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July 1, 2010

## FISCAL YEAR 2011 BUDGET

### Summary

This fiscal year 2010-2011 (FY11) budget provides a plan that identifies critical matters relating to the operation, maintenance, financing and purchase of the infrastructure necessary for ongoing provision of essential services – Wastewater, Potable Water, and Recycled Water - to the residents and businesses within the Triunfo Sanitation District. Revenues in the budget are based on the carry-over of wastewater, recycled water, and potable water rates set during FY10 with the exception of the Potable Water Division, which has a pass through increase scheduled for January 2011. Expenses in the budget reflect anticipated operations and maintenance costs, as well as anticipated cost increases for wastewater treatment, potable water purchases and potable water related infrastructure, and recycled water purchases.

### Budget Overview

The FY11 Budget (Consolidated) anticipates a *decrease* in net assets (before capital expenditures) of \$423,661. The number anticipates full funding of overall operating expenses, depreciation and amortization, and non-operating revenues and expenses as well as new debt related to the Oak Canyon reservoir project.

Budgeted capital expenditures for FY2011 total \$9,651,351 and are found in the Wastewater (\$1,160,004), Potable Water (\$8,104,737), and Recycled Water (\$386,610) segments. Table I provides a forecast of Districtwide revenues and expenditures as well as historical data for each category.

**Table I – TSD Consolidated**

Description	FY 2008	FY 2009	FY 2010	FY 2010	FY 2011
	Yearend	Yearend	Budget	Yearend	Budget
<b>Operating revenues:</b>					
Fees, sales	\$ 11,399,349	\$ 11,004,030	\$ 11,580,074	\$ 10,734,342	\$ 11,339,757
Service charges	1,210,679	1,215,791	1,247,193	1,207,675	1,217,266
Other revenue	564,293	247,935	118,537	166,923	221,700
<b>Total operating revenues</b>	<b>13,174,321</b>	<b>12,467,756</b>	<b>12,945,804</b>	<b>12,108,940</b>	<b>12,778,722</b>
<b>Operating expenses:</b>					
Wastewater treatment, Potable & R/W purchase	7,580,612	7,682,871	8,064,011	7,590,107	8,937,857
VRSD contract services	2,414,904	2,743,361	3,009,466	2,615,227	2,817,956
Operating materials and supplies	(393)	2,392	-	18,503	-
Contract services	250	2,250	-	-	41,600
Professional services	65,467	187,501	82,344	88,577	88,500
Insurance	30,740	53,840	42,754	36,577	45,500
Board member fees & reimbursable expenses	39,859	45,394	73,590	47,771	57,690
Management & administrative	18,685	47,878	18,595	107,660	120,610
Permits, licenses and fees	103,015	94,855	138,550	283,162	150,970
<b>Total operating expenses</b>	<b>10,253,138</b>	<b>10,860,342</b>	<b>11,429,310</b>	<b>10,787,583</b>	<b>12,260,683</b>
<b>Operating income(loss) before depreciation</b>	<b>2,921,183</b>	<b>1,607,414</b>	<b>1,516,494</b>	<b>1,321,358</b>	<b>518,039</b>
Depreciation and amortization	863,111	881,982	881,634	871,963	880,656
<b>Operating income(loss)</b>	<b>2,058,072</b>	<b>725,432</b>	<b>634,860</b>	<b>449,395</b>	<b>(362,617)</b>
<b>Non-operating revenues(expenses):</b>					
Interest and investment earnings	871,880	522,189	421,543	151,127	150,000
Gain(loss) on sales and/or disposals of assets	-	-	-	-	-
Debt service interest expense	(403,784)	(228,211)	(174,272)	(343,728)	(299,304)
Contributed capital assets	-	-	-	1,288	-
Overhead cost allocation	-	-	-	-	-
Other, net	181,882	10,112	89,505	57,076	88,260
<b>Total non-operating revenues(expenses)</b>	<b>649,978</b>	<b>304,089</b>	<b>336,776</b>	<b>(134,237)</b>	<b>(61,044)</b>
<b>Change in net assets before capital expenditures</b>	<b>\$ 2,708,050</b>	<b>\$ 1,029,521</b>	<b>\$ 971,636</b>	<b>\$ 315,158</b>	<b>\$ (423,661)</b>
Capital expenditures	3,158,991	2,171,190	2,847,417	2,612,709	9,651,351
Capital expenditures - contra	(469,778)	(630,524)	-	-	-
<b>Capital expenditures, net</b>	<b>2,689,212</b>	<b>1,540,666</b>	<b>2,847,417</b>	<b>2,612,709</b>	<b>9,651,351</b>
<b>Change in net assets</b>	<b>\$ 18,838</b>	<b>\$ (511,145)</b>	<b>\$ (1,875,781)</b>	<b>\$ (2,297,552)</b>	<b>\$ (10,075,012)</b>

