

As a matter of proper business decorum, the Board of Commissioners respectfully request that all cell phones be turned off or placed on vibrate. To prevent any potential distraction of the proceeding, we request that side conversations be taken outside the meeting room.

**AGENDA**  
**REGULAR BOARD MEETING**  
**VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY**  
**VICTORVILLE CITY HALL, CONFERENCE ROOM D**  
**14343 CIVIC DRIVE, VICTORVILLE CA 92392**

**Thursday, December 19, 2019**  
**7:30 a.m.**

*The mission of Victor Valley Wastewater Reclamation Authority is to treat the wastewater to the best of our abilities given the resources provided.*

**Call to Order**

**Nassif**

**Roll Call**

**Secretary**

**Public Comments- Closed Session Agenda Items**

**Nassif**

**Closed Session**

**CLOSED SESSION:** During the course of conducting the business set forth on this agenda as a regular meeting of the Board, the Chair may convene the Board in closed session to consider matters of pending real estate negotiations, pending or potential litigation, or personnel matters, pursuant to Government Code Sections 54956.8, 54956.9, 54957 or 54957.6, as noted.

Reports relating to (a) purchase and sale of real property; (b) matters of pending or potential litigation; or (c) employment actions, or which are exempt from public disclosure under the California Public Records Act, may be reviewed by the Board during a permitted closed session and are not available for public inspection. At such time the Board takes final action on any of these subjects, the minutes will reflect all required disclosures of information. Closed Session is scheduled to commence at 7:30 a.m.. If the matters discussed in closed session require additional time beyond 8:00 a.m., in deference to the public, the Board may continue the Closed Session discussion after Open Session is concluded. In that case, Closed Session will resume after the Commissioners Comments section and any reportable action will be reported after the continued Closed Session has concluded and before adjournment.

**Item 1** (Gov. Code Sec. 54954.5-54956.9(d))- *Flow Diversion*

**Item 2** (Gov. Code Sec. 54956.9(d))- *Threatened or Potential Litigation- Upper Narrows Project*

**Item 3** (Gov. Code Sec. 54957.6/ 54954.5 (f)) **CONFERENCE WITH LEGAL COUNSEL-LABOR NEGOTIATION**

- The City Employees Association

- Supervisors Association

**Call to Order & Pledge of Allegiance**

Nassif

**Report From Closed Session**

Legal  
Counsel

**Public Comment** (*Government Code Section 54954.3*)

Nassif

Opportunity for members of the public to directly address the Board on items of public interest within its jurisdiction. The public may also address the Board on items being considered on this agenda. VVWRA requests that all public speakers complete a speaker's card and provide it to the Secretary. Persons desiring to submit paperwork to the Board of Commissioners shall provide a copy of any paperwork to the Board Secretary for the official record.

**We request that remarks be limited to five minutes or less. Pursuant to Government Code Section 54954.3, if speaker is utilizing a translator, the total allotted time will be doubled.**

**Presentations**

Poulsen

**Possible Conflicts of Interest**

Poulsen

**Consent Calendar**

Nassif

All matters placed on the Consent Calendar are considered as not requiring discussion or further explanation and unless any particular item is requested to be removed from the Consent Calendar by a Commissioner, staff member or member of the public in attendance, there will be no separate discussion of these items. All items on the Consent Calendar will be enacted by one action approving all motions, and casting a unanimous ballot for resolutions included on the consent calendar. All items removed from the Consent Calendar shall be considered in the regular order of business.

**Item 4 Receive, Approve and File Minutes, November 21, 2019**

- Regular Board Meeting

**Item 5 Receive, Approve and File November 2019 Disbursement**

- Warrant Summary Disbursements

**Items 4 & 5: Board Action Required**

Staff Recommendation: Approve as presented

**General Manager's Report**

Poulsen

*The Executive Leadership Team will provide brief updates on existing matters under their purview and will be available to respond to any questions thereof.*

**Item 6 New Hires**

Coromina

Introduction of New Employees

- Darron Poulsen, General Manager

- Brad Adams, Plant Superintendent
- Andrew Henriquez, Lead Operator

**Item 7 Recommendation to Award PLC's Replacement Project**

**Laari**

The Board will consider approval of a contract for the Programmable Logic Controllers (PLC) Replacement Project Phase 1 to Trimax. in the amount of \$470,142.00

**Item 7: Board Action Required**

Staff Recommendation: Approve as Presented

**Item 8 Recommendation to Award ADS Environmental to Perform the Interceptor Risk Analysis Project**

**Laari**

The Board will consider approval to award the Interceptor Risk Analysis Project Flow Study to ADS Environmental for a fee not to exceed \$ 50,000.00. The results of the flow study will be used to validate capacity restrictions predicted by the Hydraulic model completed by Dudek in March 2019.

**Item 8: Board Action Required**

Staff Recommendation: Approve as Presented

**Item 9 Recommendation to Adopt Resolution 2019-16 to Authorization for Bank Card Signatures**

**Keagy**

The Board will consider approval of Resolution 2019-16, to update authorized signers for Desert Community Bank, a Division of Flagstar Bank.

**Item 9: Board Action Required**

Staff Recommendation: Approve as Presented

**Item 10 Recommendation to Adopt Resolution 2019-17 to Receive and File A Single Audit Report for FY End June 30, 2018**

**Keagy**

The Board will consider approval of Resolution 2019-17, A Resolution of the Board of Commissioners of the Victor Valley Wastewater Reclamation Authority to receive and file the Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2018.

**Item 10: Board Action Required**

Staff Recommendation: Approve as Presented

**Item 11 Recommendation to Adopt Resolution 2019-18 for a CEQA Notice of Exemption for the Biogas Project**

**Anderson**

The Board will consider approval of Resolution 2019-18, a Resolution of VVWRA to Approve a Categorical Exemption from the California Environmental Quality Act (CEQA) for the VVWRA Biomethane Gas Project.

**Item 11: Board Action Required**

Staff Recommendation: Approve as Presented

**Item 12 Recommendation to Increase Existing Professional Services Agreement with Carollo**

**Anderson**

The Board will consider approval to increase the amount of the existing Professional

Services Agreement (PSA) for Construction Management/Inspection Services PO 16835 dated 9-24-18 for the Desert Knolls Wash Interceptor Project with Carollo Engineers by \$17,386.06 for additional services. This would be in accordance to their Amendment Proposal dated November 14, 2019 which is attached. This brings the PSA to a total of \$186,179.06. The project is complete and this is the final adjustment.

**Item 12: Board Action Required**

Staff Recommendation: Approve as Presented

**Staff Reports**

Reports are submitted as presented by Staff. Staff is available if the Commission has questions.

**Item 13 Financial and Investment Report – November 2019** **Keagy**

**Item 14 Operations and Maintenance Report – November 2019** **Adams**

**Item 15 Environmental Compliance Report – November 2019** **Laari**

**Item 16 Septage Receiving Facility Report – November 2019** **Laari**

**Item 17 Safety and Communication Report – November 2019** **Wylie**

**Adjournment** **Nassif**

The board will adjourn to a regular board meeting on January 16, 2020 at 7:30 a.m.

**American Disabilities Act Compliance Statement**  
*Government Code Section 54954.2(a)*





*Any request for disability-related modifications or accommodations (including auxiliary aids or services) sought to participate in the above public meeting should be directed to the VVWRA's Secretary at (760) 246-8638 at least 72 hours prior to the scheduled meeting. Requests must specify the nature of the disability and the type of accommodation requested.*

### **Agenda posting**

*Government Code Section 54954.2*

*This agenda has been posted in the main lobby of the Authority's Administrative offices not less than 72 hours prior to the meeting date and time above. All written materials relating to each agenda item are available for public inspection in the office of the Board Secretary.*

### **Agenda items received after posting**

*Government Code Section 54957.5*

*Materials related to an item on this agenda submitted after distribution of the agenda packet are available for public review at the VVWRA office located at, 20111 Shay Road, Victorville CA 92394. The materials will also be posted on the VVWRA website at [www.vvwra.com](http://www.vvwra.com).*

### **Items Not Posted**

*Government Code Section 54954.2(b)*

*In the event any matter not listed on this agenda is proposed to be submitted to the Board for discussion and/or action, it will be done as an emergency item or because there is a need to take immediate action, which came to the attention of the Board subsequent to the posting of the agenda, or as set forth on a supplemental agenda posted in the manner as above, not less than 72 hours prior to the meeting date.*

### **Items Continued**

*Government Section 54954.2(b)(3)*

*Items may be continued from this meeting without further notice to a Committee or Board meeting held within five (5) days of this meeting*

### **Meeting Adjournment**

*This meeting may be adjourned to a later time and items of business from this agenda may be considered at the later meeting by Order of Adjournment and Notice*

*VVWRA's Board Meeting packets and agendas are available for review on its website at [www.vvwra.com](http://www.vvwra.com). The website is updated on Friday preceding any regularly scheduled board meeting.*

**MINUTES OF A REGULAR MEETING  
REGULAR MEETING OF THE BOARD OF COMMISSIONERS  
VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY (VWVRA)  
November 21, 2019**

**CALL TO ORDER:** Chair Scott Nassif called the meeting to order at 7:32 AM; in Conference Room D at Victorville City Hall, located at 14343 Civic Drive, Victorville California, with the following members present:

**TOWN OF APPLE VALLEY  
CITY OF VICTORVILLE  
CITY OF HESPERIA  
ORO GRANDE (CSA 42) AND  
SPRING VALLEY LAKE (CSA 64)**

**Scott Nassif, Chair  
Debra Jones, Vice-Chair  
Bill Holland, Secretary- Alternate  
Robert Lovingood, Treasurer**

**VWVRA Staff and Legal Counsel:**

**Robert DeLoach, Interim General Manager  
Kristi Casteel, Secretary to GM/Board  
Piero Dallarda, Legal Counsel (BB&K)**

**Chieko Keagy, Controller  
Robert Coromina, Director of Administration**

**Guest Present:**

**Doug Robertson Apple Valley  
Nils Bentsen, City of Hesperia  
Keith Metzler, City of Victorville  
Don Holland, County of San Bernardino**

**Darron Poulsen, Public  
Brian Gengler, City of Victorville  
Carl Coleman, Mojave Water**

**CLOSED SESSION**

**PUBLIC COMMENTS- CLOSED SESSION AGENDA**

Chair Nassif asked if there were any comments from the public regarding any item on the Closed Session Agenda. Hearing none, Chair Nassif called for a motion to enter into Closed Session.

**Moved: Commissioner Jones**

**Second: Commissioner Lovingood**

**Motion to enter into Closed Session**

**Motion passed by a 4-0 roll call vote**

**REGULAR SESSION**

**CALL TO ORDER & PLEDGE OF ALLEGIANCE**

**VVWRA Regular Meeting Minutes  
Wednesday November 21, 2019  
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Chair Nassif called the meeting to order at 8:55 AM.

**REPORT FROM CLOSED SESSION**

None

**PUBLIC COMMENTS- REGULAR SESSION AGENDA**

None

**ANNOUNCEMENTS AND CORRESPONDENCE:**

**4. Possible conflict of interest issues**

Chair Nassif will be abstaining from any disbursements to Napa Auto Parts on item 5

**CONSENT CALENDAR:**

**5. Approve October 2019 Disbursement Registers**

**6. Approve Minutes from the Continued Meeting from September 19, 2019 and the October 23, 2019 Regular Meeting**

**Moved: Commissioner Lovingood**

**Second: Commissioner Holland**

**Approval of the Consent Calendar Items 5 and 6 with Chair Nassif abstaining from any disbursements to Napa Auto Parts on item 5**

**Motion passed by a 4-0 roll call vote**

**7. Recommendation to Approve the Contract for the General Manager**

**Moved: Commissioner Holland**

**Second: Commissioner Jones**

**Approval of the Contract for the General Manager**

**Motion passed by a 4-0 roll call vote**

**8. Resolution 2019-15 to Amend the Rules and Regulations Regarding Educational Assistance Plan Rule 9, Tuition Reimbursement Program**

**VVWRA Regular Meeting Minutes**

**Wednesday November 21, 2019**

**Page 3**

Interim DeLoach stated that this is just an amendment to an existing process to comply with IRS codes that are in the Staff Report. The program itself does not change.

**Moved: Commissioner Lovingood**

**Second: Commissioner Holland**

**Approval of Resolution 2019-15 to Amend the Rules and Regulations Regarding Educational Assistance Plan Rule 9, Tuition Reimbursement Program**

**Motion passed by a 4-0 roll call vote**

**9. Recommendation to Approve Past Due Babcock Lab Invoices**

**Moved: Commissioner Holland**

**Second: Chair Nassif**

**Approval of Past Due Babcock Lab Invoices**

**Motion passed by a 4-0 roll call vote**

**10. Recommendation to Amend the Professional Service Agreement for DeLoach and Associates**

**Moved: Commissioner Lovingood**

**Second: Commissioner Holland**

**Approval to Amend the Professional Service Agreement for DeLoach and Associates in the amount of \$37,167.40**

**Motion passed by a 4-0 roll call vote**

**11. Recommendation to Approve Extension on Internship**

**Moved: Commissioner Holland**

**Second: Commissioner Jones**

**Approval to Approve Extension on Internship**

**Motion passed by a 4-0 roll call vote**

**12. Recommendation to Hire Consultant for USDA Grant Application**

**Moved: Commissioner Holland                      Second: Commissioner Jones**

**Approval to Hire Consultant for USDA Grant Application with the amendment that the General Manager not the Interim General Manager sign the contract seconded**

**Motion passed by a 4-0 roll call vote**

**13. Recommendation to Approve the 2020 Board Schedule**

**Moved: Commissioner Jones                      Second: Commissioner Holland**

**Approval to Approve the 2020 Board Schedule**

**Motion passed by a 4-0 roll call vote**

**STAFF/PROFESSIONAL SERVICES REPORTS:**

- 14. Financial and Investment Report – October 2019**
- 15. Operations & Maintenance Report – October 2019**
- 16. Environmental Compliance Department Reports – October 2019**
- 17. Septage Receiving Facility Reports – October 2019**
- 18. Safety & Communications Report – October 2019**

**NEXT VVWRA BOARD MEETING:**

**Thursday, December 19, 2019 - Regular Meeting of the Board of Commissioners**

**FUTURE AGENDA ITEMS**

**Bid Results for PLC's Replacement Project**

**Bid Results for Storm Water Project**



**COMMISSIONER COMMENTS**

**CLOSED SESSION (If Closed Session is continued)**

**ADJOURNMENT**

**APPROVAL:**

**DATE:** December 19, 2019 **BY:**

\_\_\_\_\_  
Approved by VVWRA Board Larry Bird,  
Secretary VVWRA Board of Commissioners




**Victor Valley Wastewater Reclamation Authority**  
*A Joint Powers Authority and Public Agency of the State of California*

20111 Shay Rd. Victorville, CA 92394  
 Telephone: (760) 246-8638  
 Fax: (760) 948-9897

**DATE:** December 5, 2019

**TO:** Darron Poulsen  
 General Manager

**FROM:** Chieko Keagy   
 Controller

**SUBJECT:** Cash Disbursements Register

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**RECOMMENDED ACTION**

It is recommended that the Board of Commissioners approve the cash disbursements and payroll register for the Victor Valley Wastewater Reclamation Authority.

**BACKGROUND**

The Cash Disbursements Register totals represented below are for the month of NOVEMBER 2019, check numbers 122879-122939 and ACH's.

<i>Accounts Payable</i>			
<i>Checks</i>	<i>ACH's and EFT's</i>	<i>Payroll</i>	<i>Total</i>
<b>\$94,849.52</b>	<b>\$429,981.18</b>	<b>\$273,297.60</b>	<b>\$798,128.30</b>

**Victor Valley Wastewater Reclamation Authority**  
**Cash Disbursement Register**  
**From 11/1/19 through 11/30/19**

Vendor #	Vendor Name	Type	Payment #	Date	Total
AMSA000	A.M.S. / Anderson Air Conditioning Lp	Check	122879	11/7/2019	\$ 1,155.66
AACT000	A-Action Automotive	Check	122880	11/7/2019	\$ 727.86
ATMO000	Atmospheric Analysis And Consulting, Inc	Check	122881	11/7/2019	\$ 1,890.00
ZEEM000	Cintas Corporation	Check	122882	11/7/2019	\$ 420.59
GAOS000	G.A. Osborne Pipe & Supply	Check	122883	11/7/2019	\$ 93.59
NAPA000	Napa Victorville	Check	122884	11/7/2019	\$ 32.31
ORKI000	Orkin	Check	122885	11/7/2019	\$ 400.38
PRUD001	Prudential Overall Supply	Check	122886	11/7/2019	\$ 596.55
QUIL000	Quill Corporation	Check	122887	11/7/2019	\$ 476.99
ROYA000	Royal Wholesale Electric	Check	122888	11/7/2019	\$ 300.39
SAFE000	Safety-Kleen Systems Inc.	Check	122889	11/7/2019	\$ 1,304.50
SUNB001	Sunbelt Supply Inc.	Check	122890	11/7/2019	\$ 145.05
THUR000	Thurlow'S Heating & A/C Inc.	Check	122891	11/7/2019	\$ 3,880.56
TITA000	Titan Environmental Solutions, Inc	Check	122892	11/7/2019	\$ 2,955.00
UNIT000	United Rentals Northwest, Inc	Check	122893	11/7/2019	\$ 1,417.50
ADP001	A.D.P.	Check	122894	11/14/2019	\$ 240.05
AMSA000	A.M.S. / Anderson Air Conditioning Lp	Check	122895	11/14/2019	\$ 8,271.72
AACT000	A-Action Automotive	Check	122896	11/14/2019	\$ 392.82
APPL015	Apple Valley Transfer & Storage Db	Check	122897	11/14/2019	\$ 45.00
APPL015	Apple Valley Transfer & Storage Db	Check	122897	11/14/2019	\$ (45.00)
APPL004	Applied Industrial Technologies	Check	122898	11/14/2019	\$ 1,420.68
AQUA000	Aquatic Bioassay / Consult Inc.	Check	122899	11/14/2019	\$ 230.00
FLYE000	Flyers Energy, Llc	Check	122900	11/14/2019	\$ 2,264.57
GAOS000	G.A. Osborne Pipe & Supply	Check	122901	11/14/2019	\$ 2,374.43
HERI000	Heritage Environmental Services, L.L.C.	Check	122902	11/14/2019	\$ 3,713.70
HESP000	Hesperia Hose Supply	Check	122903	11/14/2019	\$ 538.34
HESP005	Hesperia Unified School District	Check	122904	11/14/2019	\$ 126.07
PRES001	Ipc Industries, Inc Db	Check	122905	11/14/2019	\$ 210.46
APPL000	Liberty Utilities- Apple Valley Ran	Check	122906	11/14/2019	\$ 4,723.42
NEOF000	Neofunds By Neopost	Check	122907	11/14/2019	\$ 1,227.16
ORKI000	Orkin	Check	122908	11/14/2019	\$ 450.00
PRUD001	Prudential Overall Supply	Check	122909	11/14/2019	\$ 1,750.22
RDOE000	Rdo Equipment Co	Check	122910	11/14/2019	\$ 128.83
SANB000	San Bernardino County Fire Depart	Check	122911	11/14/2019	\$ 420.00
THUR000	Thurlow'S Heating & A/C Inc.	Check	122912	11/14/2019	\$ 340.00
ADP001	A.D.P.	Check	122913	11/21/2019	\$ 240.05
AMSA000	A.M.S. / Anderson Air Conditioning Lp	Check	122914	11/21/2019	\$ 805.75
AACT000	A-Action Automotive	Check	122915	11/21/2019	\$ 1,953.85
AIRG000	Airgas Usa, Llc	Check	122916	11/21/2019	\$ 410.55
AREA000	Area Concrete Pumping	Check	122917	11/21/2019	\$ 245.00
CASA000	Casa	Check	122918	11/21/2019	\$ 16,711.00
COLE001	Cole-Parmer Instrument Company	Check	122919	11/21/2019	\$ 160.48
DAIL000	Daily Press	Check	122920	11/21/2019	\$ 5,422.70
JONE003	Debra Jones	Check	122921	11/21/2019	\$ 300.00
FLYE000	Flyers Energy, Llc	Check	122922	11/21/2019	\$ 1,418.74
HIDE000	Hi-Desert Communications	Check	122923	11/21/2019	\$ 100.00
BIRD000	Larry Bird	Check	122924	11/21/2019	\$ 100.00
MULT000	Multi W Sytems, Inc	Check	122925	11/21/2019	\$ 1,975.06
ORKI000	Orkin	Check	122926	11/21/2019	\$ 400.38
PRUD001	Prudential Overall Supply	Check	122927	11/21/2019	\$ 599.52
LOVI000	Robert A Lovingood	Check	122928	11/21/2019	\$ 300.00
ROBE002	Robertson'S Ready Mix, Ltd	Check	122929	11/21/2019	\$ 1,104.09
ROTO000	Roto-Rooter Plumbers	Check	122930	11/21/2019	\$ 385.75
SPSE000	S.P.S. Engineering, Inc.	Check	122931	11/21/2019	\$ 4,509.57
NASS000	Scott Nassif	Check	122932	11/21/2019	\$ 300.00
SIER001	Sierra Monitor Corp. C/O Mcr Techn	Check	122933	11/21/2019	\$ 7,235.42
APPL007	Town Of Apple Valley	Check	122934	11/21/2019	\$ 343.36
UNIT000	United Rentals Northwest, Inc	Check	122935	11/21/2019	\$ 3,416.78
WAST001	Wastecorp Pumps, Inc.	Check	122936	11/21/2019	\$ 1,032.66
HOLL000	William J. Holland	Check	122937	11/21/2019	\$ 100.00
SENT000	Dan Sentman	Check	122938	11/26/2019	\$ 224.41
ANTH000	Donna Anthony	Check	122939	11/26/2019	\$ 435.00
<b>Total Checks</b>					<b>\$ 94,849.52</b>
2GEN000	2G Energy Inc.	Electronic Fund Transfer	0049065-1	11/21/2019	\$ 4,722.63
ADSC000	A.D.S. Corp.	Electronic Fund Transfer	0048384-1	11/7/2019	\$ 7,800.00
ALLS000	All Star Mobile Detail	Electronic Fund Transfer	0048712-1	11/14/2019	\$ 270.00
AMER006	American Express	Electronic Fund Transfer	0048712-2	11/14/2019	\$ 2,181.38
APPL013	Applied Maintenance Supplies & Solu	Electronic Fund Transfer	0048384-2	11/7/2019	\$ 922.38
BARG000	Bargain Byte	Electronic Fund Transfer	0048712-3	11/14/2019	\$ 3,402.90

