200,000
Applicants reimbursed	120	128	146	140
Service:				
Linear feet of sewer line cleaned	411,150	4,125	890,006	625,000
Manholes plugged	136	339	1,000	808
Sewer system overflows	4	4	2	5
SSO gallons lost	186	0	10	165

Personnel Distribution

Costa Mesa Sanitary District
Liquid Waste Fund
Personnel Distribution

Position/Title	2009	2010	2011	2012	2013
General Manager	-	0.45	0.50	0.50	0.50
Assistant Manager	0.90	-	-	-	-
Operations Manager	-	0.90	0.80	-	-
Office Manager/Clerk of District	-	0.90	0.40	0.30	-
Board Secretary/Program Manager/Clerk of District	0.90	-	-	-	-
Executive Assistant/Deputy Clerk	-	-	-	-	0.40
Administrative Manager	-	0.90	0.80	0.80	0.80
Accounting Manager	-	-	-	0.80	0.80
Accountant	0.90	0.90	0.80	-	-
Accounting Specialist II	-	-	-	0.80	0.80
Accounting Specialist I	0.90	0.90	0.80	-	-
Office Specialist II	0.90	0.12	0.50	0.25	-
Administrative Assistant I	-	-	-	0.12	0.50
Permit Technician	-	-	-	0.80	0.80
Permit Processing Specialist	1.80	1.12	0.80	-	-
Program Assistant	0.90	0.70	0.20	-	-
Management Analyst	-	-	-	0.16	0.20
Management Assistant	-	-	-	-	0.20
Maintenance Assistant	-	-	-	-	0.40
Code Enforcement Officer	0.05	0.05	-	-	-
Maintenance Supervisor	1.00	1.00	1.00	1.00	1.00
Maintenance Worker III	-	-	-	2.00	2.00
Maintenance Worker	2.00	2.00	2.00	0.75	1.00
Lead Maintenance Worker	-	-	1.00	-	-
Liquid Waste Fund Total	10.25	9.94	9.60	8.28	9.40

Costa Mesa Sanitary District
Liquid Waste Fund
Budget for Fiscal Year Ending June 30, 2013

	Actual FYE 2011	Budget FYE 2012	Estimated Actual FYE 2012	Budget FYE 2013
Revenues:				
Annual Charge	\$5,098,083	\$5,099,000	\$5,092,800	\$5,093,800
Charges for Services	18,107	15,000	18,000	15,000
Sewer Permits	8,450	5,000	10,000	10,000
Permit Inspection Fees	33,905	28,000	49,000	28,000
Other Operating Revenues	57,755	-	25,000	-
Property Taxes	-	-	-	-
Investment Earnings	108,392	120,000	60,000	50,000
Capital Contributions				-
Total Revenues	5,324,692	5,267,000	5,254,800	5,196,800
Expenses:				
Salaries and Benefits (administrative)	643,351	683,800	623,770	652,150
Salaries and Benefits (sewer maintenance)	260,556	320,140	354,000	401,000
Total Salaries and Benefits	903,907	1,003,940	977,770	1,053,150
Operations and Maintenance				
Professional Services	46,158	123,850	156,600	147,820
Engineering/Architectural Service	88,688	57,900	57,900	100,000
Plan Check/Inspection – Inside	107,023	99,564	99,564	89,900
Plan Check/Inspection – Outside	21,398	27,312	27,312	26,800
Plan Check/Inspection – Sewer Lateral Program	30,436	26,832	26,832	23,750
Legal Services	97,820	100,000	100,000	87,750
Fiscal Services	21,125	32,500	32,500	24,700
Medical/employment Services	982	540	1,200	450
Contract Services	65,798	2,000	11,200	2,500
County Collection Fee	16,636	15,300	15,300	15,300
Election Costs	29,640	-	-	30,000

