



# TRIUNFO SANITATION DISTRICT

A PUBLIC AGENCY

December 27, 2010

Honorable Board of Directors  
Triunfo Sanitation District  
Ventura County, California

Members of the Board of Directors:

The Comprehensive Annual Financial Report of the Triunfo Sanitation District (District) for the fiscal year ended June 30, 2010, is hereby submitted. State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Macias Gini & O'Connell, LLP, have issued an unqualified ("clean") opinion on the District's financial statements for the fiscal year ended June 30, 2010. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

## PROFILE OF TRIUNFO

A public agency, the Triunfo Sanitation District was organized November 12, 1963, as a special district under the County Sanitation District Act, California Health & Safety Code Section 4700 et seq., to provide sanitation services. The District covers approximately 50 square miles of the southeastern portion of Ventura County adjacent to the Los Angeles County line, and serves a population of approximately 32,000. The District receives no tax revenue and relies on fees and charges for services provided.

On October 12, 1964, the District and Las Virgenes Municipal Water District (LVMWD) entered into a joint powers agreement establishing a Joint Venture to construct, operate, maintain, and provide for a regional sewerage system to serve the area within the two districts' boundaries. The ancillary production and sale of recycled water as a byproduct of the wastewater treatment process has been welcomed.

The District expanded its service to the community in 1993 with the purchase of the Metropolitan Water Company located within the District's boundaries in Oak Park. The new venture became known as the Oak Park Water Service (OPWS).

The District's five-member Board of Directors (Board) is comprised of two directly-elected members-at-large; one member of the Thousand Oaks City Council; one member of the Ventura Regional Sanitation District (VRSD) Board of Directors; and one member of the Ventura County Board of Supervisors, usually from the Thousand Oaks/Oak Park area. In accordance with TSD Resolution No. T09-02 adopted on April 27, 2009, effective December 3, 2010, the District's five-member Board of Directors (Board) is composed of five residents of the District elected at-large by the registered voters of the District

The District's Board of Directors meets on the fourth Monday of each month. Meetings are publicly noticed, and citizens are encouraged to attend and participate.

District staff is provided entirely by contract with the Ventura Regional Sanitation District (VRSD). This support consists of approximately nine (9) full-time equivalent positions made up of the part-time efforts of sixty-nine (69) people in twenty-five (25) different areas of expertise.

**Administration** - The five directly elected Board members at large are employees of the District. In addition, the District contracts with VRSD for all of its management, financial, engineering, maintenance, and operations functions. This arrangement, accomplished through a long-term reimbursable contract, allows the District to draw from a pool of sophisticated and technologically capable employees when needed and pay for only the services actually received. The contract was renewed in March 2004 and expires in March 2014.

**Joint Venture** - The bulk of the District's sanitation and recycled water activities occur in concert with those of its Joint Venture partner, LVMWD, located in western Los Angeles County. Joint Venture facilities include the Tapia Water Reclamation Facility (Tapia), Rancho Las Virgenes Composting Facility (Rancho), a pumping station and force main that conveys biosolids from Tapia to Rancho, and the portion of the recycled water distribution system which lies within Los Angeles County. A five-year capital improvement plan is in place, and updated at least annually, to maintain these facilities and protect the District's investment in them. Capital improvements are primarily funded through sewer connection fees of \$10,525 per Equivalent Residential Unit (ERU).

The District presently owns 33.8% of the Joint Venture wastewater treatment facilities, 50% of the land, and 60% of the trunk sewers. The District's right to use the facilities is commensurate with its ownership share (33.8%), while recycled water rights are based on actual sewage flows into Tapia. In addition, the District owns 29.4% of the Joint Venture recycled water distribution system.

#### *Tapia Water Reclamation Facility*

The Tapia Water Reclamation Facility applies state-of-the-art technology to transform wastewater into high-quality recycled water. It serves residents living across 120 square miles of southeastern Ventura and western Los Angeles Counties. While the current flow to Tapia averages 9.5 million

gallons of wastewater per day (mgd), the District flow averages about 3 mgd, representing 33.8% of the total. Tapia is potentially capable of treating up to 16 mgd.

The wastewater treatment process at Tapia duplicates and accelerates natural biological methods of cleaning wastewater. Filtration and disinfection, the third phase in Tapia's tertiary treatment process, ensures the treated water meets stringent water reuse standards, and is environmentally safe for wildlife and vegetation. The beneficial reuse of this high-quality water has been an important Joint Venture focus since 1972, long before it became a common practice.