**Victor Valley Wastewater Reclamation Authority**  
**Cash Disbursement Register**  
**From 11/1/19 through 11/30/19**

Vendor #	Vendor Name	Type	Payment #	Date	Total
BECK000	Beck Oil, Inc.	Electronic Fund Transfer	0048384-3	11/7/2019	\$ 2,483.13
BIOG001	Biogas Engineering	Electronic Fund Transfer	0049065-2	11/21/2019	\$ 1,800.00
BIOG000	Biogas Power Systems- Mojave, Llc	Electronic Fund Transfer	0049065-3	11/21/2019	\$ 64,119.27
BEAR000	Brax Company	Electronic Fund Transfer	0048384-4	11/7/2019	\$ 1,889.04
BREN001	Brenntag Pacific, Inc	Electronic Fund Transfer	0048712-4	11/14/2019	\$ 11,193.89
CDWG000	Cdw Government, Inc	Electronic Fund Transfer	0049065-4	11/21/2019	\$ 1,144.95
CDWG000	Cdw Government, Inc	Electronic Fund Transfer	0048384-5	11/7/2019	\$ 1,936.61
CRAN000	Crane Pro Services	Electronic Fund Transfer	0049065-5	11/21/2019	\$ 1,550.00
CRAN000	Crane Pro Services	Electronic Fund Transfer	0048384-6	11/7/2019	\$ 997.50
CULL000	Culligan Water Conditioning	Electronic Fund Transfer	0049065-6	11/21/2019	\$ 502.90
DKFS000	D.K.F. Solutions Inc.	Electronic Fund Transfer	0049065-7	11/21/2019	\$ 350.00
DAVI003	Davis Electric, Inc	Electronic Fund Transfer	0049065-8	11/21/2019	\$ 1,020.00
DAVI003	Davis Electric, Inc	Electronic Fund Transfer	0048712-5	11/14/2019	\$ 5,318.00
DELO000	Deloach & Associates, Inc	Electronic Fund Transfer	0049065-9	11/21/2019	\$ 34,003.58
ESBA000	E.S. Babcock & Sons, Inc.	Electronic Fund Transfer	0048712-6	11/14/2019	\$ 11,583.60
ESBA000	E.S. Babcock & Sons, Inc.	Electronic Fund Transfer	0048384-7	11/7/2019	\$ 12,564.40
ENER001	Energy Choice, Inc.	Electronic Fund Transfer	0048384-8	11/7/2019	\$ 18,319.64
EVOQ000	Evoqua Water Technologies Llc	Electronic Fund Transfer	0049065-10	11/21/2019	\$ 9,777.80
FAST001	Fastenal	Electronic Fund Transfer	0048384-9	11/7/2019	\$ 111.76
CHAR000	Fedak & Brown Llp	Electronic Fund Transfer	0048712-7	11/14/2019	\$ 1,500.00
GRAI000	Grainger	Electronic Fund Transfer	0049065-11	11/21/2019	\$ 96.21
GRAI000	Grainger	Electronic Fund Transfer	0048384-10	11/7/2019	\$ 2,900.88
GRAY000	Graybar Electric Co., Inc.	Electronic Fund Transfer	0049065-12	11/21/2019	\$ 2,138.01
GRAY000	Graybar Electric Co., Inc.	Electronic Fund Transfer	0048384-11	11/7/2019	\$ 1,040.51
HAAK000	Haaker Equipment Company	Electronic Fund Transfer	0048712-8	11/14/2019	\$ 5,475.00
HACH000	Hach Company	Electronic Fund Transfer	0049065-13	11/21/2019	\$ 388.16
HACH000	Hach Company	Electronic Fund Transfer	0048712-9	11/14/2019	\$ 2,004.00
HACH000	Hach Company	Electronic Fund Transfer	0048384-12	11/7/2019	\$ 3,054.34
HART000	Hartzell Fan Inc	Electronic Fund Transfer	0048712-10	11/14/2019	\$ 1,877.88
HOWD000	Howden Usa Company	Electronic Fund Transfer	0048712-11	11/14/2019	\$ 24,000.00
ILIN000	Ilink Business Management	Electronic Fund Transfer	0049065-14	11/21/2019	\$ 2,833.64
ILIN000	Ilink Business Management	Electronic Fund Transfer	0048712-12	11/14/2019	\$ 263.88
ILIN000	Ilink Business Management	Electronic Fund Transfer	0048384-13	11/7/2019	\$ 263.88
MCMA000	Mc Master-Carr Supply Co.	Electronic Fund Transfer	0048712-13	11/14/2019	\$ 769.38
MCGR000	Mcgrath Rentcorp	Electronic Fund Transfer	0048384-14	11/7/2019	\$ 5,040.11
NETA000	Neta Networks Inc	Electronic Fund Transfer	0049065-15	11/21/2019	\$ 1,832.74
NETA000	Neta Networks Inc	Electronic Fund Transfer	0048384-15	11/7/2019	\$ 7,121.10
PROT001	Protection One	Electronic Fund Transfer	0049065-16	11/21/2019	\$ 21.55
PROT001	Protection One	Electronic Fund Transfer	0048712-14	11/14/2019	\$ 905.23
RECH000	R.E. Chaffee Construction	Electronic Fund Transfer	0049065-17	11/21/2019	\$ 400.00
SIEM003	Siemens Industry Inc.	Electronic Fund Transfer	0048712-15	11/14/2019	\$ 306.01
ASHL000	Solenis Llc	Electronic Fund Transfer	0048384-16	11/7/2019	\$ 8,154.51
TMOB000	T-Mobile	Electronic Fund Transfer	0048712-16	11/14/2019	\$ 238.00
TYLE000	Tyler Technologies, Inc	Electronic Fund Transfer	0049065-18	11/21/2019	\$ 14,870.63
USBA000	U.S. Bank	Electronic Fund Transfer	0049065-19	11/21/2019	\$ 10,227.15
USAB000	U.S.A. Bluebook	Electronic Fund Transfer	0049065-20	11/21/2019	\$ 2,219.28
UNDE000	Underground Service Alert Of Southern California	Electronic Fund Transfer	0049065-21	11/21/2019	\$ 245.82
VVWE000	Victor Valley Wastewater Employees Assoc	Electronic Fund Transfer	0048384-17	11/7/2019	\$ 575.00
WAXI000	Waxie Sanitary Supply	Electronic Fund Transfer	0049065-22	11/21/2019	\$ 616.79
WEST000	West Coast Safety Supply	Electronic Fund Transfer	0049065-23	11/21/2019	\$ 1,113.57
WEST000	West Coast Safety Supply	Electronic Fund Transfer	0048384-18	11/7/2019	\$ 3,771.25
XYLE000	Xylem Dewatering Solutions	Electronic Fund Transfer	0049065-24	11/21/2019	\$ 3,591.66
XYLE001	Xylem Water Solutions	Electronic Fund Transfer	0049065-25	11/21/2019	\$ 3,272.96
BILL002	Billings, Richard	Bank Draft	0049292-1	11/26/2019	\$ 435.00
BIOG001	Biogas Engineering	Bank Draft	0048712-16	11/14/2019	\$ 1,555.20
CHAR001	Charter Communications	Bank Draft	DFT00457	11/18/2019	\$ 4,870.25
GYUR000	Darline Gyurcsik	Bank Draft	0049292-2	11/26/2019	\$ 224.41
DELO000	Deloach & Associates, Inc	Bank Draft	0048411	11/14/2019	\$ 2,500.00
DELO000	Deloach & Associates, Inc	Bank Draft	0048411	11/14/2019	\$ 629.00
GILL001	Gillette, Randy	Bank Draft	0049292-3	11/26/2019	\$ 435.00
HESP004	Hesperia Water District	Bank Draft	DFT00458	11/18/2019	\$ 4,553.82
NALI000	L. Christina Nalian	Bank Draft	0049292-4	11/26/2019	\$ 435.00
MONT000	Lillie Montgomery	Bank Draft	0049292-5	11/26/2019	\$ 163.37
LINC000	Lincoln Financial Group	Bank Draft	DFT00451	11/7/2019	\$ 3,740.80
MCGE000	Mark Mcgee	Bank Draft	0049292-6	11/26/2019	\$ 435.00
NAVE000	Nave, Patrick	Bank Draft	0049292-7	11/26/2019	\$ 435.00
KENI000	Olin Keniston	Bank Draft	0049292-8	11/26/2019	\$ 258.83
JOHN004	Patricia J Johnson	Bank Draft	0049292-9	11/26/2019	\$ 187.74
PRIN000	Principal Life Ins. Co.	Bank Draft	DFT00459	11/18/2019	\$ 3,306.93
MAIN000	Randy Main	Bank Draft	0049292-10	11/26/2019	\$ 435.00
DAGIN000	Roy Dagnino	Bank Draft	0049292-11	11/26/2019	\$ 435.00

**Victor Valley Wastewater Reclamation Authority  
Cash Disbursement Register  
From 11/1/19 through 11/30/19**

Vendor #	Vendor Name	Type	Payment #	Date	Total
SOUT000	Southern California Edison	Bank Draft	DFT00460	11/18/2019	\$ 14,138.71
SOUT000	Southern California Edison	Bank Draft	DFT00452	11/7/2019	\$ 70,292.29
SOUT006	Southwest Gas Company	Bank Draft	DFT00461	11/18/2019	\$ 609.96
SOUT006	Southwest Gas Company	Bank Draft	DFT00453	11/7/2019	\$ 3,231.85
SPAR000	Sparkletts Drinking Water	Bank Draft	DFT00462	11/18/2019	\$ 1,092.05
SWRC000	Swrcb	Bank Draft	DFT00463	11/18/2019	\$ 630.00
FLIN000	Terrie Gossard Flint	Bank Draft	0049292-12	11/26/2019	\$ 258.83
HINO000	Thomas Hinojosa	Bank Draft	0049292-13	11/26/2019	\$ 435.00
DAVI001	Tim Davis	Bank Draft	0049292-14	11/26/2019	\$ 435.00
UPS0000	Ups	Bank Draft	DFT00464	11/18/2019	\$ 727.65
<b>Total ACH &amp; EFT</b>					<b>\$ 429,981.18</b>

Total Checks	\$ 94,849.52
Total ACH and EFT	\$ 429,981.18
Total Payroll - November 2019	\$ 273,297.60
<b>Total</b>	<b>\$ 798,128.30</b>

APPROVED  
  
12-09-19





**VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY  
Board of Commissioners Staff Report**

**TO:** VVWRA Board of Commissioners  
**FROM:** Darron Poulsen, General Manager *DP*  
**SUBMITTED BY:** Latif Laari, Business Applications Manger *LL*  
**DATE:** 12/19/2019  
**SUBJECT:** Recommendation to award a contract for the Programmable Logic Controllers (PLC) replacement project phase 1 to Trimax in the amount of \$470,142.00

<input checked="" type="checkbox"/>	<b>For Action</b>	<input checked="" type="checkbox"/>	<b>Fiscal Impact</b>	<b>\$ 470,142.00</b>
<input type="checkbox"/>	<b>Information Only</b>	<input checked="" type="checkbox"/>	<b>Account Code: 07-02-530-6022-9999</b>	
		<input checked="" type="checkbox"/>	<b>Funds Budgeted/ Approved:</b>	<i>[Signature]</i>

**STAFF RECOMMENDATION**

It is recommended that the Board of Commissioners approve a contract for the Programmable Logic Controllers (PLC) Replacement Project Phase 1 to Trimax in the amount of \$470,142.00

**PREVIOUS ACTION(S)**

None

**BACKGROUND INFORMATION**

A thorough condition assessment of the Regional Wastewater Reclamation Plant PLC's was performed by staff in 2018 and reported to the board in April 2019. That report revealed the following:

1. Out of Twenty-Three (23) PLC's currently used at the main Regional Plant, twelve (12) are older model PLC5 by Allen Bradley. This PLC model has been discontinued by the manufacturer and is now obsolete.
2. Allen Bradley no longer provides support or replacement parts for this specific model.
3. The potential failures of these PLC's could lead to violations of the NPDES and WDR permits.

Utilizing the information identified in the study staff identified a multiyear project to address the necessary repairs and replacements. Phase 1 of the project was developed and approved as part of the 2019-20 Capital Budget. The scope for phase I was developed to address the most pressing concerns. The project was advertised on October 28, 2019, and bids were received and opened

on December 5, 2019. All bids were reviewed by staff to identify the most qualified bidder based on experience and cost. For the apparent qualified low bidder, Trimax Inc., the references provided in the bid documents were contacted. The bid tabulation sheet is attached for reference.

<b>Company</b>	<b>Bid Amount</b>
Trimax	\$ 470,142.00
Vertech	\$ 477,480.00
Biogas Engineering	\$ 675,500.00

If approved Trimax, Inc. will design and provide all needed material, equipment, and labor to replace and/or combine FIVE existing PLC5 and SLC505 PLC cabinets with new ControlLogix and CompactLogix PLC's as outlined in the RFP. The new PLC's will have sufficient cards to communicate with all existing remote sites and will also have provisions for adding future cards, allowing the system to be scalable. The scope of work also includes providing new mounting panels, control cabinets, updated PLC programs, modifications to SCADA tags, drawings and documentation, changes to the HMI's, and start-up services. Key performance factors identified for this upgrade include:

- o PLC upgrade for improved speed and distributed access.
- o Elimination of obsolete PLC technology
- o Improved system reliability.
- o Improved system communications speed.
- o Improved system security with wireless communication technology.

**Phase 1 PLC Replacement Project List:**

<b>PLC#</b>	<b>Area</b>	<b>PLC Name</b>	<b>PLC Model</b>	<b>Appendix</b>
1	Lower South Percolation Ponds	PLCPOND	AB 520E	A
2	Upper South Percolation Ponds	PLCPOND2	AB 520E	A
3	SCLA	PLCSCLA	AB SLC505	A
4	Digesters 4&5	PLCDIGES1	AB 520E	B
5	Equalization	PLCEQ	AB 520E	C

In all aspects of our review, Staff has identified that Trimax, Inc. is a contractor with an excellent reputation and the ability to perform the work of this contract. This project exceeded the estimate approved in the 2019-2020 Capital Budget. The additional dollars necessary to pay for these final costs will be transferred from an existing capital project, the UV Coating Project. Staff recommends to the Board that this contract be awarded to Trimax for the Programmable Logic Controllers Replacement Project Phase 1 for the total amount of \$470,142.00



**VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY  
Board of Commissioners Staff Report**

**TO:** VVWRA Board of Commissioners  
**FROM:** Darron Poulsen, General Manager *DRP*  
**SUBMITTED BY:** Latif Laari, Business Applications Manager *[Signature]*  
**DATE:** 12/19/2019  
**SUBJECT:** Recommendation to Award ADS Environmental to Perform the Interceptor Risk Analysis Project

<input checked="" type="checkbox"/>	<b>For Action</b>	<input checked="" type="checkbox"/>	<b>Fiscal Impact</b>	<b>\$ 50,000.00</b>
<input type="checkbox"/>	<b>Information Only</b>	<input checked="" type="checkbox"/>	<b>Account Code:</b>	<b>07-05-20-9025-9999</b>
		<input checked="" type="checkbox"/>	<b>Funds Budgeted/ Approved:</b>	<i>[Signature]</i>

**STAFF RECOMMENDATION**

It is recommended that the Board of Commissioners award the Interceptor Risk Analysis Project Flow Study to ADS Environmental for a fee not to exceed \$ 50,000.00. The results of the flow study will be used to validate capacity restrictions predicted by the Hydraulic model completed by Dudek in March 2019.

**PREVIOUS ACTION(S)**

May 16, 2019 Board Meeting – Board approved the renewal of a professional service contract with ADS Environmental Services

**BACKGROUND INFORMATION**

At the August 2018 Board meeting action was taken to perform an audit on VVWRA's Sanitary Sewer Management Plan (SSMP) which is required by the State to be updated every five years.. Staff recommended that the Sewer Master Plan (Master Plan) be updated as well to reflect an accurate hydraulic model. the Master Plan was last updated by RBF in 2008 and is based on assessments of the hydraulics, physical condition and maintenance of the collection system. The Master Plan outlines recommendations and improvements to provide adequate hydraulic capacity and improve the reliability of the collection system.

The Interceptor Capacity Study (ICS) contract was awarded to Dudek in December 2018 and a final report was drafted and submitted to the board in March 2019.

**Phase 1** of the Interceptor Capacity Study (ICS) is completed and its focus was the analysis of existing flow conditions in the system

**Phase 2** will be performed in fiscal year 20-21 and its focus will be the analysis of member agencies flow data during winters 2019 and 2020 and isolate the largest storm events to better stress the interceptor system under a peak wet weather flow (PWWF) analysis in the hydraulic model.

**Phase 3:** In Phase 3, flow meters will be installed within the interceptor system itself, hopefully in early 2020, and used to validate capacity restrictions predicted by the hydraulic model. Additional hydraulic analysis is anticipated to fine-tune results. Also in this phase, during the lower flow periods of summer or fall, field work and existing field data (CCTV, sonar) will be used to assess condition of capacity limited areas to support prioritization of project needs. Prioritization of improvement projects based on anticipated 10-year flows, infrastructure condition ratings, consideration of system performance, and design criteria, will be used

The Interceptor Risk Analysis Project Flow Study will address Phase 3 of the project.

ADS Environmental has been contracted by VVWRA to conduct flow billing since 2014 and is very familiar with the interceptor. The existing contract with ADS allows for short term flow studies such as the one described in Phase 3. Unit prices are already included in our existing contract that will be utilized to track this project. Weather is uncertain and the proposal is suggested for a 6 week period so that we can pick up data during a storm event. The timing of the flow study will be adjusted. If a storm event happens in a shorter time period the flow study would end early and cost less. If we don't have a storm event in the 6 weeks then we will extend the time until either we have a storm or the budget is reached.

It may be possible to eliminate or amend the capital projects associated with the interceptor once the modeling results are analyzed and a resulting capacity is known for individual interceptor segments.



**VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY  
Board of Commissioners Staff Report**

**TO:** VVWRA Board of Commissioners  
**FROM:** Darron Poulsen, General Manager *DP*  
**SUBMITTED BY:** Chieko Keagy, Controller *SK*  
**DATE:** December 19, 2019  
**SUBJECT:** Adoption of Resolution 2019-16 to Update Authorized Signers for Desert Community Bank, A Division of Flagstar Bank

---

<input checked="" type="checkbox"/> <b>For Action</b>	<input type="checkbox"/> <b>Fiscal Impact</b>	<b>\$</b>	<b>NONE</b>
<input type="checkbox"/> <b>Information Only</b>	<input type="checkbox"/> <b>Account Code:</b>		
	<input type="checkbox"/> <b>Funds Budgeted/ Approved:</b>		

---

**STAFF RECOMMENDATION**

It is recommended that the Board of Commissioners adopt Resolution 2019-16, to update authorized signers for Desert Community Bank, a Division of Flagstar Bank.

**PREVIOUS ACTION(S)**

None

**BACKGROUND INFORMATION**

Due to recent staffing changes the staff recommends updating authorized signers for checking and savings account activities to reflect signer changes.

**Attachment(s):**

**Exhibit | A | – Bank Forms**

**Exhibit | B | – Resolution 2019-16**



# EXHIBIT A



**GOVERNMENT BANKING  
PUBLIC UNIT RESOLUTION AND MASTER SIGNATURE  
AUTHORIZATION AGREEMENT**

Public Unit Name: Victor Valley Wastewater Reclamation Authority  
 Address: 20111 Shay Road  
 City: Victorville State: CA Zip Code: 92394  
 Telephone: (760) 246-8638 Fax: \_\_\_\_\_ Email: ckeagy@vwwra.com  
 Tax ID #: 95-3200665 Date: 12/19/2019 RM: YCJ/krc

The undersigned certifies that the following is a true and correct representation of the intention of the governing body of the above-named Public Unit, as reflected in resolutions adopted by the governing body of the Public Unit at a legally convened meeting. The Public Unit resolves that:

1. Flagstar Bank, FSB ("Flagstar") is designated as a depository of the Public Unit and is hereby authorized to accept monies, wire and other electronic fund transfers, checks, drafts, notes, acceptances or other evidences of indebtedness for deposit, or for collection by Flagstar and deposit upon receipt of payment therefor by Flagstar, to the credit of the Public Unit in such account or accounts as the Public Unit may have with Flagstar, without the endorsement of the Public Unit appearing thereon, and Public Unit promises to pay Flagstar for any Items (defined below) that are returned for lack of endorsement. The below-named Authorized Signers (and those Authorized Signers named on the Additional Signers addendum attached hereto, if any) are authorized to open or close deposit accounts with Flagstar and to instruct Flagstar as to the disposition of funds in any account to be closed, all by written instruction (including e-mail) to Flagstar by any one (1) of the Authorized Signers. The depository accounts to which these resolutions apply include existing depository accounts of the Public Unit and all future depository accounts opened by the Public Unit with Flagstar pursuant to this section.
2. The Public Unit has designated the following individuals as Authorized Signers (including those on the Additional Signers addendum attached hereto, if any) for any deposit account or other financial accommodation:

Authorized Signer(s):	Signature(s):
Name: <b>Darron Poulsen</b> Title: <b>General Manager</b>	
Name: <b>Chieko Keagy</b> Title: <b>Controller</b>	
Name: <b>Robert Coromina</b> Title: <b>Director of Administration</b>	
Name: <b>Bradley Adams</b> Title: <b>Plant Superintendent</b>	
Name: Title:	

Each of the Authorized Signers holds the office, title or status with the Public Unit specified and the actual signature of each Authorized Signer appears next to such Authorized Signer.