(Liquid Waste Fund continued)	Actual FYE 2011	Budget FYE 2012	Estimated Actual FYE 2012	Budget FYE 2013
Building Maintenance	15,865	12,000	12,000	9,330
Equipment Maintenance	24,693	22,600	22,600	43,780
Office Supplies	7,567	7,200	7,200	7,650
Multi-media/Copy/Blueprints	1,808	10,950	10,950	3,150
Postage	8,258	12,400	12,400	24,050
Public Info/Education/Promo	16,939	13,700	13,700	24,020
Small Tools/Equipment	-	2,000	2,000	360
EOC Equipment & Supplies	-	-	13,000	9,900
Membership Dues	35,590	40,400	40,400	41,600
Staff Development	12,498	37,000	37,000	26,160
Board Travel/Meals/Lodging	28,814	38,960	38,960	33,990
Mileage Reimbursement	407	1,200	1,200	2,520
Liability Insurance	47,275	56,000	42,000	58,500
Utilities	13,899	15,880	15,880	16,200
Asset Replacement Charge	189,200	175,980	175,980	132,700
Capital Outlay	71,605	198,900	47,800	34,900
Contingency	-	285,117	-	62,000
Total Operations and Maintenance (administrative)	1,000,122	1,416,085	1,021,478	1,079,780
Operations and Maintenance (sewer maintenance)				
Pump Station Contract	62,903	58,000	58,000	75,000
Sewer Line Maintenance Contract	312,445	185,000	235,000	192,000
GIS Support	-	30,000	30,000	20,000
Fats, Oils and Grease Contract	107,510	100,000	100,000	108,000
Televising Sewer Lines Contract	2,360	25,000	25,000	10,000
Annual Sewer Maintenance	110,393	250,000	388,400	195,000
Inflow Reduction Program	25,445	29,220	29,220	26,000
Sewer Lateral Program	195,840	200,000	200,000	200,000
Equipment Maintenance	43,533	66,500	45,000	30,400
Small Tools/Equipment	8,025	35,000	35,000	7,500
Materials and Supplies	33,509	40,000	40,000	24,900
Office Supplies	605	7,200	1,200	2,000

(Liquid Waste Fund continued)	Actual FYE 2011	Budget FYE 2012	Estimated Actual FYE 2012	Budget FYE 2013
Building Maint. – Yard Bldg.	8,485	6,600	6,600	4,250
Utilities – Yard Bldg.	10,102	14,900	11,900	14,900
Utilities – Pump Stations	78,960	84,000	82,000	82,000
Staff Development	2,674	3,000	3,000	2,800
Capital Outlay	14,975	100,000	133,100	572,000
Liability Insurance	9,385	12,000	6,700	10,000
Total Operations and Maintenance (sewer maint.)	1,027,149	1,246,420	1,430,120	1,576,750
Capital Improvement Projects				
#101 – Westside Abandonment				400,000
#191 – Condition Assessment Force Mains				100,000
#196 – Pump Station Emergency Equipment				1,000,000
#197 – System Wide Sewer Reconstruction #3				670,000
Various	-	2,397,250	2,508,250	-
Total Capital Improvement Projects	-	2,397,250	2,508,250	2,170,000
Total Expenses	2,931,178	6,063,695	5,937,618	5,879,680
Net Change in Fund Bal. Reserves before transfers	2,393,514	(796,695)	(682,818)	(682,880)
Transfers In	28,520	2,508,250	2,953,250	2,433,000
Transfers Out	-	(1,600,000)	(8,473,500)	(1,748,000)
Net Change in Fund Bal. Reserves before depreciation	2,422,034	111,555	(6,203,068)	2,120
Depreciation	(1,502,104)	-	-	-
Net Change in Fund Balance Reserves	\$919,930	\$111,555	\$(6,203,068)	\$2,120

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CAPITAL PROJECTS

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CAPITAL IMPROVEMENT PROJECTS

Overview

The Board has previously recognized the need to substantially increase the commitment to the Capital Improvement Program (CIP) in future years. In fiscal year 2010-11 an asset management study was conducted with the goal of saving \$5 million in reserves for capital improvements and adopting a reserve fund for capital improvements that will be sustainable for the next 30 years. In fiscal year 2011-12 the Asset Management Fund was established.

Fiscal and Budgetary Impacts

In fiscal year 2012-13 a transfer in the amount of \$1,748,000 will be made from the Liquid Waste Fund to the Asset Management Fund for the annual reserve contribution calculated by the asset management model. Transfers to the Liquid Waste Fund in the total amount of \$2,433,000 will be made from the Asset Management Fund and Asset Replacement Fund to provide funding for capital improvement projects and significant capital outlays.