Tapia has been honored with numerous awards, including:

- American Water Resources Association (AWRA) Sandor C. Csallany Institutional Award for Exemplary Contributions to Water Resources Management (2004)
- Association of California Water Agencies Environmental Achievement Award (1990 and 1995)
- California Water Pollution Control Association Plant of the Year (1989)
- U.S. Environmental Protection Agency national & regional Award of Excellence (1988)
- Los Angeles Area Plant of the Year (6 times)
- National Environmental Awards Council Outstanding Operation, Maintenance and Total Reuse
- WaterReuse Association Certificate for Contributions to Water Reuse in California

A major challenge for the Tapia plant occurred late in FY98 in the form of revised National Pollution Discharge Elimination System (NPDES) permit requirements. Despite significant ongoing efforts, the onerous standards of the revised permit have not been significantly reduced. Discharge of recycled water into Malibu Creek is now prohibited from April 15 through November 15 each year. With extensive water recycling, approximately 300 million gallons (900 acre-feet) of water must either be diverted from the creek to approved recycled water uses, or stored for later use. An alternative is to discharge during this period to the Los Angeles River watershed, known as "005 discharge."

**Triunfo Sanitation** - The Bell Canyon portion of the District was served for many years by a pump station and force main transporting wastewater up over a hill to Tapia. With the pump station reaching the end of its life and increasing demands expected on Tapia's capacity, a gravity trunk sewer was constructed in 1985. This allowed the transport of Bell Canyon's wastewater to the Tillman Water Reclamation Plant operated by the City of Los Angeles within Los Angeles County.

Bond debt was issued for the sewer line construction by Bell Canyon Sewer Assessment District No. 85-1, formed for this purpose. Principal and interest payments were subsequently funded through property owner assessments, which were then paid in full two years earlier than originally scheduled.

In FY10, the District paid \$128,973 in capacity and treatment costs to the City and County of Los Angeles. In addition, the District paid \$118,302 toward the Tillman plant expansion. Future capital improvements for this facility are primarily funded through sewer connection fees of \$2,275 per ERU in the assessment area.

Bell Canyon homeowners not included in the assessment district began approaching District contract staff in September 1997 with requests to extend the Bell Canyon force main to serve

their properties. Working together, the homeowners and Triunfo staff determined a grinder pump could be used to transport sewage solids to an extended main trunk line, and an agreement was reached relative to costs. Triunfo agreed to finance these costs over a five-year period, and the extension was in use by the end of May 1998. All of these original loans have been fully repaid. Triunfo extended itself to serve these property owners, creating a true public/private partnership. Further, the District Board developed a policy to cover future connections to the force main extension, and equalize costs for all participating homeowners over time. As a result, sewer service has been extended to over 100 additional lots in Bell Canyon, and more are expected as increasing numbers of Bell Canyon homeowners see the advantage of sewer service over aging septic systems.

**Triunfo Recycled Water** - The District provides recycled water treated at Tapia via the Joint Venture through two pipelines to the communities of Oak Park, Lake Sherwood and North Ranch. District recycled water sales were \$1,346,428 and \$1,261,914 in FY10 and FY09, respectively. The recycled water from Tapia travels through 5.4 miles of District retail recycled water lines to irrigate 7 parks, 6 schools, 1 golf course, 15 acres of landscaping and medians, and 16 homeowners associations. In hot summer months, local irrigation consumes all of the recycled water Tapia produces.

The Lake Sherwood Golf Course, a major recycled water customer, was built in 1989 expecting to use 100% recycled water for irrigation. Sherwood experienced difficulty maintaining turf quality and, in 1996, convinced the Ventura County Planning Department to approve the use of as much as 40% potable water for golf course irrigation. The District appealed based on a California law that requires recycled water be used for irrigation wherever available.

A study of Sherwood's recycled water use was conducted, with the cost split equally by Lake Sherwood Ranch, the Calleguas Municipal Water District and Triunfo. The study concluded the golf course requires deep drainage to remove salts from irrigation, regardless of whether recycled or potable water is used. Sherwood felt the deep drainage was both excessively disruptive and expensive, and proposed a field test, which was inconclusive. In June 2000, Triunfo proposed a compromise wherein Sherwood agreed to use 250 acre feet of recycled water per year, about 60% of its typical irrigation water requirement.

**Triunfo Potable Water** - Through the Oak Park Water Service (OPWS), the District provides potable water service to households in the community of Oak Park. The Oak Park community is mostly residential and is located at the eastern edge of the county. United States Census data for 2000 indicates Oak Park has a population of 14,625 a median household income of \$89,200 and 43.1% of Oak Park households have incomes greater than \$100,000.

OPWS potable water deliveries in FY10 were 2,461 acre-feet compared to 2,772 acre-feet in FY09. These deliveries provided income of \$3,321,834 and \$2,751,363, respectively. The District has a \$30 premise visit charge when a Delinquent Notice door hanger is required due to a customer's failure to pay their bill on time. Imposition of the charge provides an incentive to encourage more timely payments and to help cover the cost of providing this extra service.