3. Unless otherwise specified in the "Public Unit Special Instructions Addendum", any one (1) of the Authorized Signers is authorized, for and on behalf of the Public Unit, to:
  - a. make deposits to and withdrawals from any account at Flagstar, and to generally transact any and all business with respect to such account (including the ability to transact such business with Flagstar via telephone request, email request, or facsimile transmission). This authority includes, without limitation, the authority to sign, execute, deliver and negotiate checks, drafts, bills of exchange, acceptances, wire transfers and other instruments or withdrawal orders from or drawn on the depository accounts of the Public Unit with Flagstar ("Items"). The signatures of all Authorized Signers must appear on the account signature card for the applicable account.



**GOVERNMENT BANKING  
PUBLIC UNIT RESOLUTION AND MASTER SIGNATURE  
AUTHORIZATION AGREEMENT**

- b. execute and deliver any documents, agreements, instruments, amendments, signature cards, or certificates (each an "Account Agreement") related to any account at Flagstar or any product or service offered by Flagstar. Execution and delivery of any Account Agreement by an Authorized Signer shall be conclusive evidence such Account Agreement is necessary, appropriate or desirable to effectuate the intent of, or matters reasonably contemplated by, these resolutions.
  - c. appoint any individual ("Authorized Representative") to transact business on Public Unit's accounts (including the ability to transact such business via telephone request, email request, and/or facsimile transmission), including, without limitation, designating Authorized Representatives to sign, execute, deliver and negotiate items.
4. Flagstar is authorized, in its sole discretion, to take any action authorized hereunder based upon: (i) the telephone request of any person purporting to be an Authorized Signer or Authorized Representative, (ii) the signature of any Authorized Signer or Authorized Representative that is delivered to Flagstar by facsimile transmission, or (iii) electronic mail that Bank reasonably believes is from any Authorized Signer or Authorized Representative.
  5. A certified copy of these resolutions be delivered to Flagstar and that these resolutions will remain in full force and effect until express written notice of its rescission or modification has been received and recorded by Flagstar. Any and all prior resolutions adopted by the Public Unit and certified to Flagstar as governing the operation of the Public Unit's accounts, are in full force and effect, until Flagstar receives and acknowledges an express written notice of its revocation, modification or replacement. Any revocation, modification or replacement of a resolution must be accompanied by documentation, satisfactory to Flagstar, establishing the authority for the changes.
  6. The Public Unit agrees to the terms and conditions of any account agreement, disclosure, term and condition, or other agreement for any account opened by an Authorized Signer in Public Unit's name.
  7. The Public Unit agrees that Flagstar may furnish automated access devices to Authorized Signers to facilitate those powers authorized by these resolutions. The term "automated access device" includes, but is not limited to, credit cards, automated teller machine (ATM) cards, and debit cards.
  8. These resolutions now stand of record on the books of the Public Unit, are in full force and effect and have not been modified or revoked in any manner whatsoever. Nothing in the foregoing resolutions violates the charter, by-laws or regulations, or other organizational documents of the Public Unit.

IN WITNESS WHEREOF, I/We have affixed my/our name(s) on December 19, 2019  
Month Day Year

Signature: \_\_\_\_\_

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_



**GOVERNMENT BANKING  
PUBLIC UNIT RESOLUTION AND MASTER SIGNATURE  
AUTHORIZATION AGREEMENT (ADDITIONAL SIGNERS)**

Public Unit Name: Victor Valley Wastewater Reclamation Authority

Specimen signatures of each of the authorized persons are as follows:

Authorized Signers(s):	Signature(s):
Name: Fred Scott Nassif Title: Commissioner - Town of Apple Valley	
Name: Robert Lovingood Title: Commissioner-San Bernardino County Special District	
Name: Larry Bird Title: Commissioner - City of Hesperia	
Name: James Cox Title: Commissioner - City of Victorville	
Name: Title:	

Date: 12/19/2019



**GOVERNMENT BANKING  
PUBLIC UNIT SPECIAL INSTRUCTIONS ADDENDUM**

Public Unit Name: Victor Valley Wastewater Reclamation Authority Date: 12/19/2019

This Public Unit Special Signature Instructions Addendum ("Addendum") amends or supplements The Public Unit Resolution and Master Signature Authorization Agreement ("Agreement") executed by the Public Unit and delivered to Flagstar Bank, FSB ("Flagstar"). Where there is a conflict between the Addendum and the Agreement, the Addendum controls. Except as amended by this Addendum, the Agreement remains as is without change.

The undersigned Authorized Signer certifies that the following is a true and correct representation of the intention of the governing body of the above-named Public Unit, as reflected in resolutions adopted by the governing body of the Public Unit at a legally convened meeting.

The undersigned understands that Flagstar Bank, FSB may not be able to accommodate certain of the special instructions set forth in this Addendum. Flagstar must acknowledge and agree to this Addendum, and it reserves the right to disregard any special instructions set forth herein at any time without notice.

Special instructions:

Chieko Keagy, Controller and Darron Poulsen, General Manager have full banking access as outlined in the Master Authorization Section 3.

The individuals listed below are authorized to sign checks only and all other authorities listed in Section 3 of the Master Authorization are not permitted.

James Cox, Commissioner - City of Victorville  
Larry Bird, Commissioner - City of Hesperia  
Robert Lovingood, Commissioner - San Bernardino County Special Districts Department  
Fred Scott Nassif, Commissioner - Town of Apple Valley  
Robert Coromina, Director of Administration  
Bradley Adams, Plant Superintendent

Authorized Signer - Printed Name: \_\_\_\_\_

Authorized Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Acknowledged and agreed:

Flagstar Authorized Signer - Printed Name : \_\_\_\_\_

Flagstar Authorized Signer Title: \_\_\_\_\_

Flagstar Authorized Signature: \_\_\_\_\_

Date: \_\_\_\_\_



# EXHIBIT B

**RESOLUTION NO. 2019-16**

**RESOLUTION OF THE BOARD OF COMMISSIONERS OF  
THE VICTOR VALLEY WASTEWATER RECLAMATION  
AUTHORITY, STATE OF CALIFORNIA, RE AUTHORITY  
TO SIGN CHECKS, WARRANTS AND APPROVE  
INVOICES**

**WHEREAS**, in its ordinary course of business, the Victor Valley Wastewater Reclamation Authority (“VWVRA”) is required to review, approve and pay invoices and other financial obligations,

**WHEREAS**, pursuant to VWVRA’s Procurement Policy, VWVRA’s General Manager and authorized employees are to review and approve invoices and sign checks up to a certain amount;

**WHEREAS**, Desert Community Bank, a branch of Flagstar Bank, has requested that, in order to honor VWVRA’s checks, VWVRA enact a resolution specifically identifying those individuals at VWVRA authorized to sign checks;

**NOW, THEREFORE**, the Board of Commissioners of Victor Valley Wastewater Reclamation Authority hereby resolves:

Section 1. The above recitals are true and correct.

Section 2. The Board of Commissioners of VWVRA approves the following responsibilities and authority:

- A. The General Manager, whether interim or permanent, or his or her designee or substitute under VWVRA’s procurement policies and procedures can approve invoices up to \$30,000 (thirty thousand dollars); with prior notification to the Board of Commissioners
- B. The signers of checks are the following individuals pursuant to VWVRA Procurement Policy:

Scott Nassif, Commissioner – Town of Apple Valley

Robert Lovingood, Commissioner – San Bernardino County  
Special Districts

Larry Bird, Commissioner – City of Hesperia

James Cox, Commissioner – City of Victorville

Darron Poulsen, General Manager

Robert Coromina, Director of Administration,

Chieko Keagy, Controller

Brad Adams, Plant Superintendent

Section 3. Nothing in this resolution shall be interpreted to modify VVWRA’s Procurement Policy or procedures.

Section 4. This Resolution shall become effective on the date of its approval and adoption.

**APPROVED AND ADOPTED** this 19 day of December, 2019

\_\_\_\_\_  
Scott Nassif , Chair  
VVWRA Board of Commissioners

**ATTEST:**

**APPROVED AS TO FORM:**

\_\_\_\_\_  
Larry Bird, Secretary  
VVWRA Board of Commissioners

\_\_\_\_\_  
Piero C. Dallarda, a Partner of  
Best Best & Krieger LLP  
Counsel, VVWRA

**CERTIFICATION:**

I do hereby certify that the foregoing is a full, true, and correct copy of a resolution duly and regularly adopted at a meeting of the Board of Commissioners held on December 19, 2019.

\_\_\_\_\_  
Kristi Casteel – Clerk of the Board



**VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY  
Board of Commissioners Staff Report**

**TO:** VVWRA Board of Commissioners  
**FROM:** Darron Poulsen, General Manager *DRP*  
**SUBMITTED BY:** Chieko Keagy, Controller *ck*  
**DATE:** December 19, 2019  
**SUBJECT:** Adoption of Resolution 2019-17 to Receive and File the Comprehensive Annual Financial Report for the Years Ended June 30, 2019 and 2018

---

<input checked="" type="checkbox"/>	<b>For Action</b>	<input type="checkbox"/>	<b>Fiscal Impact\$</b>	<b>NONE</b>
<input type="checkbox"/>	<b>Information Only</b>	<input type="checkbox"/>	<b>Account Code:</b>	
		<input type="checkbox"/>	<b>Funds Budgeted/ Approved:</b>	

---

**STAFF RECOMMENDATION**

It is recommended that the Board of Commissioners adopt Resolution 2019-17, A Resolution of the Board of Commissioners of the Victor Valley Wastewater Reclamation Authority to receive and file the Comprehensive Annual Financial Report (CAFR) for the years ended June 30, 2019 and 2018.

**PREVIOUS ACTION(S)**

None

**BACKGROUND INFORMATION**

On December 3 VVWRA staff met with the Internal Finance Committee to perform the audit exit conference. Fedak and Brown, CPAs discussed with Commissioners Nassif and Lovingood, who was on the phone, the financial statements and asked the pertinent exit questions. Staff provided copies of the CAFR following the committee meeting to the Commissioners and asked them to perform a review of the CAFR for the years ended June 30, 2019 and 2018. The committee's consensus was that the VVWRA Board receive and file the Comprehensive Annual Financial Report as submitted.

The contract for our current auditor, Fedak and Brown, CPA's, is in the last year of a two-year contract. The staff will make a recommendation by February 2020 on moving forward with an extension of the current contract or if the Authority will seek a new contract arrangement.

**Attachment:**

**Exhibit A – Resolution 2019-17 with CAFR for the years ended June 30, 2019 and 2018**

# EXHIBIT A

**RESOLUTION NO. 2019-17****A RESOLUTION OF THE BOARD OF COMMISSIONERS OF THE VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY TO RECEIVE AND FILE A SINGLE AUDIT REPORT FOR FISCAL YEAR ENDED JUNE 30, 2019**

**WHEREAS**, the Victor Valley Wastewater Reclamation Authority (“Authority”) directed Charles Z. Fedak CPA, an independent auditing consultant, to prepare and submit to the Board of Commissioners (“Commission”) a single audit detailing the revenues, expenditures, and appropriations that occurred during the fiscal year period July 1, 2018 through June 30, 2019, hereinafter Fiscal Year Ended June 30, 2019 (“Single Audit”), and;

**WHEREAS**, the Internal Financial Advisory Committee reviewed the single audit report prepared by the independent auditing consultant, and;

**WHEREAS**, the independent auditing consultant has now completed the single audit, which has been duly reviewed by staff and legal counsel, with respect to the listed revenues, expenditures, projects, programs, and assets.

**NOW, THEREFORE, THE BOARD OF COMMISSIONERS OF THE VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY DOES HEREBY RESOLVE AS FOLLOWS:**

**Section 1.** The Single Audit for Fiscal Year Ended June 30, 2019 for the Victor Valley Wastewater Reclamation Authority, a copy of which is attached hereto as Exhibit “A”, is hereby received and filed.

**Section 2.** Within fifteen (15) days after the adoption of this resolution, the General Manager shall cause a copy of this resolution and the attached Single Audit report to be delivered to every member entity of the VVWRA, to the Controller for the State of California, and to the State Water Resources Control Board.

**ADOPTED** this 19<sup>th</sup> day of December 2019.

\_\_\_\_\_  
Scott Nassif, Chair  
VVWRA Board of Commissioners

**ATTEST:**

**APPROVED AS TO FORM:**

\_\_\_\_\_  
Larry Bird, Secretary  
VVWRA Board of Commissioners

\_\_\_\_\_  
Piero Dallarda, a Partner of  
Best Best & Krieger LLP  
General Counsel, VVWRA

**CERTIFICATION:**

I do hereby certify that the foregoing is a full, true, and correct copy of a resolution duly and regularly adopted at a meeting of the Board of Commissioners held on December 19, 2019.

---

Kristi Casteel – Clerk of the Board

# EXHIBIT A

Resolution 2019-17



# Victor Valley Wastewater Reclamation Authority

Annual Financial Report  
For the Fiscal Years Ended June 30, 2019 and 2018



A high-speed photograph of a water splash, showing intricate patterns of droplets and liquid movement against a white background. The splash is centered and fills most of the page's content area.

**Prepared by:  
The Victor Valley Wastewater Reclamation Authority  
Finance Department**

**Victor Valley Wastewater Reclamation Authority  
Annual Financial Report  
For the Fiscal Years Ended June 30, 2019**

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**Victor Valley Wastewater Reclamation Authority  
Annual Financial Report  
For the Fiscal Years Ended June 30, 2019**

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A high-speed photograph of a water splash, showing intricate patterns of droplets and liquid movement against a white background. The splash is centered and fills most of the middle section of the page.

# **Introduction Section**



**Victor Valley Wastewater Reclamation Authority**  
*A Joint Powers Authority and Public Agency of the State of California*

20111 Shay Rd. Victorville, CA 92394  
 Telephone: (760) 246-8638  
 Fax: (760) 246-2898

December 19, 2019

To the Board of Commissioners and Member Agencies,

It is our pleasure to present the Victor Valley Wastewater Reclamation Authority's (the Authority) Comprehensive Annual Financial Report for the year ended June 30, 2019.

The report was prepared by the Authority's Finance Department following guidelines recommended by the Governmental Accounting Standards Board and generally accepted accounting principles (GAAP). Responsibility for the accuracy of the data presented, completeness and fairness of the presentation, including disclosures, rests with the Authority. We believe the data, as presented, is accurate in all material respects and that it is presented in a manner to provide a fair representation of the financial position and results of operations of the Authority. We believe all disclosures are necessary to enhance your understanding of the financial condition of the Authority.

The Authority's financial statements were audited by Fedak & Brown LLP, a firm of licensed Certified Public Accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the Authority for the year ended June 30, 2019 are free from material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The auditors concluded, based on the audit, that there was a reasonable basis for rendering an unmodified opinion that the Authority's financial statements for the year ended June 30, 2019 are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section on this report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). The letter of transmittal is to complement the MD&A and should be read in conjunction with the MD&A. You will see the MD&A immediately following the independent auditor's report in the financial section.

## Reporting Entity and Its Services

### *History*

The Authority was originally formed by the Mojave Water Agency to help meet the requirements of the Federal Clean Water Act and provide wastewater treatment for the growing area. The original treatment plant, with supporting pipelines and infrastructure, began operating in 1981, providing tertiary level treatment for up to 4.5 million gallons per day.

The Authority is a Joint Power public agency of the State of California. Over the years, the Authority has completed treatment plant upgrades and several capacity increases, such as construction of two water reclamation plants, one in the Town of Apple Valley and the other in the City of Hesperia. The regional and sub-regional treatment plants will treat all flow to a tertiary level as recycled water for reuse. A majority of the highly recycled water is discharged into the Mojave River Basin and a smaller amount is currently used to irrigate landscaping at the treatment plant and the nearby Victorville power plant. In order to meet strong demands reflecting the service area population expansion, the agency has funded various capital projects that you can see in the AB1600 report posted on the VVWRA website.

### *Governance*

The Joint Power is a quasi-governmental agency of the State of California. The Public Utilities Commission does not regulate this agency but rather a Board of four Commissioners governs the agency. The Board members are publicly elected for a four-year term from each Member Agency. A joint powers agreement binds the Authority's affairs between the Authority and member local government agencies consisting of the City of Victorville, City of Hesperia, Town of Apple Valley, and County of San Bernardino Special District including Service Areas No. 42 (Oro Grande) and No. 64 (Spring Valley Lake) for the purpose of construction, operation, and maintenance of sewer treatment facilities within these service areas. The General Manager is responsible for carrying out the policies and ordinances of the Board and for overseeing the day-to-day operations of the Authority.

### *Mission*

The mission of the Victor Valley Wastewater Reclamation Authority is:

- To cost-effectively provide professional and competent wastewater treatment, reclamation, recycling, and reuse.
- To maintain the environment by providing clean effluent to the community.
- To provide service to our customers, and
- To keep the public informed.

## Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when considered from the broader perspective of the specific environment within which the Authority operates. The major factors include (1) local economy, (2) flow diversion addressed by a member agency, and (3) non-payment of flow processing and connection fees.

### *Local Economy*

A significant portion of the local economy depends on affordable housing, which will entice commuters to the High Desert. Dwindling housing development has impacted new applications to connect to the sewer system that caused a drastic reduction in connection fees.

In order to invite businesses and commuters to the High Desert, various projects have been under way. Notable projects include the industrial base at the Southern California Logistics Airport (SCLA), the I-15 corridor project for the City of Hesperia and the undeveloped industrial zone, the largest in California, in the Town of Apple Valley. These projects will require wastewater treatment. Our hope is that reclaimed water provided by the Authority will play a significant role in their creation and success.

### *Flow Diversion*

The City of Victorville announced its flow diversion on January 21, 2015. The reduction of the flows has resulted in a reduction of operating and capital income. In addition, growth in the region has not met the expectations of the adopted financial plan dated February 21, 2014. The Board has adopted the user fee rate changes but has not taken action on the connection fees recommended in the most recent financial plan dated August 19, 2019.

### *Non-payment of Connection Fees*

The City of Hesperia (City) has withheld some of its payments to VVWRA for the connection fees. The City periodically pays the part of outstanding balances but there still is the outstanding balance on the audit report date.

## Major Initiatives

The Authority has started test runs of the sub-regional reclamation plants during the year ended June 30, 2019 after completion of the construction during the previous year. These sub-regionals will reduce the overall load on the collection system by creating recycled water, which is a valuable and increasingly important water resource in the service region. In addition, these sub-regionals represent the first step in leading the community, businesses and industries to sustain the regional growth. The following pictures show the two sub-regionals at completion.





*Apple Valley Sub-Regional Water Reclamation Plant*



*Hesperia Sub-Regional Water Reclamation Plant*

## Relevant Financial Policies

The Authority has formally adopted the following financial policies:

### *Reserve Policy*

The reserve policy requires the Authority have a minimum level of operating cash reserves throughout the year. That minimum level is set at a certain percentage of the approved fiscal year budget for operations and maintenance expenses. These reserves have been established to meet daily operation needs. The reserve policy guidelines enable restricted funds other than the operating fund to be set aside to address future infrastructure needs, replacement of aging facilities and to cope with unexpected emergency occurrences. These reserves are critical to the Authority's financial strength.

### *Investment Policy*

The Investment Policy establishes guidelines for the investment of available funds. The Investment Policy incorporates the Prudent Investor Standards. The primary objectives of the Authority's investment activities are, in a priority order: 1) safety, 2) liquidity, and 3) yield. The Authority's funds are invested in a variety of investments, in accordance with California government code as described in Note (2) of the Notes to the Financial Statements. The Authority minimizes interest rate risk by investing a greater portion of its funds in short term investments and minimizes credit risk by investing a majority of its funds in the highest rated investments or in diversified investment pools.

## Accounting

The Finance Department is responsible for providing financial services for the Authority, including budgeting, financial accounting, reporting, payroll, accounts receivable and payable, custody and investment of funds, billing and collection of wastewater charges and permits. The Authority accounts for its activities as an enterprise fund and prepares its financial statements on the accrual basis of accounting, under which revenues are recognized when earned and expenses are recorded when incurred. It is the intent of the Board of Commissioners to manage the Authority's operations as a business, matching revenues against the costs of providing the services.

## Internal Controls

The Authority operates within a system of internal accounting controls designed and continually reviewed by management to provide reasonable assurance that assets are adequately safeguarded and transactions are recorded in conformity with the Authority policies and procedures. The management implements and maintains the controls for which its value of the benefits exceeds the costs. Recent audits have not noted any material weaknesses in internal controls. See pages 86 and 87 for the auditor's report.

### **Budgetary Controls**

Although the Authority is not legally required to adopt and adhere to a budget, the Board of Commissioners has chosen to approve an annual budget as a management tool. The budget is developed with input from the various departments of the Authority and adopted prior to the start of each fiscal year.

### **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Victor Valley Wastewater Reclamation Authority for its comprehensive annual financial report (CAFR) for the year ended June 30, 2018. The Authority has won this prestigious award consecutively since June 30, 2010. In order to be awarded a Certificate of Achievement, a governmental agency must publish an easily readable and efficiently organized CAFR. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. The Certificate of Achievement is valid for a period of one year. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate for the year ended June 30, 2019.

Preparation of this report was accomplished by the combined efforts of the Finance Department staff. We appreciate the dedicated efforts and professionalism that our staff members bring to the Authority and thank the independent accounting firm of Fedak & Brown LLP for their effort to prepare the report. We also thank the members of the Board of Commissioners for their continued interest and support in the planning and implementation of the financial management.

Respectfully submitted,

Chieko Keagy, CPA  
Controller

**Victor Valley Wastewater Reclamation Authority  
Government Finance Officers Association Certificate of Achievement for Excellence in Financial  
Reporting  
For the Fiscal Years Ended June 30, 2018**



**Government Finance Officers Association**

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

**Presented to**

**Victor Valley**

**Wastewater Reclamation Authority**

**California**

**For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended**

**June 30, 2018**

*Christopher P. Morrill*

**Executive Director/CEO**

## Victor Valley Wastewater Reclamation Authority

### Board of Commissioners and Management

As of June 30, 2019

#### Board of Commissioners 2019

<u>Name</u>	<u>Title</u>	<u>Elected/ Appointed</u>	<u>Member Agency</u>
Robert Lovingood	Chair	Appointed	County of San Bernardino, Special Districts
Scott Nassif	Vice-Chair	Appointed	Town of Apple Valley
Jim Cox	Secretary	Appointed	City of Victorville
Larry Bird	Treasurer	Appointed	City of Hesperia

20111 Shay Road  
Victorville, California 92394  
(760) 246-8638  
www.vvwra.com



**The Mission of the  
Victor Valley Wastewater Reclamation Authority  
Is...**

To cost-effectively provide professional, competent wastewater  
treatment, reclamation, recycling, and reuse,  
To maintain the environment by providing clean effluent to the  
community,  
To provide a service to our customers, and  
To keep the public informed.