Capital improvement projects for fiscal year 2012-13 are as follows:

<u>Project No.</u>	<u>Project Name</u>	<u>Amount</u>
101	West Side Pumping Station Abandonment	\$ 400,000
191	Condition Assessment of Force Mains	100,000
196	Pump Station Emergency Equipment	1,000,000
197	System Wide Sewer Reconstruction Phase III	670,000
Total capital improvement projects for fiscal year 2012-13		\$2,170,000

Capital outlays for fiscal year 2012-13 are as follows:

<u>Description</u>	<u>Funding Source</u>	<u>Amount</u>
Computer & Office Equipment	Liquid Waste Fund/Solid Waste Fund	\$ 9,600
Head Quarter Building Shutters	Liquid Waste Fund	11,000
Head Quarter Building Patio Expansion	Liquid Waste Fund	17,500
SCADA System	Liquid Waste Fund	65,000
Stainless Steel Enclosures	Liquid Waste Fund	50,000
Spare Pump – Harbor Pump Station	Liquid Waste Fund	40,000
Manhole Rings/Covers	Liquid Waste Fund	15,000
Toughbook Laptops	Liquid Waste Fund	12,000
Vactor Truck	Liquid Waste Fund	390,000
Total capital outlay for fiscal year 2012-13		\$ 610,100

Costa Mesa Sanitary District Liquid Waste Project Descriptions

Project #101 – West Side Pumping Station Abandonment

\$400,000 budget request for fiscal year 2012-13.

The allocation to this project for fiscal year 2012-13 represents the sixth consecutive year of funding. If the current practice of budgeting \$400,000 continues until the projected project date in fiscal year 2015-16, nearly \$3 million will be available to fund the project. In fiscal year 2012-2013, CMUSD Staff will be working with OCSD and their consultants to identify possible alignments for the OCSD regional sewer and to assemble documentation for the project EIR. At the same time, CMUSD staff will be performing preliminary engineering and easement acquisition for the proposed CMUSD sewer facilities.



Project #191 – Condition Assessment of Force Mains

\$100,000 budget request for fiscal year 2012-13.

The allocation to this project for fiscal year 2012-13 represents the second consecutive year of funding. This project was initiated with an appropriation of \$50,000 in the 2011-12 fiscal year. Staff is working with a company able to clean the force mains (termed “pigging”) prior to utilizing the state-of-the-art interior electronic inspection technology designed by the company PICA. Contractor costs for pigging a 1,000 foot long force main are approximately \$5,000. The costs to pig all 20 of the District’s force mains will be approximately \$100,000.

Costa Mesa Sanitary District Liquid Waste Project Descriptions

Project #196 – Pump Station Emergency Equipment Phase I

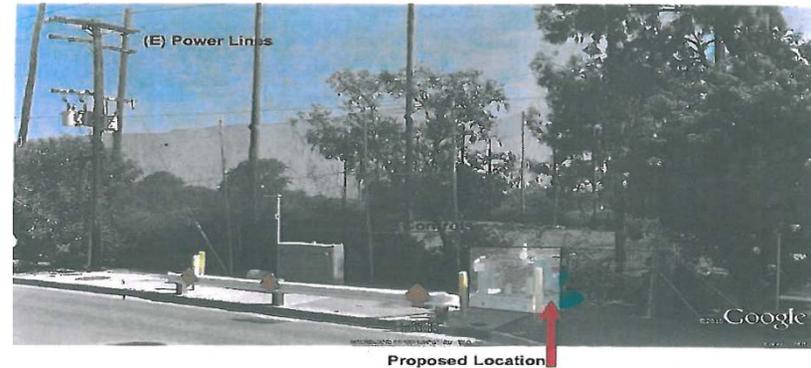
\$1,000,000 budget request for fiscal year 2012-13.

The allocation to this project for fiscal year 2012-13 represents the second consecutive year of funding. This project was initiated with an appropriation of \$60,000 in the 2011-12 fiscal year designated for the design phase. Phase I of the project proposes to install a backup pumping system or a backup diesel generator at six critical pumping stations. The details of the backup systems for the identified pump stations are as follows:

Elden – by-pass pump / 23rd – by-pass pump / Mendoza – by-pass pump / Victoria – by-pass pump / Irvine – generator / Canyon – generator



Pump Station 17
146 Mesa Drive



Project #197 – System Wide Sewer Reconstruction Phase III

\$670,000 budget request for fiscal year 2012-13.