**FY 2011 Budget Line Item Descriptions**

**Wastewater Treatment (LVWMD)** – Triunfo’s portion of the FY 2011 Joint Venture wastewater treatment budget totals \$4.44M, up from the FY10 budget estimate of \$4,108,105.

**Wastewater Treatment (Tillman)** – The City of Los Angeles provides contract wastewater treatment for the Bell Canyon area at the Tillman Water Reclamation Facility. Wastewater treatment expenses associated with this service are approximately \$60,200.

**Recycled Water Purchased** – Proposed expenditures for recycled water purchases for FY 2011 total \$1,357,587.

**Potable Water Purchased** – The budget anticipates a mid-year increase to the acre-foot charge for water (10%, from \$938/acre foot to \$1,032/acre foot) on January 1, 2011. A corresponding rate increase (8%) is programmed in the budget as a pass-through.

**VRSD Contract** – The total budget for operation and management services by the Ventura Regional Sanitation District as proposed represents a decrease from approximately \$3 million to approximately \$2.8 million (budget to budget). This comparison does not include the proposed \$331,302 related to the Conifer Tank replacement project. Budget to budget comparisons of the labor or “staff time” components of the VRSD contract are found on page 7-2.

**Operating Materials & Supplies** – Operating materials and supplies are typically purchased through the VRSD contract.

**Contract Services**– Services contracted directly by TSD are anticipated to include an outside firm to develop the District’s web site (\$20,000 budgeted), and Mail Manager (\$21,600) services for Potable Water Division billing.

**Professional Services** – The legal service budget includes projected legal fees (\$66K) in FY 2011. Also included in the Professional Services category are the annual financial audits for Triunfo and the Joint Powers Authority (\$20,000 and \$2,500, respectively).

**Insurance** – The cost of property and liability insurance is expected cost approximately \$45,500 in FY11.

**Management & Administrative** – FY11 budget anticipates \$120,610 in this category. Significant expenditures in this category include dues and memberships (\$13K), Tax collector fees (\$20K), election fees (\$8K), Urban Water Conservation Council fees (\$3K), conference and training expenses (\$37,575K), and postage (\$20K) related to Oak Park Water Service billing.

**Permits, licenses and fees** – Expenses in this category include payments to the City of Los Angeles for fees related to use of the Tillman Wastewater treatment plant (\$148,970).

**Depreciation** – This Budget includes full depreciation for both sanitation and water facilities.

**Debt Service** – Potable water segment debt detail will be found on page 4-1.

**Other, net** – This category includes other non-operating revenue (\$88,260) from cell site rentals.

## **CONCLUSION**

The Budget for FY 2011 is presented in the following Sections 2 through 8. Included in the document are:

- Segment summaries of direct revenue and expense, by category, found on the first page of each section; and
- Comparative columns on the individual budget pages. The columns detail actual expense and revenue information for fiscal year 2008 and 2009 as well as 2010 and 2011 budget figures.

Also provided are the Joint Venture Budget by Las Virgenes Municipal Water District and a budget glossary - both found in Section 8.