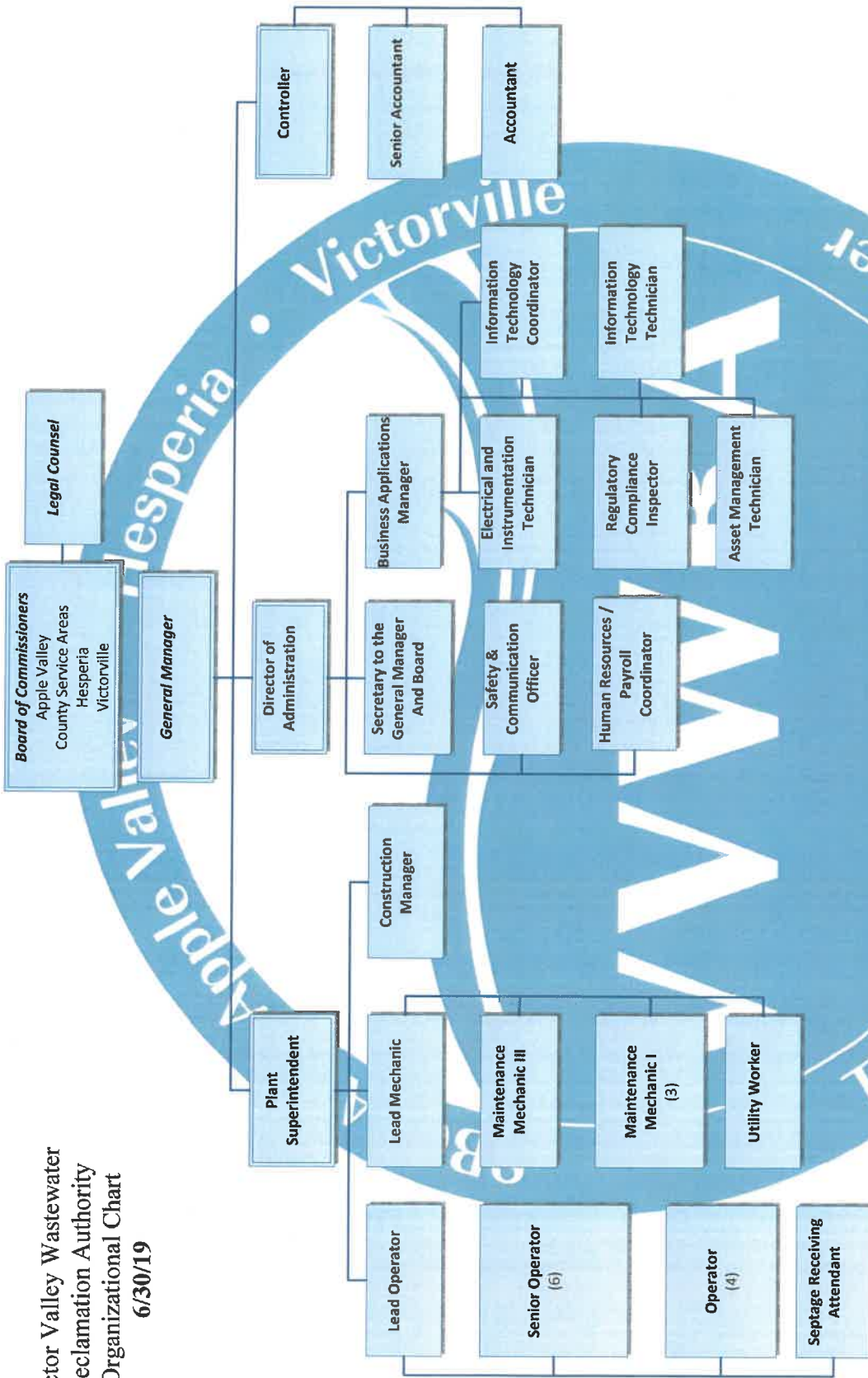
**By...**  
Selecting quality employees,  
Effectively communicating at all levels,  
Providing effective training,  
Encouraging participation in water and wastewater organizations,  
Working together as a 'TEAM', and  
Providing the budget for projects and personnel.

**Motivated by...**  
Creating and maintaining a positive work environment,  
Recognizing individual and group efforts, and  
Providing competitive pay and benefits.

**Measured by...**  
Meeting budgetary goals,  
Meeting the standards for regulatory compliance,  
The successful completion of projects,  
Employee retention, and  
A cooperative effort during emergencies.

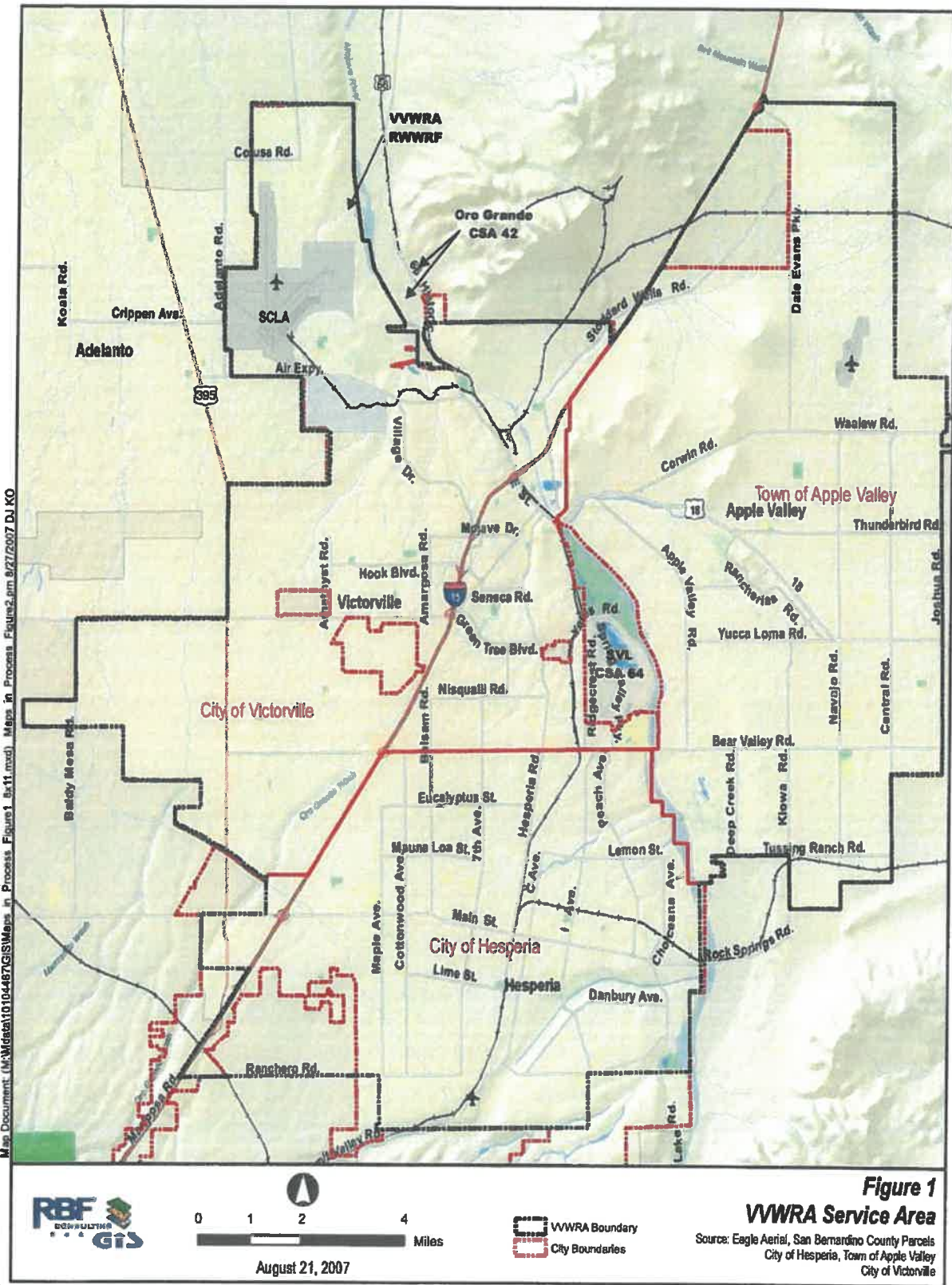


Victor Valley Wastewater  
Reclamation Authority  
Organizational Chart  
6/30/19



Victor Valley Wastewater Reclamation Authority

Service Area Map





A dynamic splash of clear water against a white background, forming a circular shape. The water droplets and ripples are captured in mid-air, creating a sense of movement and freshness. The splash is centered on the page, with the text 'Financial Section' overlaid on it.

**Financial Section**

## Independent Auditor's Report

Board of Commissioners  
Victor Valley Wastewater Reclamation Authority  
Victorville, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the Victor Valley Wastewater Reclamation Authority (Authority), which comprises the statements of net position as of June 30, 2019 and 2018, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these basic financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Independent Auditor's Report, continued

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of June 30, 2019 and 2018, and the respective changes in net position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the required supplementary information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Emphasis of Matter*

As part of our audit of the June 30, 2018, financial statements, we audited the adjustments described in note 14. An adjustment was recognized for the Authority's total other post-employment benefits liability; and has reclassified its employer other post-employment benefits contributions from expense to deferred outflows of resources and recorded a prior period adjustment to restate net position as of July 1, 2017.

### *Other Matters*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 19, 2019, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

**Fedak & Brown LLP**  
Cypress, California  
December 19, 2019

**Victor Valley Wastewater Reclamation Authority**  
*Management's Discussion and Analysis*  
**For the Fiscal Years Ended June 30, 2019 and 2018**

As management of Victor Valley Wastewater Reclamation Authority (Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal years ended June 30, 2019 and 2018. We encourage readers to consider the information presented here in conjunction with the preceding Independent Auditor's Report, the accompanying basic financial statements, and notes to the financial statements.

**Financial Highlights**

- In fiscal year 2019, the Authority's net position decreased 5.8% or \$7,392,096 to \$120,096,310; primarily due to a loss of \$10,775,863 from ongoing operations, offset by \$3,383,767 in capital contributions. In fiscal year 2018, the Authority's net position decreased 2.4% or \$3,116,490 to \$127,488,406; primarily due to loss of \$7,528,633 from ongoing operations, offset by \$5,250,106 from capital contributions, and the effect of an \$837,963 restatement to net position related to the implementation of GASB 75.
- In fiscal year 2019, the Authority's operating revenues decreased 0.3% or \$47,157 to \$14,649,380. In fiscal year 2018, the Authority's operating revenues increased 7.6% or \$1,040,906 to \$14,696,537.
- In fiscal year 2019, the Authority's operating expenses increased 7.7%, or \$854,034 to \$11,983,127. In fiscal year 2018, the Authority's operating expenses increased 2.1%, or \$224,745 to \$11,129,093.

**Required Financial Statements**

This annual report consists of a series of financial statements. The Statement of Net Position, Statements of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows provide information about the activities and performance of the Authority using accounting methods similar to those used by private sector companies.

The Statement of Net Position includes all of the Authority's investments in resources (assets) and deferred outflows of resources and the obligations to creditors (liabilities) and deferred inflows of resources. It also provides the basis for computing a rate of return, evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of the Authority's operations over the past year and can be used to determine if the Authority has successfully recovered all of its costs through its rates and other charges. This statement can also be used to evaluate profitability and credit worthiness. The final required financial statement is the Statement of Cash Flows, which provides information about the Authority's cash receipts and cash payments during the reporting period.

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

**Financial Analysis of the Authority**

One of the most important questions asked about the Authority's finances is, "Is the Authority better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the Authority in a way that helps answer this question.

**Victor Valley Wastewater Reclamation Authority**  
**Management's Discussion and Analysis**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**Financial Analysis of the Authority, continued**

These statements include all assets, deferred outflows of resources, and liabilities, deferred inflows of resources, using the *accrual basis of accounting*, which is similar to the accounting method used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the Authority's *net position* and changes in them. One can think of the Authority's net position – the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources – as one way to measure the Authority's financial health, or *financial position*. Over time, *increases or decreases* in the Authority's net position are one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, and new or changed government legislation or accounting standards, as well as changes in Federal and State water quality standards.

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

**Statements of Net Position**

	Condensed Statements of Net Position				
	2019	2018	Change	2017	Change
<b>Assets:</b>					
Current assets	\$ 18,694,803	19,845,500	(1,150,697)	24,215,150	(4,369,650)
Non-current assets	200,174	207,756	(7,582)	142,327	65,429
Capital asset, net	<u>194,207,354</u>	<u>204,028,354</u>	<u>(9,821,000)</u>	<u>204,293,272</u>	<u>(264,918)</u>
<b>Total assets</b>	<u>213,102,331</u>	<u>224,081,610</u>	<u>(10,979,279)</u>	<u>228,650,749</u>	<u>(4,569,139)</u>
<b>Deferred outflows of resources:</b>	<u>2,014,827</u>	<u>1,742,472</u>	<u>272,355</u>	<u>1,743,035</u>	<u>(563)</u>
<b>Liabilities:</b>					
Current liabilities	5,942,064	5,863,899	78,165	13,308,048	(7,444,149)
Non-current liabilities	<u>88,990,158</u>	<u>92,382,340</u>	<u>(3,392,182)</u>	<u>86,315,817</u>	<u>6,066,523</u>
<b>Total liabilities</b>	<u>94,932,222</u>	<u>98,246,239</u>	<u>(3,314,017)</u>	<u>99,623,865</u>	<u>(1,377,626)</u>
<b>Deferred inflows of resources:</b>	<u>88,626</u>	<u>89,437</u>	<u>(811)</u>	<u>165,023</u>	<u>(75,586)</u>
<b>Net position:</b>					
Net investment in capital assets	110,092,368	115,843,035	(5,750,667)	122,731,832	(6,888,797)
Restricted	5,147,861	5,285,091	(137,230)	9,004,801	(3,719,710)
Unrestricted	<u>4,856,081</u>	<u>6,360,280</u>	<u>(1,504,199)</u>	<u>(1,131,737)</u>	<u>7,492,017</u>
<b>Total net position</b>	<u>\$ 120,096,310</u>	<u>127,488,406</u>	<u>(7,392,096)</u>	<u>130,604,896</u>	<u>(3,116,490)</u>

As noted earlier, net position may serve over time as a useful indicator of an organization's financial position. The assets and deferred outflows of the Authority exceeded liabilities and deferred inflows by \$120,096,310 and \$127,488,406 as of June 30, 2019 and 2018, respectively.

By far the largest portion of the Authority's net position (92% and 91% as of June 30, 2019 and 2018, respectively) reflects the Authority's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The Authority uses these capital assets to provide services to customers within the Authority's service areas.

**Victor Valley Wastewater Reclamation Authority**  
**Management's Discussion and Analysis**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**Statements of Net Position, continued**

At the end of fiscal year 2019 and 2018, the Authority showed a balance in its unrestricted net position of \$4,856,081 and \$6,360,280. See note 13 for further discussion.

**Statements of Revenues, Expenses and Changes in Net Position**

**Condensed Statements of Revenues, Expenses and Changes in Net Position**

	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>2017</u>	<u>Change</u>
<b>Revenue:</b>					
Operating revenues	\$ 14,649,380	14,696,537	(47,157)	13,655,631	1,040,906
Non-operating revenues	281,620	67,532	214,088	78,595	(11,063)
<b>Total revenue</b>	<u>14,931,000</u>	<u>14,764,069</u>	<u>166,931</u>	<u>13,734,226</u>	<u>1,029,843</u>
<b>Expense:</b>					
Operating expenses	11,983,127	11,129,093	854,034	10,904,348	224,745
Depreciation	12,468,103	9,226,174	3,241,929	7,900,370	1,325,804
Non-operating expenses	1,255,633	1,937,435	(681,802)	1,555,468	381,967
<b>Total expense</b>	<u>25,706,863</u>	<u>22,292,702</u>	<u>3,414,161</u>	<u>20,360,186</u>	<u>1,932,516</u>
Net loss before capital contributions	<u>(10,775,863)</u>	<u>(7,528,633)</u>	<u>(3,247,230)</u>	<u>(6,625,960)</u>	<u>(902,673)</u>
<b>Capital contributions:</b>					
Capital grants	294,907	2,367,867	(2,072,960)	6,767,557	(4,399,690)
Connection fees	3,088,860	2,882,239	206,621	2,951,667	(69,428)
<b>Total capital contributions</b>	<u>3,383,767</u>	<u>5,250,106</u>	<u>(1,866,339)</u>	<u>9,719,224</u>	<u>(4,469,118)</u>
<b>Changes in net position</b>	<u>(7,392,096)</u>	<u>(2,278,527)</u>	<u>(5,113,569)</u>	<u>3,093,264</u>	<u>(5,371,791)</u>
<b>Net position, beginning of year</b> – as restated – (note 14)	<u>127,488,406</u>	<u>129,766,933</u>	<u>(2,278,527)</u>	<u>119,824,954</u>	<u>2,255,301</u>
<b>Net position, end of year</b>	<u>\$ 120,096,310</u>	<u>127,488,406</u>	<u>(7,392,096)</u>	<u>130,604,896</u>	<u>(3,116,490)</u>

The statement of revenues, expenses and changes in net position shows how the Authority's net position changed during the fiscal year. The Authority's net position decreased 5.8% or \$7,392,096 to \$120,096,310 in fiscal year 2019, due to a loss of \$10,775,863 from ongoing operations, offset by \$3,383,767 in capital contributions. In 2018, the Authority's net position decreased 2.4% or \$3,116,490 to \$127,488,406 in fiscal year 2018, due to a loss of \$7,528,633 from ongoing operations, offset by \$5,250,106 in capital contributions, and the effect of an \$837,963 restatement to net position related to the implementation of GASB 75.

The Authority's revenues (before capital contributions) increased 1.1% or \$166,931 in fiscal year 2019, due primarily to an increase of \$214,088 in non-operating revenues, offset by a decrease of \$47,157 in operating revenue. In 2018, the Authority's revenues (before capital contributions) increased 7.5% or \$1,029,843, due primarily to an increase of \$1,040,906 in operating revenues, offset by a decrease of \$11,063 in non-operating revenue.

The Authority's total expenses increased 15.3% or \$3,414,161 in fiscal year 2019, due primarily to increases of \$3,241,929 in depreciation expense, \$854,034 in operating expenses, which were offset by a decrease of \$681,802 in non-operating expenses. In 2018, the Authority's total expenses increased 9.5% or \$1,932,516, due primarily to increases of \$1,325,804 in depreciation expense, \$224,745 in operating expenses, and \$381,967 in non-operating expenses.

**Victor Valley Wastewater Reclamation Authority**  
**Management's Discussion and Analysis**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**Revenues**

	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>2017</u>	<u>Change</u>
<b>Operating revenues:</b>					
Wastewater service charges	\$ 13,706,977	13,711,083	(4,106)	12,719,827	991,256
Septage receiving facility fees	614,617	621,154	(6,537)	649,362	(28,208)
ADM-FOG tipping fees	274,186	311,600	(37,414)	234,160	77,440
Pretreatment permit fees	53,600	52,700	900	52,282	418
<b>Total operating revenues</b>	<u>14,649,380</u>	<u>14,696,537</u>	<u>(47,157)</u>	<u>13,655,631</u>	<u>1,040,906</u>
<b>Non-operating revenue:</b>					
Investment earnings	281,620	65,808	215,812	37,886	27,922
Other revenues	-	1,724	(1,724)	40,709	(38,985)
<b>Total non-operating revenue</b>	<u>281,620</u>	<u>67,532</u>	<u>214,088</u>	<u>78,595</u>	<u>(11,063)</u>
<b>Capital contributions:</b>					
Capital grants	294,907	2,367,867	(2,072,960)	6,767,557	(4,399,690)
Connection fees	3,088,860	2,882,239	206,621	2,951,667	(69,428)
<b>Total capital contributions</b>	<u>3,383,767</u>	<u>5,250,106</u>	<u>(1,866,339)</u>	<u>9,719,224</u>	<u>(4,469,118)</u>
<b>Total revenues</b>	<u>\$ 18,314,767</u>	<u>20,014,175</u>	<u>(1,699,408)</u>	<u>23,453,450</u>	<u>(3,439,275)</u>

A closer examination of the Authority's revenues reveals that:

In 2019, the Authority's revenues (including capital contributions) decreased by 8.5% or \$1,699,408 to \$18,314,767. The Authority's operating revenues decreased 0.3% or \$47,157 to \$14,649,380, due to decreases of \$37,414 in ADM-FOG tipping fees, \$6,537 in septage receiving facility fees, \$4,106 in wastewater service charges.

In 2019, the Authority's non-operating revenues increased 317.0%, or \$214,088 to \$281,620, due to an increase of \$215,812 in investment earnings, offset by a decrease of \$1,724 in other revenues.

In 2019, the Authority's capital contributions decreased 35.5% or \$1,866,339 to \$3,383,767, due to a decrease of \$2,072,960 in capital grants, offset by an increase of \$206,621 in connection fees.

In 2018, the Authority's revenues (including capital contributions) decreased by 14.7% or \$3,439,275 to \$20,014,175. The Authority's operating revenues increased 7.6% or \$1,040,906 to \$14,696,537, due to increases of \$991,256 in wastewater service charges, \$77,440 in ADM-FOG tipping fees, and \$418 in pretreatment permit fees, which were offset by a decrease of \$28,208 in septage receiving facility fees.