This project funds replacement, rehabilitation, and reconstruction of various types of deficiencies discovered during the District-wide televising program. The report from the closed circuit television (CCTV) data acquired during the OCSD cooperative project disclosed 239 reaches (manhole to manhole), each containing one or more Grade 5 structural ratings, and another 34 reaches containing one or more Grade 5 maintenance ratings in need of immediate repair. Phase III will reconstruct the remaining 70 Grade 5 deficiencies in the sewer system. Phase I repaired 95 deficiencies and Phase II, which is currently in design, will repair approximately 82 segments. The three methods being used are the installation of short liners (short sections of cured-in-place-pipe (CIPP)), full-length lining, or remove and replace (R&R).



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APPENDIX

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COSTA MESA SANITARY DISTRICT
Glossary of Terms & Acronyms
For the Fiscal Year Ending June 30, 2013

Account – A systematic arrangement showing the effect of a business transaction. A separate account exists for each asset, liability, equity, revenue, and expense.

Accrual Basis of Accounting – Revenues are recognized when both measurable and available; expenditures are recorded when services have been substantially performed or goods have been received and the liabilities incurred.

Adopted Budget – The official budget as approved by the District Board at the start of each fiscal year.

Adjusted Budget – The adjusted budget represents the adopted budget including changes made during the fiscal year.

Appropriations – A legal authorization granted by the legislative body to make expenditures and to incur obligations for specific purposes. An appropriation is usually limited in amount and to the time when it may be expended.

Assets – Resources owned or held by an entity with monetary value.

Budget – A plan of financial operation comprised of estimated expenditures for a given period (usually a single fiscal year) and the proposed means of financing the expenditures (through revenues).

Budget Calendar – The schedule of key dates which the District follows in preparing and adopting the budget.

Budget Document – The official financial spending and resource plan submitted by the General Manager, adopted by the Board of Directors, and made available to the public and other interested parties.

Budget Message – A written discussion by the General Manager of the proposed budget. The budget message explains principal budget and policy issues and presents an overview of the General Manager's budget recommendations.

CalPERS – An acronym used to denote the California Public Employees Retirement System.

Capital Budget – A budget which focuses on capital projects to implement the Capital Improvement Program.

Capital Improvement Program – A plan for capital improvements to be implemented each year over a fixed period of years to meet capital needs arising from the assessment of long-term needs. It sets forth each project in which the government is to have a part and specifies the full resources estimated to be available to finance the projected expenditures.

Capital Improvement Project – The budget unit to group all activities and costs necessary to implement a specific capital improvement and/or acquisition. A project can include the construction, acquisition, expansion, replacement, or rehabilitation of a physical facility or improvement. Projects often include planning and design, land acquisition, and project management costs related to such facilities and improvements.

CMSD – An acronym for Costa Mesa Sanitary District.

COLA – An acronym for Cost of Living Adjustment.

Comprehensive Annual Financial Report (CAFR) – The official annual report, including financial statements, statistical information, and extensive narration, which goes beyond the minimum financial reporting.

Computerized Maintenance Management System (CMMS) – A software application which maintains a database of information about the District’s maintenance operations. This information is intended to help maintenance workers do their jobs more effectively and to help management make informed decisions.

Contingency – A budgetary reserve set aside for emergencies or unforeseen expenditures not otherwise budgeted.

Contracted Services – Services rendered in support of the District’s operations and activities by external parties. These may be based upon either formal contracts or ad hoc charges.

CPI – An acronym for Consumer Price Index. A statistical description of price levels provided by the US Department of Labor. The change in this index from year-to-year is used to measure the cost of living and economic inflation.

Debt Service Fund – A fund established for the payment of interest and principal on all debt other than payable exclusively from special assessments.

Depreciation – A portion of the cost of a fixed asset which is charged as an expense during a year, representing an estimate of the value of the asset used up during that year as a result wear, deterioration, obsolesce, or action of the physical elements.

Emergency Operation Center (EOC) – A central command and control facility responsible for carrying out the principles of emergency preparedness and emergency management, or disaster management functions at a strategic level in an emergency situation, and ensuring the continuity of operation of the District.

Encumbrance – The commitment of appropriated funds to purchase goods which have not yet been received, or services that have yet to be rendered.

Enterprise Fund – A fund which accounts for the financing of a self-supporting enterprise for which a fee is charged to external users for goods or services.