OPWS water tank sites have proven useful to cellular communications companies. Eight leases were in place by the end of the fiscal year. Consolidation of cellular service companies increased the annual income from this source to \$147,450 for FY 2010, from \$121,381 in FY 2009.

## **Triunfo's Economic Condition**

### ***Local Economy***

Located directly northwest of Los Angeles County, Ventura County covers 1,873 square miles and boasts 43 miles of Pacific Ocean coastline, 7.5 miles of shoreline in public beaches and 411 acres in state beach parks. The majority of the County's 844,713 residents live in its southern half, while the Los Padres National Forest spans the northern half. An extensive network of roadways links the County's 10 incorporated cities, with rail, harbor, and airport facilities providing access to outside markets. With a projected 2020 population of over one million, Ventura County is expected to experience a steady increase in population over the next 15 years as people favor its mild Mediterranean climate, beautiful coastline and scenic agricultural setting.

**Agriculture** - Ventura County farmers grow over 100 different crops and often harvest two or three crops from the same parcel of land during any given year. In 2009, the estimated gross value for all agriculture in Ventura County was \$1.6 billion. The most recent data available from the U.S. Agriculture ranks Ventura County 10<sup>th</sup> among all counties in the U.S. in total crop value.

**Commercial Activity** - Major industries with headquarters or divisions located in or near the District's service area includes: automotive import distribution, biomedical research & development, agribusiness, insurance and banking services. Major employers in the area include federal and local government agencies, health care providers, public schools, and a state university in Camarillo. The 101 Freeway corridor, also known as the Ventura Freeway, attracts many high-technology industries. The Port of Hueneme, fourth largest in the state and the only deep-water port between Los Angeles and San Francisco, serves as a powerful conduit to overseas markets. The United States Navy has been an important presence at the Naval Air Weapons Test Center, Point Mugu and Naval Construction Battalion Center, Port Hueneme for more than half a century, and was joined by the California Air National Guard in 1990.

**Income and Unemployment** – Ventura's economy continues to be dominated by retail trade, manufacturing and local government. The County unemployment rate reached a high of 11.6 percent in January 2010 and fell to 11.1 percent in September 2010. The largest employment losses in Ventura County have occurred in construction, finance and insurance which are directly tied to the causes of the current recession. The collapse of the housing market devastated construction employment, and the financial crisis created cutbacks in finance and insurance. However, information, education and health services sectors sustained growth through the current recession. Education and health services is by far the most stable sector because the demand for health care is not really subject to economic whims as the populace continues to age and very few will opt to forego essential treatment.

Ventura County has enjoyed healthy and consistent growth in personal income in the past years. However, the effects of the current recession showed a slowdown in personal income growth. From 1998 to 2007, annual growth in personal income averaged 5.9% while in 2007 to 2008 personal growth only grew by 0.6%.

**Real Estate** – Ventura County's increase in home values seen in early 2006, started to decline in the middle of 2006 and continued to decline through 2009. The prices for entry-level homes fell by 54%, compared to a decline of 39% for mid-level homes and a softer drop of just 26% for the higher-priced units from the pricing peak in 2006. The most important issue affecting the Ventura County real estate market is foreclosure which accounted for one-third of all existing

home sales during November 2009. As option ARM loans reset to higher interest rates and lenders begin to list REO properties that were caught in the previous moratoria (\$75 billion Obama Administration plan), a new wave of foreclosures are expected to be dumped onto the marketplace. However, the apartment rental market has stabilized and the rental rates are pretty solid. It seems apartments are still viewed as a pretty good investment and perceived as being the safest asset class within the real estate.

### **Long-term Financial Planning**

The Board approved a contract with Raftelis Financial Consultants to review the fees and rate structures of the potable water, recycled water, and wastewater; and develop a financial plan to ensure fees collected will meet the operating, capital, and service costs to the District customers. After the notification and public hearing requirements of Proposition 218 were met, the new fees and rate structures were adopted and began with the utility bills issued on September 1, 2009. In addition to the new fees and rate structures, the District increased the potable water rates based on the increased rates passed through by Calleguas Municipal Water District. The first pass through was implemented in January 2010 and the second pass through will be implemented in January 2011.

Staff is looking at various options to help fund the Conifer Tank Replacement project. The latest estimated cost of the project is \$11.5 million dollars. Staff is looking at tax-exempt conventional loans and bond issuance with various financial institutions. The project is underway and consists of various components such as construction of the Oak Canyon reservoir, demolition of the Conifer Tank, Cheseboro tank decommissioning and several easements and transfer agreements.