In 2018, the Authority's non-operating revenues decreased 14.1%, or \$11,063 to \$67,532, due to a decrease of \$38,985 in other revenues, offset by an increase of \$27,922 in investment earnings.

In 2018, the Authority's capital contributions decreased 46.0% or \$4,469,118 to \$5,250,106, due to a decrease of \$4,399,690 in capital grants and \$69,428 in connection fees.

**Victor Valley Wastewater Reclamation Authority**  
**Management's Discussion and Analysis**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**Expenses**

	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>2017</u>	<u>Change</u>
<b>Operating expenses:</b>					
Salaries and benefits	\$ 5,011,708	4,813,879	197,829	4,435,790	378,089
Maintenance	1,880,448	1,654,791	225,657	1,936,625	(281,834)
Operations	2,928,704	2,877,169	51,535	2,444,093	433,076
General and administration	2,162,267	1,783,254	379,013	2,087,840	(304,586)
Depreciation	12,468,103	9,226,174	3,241,929	7,900,370	1,325,804
<b>Total operating expense</b>	<u>24,451,230</u>	<u>20,355,267</u>	<u>4,095,963</u>	<u>18,804,718</u>	<u>1,550,549</u>
<b>Non-operating expenses:</b>					
Interest expense	1,183,372	1,766,631	(583,259)	540,318	1,226,313
Loss on disposal of temp. pipeline	-	-	-	784,245	(784,245)
Capital contribution to local government	71,132	170,804	(99,672)	-	170,804
Flood damage expense	-	-	-	230,905	(230,905)
Other expense	1,129	-	1,129	-	-
<b>Total non-operating expenses</b>	<u>1,255,633</u>	<u>1,937,435</u>	<u>(681,802)</u>	<u>1,555,468</u>	<u>381,967</u>
<b>Total expenses</b>	<u>\$ 25,706,863</u>	<u>22,292,702</u>	<u>3,414,161</u>	<u>20,360,186</u>	<u>1,932,516</u>

A closer examination of the Authority's expenses reveals that:

In 2019, the Authority's total expenses increased by 15.3% or \$3,414,161 to \$25,706,863. The Authority's operating expenses increased by 20.1%, or \$4,095,963, primarily due to increases of \$3,241,929 in depreciation expense, \$379,013 in general and administrative expenses, \$225,657 in maintenance expense, \$197,829 in salaries and benefits expenses, and \$51,535 in operations expenses.

In 2019, the Authority's non-operating expenses decreased 35.2%, or \$681,802 to \$1,255,633, primarily due to decreases of \$583,259 in interest expense and \$99,672 in capital contribution to local government.

In 2018, the Authority's total expenses increased by 9.5% or \$1,932,516 to \$22,292,702. The Authority's operating expenses increased by 8.2%, or \$1,550,549, primarily due to increases of \$1,325,804 in depreciation expense, \$433,076 in operations expenses, \$378,089 in salaries and benefits expenses, which were offset by decreases of \$281,834 in maintenance expense and \$304,586 in general and administrative expenses.

In 2018, the Authority's non-operating expenses increased 24.6%, or \$381,967 to \$1,937,435, primarily due to increases of \$1,226,313 in interest expense, due to the finalization of capital project related loans which were completed and began repayment, and \$170,804 in capital contribution to local government, which were offset by decreases of \$784,245 in loss upon disposal of the temporary pipeline upon completion of the permanent pipeline and \$230,905 in flood damage expense.



**Victor Valley Wastewater Reclamation Authority**  
**Management's Discussion and Analysis**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**Capital Asset Administration**

Changes in capital asset amounts for 2019 were as follows:

	<u>Balance 2018</u>	<u>Additions</u>	<u>Disposals/ Transfers</u>	<u>Balance 2019</u>
Capital assets:				
Non-depreciable assets	\$ 3,081,101	2,217,594	(1,923,265)	3,375,430
Depreciable assets	297,062,168	2,352,774	(35,546)	299,379,396
Accumulated depreciation	(96,114,915)	(12,468,103)	35,546	(108,547,472)
Total capital assets	<u>\$ 204,028,354</u>	<u>(7,897,735)</u>	<u>(1,923,265)</u>	<u>194,207,354</u>

At the end of fiscal year 2019, the Authority's investment in capital assets amounted to \$194,207,354 (net of accumulated depreciation). This investment in capital assets includes land improvements, sewer collection and pipeline system, buildings and structures, equipment, vehicles and construction in progress, etc.

In 2019, construction in progress increased by \$2,217,594, due primarily to the ongoing project construction of the Micro-grid battery storage project, the Desert Knolls Wash project, the Lab-EC-IT construction project and the Total Ignition SCADA project.

In 2019, major capital assets additions during the year, sourcing from construction in progress, included \$1,656,492 to interceptor lines, and \$266,773 to office equipment. Major additions outside of construction-in progress were \$351,499 to plant and building, \$22,207 to office equipment and \$55,802 to trucks and autos. See note 6 for more details related to capital assets.

Changes in capital asset amounts for 2018 were as follows:

	<u>Balance 2017</u>	<u>Additions</u>	<u>Disposals/ Transfers</u>	<u>Balance 2018</u>
Capital assets:				
Non-depreciable assets	\$ 83,687,800	8,217,002	(88,823,701)	3,081,101
Depreciable assets	207,563,761	89,567,955	(69,548)	297,062,168
Accumulated depreciation	(86,958,289)	(9,226,174)	69,548	(96,114,915)
Total capital assets	<u>\$ 204,293,272</u>	<u>88,558,783</u>	<u>(88,823,701)</u>	<u>204,028,354</u>

At the end of fiscal year 2018, the Authority's investment in capital assets amounted to \$204,028,354 (net of accumulated depreciation). This investment in capital assets includes land improvements, sewer collection and pipeline system, buildings and structures, equipment, vehicles and construction in progress, etc.

In 2018, construction in progress increased by \$8,217,002, due to the ongoing project construction of the sub-regional wastewater reclamation plants in Hesperia and Apple Valley, the Micro-grid battery storage project, the Nanticoke gravity interceptor project, the Desert Knolls Wash project and the Total Ignition SCADA project.

In 2018, major capital assets additions during the year, sourcing from construction in progress, included \$83,932,724 to plant and building and \$4,890,977 to interceptor pipelines. Major additions outside of construction-in progress were \$735,227 to plant and building for the purchase of a tractor and generator terminator cabinet. See note 6 for more details related to capital assets.

**Victor Valley Wastewater Reclamation Authority**  
**Management's Discussion and Analysis**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**Debt Administration**

Changes in long-term debt amounts for 2019 were as follows:

	<u>Balance 2018</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Balance 2019</u>
Long-term debt:				
Lease payable	\$ 429,152	-	(89,930)	339,222
Loans payable	<u>87,756,167</u>	-	<u>(3,980,403)</u>	<u>83,775,764</u>
Total long-term debt	<u>\$ 88,185,319</u>	<u>-</u>	<u>(4,070,333)</u>	<u>84,114,986</u>

Changes in long-term debt amounts for 2018 were as follows:

	<u>Balance 2017</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Balance 2018</u>
Long-term debt:				
Lease payable	\$ -	532,943	(103,791)	429,152
Loans payable	<u>87,756,167</u>	-	-	<u>87,756,167</u>
Total long-term debt	<u>\$ 87,756,167</u>	<u>532,943</u>	<u>(103,791)</u>	<u>88,185,319</u>

The Authority has eight State Revolving Fund loans from the State Water Resources Control Board, one Southern California Edison loan, and one lease payable. The loans are for the purpose of financing construction related costs for the 9.5 MGD Improvement Project, the 11 MGD Expansion Project, the North Apple Valley Interceptor, the Phase III-A Facility, the Subregional Wastewater Reclamation Plants in Hesperia, and Apple Valley, the Upper Narrows Pipeline Replacement Project, the Nanticoke Gravity Interceptor Project. The Authority has one lease which is for the financing of a Brown Bear tractor for use in day-to-day operations. These low interest loans and lease are payable in 6 to 30 annual payments maturing in fiscal years 2020 through 2047. Additional information regarding long-term debt is located in notes 9 & 10 of the Notes to Financial Statements.

**Conditions Affecting Current Financial Position**

The Authority is continuing to work closely with the four Member Agencies to complete a long-term financial plan which includes the Capital Improvement Plan and the associated funding. The financial plan includes debt financing as an element to upgrade the facilities that will benefit the residents of the communities served, thus allowing the Authority to continue its mission to maintain the environment and provide professional, competent wastewater treatment, reclamation, recycling, and reuse.

On January 21, 2015, the City of Victorville announced a flow diversion which has adversely affected the Authority. The flow diversion has resulted in a reduction of operating and capital income. In addition, growth in the region has not met the expectations of the adopted financial plan dated February 20, 2014, negatively affecting connection fees and capital income.

At June 30, 2019, Management is unaware of any other conditions, beyond the aforementioned, which could have a significant impact on the Authority's current financial position, net position or operating results based on past, present and future events.

**Victor Valley Wastewater Reclamation Authority**  
*Management's Discussion and Analysis*  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**Requests for Information**

This financial report is designed to provide the Authority's funding sources, customers, stakeholders and other interested parties with an overview of the Authority's financial operations and financial condition. Questions concerning any of the information provided in the report or requests for additional information should be addressed to the Authority's Finance Department at 20111 Shay Road, Victorville, California 92394.

# **Basic Financial Statements**

**Victor Valley Wastewater Reclamation Authority**  
**Statements of Net Position**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
<b>Current assets:</b>		
Cash and equivalents (note 2)	\$ 6,234,588	4,082,087
Restricted – cash and equivalents (note 2)	5,147,861	5,285,091
Interest receivable	17,464	7,311
Accounts receivable, net	176,137	186,800
Accounts receivable – due from member agencies (note 3)	2,630,915	5,259,325
Accounts receivable – other (note 4)	8,061	9,131
Accounts receivable – loan (note 10)	-	82,946
Accounts receivable – grants	4,231,352	4,718,438
Notes receivable, net (note 5)	9,636	9,562
Materials and supplies inventory	85,674	83,104
Prepaid expenses and other deposits	153,115	121,705
Total current assets	18,694,803	19,845,500
<b>Non-current assets:</b>		
Notes receivable, net (note 5)	200,174	207,756
Capital assets not being depreciated (note 6)	3,375,430	3,081,101
Capital assets being depreciated, net (note 6)	190,831,924	200,947,253
Total non-current assets	194,407,528	204,236,110
<b>Total assets</b>	<b>213,102,331</b>	<b>224,081,610</b>
<b>Deferred outflows of resources:</b>		
Other post-employment benefits related outflows (note 11)	751,459	-
Pension related outflows (note 12)	1,263,368	1,742,472
Total deferred outflows of resources:	\$ 2,014,827	1,742,472

**Continued on next page**

See accompanying notes to the basic financial statements

**Victor Valley Wastewater Reclamation Authority**  
**Statements of Net Position, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 1,268,195	1,279,448
Construction retention payable	49,800	-
Accrued wages and related payables	158,930	160,234
Accrued interest on long-term debt	261,723	275,043
Long-term liabilities – due within one year:		
Compensated absences (note 7)	65,509	72,005
Other payables (note 8)	6,852	6,852
Lease payable (note 9)	92,834	89,930
Loans payable (note 10)	4,038,221	3,980,387
<b>Total current liabilities</b>	<u>5,942,064</u>	<u>5,863,899</u>
<b>Non-current liabilities:</b>		
Long-term liabilities – due in more than one year:		
Compensated absences (note 7)	196,526	216,014
Other payables (note 8)	8,530	15,382
Lease payable (note 9)	246,388	339,222
Loans payable (note 10)	79,737,543	83,775,780
Total other post-employment benefits liability (note 11)	3,159,843	2,285,368
Net pension liability (note 12)	5,641,328	5,750,574
<b>Total non-current liabilities:</b>	<u>88,990,158</u>	<u>92,382,340</u>
<b>Total liabilities</b>	<u>94,932,222</u>	<u>98,246,239</u>
<b>Deferred inflows of resources:</b>		
Pension related inflows (note 12)	88,626	89,437
<b>Total deferred inflows of resources:</b>	<u>88,626</u>	<u>89,437</u>
<b>Net position: (note 13)</b>		
Net investment in capital assets	110,092,368	115,843,035
Restricted for debt service	5,147,861	5,285,091
Unrestricted	4,856,081	6,360,280
<b>Total net position</b>	<u>\$ 120,096,310</u>	<u>127,488,406</u>

See accompanying notes to the basic financial statements

**Victor Valley Wastewater Reclamation Authority**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>Operating revenues:</b>		
Wastewater service charges	\$ 13,706,977	13,711,083
Septage receiving facility fees	614,617	621,154
ADM-FOG tipping fees	274,186	311,600
Pretreatment permit fees	<u>53,600</u>	<u>52,700</u>
<b>Total operating revenues</b>	<u>14,649,380</u>	<u>14,696,537</u>
<b>Operating expenses:</b>		
Salaries and benefits	5,011,708	4,813,879
Maintenance	1,880,448	1,654,791
Operations	2,928,704	2,877,169
General and administration	<u>2,162,267</u>	<u>1,783,254</u>
<b>Total operating expense</b>	<u>11,983,127</u>	<u>11,129,093</u>
Operating income before depreciation expense	2,666,253	3,567,444
Depreciation	<u>(12,468,103)</u>	<u>(9,226,174)</u>
<b>Operating loss</b>	<u>(9,801,850)</u>	<u>(5,658,730)</u>
<b>Non-operating revenue (expense):</b>		
Investment earnings	281,620	65,808
Interest expense	(1,183,372)	(1,766,631)
Other, net	(1,129)	1,724
Capital contribution to local government	<u>(71,132)</u>	<u>(170,804)</u>
<b>Total non-operating expense, net</b>	<u>(974,013)</u>	<u>(1,869,903)</u>
<b>Net loss before capital contributions</b>	<u>(10,775,863)</u>	<u>(7,528,633)</u>
<b>Capital contributions:</b>		
Capital grants – Title 16	-	16,994
Capital grants – State of California	-	916,729
Capital grants – Water Recycling Grant	-	442,399
Capital grants – Other agency	294,907	991,745
Connection fees	<u>3,088,860</u>	<u>2,882,239</u>
<b>Total contributed capital</b>	<u>3,383,767</u>	<u>5,250,106</u>
<b>Change in net position</b>	<u>(7,392,096)</u>	<u>(2,278,527)</u>
<b>Net position, beginning of year – as restated</b>	<u>127,488,406</u>	<u>130,604,896</u>
<b>Prior period adjustment (note 14)</b>	<u>-</u>	<u>(837,963)</u>
<b>Net position, beginning of year – as restated (note 14)</b>	<u>127,488,406</u>	<u>129,766,933</u>
<b>Net position, end of year</b>	<u>\$ 120,096,310</u>	<u>127,488,406</u>

See accompanying notes to the basic financial statements

**Victor Valley Wastewater Reclamation Authority**  
**Statements of Cash Flows**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>Cash flows from operating activities:</b>		
Cash receipts from customers	\$ 14,661,113	14,688,448
Cash paid to employees for salaries and wages	(5,010,404)	(4,796,725)
Cash paid to vendors and suppliers for materials and services	<u>(3,944,954)</u>	<u>(17,612,059)</u>
Net cash provided by (used in) operating activities	<u>5,705,755</u>	<u>(7,720,336)</u>
<b>Cash flows from capital and related financing activities:</b>		
Acquisition and construction of capital assets	(2,093,734)	(9,806,930)
Proceeds from connection fees	3,088,860	2,882,239
Proceeds from grant funding	223,775	2,516,556
Proceeds from capital lease	-	532,943
Proceeds from loans	82,946	11,364,606
Principal paid for capital lease	(89,930)	(103,791)
Principal paid for long-term debt	(3,987,255)	(2,097,313)
Interest paid for long-term debt	<u>(1,196,692)</u>	<u>(1,566,970)</u>
Net cash (used in) provided by capital and related financing activities	<u>(3,972,030)</u>	<u>3,721,340</u>
<b>Cash flows from investing activities:</b>		
Investment earnings	<u>281,546</u>	<u>73,319</u>
Net cash provided by investing activities	<u>281,546</u>	<u>73,319</u>
Net increase (decrease) in cash and cash equivalents	<u>2,015,271</u>	<u>(3,925,677)</u>
<b>Cash and cash equivalents, beginning of year</b>	<u>9,367,178</u>	<u>13,292,855</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 11,382,449</u>	<u>9,367,178</u>
 Reconciliation of cash and cash equivalents to the statements of net position:		
Cash and cash equivalents	\$ 6,234,588	4,082,087
Restricted cash and cash equivalents	<u>5,147,861</u>	<u>5,285,091</u>
Total cash and cash equivalents	<u>\$ 11,382,449</u>	<u>9,367,178</u>

**Continued on next page**

See accompanying notes to the basic financial statements



**Victor Valley Wastewater Reclamation Authority**  
**Statements of Cash Flows, continued**  
**For the Fiscal Year Ended June 30, 2018**

	<u>2019</u>	<u>2018</u>
<b>Reconciliation of operating income to net cash provided by (used in) operating activities:</b>		
Operating loss	\$ <u>(9,801,850)</u>	<u>(5,658,730)</u>
<b>Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:</b>		
Depreciation	12,468,103	9,226,174
Other non-operating revenues	-	1,724
Other non-operating expenses	(72,261)	(170,804)
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:		
(Increase) decrease in assets:		
Accounts receivable	10,663	(10,909)
Accounts receivable – due from member agencies	2,628,410	(2,774,972)
Accounts receivable – other	1,070	2,820
Note receivable, net	7,508	(69,138)
Materials and supplies inventory	(2,570)	3,411
Prepaid expenses and other deposits	(31,410)	6,277
Increase in deferred outflows of resources	(272,355)	563
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(11,253)	(3,458,698)
Construction retention payable	49,800	(6,378,023)
Accrued wages and related payables	(1,304)	17,154
Compensated absences	(25,984)	19,976
Other payables	(6,852)	(6,852)
Total other post-employment benefits liability	874,475	866,327
Net pension liability	(109,246)	738,950
Decrease in deferred inflows of resources	<u>811</u>	<u>(75,586)</u>
Total adjustments	<u>15,507,605</u>	<u>(2,061,606)</u>
Net cash provided by (used in) operating activities	\$ <u>5,705,755</u>	<u>(7,720,336)</u>
<b>Non-cash investing, capital and financing transactions:</b>		
Change in fair value of funds deposited with LAIF	\$ <u>4,866</u>	<u>7,311</u>
Change in capital contributions – grants	\$ <u>487,086</u>	<u>148,689</u>

See accompanying notes to the basic financial statements

**Victor Valley Wastewater Reclamation Authority**  
**Notes to the Financial Statements**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**(1) Reporting Entity and Summary of Significant Accounting Policies**

**A. Organization and Operations of the Reporting Entity**

The Victor Valley Wastewater Reclamation Authority (the Authority) was formed on December 13, 1977, under a joint powers agreement between local governments and special district consisting of the City of Victorville, the City of Hesperia, the Town of Apple Valley, and the County of San Bernardino Service Areas No. 42 (Oro Grande) and No. 64 (Spring Valley Lake) for the purpose of construction, operation, and maintenance of sewer collection, and treatment facilities within the service areas. The Authority is governed by a four-member Board of Commissioners.

**B. Basis of Accounting and Measurement Focus**

The Authority reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the Authority is that the costs of providing wastewater services, collection and treatment for its service areas on a continuing basis be financed or recovered primarily through user charges (sewer service charges), capital grants and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Operating revenues and expenses, such as sewer service charges, result from exchange transactions associated with the principal activity of the Authority. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses.

**C. Financial Reporting**

The financial statements of the Authority are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) issued by the Governmental Accounting Standards Board (GASB) applicable to governmental entities that use proprietary fund accounting including:

The Authority has adopted the following GASB pronouncements in the current year:

*Governmental Accounting Standards Board Statement No. 83*

In November 2016, the GASB issued Statement No. 83 – Certain Asset Retirement Obligations. This Statement (1) addresses accounting and financial reporting for certain asset retirement obligations (AROs), (2) establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs, (3) requires that recognition occur when the liability is both incurred and reasonably estimable, (4) requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred, (5) requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually, and (6) requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

*Governmental Accounting Standards Board Statement No. 88*

In April 2018, the GASB issued Statement No. 88 – Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

**Victor Valley Wastewater Reclamation Authority**  
**Notes to the Financial Statements**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**C. Financial Reporting, continued**

*Governmental Accounting Standards Board Statement No. 88, continued*

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position**

**1. Use of Estimates**

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

**2. Cash and Cash Equivalents**

Substantially all of the Authority's cash is invested in interest bearing accounts. The Authority considers all highly liquid investments with a maturity of three months or less at the date of purchase to be cash equivalents.

**3. Investments and Investment Policy**

The Authority has adopted an investment policy directing the General Manager and Controller to deposit funds in financial institutions.

Changes in fair value that occur during a fiscal year are recognized as unrealized gains or losses and reported for that fiscal year. Investment income comprises interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

**4. Fair Value Measurements**

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset, as follows:

- **Level 1** – Valuation is based on quoted prices in active markets for identical assets.
- **Level 2** – Valuation is based on directly observable and indirectly observable inputs. These inputs are derived principally from or corroborated by observable market data through correlation or market-corroborated inputs. The concept of market-corroborated inputs incorporates observable market data such as interest rates and yield curves that are observable at commonly quoted intervals.

**Victor Valley Wastewater Reclamation Authority**  
**Notes to the Financial Statements**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued**

**4. Fair Value Measurements, continued**

- **Level 3** – Valuation is based on unobservable inputs where assumptions are made based on factors such as prepayment rates, probability of defaults, loss severity and other assumptions that are internally generated and cannot be observed in the market.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques attempt to maximize the use of observable inputs and minimize the use of unobservable inputs.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Authority believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurement at the reporting date.

**5. Restricted Assets**

Amounts shown as restricted assets are to be used for specified purposes, such as payments of state revolving fund debts and the construction of capital assets. Such assets have been restricted by loan agreement provisions, law or contractual obligations.

**6. Accounts Receivable and Allowance for Uncollectible Accounts**

The Authority extends credit to customers in the normal course of operations. When management deems customer accounts uncollectible, the Authority uses the indirect write-off method as accounts become uncollectable.