Expenditures – Decreases in net financial resources. Expenditures include current operating expenses which require the current or future use of net current assets, debt service and capital outlays.

Expenses – Decreases in net total assets. Expenses represent the total cost of operations during a period regardless of the timing of related expenditures.

Fiscal Year – A 12-month period to which the annual operating budget applies and at the end of which a government determines its financial position, the results of its operations, and adopts a budget for a coming year. The Costa Mesa Sanitary District's fiscal year is from July 1 to June 30.

Fixed Assets – Equipment costing \$5,000 or more, with a useful life longer than one year, including tax, and not qualifying as a capital improvement project. Includes automotive equipment, office equipment, office furniture, acquisitions, landscaping improvements, etc.

Full-time Equivalent (FTE) – The amount of time a regular, full-time employee normally works in a year. For example, a full-time employee (1 FTE) is budgeted to work 2,080 hours per year, while a 0.5 FTE is budgeted to work 1,040 hours per year.

Fund – A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts, recording resources, related liabilities, obligations, reserves and equities segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Fund Balance – The amount of financial resources available for use. Generally, this represents the detail of all the annual operating surpluses and deficits in the fund's inception.

Geographic Information System (GIS) – An information system integrating maps with electronic data.

Generally Accepted Accounting Principles (GAAP) - Uniform minimum standards of/and guidelines for financial accounting and reporting. They govern the form and content of the basic financial statements of an entity. GAAP encompasses the conventions, rules and procedures necessary to define accepted accounting practices at a particular time. They include not only broad guidelines of general application, but also detailed practices and procedures. GAAP provides a standard by which to measure financial presentations.

Grant – Contributions, gifts of cash, or other assets from another governmental or private entity to be used or expended for a specific purpose, activity, or facility.

Interest – Revenue derived from the prudent investment of idle cash. The types of investments are controlled by the District’s investment policy in accordance with the California Government Code.

Intergovernmental Revenue – Revenue collected by one government and distributed (usually through some predetermined formula) to another level of government(s).

LEED – Leadership in Energy and Environmental Design. LEED is a third-party certification program and the nationally accepted benchmark for the design, construction and operation of high-performance green buildings.

Modified Accrual Basis – The accrual basis of accounting where revenues are recognized when they become both “measurable” and “available” to finance expenditures of the current period. All governmental funds and agency funds are accounted for using the modified accrual basis of accounting.

Net Budget – The legally adopted budget less all interfund transactions. Those amounts in the budget representing transfers and interfund reimbursements are subtracted from the legal adopted budget amount.

Objective – A simply stated, readily measurable statement of aim or expected accomplishment within the fiscal year. A good statement of objective should imply a specific standard of performance for a given program.

Operating Budget – A budget which focuses on everyday operating activities and programs.

Operating Expenses – All costs associated with doing the day-to-day business of the District which are not considered capital improvements or debt repayments.

Permits – Revenues earned by the issuance of permits levied in accordance with the benefits conferred by the permit.

Professional Services – Includes the cost of outside professional and specialized services purchased by the District. This includes consultants for special studies, outside attorneys, architectural and engineering assistance, law enforcement, employment, medical and health inspections and recreation.

Program Budget – A budget organized by programs. A program used in this application is a grouping of related activities projects and services which are similar in purpose. The expenditure focus of a program budget is related to the nature of work and services performed.

Property Tax – A tax levied on real estate and personal property.

Proposed Budget – The draft financial budget document detailing the General Manager’s recommended spending plan for the next fiscal year. The proposed budget is reviewed and modified by the Board of Directors before formal adoption as the Adopted Operating Budget.

Reserve – A term used to indicate that a portion of fund balance is restricted for a specific purpose.

Resolution – A special or temporary order of a legislative body; an order of a legislative body requiring less legal formality than an ordinance or statute.

Resources - Total dollars available for appropriations including estimated revenues and beginning fund balance.

Retained Earnings – An equity account reflecting the accumulated earnings of Proprietary Fund types. For budgeting purposes, the working capital definition of fund balance is used.

Revenue – Income received by the District to support sewer and solid waste services. This income may be in the form of property taxes, fees, user charges, grants and interest.

Revenue Estimate – A formal estimate of how much revenue will be earned from specific revenue source for some future period, typically a fiscal year.

Service Charges – charges for specific services rendered.