### **Relevant Financial Policies**

Because District staff is provided entirely by contract with the Ventura Regional Sanitation District, the Board appointed one of the Board members to perform a monthly review of all invoices paid on their behalf. Currently, the Board Chair is appointed to perform this function. In addition, the Board also appointed two of the elected Board members to be in the Finance Committee to perform review and oversight in regards to financial matters such as the annual audit, proposed budget and any other financial issues that require review, analysis and recommendation before going to the full Board.

In FY2007, the Board of Directors directed staff to hold all U.S. Government Securities until maturity. When they mature, the funds would be placed in either the Ventura County Pooled investment account or the Local Agency Investment Fund (LAIF) account managed by the State Treasurer. The last U.S. Treasury Notes matured in January 2010 and the funds were transferred to the Ventura County Pool.

The Board adopted the Identity Theft Prevention Program issued by the Federal Trade Commission (FTC) Red Flags Rule which requires utility companies and creditors with covered account to develop and implement a written Identity Theft Prevention Program to detect, prevent, and mitigate identity theft in connection with opening and/or modifying customer accounts.

### **Major Initiatives**

Triunfo (as Oak Park Water Service) is replacing the 1966 built 1-million gallon aboveground steel Conifer Tank. The investigation of options started in 1996. In November 2007, the Triunfo Board certified an Environmental Impact Report and authorized the site and design of the new

water tank. The current estimated cost of the project is at \$11.5 million dollars. The District continues to implement prospective actions to replace the Conifer Tank.

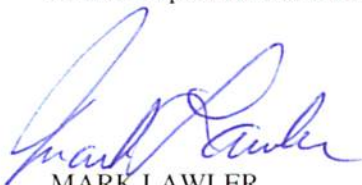
The District developed a water conservation ordinance and water shortage contingency plan in response to the statewide water supply conditions. The District source for potable water is through the Metropolitan Water District. Metropolitan Water District has instituted potable water allocation requirements for all its customers in response to the water supply shortages being experienced throughout California.

Southern California Edison (SCE) will be installing SCE smart meters (ZigBee protocol) to relay real-time data and possibly control use. Water metering, reporting, and billing could be contracted for local water agencies if they were to install meters that were based on the same radio protocol designed meters. The Edison SmartConnect program is a key component of SCE's leadership in managing increasing demand for electricity from customers and providing environmental leadership through energy efficiency, demand management, electric transportation and smart technologies. Edison plans to automate 5.3 million meters from 2009 through 2012.

### **Awards & Acknowledgements**

**Excellence in Financial Reporting** - The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Triunfo Sanitation District for its Comprehensive Annual Financial Report (CAFR) for the Fiscal Year ended June 30, 2009. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe this current report continues to meet the Certificate of Achievement program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

**Acknowledgements** – The preparation of this report was possible because of the dedicated services of the contract Finance & Administration Department staff, each of whom has our sincere appreciation. We also express our appreciation to our independent auditors, Macias Gini & O'Connell, LLP, for their contribution and assistance in preparing this report. Finally, we thank the District Board of Directors for their interest and support in planning and conducting the financial operations of the District in a responsive and effective manner.



MARK LAWLER  
District Manager



VICKIE DRAGAN  
Director of Finance & Administration

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Triunfo Sanitation District  
California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2009

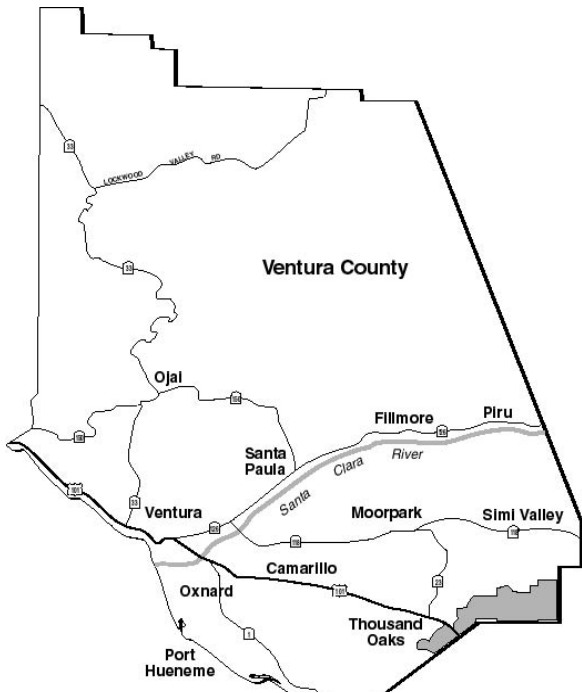
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

VENTURA



CALIFORNIA



# TRIUNFO SANITATION DISTRICT