**7. Federal Capital and Operating Grants**

When a grant agreement is approved and eligible expenditures are incurred, the amount is recorded as a federal capital or operating grant receivable on the statement of net position and as capital grant contribution or operating grant revenue, as appropriate, on the statement of revenues, expenses and changes in net position.

**8. Materials and Supplies Inventory**

Material and supply inventory are valued at historical cost and accounted for on a specific identification basis.

**9. Prepaids and other deposits**

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

**10. Capital Assets**

Capital assets acquired and/or constructed are capitalized at a historical cost. Authority policy has set the capitalization threshold for reporting capital assets at \$5,000. Contributed capital assets are recorded at acquisition value. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized.

**Victor Valley Wastewater Reclamation Authority**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued**

**10. Capital Assets, continued**

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

- Plant, buildings and interceptor lines            20 years
- Land Improvements                                    15 years
- Equipment and vehicle                                5 to 7 years

**11. Deferred Outflows of Resources**

The statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of resources applicable to future periods and therefore will *not* be recognized as an outflow of resources (expenditure) until that time. The Authority has the following items that qualify for reporting in this category:

*Post-Employment Benefits Other Than Pensions (OPEB)*

- Deferred outflow for the net differences between the actual and expected experience which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with post-employment benefits through the Plan.
- Deferred outflow for the net changes in assumptions which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with post-employment benefits through the Plan.

*Pensions*

- Deferred outflow which is equal to the employer contributions made after the measurement date of the net pension liability. This amount will be amortized-in-full against the net pension liability in the next fiscal year.
- Deferred outflow for the net differences between the actual and expected experience which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.
- Deferred outflow for the net changes in assumptions which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.
- Deferred outflow for the net difference in projected and actual earnings on investments of the pension plans fiduciary net position. This amount is amortized over a 5 year period.

**12. Compensated Absences**

The Authority's policy is to permit an employee to accumulate earned vacation up to a total of 360 hours. An employee who has accumulated over 200 hours of unused sick leave may elect to receive the balance up to 40 hours of sick leave hours per a fiscal year. In addition, the employee may receive a cash payment for 20 or more hours of vacation during any pay period including the last full pay period in the fiscal year as long as the employee has 40 hours of vacation time remaining on the books.

**Victor Valley Wastewater Reclamation Authority**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued**

**13. Post-Employment Benefits Other Than Pensions (OPEB)**

For purposes of measuring the total OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Authority's OPEB plan (Plan) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

GASB 75 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

- Valuation Dates: June 30, 2019 and 2018
- Measurement Dates: June 30, 2019 and 2018
- Measurement Periods: July 1, 2018 to June 30, 2019 and July 1, 2017 to June 30, 2018

**14. Pensions**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority's California Public Employees' Retirement System (CalPERS) plans (Plans) and addition to/deduction from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

- Valuation Dates: June 30, 2017 and 2016
- Measurement Dates: June 30, 2018 and 2017
- Measurement Periods: July 1, 2017 to June 30, 2018 and July 1, 2016 to June 30, 2017

**15. Deferred Inflows of Resources**

The statement of net position will sometimes report a separate section for deferred inflows of resources. This financial statement element, deferred inflows of resources, represents an acquisition of resources applicable to future periods and therefore will not be recognized as an inflow of resources (revenue) until that time. The Authority has the following items that qualify for reporting in this category:

*Pensions*

- Deferred inflow for the net difference in actual and proportionate share of employer contribution and net changes in proportion which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.
- Deferred inflow for the net changes due to differences in the changes in proportions of the net pension liability which will be amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plan.

**Victor Valley Wastewater Reclamation Authority**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued**

**16. Net Position**

The financial statements utilize a net position presentation. Net position is categorized as follows:

- *Net Investment in Capital Assets Component of Net Position*— This component of net position consists of capital assets, net of accumulated depreciation, and reduced by any debt outstanding against the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt is included in this component of net position
- *Restricted Component of Net Position* – This component of net position consists of assets that have restrictions placed upon their use by external constraints imposed either by creditors (debt covenants), grantors, contributors, or laws and regulations of other governments or constraints imposed by law through enabling legislation.
- *Unrestricted Component of Net Position* – This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or restricted component of net position.

**17. Operating Revenues and Expenses**

Operating revenues and expenses represent revenue earned and the related costs incurred to provide wastewater services to the Authority's customers.

**18. Capital Contributions**

Capital contributions represent cash and capital asset additions contributed to the Authority by granting agencies or member agencies requesting services that require capital expenditures or connection to the Authority's system.

**19. Budgetary Policies**

Prior to June 30<sup>th</sup> each fiscal year, the Authority adopts an annual appropriated budget for planning, control, and evaluation purposes. The budget includes proposed expenses and the means of financing them. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period. The Board approves total budgeted appropriations and any amendments to the appropriations throughout the year. The Joint Powers Agreement requires the preparation of an annual budget, but the Authority is not legally required to report on the budget approved. Encumbrance accounting is not required to account for commitments related to unperformed contracts for construction and services.

**(2) Cash and Investments**

Cash and investments as of June 30 are classified in the accompanying financial statements as follows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 6,234,588	4,082,087
Restricted – Cash and cash equivalents	<u>5,147,861</u>	<u>5,285,091</u>
Total cash and investments	<u>\$ 11,382,449</u>	<u>9,367,178</u>

**Victor Valley Wastewater Reclamation Authority**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**(2) Cash and Investments, continued**

Cash and investments as of June 30 consist of the following:

	<u>2019</u>	<u>2018</u>
Deposits with financial institutions	\$ 2,218,620	4,720,145
Investments:		
Deposits with California Local Agency Investment Fund (LAIF)	2,847,700	1,537,864
Deposits with Cal Trust – Short Term Fund	3,120,990	3,109,169
Deposits with Cal Trust – Medium Term Fund	3,195,139	-
Total investments	<u>9,163,829</u>	<u>4,647,033</u>
Total cash and investments	\$ <u>11,382,449</u>	<u>9,367,178</u>

As of June 30, the Authority's authorized deposits had the following maturities:

	<u>2019</u>	<u>2018</u>
Deposits held with California Local Agency Investment Fund (LAIF)	173 days	193 days
Deposits held with Cal Trust – Short Term Fund	332 days	318 days
Deposits held with Cal Trust – Medium Term Fund	<u>788 days</u>	<u>-</u>

***Investments Authorized by the California Government Code and the Authority's Investment Policy***

The table below identifies the investment types that are authorized by the Authority in accordance with the California Government Code (or the Authority's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the Authority's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury obligations	5 years	None	None
Federal agency securities	5 years	None	None
Banker's acceptances	180 days	40%	30%
Negotiable certificates of deposit	5 years	30%	None
Repurchase agreements	1 year	None	None
Medium-term notes	5 years	30%	None
Mutual funds	N/A	20%	10%
San Bernardino County Local Agency:			
Investment Fund (SBCLAIF)	N/A	None	None
California Local Agency Investment Fund (LAIF)	N/A	None	None
Investment Trust of California (CalTRUST)	N/A	None	None



**Victor Valley Wastewater Reclamation Authority**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**(2) Cash and Investments, continued**

***Investment in State Investment Pool***

The Authority is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the Authority's investment in this pool is reported in the accompanying financial statements at amounts based upon the Authority's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by GASB 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. LAIF does not have any legally binding guarantees of share values. LAIF does not impose liquidity fees or redemption gates on participant withdrawals.

***Investment in Investment Trust of California***

CalTrust is organized as a Joint Powers Authority. CalTrust is a program established by public agencies in California for the purpose of pooling and investing local agency funds – operating reserves as well as bond proceeds. Any California local agency may participate in the Trust and invest its funds. Funds from all participants are pooled in each of the accounts. Participants receive units in the Trust and designated shares for the particular account in which they invest. CalTrust invests in fixed income securities eligible for investment pursuant to California Government Code Sections 53601, et seq. and 53635, et seq. Investment guidelines adopted by the Board of Trustees may further restrict the types of investments held by the Trust. Leveraging within the Trust's portfolio is prohibited.

***Custodial Credit Risk***

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Authority will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the Authority's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits:

The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. Of the bank balances, up to \$250,000 at June 30, 2019 and 2018, is federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the Authority's name, respectively.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Code and the Authority's investment policy contain legal and policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

**Victor Valley Wastewater Reclamation Authority**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**(2) Cash and Investments, continued**

***Interest Rate Risk***

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The longer the maturity of an investment has, the greater its fair value has sensitivity to changes in market interest rates. It is the policy of the Authority to invest public funds in a prudent manner which will provide in the following order: 1) the highest level of safety of funds, 2) liquidity of funds in order that daily cash flow demands are met, 3) the yield or investment return be maximized while conforming to all laws of the State of California regarding the investment of public funds. This policy provides guidelines for authorized investments and in accordance with Section 53646 of the California Government Code.

Maturities of investments at June 30, 2019, were as follows:

Investment Type	Total	Remaining Maturity (in Months)	
		12 Months Or Less	12 Months Or More
California Local Agency Investment Fund (LAIF)	\$ 2,847,700	2,847,700	-
Cal Trust – Short Term Fund	3,120,990	3,120,990	-
Cal Trust – Medium Term Fund	3,195,139	-	3,195,139
Total	\$ 9,163,829	5,968,690	3,195,139

Maturities of investments at June 30, 2018, were as follows:

Investment Type	Total	Remaining Maturity (in Months)	
		12 Months Or Less	12 Months Or More
California Local Agency Investment Fund (LAIF)	\$ 1,537,864	1,537,864	-
Cal Trust – Short Term Fund	3,109,169	3,109,169	-
Total	\$ 4,647,033	4,647,033	-

***Credit Risk***

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

**Victor Valley Wastewater Reclamation Authority**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**(2) Cash and Investments, continued**

Credit ratings of investments as of June 30, 2019, consisted of the following:

<u>Investment Types</u>	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>Rating AAA</u>	<u>Not Rated</u>
California Local Agency Investment Fund (LAIF)	\$ 2,847,700	N/A	-	2,847,700
Cal Trust – Short Term Fund	3,120,990	AAA	3,120,990	-
Cal Trust – Medium Term Fund	3,195,139	AAA	3,195,139	-
Total	<u>\$ 9,163,829</u>		<u>6,316,129</u>	<u>2,847,700</u>

Credit ratings of investments as of June 30, 2018, consisted of the following:

<u>Investment Types</u>	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>Rating AAA</u>	<u>Not Rated</u>
California Local Agency Investment Fund (LAIF)	\$ 1,537,864	N/A		1,537,864
Cal Trust – Short Term Fund	3,109,169	AAA	3,109,169	-
Total	<u>\$ 4,647,033</u>		<u>3,109,169</u>	<u>1,537,864</u>

***Concentration of Credit Risk***

The Authority's investment policy contains the maximum amount and percentage that can be invested in any one issuer as beyond that stipulated by the California Government Code. There were no investments in any one issuer that represent 5% or more of total Authority's investments at June 30, 2019 and 2018, respectively.

***Fair Value Measurements***

At June 30, 2019 and 2018, the Authority held no investments which required fair value measurement, respectively.

**Victor Valley Wastewater Reclamation Authority**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**(3) Accounts Receivable – Due from Member Agencies**

Accounts receivable – due from member agencies at June 30 were as follows:

	<u>2019</u>	<u>2018</u>
User Charge Receivable:		
City of Hesperia	\$ 411,931	2,044,387
Town of Apple Valley	374,569	373,730
City of Victorville	662,722	1,343,427
County of San Bernardino Special Districts	<u>62,425</u>	<u>61,696</u>
Total user charge receivable	<u>1,511,647</u>	<u>3,823,240</u>
Connection Fees Receivable:		
City of Hesperia	1,025,785	1,216,985
Town of Apple Valley	15,000	47,200
City of Victorville	78,483	29,400
County of San Bernardino Special Districts	<u>-</u>	<u>142,500</u>
Total connection fees receivable	<u>1,119,268</u>	<u>1,436,085</u>
Total due from member agencies	<u>\$ 2,630,915</u>	<u>5,259,325</u>

**(4) Accounts Receivable – Other**

Other receivables include amounts related to a Flexible Spending Account established by the Authority for qualified employees. Terms of the program provide that the Authority fund each participating employee's flexible spending amount at the beginning of each year. Funds are reimbursed to the Authority through payroll deductions.

Accounts receivable – other at June 30 were as follows:

	<u>2019</u>	<u>2018</u>
Flexible spending account	\$ <u>8,061</u>	<u>9,131</u>

**Victor Valley Wastewater Reclamation Authority**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**(5) Notes Receivable**

Changes in notes receivable amounts for 2019 were as follows:

	<u>Balance</u> <u>2018</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>2019</u>
Notes receivable:				
AVRWC (dba Liberty Utilities)	\$ 222,414	-	(5,853)	216,561
AVRWC (dba Liberty Utilities) – Discount	(78,034)	-	2,054	(75,980)
Subtotal AVRWC	<u>144,380</u>	<u>-</u>	<u>(3,799)</u>	<u>140,581</u>
Biogas Power Systems – Mojave LLC	72,938	-	(3,709)	69,229
<b>Total</b>	<u>217,318</u>	<u>-</u>	<u>(7,508)</u>	<u>209,810</u>
Less current	<u>(9,562)</u>			<u>(9,636)</u>
Total non-current	<u>\$ 207,756</u>			<u>200,174</u>

Changes in notes receivable amounts for 2018 were as follows:

	<u>Balance</u> <u>2017</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>2018</u>
Notes receivable:				
AVRWC (dba Liberty Utilities)	\$ 228,267	-	(5,853)	222,414
AVRWC (dba Liberty Utilities) – Discount	(80,087)	-	2,053	(78,034)
Subtotal AVRWC	<u>148,180</u>	<u>-</u>	<u>(3,800)</u>	<u>144,380</u>
Biogas Power Systems – Mojave LLC	-	75,320	(2,382)	72,938
<b>Total</b>	<u>148,180</u>	<u>75,320</u>	<u>(6,182)</u>	<u>217,318</u>
Less current	<u>(5,853)</u>			<u>(9,562)</u>
Total non-current	<u>\$ 142,327</u>			<u>207,756</u>

***Apple Valley Ranchos Water Company (AVRWC) – (dba Liberty Utilities)***

On November 10, 2015, Apple Valley Ranchos Water Company (dba Liberty Utilities) entered into a loan agreement with the Authority, for the construction of water main extension facilities in the amount of \$234,120. Terms of the agreement call for annual principal only payments in the amount of \$5,853 at a rate of zero percent commencing November 2017, maturing November 2056. The Authority is imputing interest at the rate of 2.3% per annum.

**Victor Valley Wastewater Reclamation Authority**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**(5) Notes Receivable, continued**

***Apple Valley Ranchos Water Company (AVRWC) – (dba Liberty Utilities), continued***

As of June 30, the amount receivable under the contract is as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Amortized Discount</u>	<u>Total</u>
2020	\$ 5,853	(2,053)	3,800
2021	5,853	(2,054)	3,799
2022	5,853	(2,053)	3,800
2023	5,853	(2,054)	3,799
2024	5,853	(2,053)	3,800
2025-2029	29,265	(10,267)	18,998
2030-2034	29,265	(10,268)	18,997
2035-2039	29,265	(10,267)	18,998
2040-2044	29,265	(10,268)	18,997
2045-2049	29,265	(10,267)	18,998
2050-2054	29,265	(10,268)	18,997
2055-2056	11,706	(4,108)	7,598
Total	216,561	(75,980)	140,581
Less current	(5,853)		
Less Unamortized discount	(75,980)		
Total non-current	\$ 134,728		

***Biogas Power Systems – Mojave LLC***

On October 5, 2017, Biogas Power Systems – Mojave LLC entered into a loan agreement with the Authority, for an adjustment to the cost of modifications in the First Amendment to Biogas Power Generation Service Agreement in the amount of \$75,320. Terms of the agreement call for monthly payments in the amount of \$426.73 at a rate of 1.65 percent commencing November 30, 2017, maturing November 2035.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 3,783	1,338	5,121
2021	3,859	1,262	5,121
2022	3,936	1,185	5,121
2023	4,014	1,106	5,120
2024	4,095	1,026	5,121
2025-2029	21,736	3,868	25,604
2030-2034	23,998	1,606	25,604
2035	3,808	32	3,840
Total	69,229	11,423	80,652
Less current	(3,783)		
Total non-current	\$ 65,446		

**Victor Valley Wastewater Reclamation Authority**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**(6) Capital Assets**

Changes in capital assets for 2019 were as follows:

	<u>Balance 2018</u>	<u>Additions</u>	<u>Disposals/ Transfers</u>	<u>Balance 2019</u>
Non-depreciable assets:				
Land	\$ 779,136	-	-	779,136
Construction in progress	2,301,965	2,217,594	(1,923,265)	2,596,294
Total non-depreciable assets	<u>3,081,101</u>	<u>2,217,594</u>	<u>(1,923,265)</u>	<u>3,375,430</u>
Depreciable assets:				
Land improvements	9,738,124	-	-	9,738,124
Plant and building	218,162,852	351,499	-	218,514,351
Interceptor lines	67,544,012	1,656,492	-	69,200,504
Office equipment	775,612	288,980	-	1,064,592
Trucks and autos	841,568	55,803	(35,546)	861,825
Total depreciable assets	<u>297,062,168</u>	<u>2,352,774</u>	<u>(35,546)</u>	<u>299,379,396</u>
Less accumulated depreciation:				
Land improvements	(5,289,774)	(587,409)	-	(5,877,183)
Plant and building	(72,253,201)	(9,333,104)	-	(81,586,305)
Interceptor lines	(17,097,510)	(2,453,263)	-	(19,550,773)
Office equipment	(645,254)	(80,309)	-	(725,563)
Trucks and autos	(829,176)	(14,018)	35,546	(807,648)
Total accumulated depreciation	<u>(96,114,915)</u>	<u>(12,468,103)</u>	<u>35,546</u>	<u>(108,547,472)</u>
Total depreciable assets, net	<u>200,947,253</u>	<u>(10,115,329)</u>	-	<u>190,831,924</u>
Total capital assets, net	<u>\$ 204,028,354</u>	<u>(7,897,735)</u>	<u>(1,923,265)</u>	<u>194,207,354</u>

Changes in capital assets not being depreciated consists of additions to construction in progress of \$2,217,594 related to ongoing projects. Decreases in construction in progress related to transfers of interceptor lines of \$1,656,492 and office equipment of \$266,773.

Changes in capital assets being depreciated also consists of additions outside of construction-in-progress of \$351,499 to plant and building, \$22,207 to office equipment and \$55,803 to trucks and autos and disposals of \$35,546 from trucks and autos.

**Victor Valley Wastewater Reclamation Authority**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**(6) Capital Assets, continued**

Changes in capital assets for 2018 were as follows:

	<b>Balance 2017</b>	<b>Additions</b>	<b>Disposals/ Transfers</b>	<b>Balance 2018</b>
<b>Non-depreciable assets:</b>				
Land	\$ 779,136	-	-	779,136
Construction in progress	82,908,664	8,217,002	(88,823,701)	2,301,965
<b>Total non-depreciable assets</b>	<b>83,687,800</b>	<b>8,217,002</b>	<b>(88,823,701)</b>	<b>3,081,101</b>
<b>Depreciable assets:</b>				
Land improvements	9,738,124	-	-	9,738,124
Plant and building	133,494,901	84,667,951	-	218,162,852
Interceptor lines	62,653,035	4,890,977	-	67,544,012
Office equipment	766,585	9,027	-	775,612
Trucks and autos	911,116	-	(69,548)	841,568
<b>Total depreciable assets</b>	<b>207,563,761</b>	<b>89,567,955</b>	<b>(69,548)</b>	<b>297,062,168</b>
<b>Less accumulated depreciation:</b>				
Land improvements	(4,700,468)	(589,306)	-	(5,289,774)
Plant and building	(66,057,323)	(6,195,878)	-	(72,253,201)
Interceptor lines	(14,721,147)	(2,376,363)	-	(17,097,510)
Office equipment	(589,109)	(56,145)	-	(645,254)
Trucks and autos	(890,242)	(8,482)	69,548	(829,176)
<b>Total accumulated depreciation</b>	<b>(86,958,289)</b>	<b>(9,226,174)</b>	<b>69,548</b>	<b>(96,114,915)</b>
<b>Total depreciable assets, net</b>	<b>120,605,472</b>	<b>80,341,781</b>	<b>-</b>	<b>200,947,253</b>
<b>Total capital assets, net</b>	<b>\$ 204,293,272</b>	<b>88,558,783</b>	<b>(88,823,701)</b>	<b>204,028,354</b>

Changes in capital assets not being depreciated consists of additions to construction in progress of \$8,217,002 related to ongoing projects. Decreases in construction in progress related to transfers of plant, building and equipment of \$83,932,724 and interceptor pipelines of \$4,890,977.

Changes in capital assets being depreciated consists of additions of \$84,667,951 to plant and building sourcing from construction-in-progress of \$83,932,724 and additions outside of construction-in-progress of \$735,227, \$4,890,977 to interceptor pipelines sourcing from transfers from construction in progress, and \$9,027 of additions to office equipment.



**Victor Valley Wastewater Reclamation Authority**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**(6) Capital Assets, continued****Construction In Process**

The Authority is involved in various construction projects throughout the year. Once completed, projects are capitalized and depreciated over the life of the asset.