Supervisory Control and Data Acquisition (SCADA) – A large-scale, distributed measurement and control system.

Taxes – Compulsory charges levied by a government agency for the purpose of financing services performed for the common benefit. The term does not include specific charges made against particular persons or property for current or permanent benefits such as special assessments. Neither does the term include charges for services rendered only to those paying such charges as, for example, user charges.

User Fee – The current annual rate levied by the District on the County tax roll to assess users for the District provided solid waste and sewer service.

Utilities – Includes cost of all utility services that are purchased by the District such as gas, water, and electric.

RESOLUTION NO. 2012-816

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE
COSTA MESA SANITARY DISTRICT, ADOPTING A BUDGET
FOR THE FISCAL YEAR 2012-13**

THE BOARD OF DIRECTORS OF THE COSTA MESA SANITARY DISTRICT DOES
HEREBY RESOLVE AS FOLLOWS:

THAT, WHEREAS, the Proposed Budget for the 2012-13 fiscal year has been prepared
by order of the Board of Directors.

NOW, THEREFORE, BE IT RESOLVED as follows:

SECTION 1: The Annual Budget for the Costa Mesa Sanitary District for the fiscal year
beginning July 1, 2012 and ending June 30, 2013, is hereby adopted as set forth in the 2012-13
Proposed Budget, subject to minute action of any changes made to the Proposed Budget at the
time of its adoption.

PASSED AND ADOPTED by the Board of Directors of the Costa Mesa Sanitary District
at a regular meeting held on the 28th day of June 2012.



Robert Ooten
President of the Board of Directors



Mike Scheafel
Secretary of the Board of Directors

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss
COSTA MESA SANITARY DISTRICT)

I, SCOTT CARROLL, Clerk of the Costa Mesa Sanitary District, hereby certify that the above and foregoing Resolution No. 2012-816 was duly and regularly passed and adopted by the said Board of Directors at a regular meeting thereof held on the 28th day of June 2012.

AYES: President Oten, Directors Ferryman, Scheafer, Fitzpatrick, and Perry

NOES: None

ABSENT: None

ABSTAIN: None

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the Seal of the Costa Mesa Sanitary District this 28th day of June 2012.


Clerk of the Costa Mesa Sanitary District

RESOLUTION NO. 2012-814

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE
COSTA MESA SANITARY DISTRICT ADOPTING ANNUAL
CHARGES FOR SOLID WASTE

WHEREAS, the Board provides for the collection of trash and related solid waste services through its exclusive franchisee to all residential areas within the District; and

WHEREAS, pursuant to the authority granted to sanitary districts under Health and Safety Code Sections 5470 *et seq.*, the District has determined to impose those charges for that service and collect that charge on the tax roll in the same manner as general taxes; and

WHEREAS, since imposing that annual charge on the Assessment Roll, Proposition 218 was enacted, and since 1996, a mailed protest hearing was noticed and conducted before fees were imposed; and

WHEREAS, the Board of Directors has determined to reduce the rates for the annual charges for solid waste this year but desires to adopt the report imposing the charges pursuant to the provisions of Health and Safety Code Sections 5470 *et seq.*; and

WHEREAS, said reduction in rates will not result in any person paying an increased amount and is thus exempt from the mailed notice procedures pursuant to Government Code Section 53750(h); and

23

WHEREAS, published notice has been duly given of this hearing as provided in Government Code Section 6066 and Health and Safety Code Section 5473.1;

NOW, THEREFORE, the Board of Directors of the Costa Mesa Sanitary District does hereby RESOLVE as follows:

Section 1. That the fees, rates and charges imposed herein have been reduced from previously adopted to an annual charge of \$228.00 and are imposed on the tax roll pursuant to the procedures provided in Health and Safety Code Section 5473.

Section 2. That the appropriateness of said fees was established in accordance with California Constitution Article XIIIID in previous years.

Section 3. That the Board has conducted the hearing and has determined that a protest did not occur.

Section 4. That the written report describing the parcels and charges provided for in Health and Safety Code Section 5473 are hereby adopted in accordance with Health and Safety Code section 5473.3 and shall be filed with the District Clerk.

Section 5. That the Clerk is hereby directed to file a copy of the report with the Auditor before August 10, 2012, with a statement endorsed on the report over his signature that the report has been finally adopted by the Board of Directors, and the Auditor shall enter the charges against the parcels as they appear on the assessor's roll. It is acknowledged that said report will be prepared in an electronic format, which will be transmitted to the Auditor.