Construction in progress at June 30 consists of the following projects:

<u>Projects</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Hesperia Wastewater Reclamation Plant	\$ 40,285,673	-	-
Apple Valley Wastewater Reclamation Plant	36,974,149	-	-
Nanticoke Gravity Interceptor	4,708,833	-	-
Desert Knolls Wash	201,637	353,845	-
Lab-EC-IT-Constr. Bldg (Butler Bldg)	277,506	277,506	280,166
Oro Grande Inteceptor Project	266,799	268,849	282,116
Micro-grid / Battery Storage Project	135,973	1,173,574	1,478,417
Digester Repairs	-	-	469,104
Total Ignition SCADA Project	-	150,000	-
Various other minor projects > \$50,000	58,094	78,191	86,491
<b>Total</b>	<b>\$ 82,908,664</b>	<b>2,301,965</b>	<b>2,596,294</b>

**(7) Compensated Absences**

The changes to compensated absences balance at June 30 were as follows:

<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>	<u>Due Within</u>	<u>Due in More</u>
<u>2018</u>	<u>2018</u>	<u>2018</u>	<u>2019</u>	<u>One Year</u>	<u>Than One Year</u>
\$ 288,019	340,916	(366,900)	262,035	65,509	196,526
<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>	<u>Due Within</u>	<u>Due in More</u>
<u>2017</u>	<u>2017</u>	<u>2017</u>	<u>2018</u>	<u>One Year</u>	<u>Than One Year</u>
\$ 268,043	335,965	(315,989)	288,019	72,005	216,014

**(8) Other Payables**

At June 30 2019, other payables are related to a legal settlement with a former employee.

Other payable future payments to maturity are as follows:

<u>Fiscal Year</u>	<u>Total</u>
2020	\$ 6,852
2021	6,852
2022	1,678
Total	15,382
Less current	(6,852)
Total non-current	\$ 8,530

**Victor Valley Wastewater Reclamation Authority**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**(9) Lease Payable**

Lease payable for 2019 was as follows:

	<u>2018</u>	<u>Additions</u>	<u>Payments</u>	<u>2019</u>
Lease payable:				
KS State Bank	\$ 429,152	-	(89,930)	339,222
Less current	(89,930)			(92,834)
Total non-current	\$ 339,222			246,388

Lease payable for 2018 was as follows:

	<u>2017</u>	<u>Additions</u>	<u>Payments</u>	<u>2018</u>
Lease payable:				
KS State Bank	\$ -	532,943	(103,791)	429,152
Less current	-			(89,930)
Total non-current	\$ -			339,222

***KS State Bank – Brown Bear Tractor***

On August 1, 2017, the Authority entered into a lease purchase option agreement with KS State Bank for the purchase acquisition of a Brown Bear Tractor in the amount of \$532,943. Terms of the agreement call for annual principal and interest payments, at the rate of 9.159%, with an expected maturity in August 2022.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 92,834	10,957	103,791
2021	95,833	7,958	103,791
2022	98,928	4,863	103,791
2023	51,627	1,668	53,295
Total	339,222	25,446	364,668
Less current	(92,834)		
Total non-current	\$ 246,388		

**Victor Valley Wastewater Reclamation Authority**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**(10) Loans Payable**

Loans payable at June 30, were as follows:

	<u>2018</u>	<u>Additions</u>	<u>Payments</u>	<u>2019</u>
State Revolving Fund Loans (SRF):				
9.5 MGD Improvements Project	\$ 510,119	-	(251,786)	258,333
11 MGD Expansion Project	2,218,127	-	(538,835)	1,679,292
North Apple Valley Interceptor	1,421,928	-	(222,603)	1,199,325
Phase III-A Facility	11,848,943	-	(707,688)	11,141,255
Upper Narrows Pipeline Replacement	3,187,941	-	(197,175)	2,990,766
Sub-Regional – Hesperia	37,758,385	-	(1,090,893)	36,667,492
Sub-Regional – Apple Valley	26,455,229	-	(764,031)	25,691,198
Nanticoke Gravity Interceptor	4,298,324	-	(189,965)	4,108,359
Southern California Edison Loans:				
So. Cal. Edison loan 2015	57,171	-	(17,427)	39,744
<b>Total</b>	<u>87,756,167</u>	<u>-</u>	<u>(3,980,403)</u>	<u>83,775,764</u>
Less current	<u>(3,980,387)</u>			<u>(4,038,221)</u>
Total non-current	<u>\$ 83,775,780</u>			<u>79,737,543</u>

Loans payable at June 30, were as follows:

	<u>2017</u>	<u>Additions</u>	<u>Payments</u>	<u>2018</u>
State Revolving Fund Loans (SRF):				
9.5 MGD improvements project	\$ 755,525	-	(245,406)	510,119
11 MGD expansion project	2,747,174	-	(529,047)	2,218,127
North Apple Valley Interceptor	1,639,102	-	(217,174)	1,421,928
Phase III-A	12,538,026	-	(689,083)	11,848,943
Upper Narrows Pipeline Replacement	3,381,439	-	(193,498)	3,187,941
Sub-Regional – Hesperia	34,102,085	3,656,300	-	37,758,385
Sub-Regional – Apple Valley	22,230,947	4,224,282	-	26,455,229
Nanticoke loan	4,083,755	411,458	(196,889)	4,298,324
Southern California Edison Loan:				
So. Cal. Edison loan 2015	75,453	-	(18,282)	57,171
So. Cal. Edison loan 2016	7,934	-	(7,934)	-
<b>Total</b>	<u>81,561,440</u>	<u>8,292,040</u>	<u>(2,097,313)</u>	<u>87,756,167</u>
Less current	<u>(1,899,554)</u>			<u>(3,980,387)</u>
Total non-current	<u>\$ 79,661,886</u>			<u>83,775,780</u>

**Victor Valley Wastewater Reclamation Authority**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**(10) Loans Payable, continued**

***SRF – 9.5 MGD Improvements Project***

In October 1999, the Authority obtained a \$4,069,859 loan from the State Revolving Fund to provide funds for the 9.5 MGD Improvements Projects. Terms of the agreement call for annual principal and interest payments due on September 15<sup>th</sup> at the rate of 2.600%, maturing in fiscal year 2020.

Future long-term debt service requirements to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 258,333	6,717	265,050
Total	258,333	19,980	530,099
Less current	(258,333)		
Total non-current	\$ -		

***SRF – 11.0 MGD Expansion Project***

In December 2001, the Authority obtained an \$11,430,726 loan at a zero percent interest rate from the State Revolving Fund to provide funds for the 11.0 MGD Expansion Project. Terms of the agreement call for annual payments due on April 3<sup>rd</sup>, maturing in fiscal year 2022. The Authority is imputing interest expense at the rate of 1.850% per annum.

Future long-term debt service requirements to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 548,803	31,067	579,870
2021	558,956	20,914	579,870
2022	571,533	8,336	579,869
Total	1,679,292	60,317	1,739,609
Less current	(548,803)		
Total non-current	\$ 1,130,489		

**Victor Valley Wastewater Reclamation Authority**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**(10) Loans Payable, continued**

***SRF Loan Payable – North Apple Valley Interceptor***

In September 2004, the Authority obtained a \$4,084,688 loan from the State Revolving Fund to provide funds for the North Apple Valley Interceptor. Terms of the agreement call for annual principal and interest payments due on February 13<sup>th</sup> at the rate of 2.500%, maturing in fiscal year 2024.

Future long-term debt service requirements to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 228,168	17,990	246,158
2021	233,872	14,567	248,439
2022	239,719	11,059	250,778
2023	245,712	7,464	253,176
2024	251,854	3,778	255,632
Total	1,199,325	54,858	1,254,183
Less current	(228,168)		
Total non-current	\$ 971,157		

***SRF Loan Payable – Phase III-A Facility***

On October 11, 2010, the Authority entered into a loan agreement to receive up to \$18,581,561 from the California State Water Resources Control Board to construct a water treatment facility at the Authority's plant site in the City of Victorville. The total loan amount is \$18,581,561 which includes a contingent principal forgiveness of \$3,000,000 received during the fiscal year ended June 30, 2013. Terms of the agreement call for annual principal and interest payments due on June 30<sup>th</sup> at the rate of 2.700%, maturing in fiscal year 2032.

Future long-term debt service requirements to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 726,796	300,814	1,027,610
2021	746,419	281,191	1,027,610
2022	766,573	261,037	1,027,610
2023	787,270	240,340	1,027,610
2024	808,527	219,084	1,027,611
2025-2029	4,382,115	755,934	5,138,049
2030-2032	2,923,555	159,274	3,082,829
Total	11,141,255	2,217,674	13,358,929
Less current	(726,796)		
Total non-current	\$ 10,414,459		

**Victor Valley Wastewater Reclamation Authority**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**(10) Loans Payable, continued**

***SRF Loan Payable – Upper Narrows Pipeline Replacement***

On September 30, 2013, the Authority entered into a loan agreement to receive up to \$4,295,703 from the California State Water Resources Control Board to construct the Upper Narrows Pipeline Replacement. Terms of the agreement call for annual principal and interest payments due on December 31<sup>st</sup> at the rate of 1.900%, maturing in fiscal year 2033.

Future long-term debt service requirements to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 200,921	56,824	257,745
2021	204,738	53,007	257,745
2022	208,628	49,117	257,745
2023	212,592	45,153	257,745
2024	216,632	41,114	257,746
2025-2029	1,146,486	142,243	1,288,729
2030-2033	800,769	32,858	833,627
Total	2,990,766	420,316	3,411,082
Less current	(200,921)		
Total non-current	\$ 2,789,845		

***SRF Loan Payable – Subregional Wastewater Reclamation Plant – City of Hesperia***

On May 20, 2014, the Authority entered into a loan agreement with the California State Water Resources Control Board to construct a subregional wastewater reclamation plant in the City of Hesperia. The final amended agreement totaled \$37,758,385 which included construction costs and construction period interest. Terms of the agreement call for annual principal and interest payments due on February 28<sup>th</sup>, at the rate of 1.000%, maturing in fiscal year 2048.

Future long-term debt service requirements to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,096,175	366,675	1,462,850
2021	1,107,137	355,713	1,462,850
2022	1,118,209	344,642	1,462,850
2023	1,129,391	333,460	1,462,850
2024	1,140,685	322,166	1,462,851
2025-2029	5,876,824	1,437,428	7,314,252
2030-2034	6,176,601	1,137,651	7,314,252
2035-2039	6,491,670	822,582	7,314,252
2040-2044	6,822,810	491,442	7,314,252
2045-2048	5,707,990	143,410	7,314,252
Total	36,667,492	5,755,169	43,885,510
Less current	(1,096,175)		
Total non-current	\$ 35,571,317		

**Victor Valley Wastewater Reclamation Authority**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**(10) Loans Payable, continued**

***SRF Loan Payable – Subregional Wastewater Reclamation Plant – Town of Apple Valley***

On May 22, 2014, the Authority entered into a loan agreement with the California State Water Resources Control Board to construct a subregional wastewater reclamation plant in the Town of Apple Valley. The final amended loan agreement totaled \$26,455,229 which included construction costs and construction period interest. Terms of the agreement call for annual principal and interest payments due on February 28<sup>th</sup>, at the rate of 1.000%, maturing in fiscal year 2048. As of June 30, 2019, the Authority did not have an outstanding loan receivable balance. As of June 30, 2018, the Authority had \$82,946 in loan receivable.

Future long-term debt service requirements to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 768,039	256,912	1,024,951
2021	775,719	249,232	1,024,951
2022	783,476	241,474	1,024,951
2023	791,311	233,640	1,024,951
2024	799,224	225,727	1,024,951
2025-2029	4,117,616	1,007,138	5,124,754
2030-2034	4,327,656	797,099	5,124,754
2035-2039	4,548,410	576,345	5,124,754
2040-2044	4,780,424	344,330	5,124,754
2045-2048	3,999,323	100,480	5,124,754
Total	25,691,198	4,032,377	30,748,525
Less current	(768,039)		
Total non-current	\$ 24,923,159		

***SRF Loan Payable – Nanticoke Gravity Interceptor***

On August 14, 2014, the Authority entered into a loan agreement with the California State Water Resources Control Board to construct the Nanticoke Pump Station Bypass Sewer project. The final amended loan agreement totaled \$4,495,213 which included construction costs and construction period interest. Terms of the agreement call for annual principal and interest payments due on June 30<sup>th</sup>, at the rate of 1.900%, maturing in fiscal year 2037.

Future long-term debt service requirements to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	193,574	78,059	271,633
2021	197,252	74,381	271,633
2022	201,000	70,633	271,633
2023	204,819	66,814	271,633
2024	208,710	62,923	271,633
2025-2029	1,104,561	253,602	1,358,163
2030-2034	1,213,559	144,605	1,358,164
2035-2037	784,884	30,013	814,897
Total	4,108,359	781,030	4,889,389
Less current	(193,574)		
Total non-current	\$ 3,914,785		

**Victor Valley Wastewater Reclamation Authority**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**(10) Loans Payable, continued**

***Southern California Edison Loan 2015***

On September 9, 2014, the Authority entered into an Energy Management Solutions loan agreement as an incentive to encourage the Authority to develop an energy saving project. The loan agreement with Southern California Edison includes a zero-percent interest loan in the amount of \$117,298 to provide funds for the acquisition of energy efficient equipment used in the Aeration Efficiency project. Terms of the agreement call for monthly principal payments with an expected maturity in fiscal year 2022.

Future long-term debt service requirements to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 17,412	-	17,412
2021	17,412	-	17,412
2022	4,920	-	4,920
Total	39,744	-	39,744
Less current	(17,412)		
Total non-current	\$ 22,332		

***Southern California Edison Loan 2016***

On January 25, 2016, the Authority entered into an Energy Management Solutions loan agreement as an incentive to encourage the Authority to develop an energy saving project. The loan agreement with Southern California Edison loan includes a zero-percent interest loan in the amount of \$153,392 to provide funds for the acquisition of energy efficient equipment used for the Aeration Efficiency project. Terms of the agreement call for monthly principal payments with an expected maturity in fiscal year 2018. As of June 30, 2018, the loan was paid-in-full.

**(11) Other Post-employment Benefits (OPEB) Plan**

***General Information about the OPEB Plan***

*Plan Description*

The Authority offers post-employment medical benefits to retired employees who satisfy the eligibility rules, subject to certain restrictions as determined by the Authority. Dependents are also eligible to receive benefits. Retirees may enroll in any plan available through the Authority's CalPERS Medical Program.

*Benefits Provided*

The Authority's Plan is open to qualified employees who have attained age 50, retired from and were employed by the Authority at least five years.



**Victor Valley Wastewater Reclamation Authority**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**(11) Other Post-employment Benefits (OPEB) Plan, continued**

***Employees Covered by Benefit Terms***

At June 30, the following employees were covered by the benefit terms:

	<u>2019</u>	<u>2018</u>
Inactive employees or beneficiaries currently receiving benefit payments	17	16
Inactive employees entitled to but not receiving benefit payments	7	-
Active employees	<u>32</u>	<u>35</u>
Total Plan membership	<u>56</u>	<u>51</u>

***Contributions***

The Plan and its contribution requirements for eligible retired employees of the Authority are established and may be amended by the Board of Commissioners. The Authority pays 100% of the cost of health insurance for retirees under any group plan offered by CalPERS, subject to certain restrictions as determined by the Authority. The Authority's cap is \$571 per month which is in compliance with California Government Code Section 22892. The annual contribution is based on the actuarially determined contribution.

As of the fiscal year ended June 30, the contributions were as follows:

	<u>2019</u>	<u>2018</u>
Contributions – employer	\$ <u>114,948</u>	<u>94,258</u>

As of June 30 2019 and 2018, employer pension contributions of \$114,948 and \$94,258 were recognized as a reduction of the total OPEB liability in the fiscal year ended June 30, 2019 and 2018, respectively.

***Total OPEB Liability***

The Authority's total OPEB liability was measured as of June 30, 2019 and 2018, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of June 30, 2019 and 2018, respectively. Standard actuarial update procedures were used to project and discount from valuation to measurement dates.

**Victor Valley Wastewater Reclamation Authority**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**(11) Other Post-employment Benefits (OPEB) Plan, continued**

***Total OPEB Liability, continued***

*Actuarial Assumptions*

As of the June 30, 2019 and 2018, the total OPEB liability was determined using the following actuarial assumptions and applied to all periods included in the measurement, unless otherwise specified:

Funding method	Entry age normal cost, level percent of pay
Asset valuation method	Market value of assets (\$0, plan is not yet funded)
Municipal bond index	Bond Buyer General Obligation 20-Bond Municipal Bond Index
Inflation	2.75 percent
Salary increases	3.25 and 2.75 percent
Discount rate	3.51 and 3.80 percent
Healthcare cost trend rates	7.00 and 4.00 percent per year
Participants valued	100% percent of projected health insurance premiums for retirees at age 50 with a minimum 5 years of service subject to certain restrictions determined by the Authority.

***Discount Rate***

As of June 30, 2019 and 2018, the discount rate used to measure the total OPEB liability was 3.51 and 3.80 percent, respectively. The projection of cash flows used to determine the discount rate assumed that Authority contributions will be made at rates equal to the actuarially determined contribution rates.

***Changes in the Total OPEB Liability***

	<b>Total OPEB Liability 2018-2019</b>	<b>Total OPEB Liability 2017-2018</b>
Balance at beginning of year	\$ 2,285,368	2,257,004
Changes for the year:		
Service cost	38,990	37,946
Interest	86,142	84,676
Changes in benefit terms	-	-
Differences between expected and actual experience	85,165	-
Changes in assumptions	779,126	-
Benefit payments	(114,948)	(94,258)
Net changes	874,475	28,364
Balance at end of year	\$ 3,159,843	2,285,368

**Victor Valley Wastewater Reclamation Authority**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**(11) Other Post-employment Benefits (OPEB) Plan, continued**

***Sensitivity of the Total OPEB Liability to Changes in the Discount Rate***

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.80 percent) or 1-percentage-point higher (4.80 percent) than the current discount rate:

At June 30, 2019, the discount rate comparison was the following:

	<b>Discount Rate - 1% (2.51%)</b>	<b>Current Discount Rate (3.51%)</b>	<b>Discount Rate + 1% (4.51%)</b>
Authority's total OPEB liability	\$ 3,574,867	3,159,843	2,818,864

At June 30, 2018, the discount rate comparison was the following:

	<b>Discount Rate - 1% (2.80%)</b>	<b>Prior Year Discount Rate (3.80%)</b>	<b>Discount Rate + 1% (4.80%)</b>
Authority's total OPEB liability	\$ 2,603,574	2,285,368	2,024,772

***Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates***

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (3.00 percent decreasing to 2.00 percent) or 1-percentage-point higher (5.00 percent decreasing to 4.00 percent) than the current healthcare cost trend rates:

At June 30, 2019, the healthcare cost trend rate comparison was the following:

	<b>1% Decrease (6.00% decreasing to 5.00%)</b>	<b>Healthcare Cost Trend Rates (7.00% decreasing to 6.00%)</b>	<b>1% Increase (8.00% decreasing to 7.00%)</b>
Authority's total OPEB liability	\$ 2,992,360	3,159,843	3,503,196

At June 30, 2018, the discount rate comparison was the following:

	<b>1% Decrease (3.00% decreasing to 2.00%)</b>	<b>Healthcare Cost Trend Rates (4.00% decreasing to 3.00%)</b>	<b>1% Increase (5.00% decreasing to 4.00%)</b>
Authority's total OPEB liability	\$ 2,196,518	2,285,368	2,367,740

For the year ended June 30, 2019 and 2018, the Authority recognized OPEB expense of \$150,016 and \$122,622, respectively.

**Victor Valley Wastewater Reclamation Authority**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**(11) Other Post-employment Benefits (OPEB) Plan, continued**

***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

At June 30, 2019, the Authority reported the following deferred outflows of resources or deferred inflows of resources related to OPEB.

<u>Description</u>	<u>June 30, 2019</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 74,047	-
Changes in assumptions	677,412	-
Total	\$ 751,459	-

At June 30, 2018, the Authority reported no deferred outflows of resources or deferred inflows of resources related to OPEB.

***Schedule of Changes in the Authority's Total OPEB Liability and Related Ratios***

See the Required Supplementary Schedule.

**(12) Defined Benefit Pension Plan**

***Plan Description***

All qualified permanent and probationary employees are eligible to participate in the Authority's separate Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website or may be obtained from their executive office: 400 P Street, Sacramento, CA, 95814.

***Benefits Provided***

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013. The new legislation closed the Authority's CalPERS 2.5% at 55 Risk Pool Retirement Plan to new employee entrants, not previously employed by an agency under CalPERS, effective December 31, 2013. All employees hired after January 1, 2013 are eligible for the Authority's CalPERS 2.0% at 62 Retirement Plan under PEPRA.

**Victor Valley Wastewater Reclamation Authority**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**(12) Defined Benefit Pension Plan, continued**

***Benefits Provided, continued***

The Plans' provision and benefits in effect at June 30, 2019, are summarized as follows:

	<b>Miscellaneous Plan</b>	
	<b>Tier 1</b>	<b>Tier 2</b>
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.5% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	8.000%	6.250%
Required employer contribution rates	10.022%	6.842%

***Contributions***

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates, for all public employers, be determined on an annual basis by the actuary and shall be effective on July 1<sup>st</sup>, of each fiscal year following notice of the change in rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Authority is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

As of the fiscal year ended June 30, the contributions to the Authority's Plan were as follows:

	<b>Miscellaneous Plan</b>	
	<b>2019</b>	<b>2018</b>
Contributions – employer	\$ 607,170	528,660
Contributions – employee (paid by employer)	-	51,957
Total employer paid contributions	\$ 607,170	580,617

***Net Pension Liability***

As of the fiscal year ended June 30, the Authority reported a net pension liability for its proportionate share of the net pension liability of the Plan was as follows:

	<b>Proportionate Share of Net Pension Liability</b>	
	<b>2019</b>	<b>2018</b>
Miscellaneous Plan	\$ 5,641,328	5,750,574

**Victor Valley Wastewater Reclamation Authority**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**(12) Defined Benefit Pension Plan, continued**

***Net Pension Liability, continued***

The Authority's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2018 and 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30 2017, rolled forward to June 30, 2018 and June 30, 2016, rolled forward to June 30, 2017, respectively, using standard update procedures. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The Authority's change in the proportionate share of the pension liability for the Plan as of the measurement date: June 30, 2018, was as follows:

<u>Proportion at Measurement Date</u>	<u>Miscellaneous Plan</u>
Proportion – June 30, 2017	0.05799%
Proportion – June 30, 2018	<u>0.05854%</u>
Change – Increase (Decrease)	<u>0.00056%</u>

The Authority's change in the proportionate share of the pension liability for the Plan as of the measurement date: June 30, 2017, was as follows:

<u>Proportion at Measurement Date</u>	<u>Miscellaneous Plan</u>
Proportion – June 30, 2016	0.05792%
Proportion – June 30, 2017	<u>0.05799%</u>
Change – Increase (Decrease)	<u>0.00007%</u>

As of June 30, 2019 and 2018, the Authority recognized pension expense of \$976,217 and \$989,426, respectively.