This Resolution shall take effect upon its adoption.

PASSED AND ADOPTED by the Board of Directors of the Costa Mesa Sanitary District at a regular meeting held on the 28th day of June, 2012.



Robert Oten
President of the Board of Directors



Mike Scheafer
Secretary of the Board of Directors

STATE OF CALIFORNIA)
COUNTY OF ORANGE) SS
CITY OF COSTA MESA)

I, SCOTT CARROLL, Clerk of the Costa Mesa Sanitary District, hereby certify that the above and foregoing Resolution No. 2012-814, was duly and regularly passed and adopted by said Board of Directors at a regular meeting thereof held on the 28th day of June, 2012.

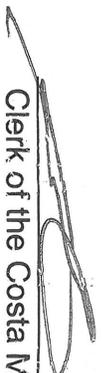
AYES: President Ooten, Directors Ferryman, Scheafer, Fitzpatrick, and Perry

NOES: None

ABSENT: None

ABSTAIN: None

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the Costa Mesa Sanitary District, this 28th day of June 2012.



Clerk of the Costa Mesa Sanitary District

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RESOLUTION NO. 2012-815

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE
COSTA MESA SANITARY DISTRICT ADOPTING ANNUAL
CHARGES FOR LIQUID WASTE

WHEREAS, the Board provides transportation of sewage through its collection system and various other services related thereto, including, but not limited to, services related to complying with the State Water Resources Control Board Discharge Order and other federal Clean Water Act mandates; and

WHEREAS, pursuant to the authority granted to sanitary districts under Health and Safety Code Sections 5470 *et seq.*, the District has determined to impose those charges for these services and collect those charges on the tax roll in the same manner as general taxes; and

WHEREAS, since imposing that annual charge on the Assessment Roll, Proposition 218 was enacted, and since 1996, a mailed protest hearing was noticed and conducted before fees were imposed; and

WHEREAS, the Board of Directors has determined not to raise the rates for the annual charges for liquid waste this year but desires to adopt the report imposing the charges pursuant to the provisions of Health and Safety Code Sections 5470 *et seq.*; and

WHEREAS, published notice has been duly given of this hearing as provided in Government Code Section 6066 and Health and Safety Code Section 5473.1;

NOW, THEREFORE, the Board of Directors of the Costa Mesa Sanitary District does hereby RESOLVE as follows:

Section 1. That the fees, rates and charges imposed herein are the same as previously adopted and are imposed on the tax roll pursuant to the procedures provided in Health and Safety Code Section 5473.

Section 2. That the appropriateness of said fees was established in accordance with California Constitution Article XIIIID in previous years.

Section 3. That the Board has conducted the hearing and has determined that a protest did not occur.

Section 4. That the written report describing the parcels and charges provided for in Health and Safety Code Section 5473 are hereby adopted in accordance with Health and Safety Code section 5473.3 and shall be filed with the District Clerk.

Section 5. That the Clerk is hereby directed to file a copy of the report with the Auditor before August 10, 2012, with a statement endorsed on the report over his signature that the report has been finally adopted by the Board of Directors, and the

Auditor shall enter the charges against the parcels as they appear on the assessor's roll. It is acknowledged that said report will be prepared in an electronic format, which will be transmitted to the Auditor.

This Resolution shall take effect upon its adoption.

PASSED AND ADOPTED by the Board of Directors of the Costa Mesa Sanitary District at a regular meeting held on the 28th day of June, 2012.



Robert Ooten
President of the Board of Directors



Mike Schaefer
Secretary of the Board of Directors

STATE OF CALIFORNIA)
COUNTY OF ORANGE) SS
CITY OF COSTA MESA)

I, SCOTT CARROLL, Clerk of the Costa Mesa Sanitary District, hereby certify that the above and foregoing Resolution No. 2012-815, was duly and regularly passed and adopted by said Board of Directors at a regular meeting thereof held on the 28th day of June, 2012.

AYES: President Ooten, Directors Ferryman, Scheafer, Fitzpatrick, and Perry

NOES: None

ABSENT: None

ABSTAIN: None

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the Costa Mesa Sanitary District, this 28th day of June 2012.



Clerk of the Costa Mesa Sanitary District