**Victor Valley Wastewater Reclamation Authority**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**(12) Defined Benefit Pension Plan, continued**

***Deferred Pension Outflows (Inflows) of Resources***

As of the fiscal year ended June 30, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>June 30, 2019</u>		<u>June 30, 2018</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to the measurement date	\$ 607,170	-	528,660	-
Net differences between actual and expected experience	142,793	-	-	(89,437)
Net changes in assumptions	485,515	-	769,187	-
Net differences between projected and actual earnings on plan investments	27,890	-	188,318	-
Net differences between actual contribution and proportionate share of contribution	-	(27,310)	1,258	-
Net adjustment due to differences in proportions of net pension liability	-	(61,316)	255,049	-
Total	<u>\$ 1,263,368</u>	<u>(88,626)</u>	<u>1,742,472</u>	<u>(89,437)</u>

As of June 30, 2019 and 2018, employer pension contributions of \$607,160 and \$528,660, reported as deferred outflows of resources related to contributions subsequent to the measurement date were and will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2020 and 2019, respectively.

At June 30, 2019, the Authority recognized other amounts reported by the Plan actuarial as deferred outflows of resources and deferred inflows of resources related to the pension liability. Pension related amounts will be recognized as pension expense as follows.

<u>Fiscal Year Ending June 30:</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2019	\$ 478,615
2020	298,692
2021	(170,727)
2022	(39,008)
2023	-
Thereafter	-

**Victor Valley Wastewater Reclamation Authority**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**(12) Defined Benefit Pension Plan, continued**

***Actuarial Assumptions***

The total pension liability in the June 30, 2018 and 2017 actuarial valuation reports were determined using the following actuarial assumptions:

The following is a summary of the actuarial assumptions and methods:

Valuation dates	June 30, 2017 and 2016
Measurement dates	June 30, 2018 and 2017
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2018 – 2.50% 2017 – 2.75%
Salary increases	Varies by Entry Age and Service
Investment Rate of Return	7.50 % Net of Pension Plan Investment and Administrative Expenses; includes inflation
Mortality Rate Table*	Derived using CalPERS' Membership Data for all Funds
Period upon which actuarial Experience Survey assumptions were based	2018 – 1997–2015 2017 – 1997–2011
Post Retirement Benefit	2018 – Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter 2017 – Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

\* The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 Experience Study report. Further details of the Experience Study can be found on the CalPERS website.

***Discount Rate***

The discount rate used to measure the total pension liability was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, the amortization and smoothing periods recently adopted by CalPERS were utilized. The crossover test was performed for a miscellaneous agent plan and a safety agent plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments.

Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.



**Victor Valley Wastewater Reclamation Authority**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**(12) Defined Benefit Pension Plan, continued**

***Discount Rate, continued***

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

At June 30, 2019, the long-term expected real rate of return by asset class was as follows:

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10*</u>	<u>Real Return Year 11+**</u>
Global Equity	50.0%	4.80%	2.98%
Global Fixed Income	28.0%	1.00%	2.62%
Inflation Sensitive	0.0%	77.00%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Infrastructure and Forestland	0.0%	0.00%	0.00%
Liquidity	1.0%	0.00%	-0.92%
Total	<u>100.0%</u>		

\* An expected inflation of 2.5% used for this period

\*\* An expected inflation of 3.0% used for this period

At June 30, 2018, the long-term expected real rate of return by asset class was as follows:

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10*</u>	<u>Real Return Year 11+**</u>
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
Total	<u>100.0%</u>		

\* An expected inflation of 2.5% used for this period

\*\* An expected inflation of 3.0% used for this period

**Victor Valley Wastewater Reclamation Authority**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**(12) Defined Benefit Pension Plan, continued**

***Sensitivity of the Proportionate Share of Net Pension Liability to Changes in the Discount Rate***

The following table presents the Authority's proportionate share of the net position liability for the Plan, calculated using the discount rate, as well as what the Authority's proportional share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

At June 30, 2019, the discount rate comparison was the following:

	<b>Discount Rate - 1% (6.15%)</b>	<b>Current Discount Rate (7.15%)</b>	<b>Discount Rate + 1% (8.15%)</b>
Authority's Net pension liability	\$ <u>8,371,767</u>	<u>5,641,328</u>	<u>3,387,395</u>

At June 30, 2018, the discount rate comparison was the following:

	<b>Discount Rate - 1% (6.15%)</b>	<b>Current Discount Rate (7.15%)</b>	<b>Discount Rate + 1% (8.15%)</b>
Authority's Net pension liability	\$ <u>8,495,325</u>	<u>5,750,574</u>	<u>3,477,323</u>

***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan's fiduciary net position is available in separately issued CalPERS financial reports. See the Required Supplementary Schedules.

***Payable to the Pension Plan***

At June 30, 2019 and 2018, the Authority reported no payables for the outstanding amount of contribution to the pension plan.

**Victor Valley Wastewater Reclamation Authority**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**(13) Net Position**

Calculation of net position as of June 30, was as follows:

	<u>2019</u>	<u>2018</u>
Net investment in capital assets:		
Capital assets – not being depreciated	\$ 3,375,430	3,081,101
Capital assets, net – being depreciated	190,831,924	200,947,253
Lease payable	(339,222)	(429,152)
Loans payable	<u>(83,775,764)</u>	<u>(87,756,167)</u>
Total net investment in capital assets	<u>110,092,368</u>	<u>115,843,035</u>
Restricted net position:		
Restricted for debt service	<u>5,147,861</u>	<u>5,285,091</u>
Total restricted net position	<u>5,147,861</u>	<u>5,285,091</u>
Unrestricted net position:		
Non-spendable net position:		
Materials and supplies inventory	85,674	83,104
Prepaid expenses and deposits	<u>153,115</u>	<u>121,705</u>
Total non-spendable net position	<u>238,789</u>	<u>204,809</u>
Spendable net position are designated as follows:		
Undesignated net position reserve	<u>4,617,292</u>	<u>6,155,471</u>
Total spendable net position	<u>4,617,292</u>	<u>6,155,471</u>
Total unrestricted net position	<u>4,856,081</u>	<u>6,360,280</u>
Total net position	<u>\$ 120,096,310</u>	<u>127,488,406</u>

**(14) Adjustment to Net Position*****Other Post-employment Benefits (OPEB) – GASB 75 Implementation***

In fiscal year 2018, the Authority implemented GASB pronouncements 75 to recognize its total other post-employment benefits (OPEB) liability. As a result of the implementation, the Authority recognized the OPEB liability and recorded a prior period adjustment, a decrease to net position, of \$2,257,004 at July 1, 2017. The Authority recorded a prior period adjustment, an increase to net position, to reclassify from liabilities to net position, the prior year's OPEB liability, recognized in accordance with GASB 45, of \$1,419,041 at July 1, 2017.

The adjustment to net position was as follows:

Net position at July 1, 2017, as previously stated	\$ <u>130,604,896</u>
Effect of adjustment to record total other post-employment benefits liability	(2,257,004)
Effect of adjustment to remove other post-employment benefits liability under GASB 45	<u>1,419,041</u>
Subtotal adjustments to net position	(837,963)
Net position at July 1, 2017, as restated	\$ <u>129,766,933</u>

**Victor Valley Wastewater Reclamation Authority**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**(15) Risk Management**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority is a member of the California Sanitation Risk Management Authority (CSRMA), an intergovernmental risk sharing joint powers authority currently operating as a common risk management and loss prevention program for 60 California Sanitation Authorities. The Authority pays an annual premium to CSRMA for its public liability and workers compensation risk coverage. The Agreement for formation of the CSRMA provides that CSRMA will be self-sustaining through member premiums and will provide specific excess insurance through commercial companies. The CSRMA is allowed to make additional assessments to its members based on a retrospective premium adjustment process.

At June 30, 2019, the Authority participated in the CSRMA programs as follows:

- General and automotive liability, including errors and omissions and employment practices liability (EPL): The Authority is insured through the CSRMA. Coverage includes excess liability applicable to the general and automobile liability section, excess layer of \$10,000,000 over the \$15,500,000 excess of the first \$500,000 insured layer with a \$5,000 deductible, \$2,500 deductible for errors and omissions, a \$25,000 deductible for EPL per occurrence, and a sewer backup deductible of \$10,000. Re-insurance is purchased above the \$500,000 layer to \$15,000,000 through CSRMA.
- Workers' compensation and employer's liability: The Authority is insured through the CSRMA up to \$750,000 with a deductible of \$0 per claim. The Authority purchased through CSRMA, additional excess workers' compensation coverage and excess employer's liability coverage of \$1,000,000 excess of the first \$750,000.

In addition, the Authority also has the following insurance coverage:

- Master Crime Policy up to \$2,000,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverage with a deductible of \$2,500 per claim.
- Special form property coverage up to \$181,389,282, with a deductible of \$5,000 per claim.
- Mobile Vehicle Program coverage up to \$1,012,252, subject to a deductible of \$1,000 per claim and \$2,000 in total.
- Pollution and remediation legal liability coverage up to \$5,000,000 subject to a deductible of \$25,000 per claim.
- Public entity pollution liability coverage up to \$25,000,000, subject to \$2,000,000 per pollution condition, \$75,000 per pollution condition retention.
- Cyber liability coverage up to \$2,000,000, subject to \$2,000,000 per computer security, \$50,000 per pollution condition retention.
- Fraud Master Policy identity theft coverage up to \$25,000 with a \$0 deductible.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the Authority's insurance coverage during the years ending June 30, 2019, 2018, and 2017. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2019, 2018, and 2017.

**Victor Valley Wastewater Reclamation Authority**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**(16) Governmental Accounting Standards Board Statements Issued, Not Yet Effective**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2019, that has effective dates that may impact future financial presentations.

***Governmental Accounting Standards Board Statement No. 84***

In January 2017, the GASB issued Statement No. 84 – *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

The provisions of this Statement are effective for reporting periods beginning after December 15, 2018. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

***Governmental Accounting Standards Board Statement No. 87***

In June 2017, the GASB issued Statement No. 87 – *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The provisions of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

***Governmental Accounting Standards Board Statement No. 89***

In June 2018, the GASB issued Statement No. 89 – *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

**Victor Valley Wastewater Reclamation Authority**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**(16) Governmental Accounting Standards Board Statements Issued, Not Yet Effective**

***Governmental Accounting Standards Board Statement No. 89, continued***

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

***Governmental Accounting Standards Board Statement No. 90***

In August 2018, the GASB issued Statement No. 90 – *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

**Victor Valley Wastewater Reclamation Authority**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**(16) Governmental Accounting Standards Board Statements Issued, Not Yet Effective**

***Governmental Accounting Standards Board Statement No. 91***

In August 2018, the GASB issued Statement No. 91 – Conduit Debt Obligations. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

**(17) Commitments and Contingencies**

***Grant Awards***

Grant funds received by the Authority are subject to audit by the grantor agencies. Such audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the Authority believes that such disallowances, if any, would not be significant.

***Construction Contracts***

The Authority has a variety of agreements with developers and private parties relating to the installation, improvement or modification of facilities and distribution systems within its service areas. The financing of such improvements is provided primarily from loans for construction and the Authority's capital replacement reserve. At June 30, 2019, the Authority had no open construction contracts. As of June 30, 2018 the Authority had \$239,400 in open construction contracts.

***Biogas Power Generation and Services Agreement***

On March 25, 2013, the Authority entered into an agreement with Anaergia Services, LLC to provide a biogas energy generation services facility at the Authority's wastewater treatment and reclamation plant facility. The purpose of the converted biogas is to provide electrical energy for use in plant operations. Anaergia has constructed the Biogas Facility and Ancillary Facilities at its sole cost and expense. Excess energy can be delivered by the Authority to the grid. The term of the agreement is 20 years from the operation date of July 1, 2015, and matures on June 30, 2035. The Authority will purchase all energy output from Anaergia at a fixed cost of \$734,000 per year, payable in monthly installments of \$61,167. At June 30, 2019 and 2018, the future minimum remaining commitment amounted to \$11,744,000 and \$12,478,000, respectively.

**Victor Valley Wastewater Reclamation Authority**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**(17) Commitments and Contingencies, continued**

***Litigation***

In the ordinary course of operations, the Authority is subject to claims and litigation from outside parties.

***Other Items***

During the year ended June 30, 2016, the Office of Inspector General, Office of Emergency Management Oversight, U.S. Department of Homeland Security, conducted an audit on funding provided by the Federal Emergency Management Agency (FEMA) passed through the California Office of Emergency Services (Cal OES), for the replacement of the Upper Narrows interceptor line (Project) which was lost during an historic flood. In 2016, and then again in April 2017, the OIG, prepared two draft reports to FEMA regarding the funding of the project. The OIG report issued in April 2017, questioned whether the Project was a “replacement” or new construction. The OIG suggested that the Project was not a replacement because the interceptor line, which had originally been located in the Mojave River, was now placed in a tunnel used to cross the Mojave River. The OIG concluded that tunneling was its reasoning for excessive costs. The OIG has suggested that FEMA claw back expended project costs exceeding \$33 million. The Authority has responded to the OIG draft reports and is awaiting a response. As of date of this report, FEMA has not responded to the OIG’s report. Management believes that the Authority will prevail; however, a negative determination would have a serious fiscal impact on the Authority.

***Funding Future Obligations***

The Authority expects to continue as a going concern through the fiscal year-end 2019. However, certain pertinent conditions and events have given rise to the assessment of doubt about the Authority’s ability to continue as a going concern for a reasonable period of time thereafter. At June 30, 2017, the Authority determined several issues that could, if unmitigated, negatively impact the Authority’s revenue and necessary cash flows to fund ongoing operations and to service the debt obligations authorized by the governing Members of the Authority. Among the issues are: 1) the current diversion of wastewater flows by the City of Victorville; 2) the City of Hesperia’s late payment for connection fees, and; 3) the pending determination by the Federal Emergency Management Agency (FEMA) to “claw back” grant awards as recommended in a draft report issued by the Office of the Inspector General’s Office. The Board of Commissioners and management believe that each of these matters individually and in the aggregate would negatively affect operations and effectively cause the Authority to default on servicing debt obligations in accordance with contractual agreements during fiscal year 2020.

The Authority’s plan to mitigate these issues are as follows: 1) the Member Entities are in mediation to resolve the wastewater flow dispute and all parties are seeking resolution; 2) the outstanding balance owed to the Authority by the City of Hesperia is expected to be collected in full based on the terms of the Joint Powers Agreement; 3) the Authority anticipates a positive determination by FEMA with regard to grant awards to the Authority. At June 30, 2019, all of the above noted issues remained outstanding.

**(18) Related Party**

***City of Victorville***

In April of 2016, the City of Victorville informed the Authority of their intent to withdraw from the Service Agreement per the 30-year notice requirement.

The Board of Commissioners has engaged a judicial review on the issue of the City’s flow diversion for the purpose of rendering a non-binding opinion. Management has determined that the flow diversion will have a negative impact on the Authority’s operations and cash flows.



**Victor Valley Wastewater Reclamation Authority**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

**(18) Related Party, continued**

*City of Hesperia*

During the fiscal year ended June 30, 2019, the Authority had amounts due and receivable for user charges and connection fees amounting to \$2,630,915, from the City of Hesperia (City). During the fiscal year ended June 30, 2019, the City paid most of the \$2,029,035 that was outstanding as of June 30, 2018 for user charges and connection fees. On August 8, 2017, the City notified the Authority that it was retaining the payment of user charges and connection fees over specific concerns pertaining to: 1) increasing rates which the City believes are due to financial problems related to member actions, 2) concerns over the timing of completion and operation of the Hesperia sub-regional water reclamation plant, in which revenues from the plant will be required to service the related State Revolving Loan, and 3) disagreement with the Authority's Board of Commissioners in resolving a diversion of flow matter from a member agency. Management believes that continued withholding of amounts due to the Authority will have a negative impact on operations and cash flows.

The Authority is attempting to collect the remaining balance due.

**(19) Subsequent Events**

Management is not aware of any events or transactions, including estimates that provide additional evidence about conditions that existed at June 30, 2019, or arose subsequent to that date and are considered inherent in the process of preparing these financial statements.

**Required Supplementary Information**

**Victor Valley Wastewater Reclamation Authority**  
**Schedules of Changes in the Total OPEB Liability and Related Ratios**  
**As of June 30, 2019**  
**Last Ten Years\***

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Total OPEB Liability		
Service cost	\$ 38,990	37,946
Interest	86,142	84,676
Difference between expected and actual experience	85,165	-
Changes in assumptions	779,126	-
Employer contributions	<u>(114,948)</u>	<u>(94,258)</u>
Net change in total OPEB liability	874,475	28,364
Total OPEB liability – beginning	<u>2,285,368</u>	<u>2,257,004</u>
Total OPEB liability – ending	\$ <u>3,159,843</u>	<u>2,285,368</u>
Covered payroll	\$ <u>2,882,328</u>	<u>3,004,335</u>
Total OPEB liability as a percentage of covered payroll	<u>109.63%</u>	<u>76.07%</u>

**Summary of key assumptions:**

Valuation date	June 30, 2019	June 30, 2018
Actuarial cost method	Entry Age Normal	Entry Age Normal
Inflation	2.75%	2.75%
Healthcare cost trend rates	7.00% in 2020, step down 0.50% each year to 5.00% in 2024	4.00% per year
Salary increases	3.25%	2.75%
Discount rate	3.51%	3.80%
Retirement age	From 50 to 75	From 50 to 75
Mortality	CalPERS 2017 Experience Study; Projected with MW Scale 2018	CalPERS 2014 Experience Study

**Notes:**

\* Historical information presented above follows the measurement periods for which GASB 75 was applicable. The fiscal year ended June 30, 2019, (valuation date of June 30, 2019) was the second year of implementation required by GASB 75; therefore only two years are shown.

**Victor Valley Wastewater Reclamation Authority**  
**Schedules of the Proportionate Share of the Net Pension Liability**  
**As of June 30, 2019**  
**Last Ten Years\***

<b>Description</b>	<b>Fiscal Year 6/30/2019</b>	<b>Fiscal Year 6/30/2018</b>	<b>Fiscal Year 6/30/2017</b>	<b>Fiscal Year 6/30/2016</b>	<b>Fiscal Year 6/30/2015</b>
Authority's Proportion of the Net Pension Liability	0.05854%	0.05799%	0.05792%	0.06074%	0.05341%
Authority's Proportionate Share of the Net Pension Liability	\$ 5,641,328	5,750,574	5,011,624	4,169,063	3,323,316
Authority's Covered Payroll	\$ 2,546,478	3,397,714	3,004,335	3,004,402	2,945,462
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	221.53%	169.25%	166.81%	138.77%	112.83%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	72.05%	71.18%	71.30%	75.01%	79.19%

**Notes:**

**Changes in Benefit Terms** – For the measurement date June 30, 2018, there were no changes in the benefit terms.

**Changes of Assumptions** – For the measurement dates June 30, 2018 and 2017, the discount rate was 7.15% percent.

\* Historical information presented above follows the measurement periods for which GASB 68 & 71 were applicable. The fiscal year ended June 30, 2015, was the first year of implementation required by GASB 68 & 71, therefore only five years are shown.

**Victor Valley Wastewater Reclamation Authority**  
**Schedules of Pension Plan Contributions**  
**As of June 30, 2019**  
**Last Ten Years\***

<u>Schedule of Pension Plan Contributions:</u>	<u>Fiscal Year</u> <u>6/30/2019</u>	<u>Fiscal Year</u> <u>6/30/2018</u>	<u>Fiscal Year</u> <u>6/30/2017</u>	<u>Fiscal Year</u> <u>6/30/2016</u>	<u>Fiscal Year</u> <u>6/30/2015</u>
Actuarially Determined Contribution	\$ 690,639	\$ 589,365	\$ 561,105	\$ 507,931	\$ 464,069
Contribution's in Relation to the					
Actuarially Determined Contribution	(607,170)	(528,660)	(503,376)	(503,175)	(464,069)
Contribution Deficiency (Excess)	\$ 83,469	\$ 60,705	\$ 57,729	\$ 4,756	\$ -
Covered Payroll	\$ 2,546,478	\$ 3,397,714	\$ 3,004,335	\$ 3,004,402	\$ 2,945,462
Contribution's as a percentage of					
Covered Payroll	27.12%	17.35%	18.68%	16.91%	15.76%

**Notes:**

\* Historical information presented above follows the measurement periods for which GASB 68 & 71 were applicable. The fiscal year ended June 30, 2015, was the first year of implementation required by GASB 68 & 71; therefore only five years are shown.

**Supplemental Information**

**Victor Valley Wastewater Reclamation Authority**  
**Schedule of Operating Expenses**  
**For the Years Ended June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Salaries and benefits:		
Salaries	\$ 3,322,889	3,067,516
Employee benefits	1,688,819	1,746,363
<b>Total salaries and benefits</b>	<u>5,011,708</u>	<u>4,813,879</u>
Maintenance:		
Equipment and supplies	773,793	878,988
Instrumentation	331,158	192,802
Tools	34,922	36,043
Ground repairs and maintenance	262,933	180,448
Vehicle repairs and maintenance	140,329	126,984
Sewer repairs and maintenance	140,828	41,511
Other	196,485	198,015
<b>Total Maintenance</b>	<u>1,880,448</u>	<u>1,654,791</u>
Operations:		
Process chemicals	262,336	311,566
Utilities	1,743,535	1,576,574
Trash and sludge disposal	135,839	142,565
Fuel and lubricants	102,712	104,137
Lab supplies and services	369,751	406,935
Safety equipment	149,555	46,939
Custodial	49,710	39,982
Equipment rental	48,909	173,995
Uniforms	27,078	21,141
Security	12,726	27,449
Sewer location services	26,507	25,886
Other	46	-
<b>Total operations</b>	<u>\$ 2,928,704</u>	<u>2,877,169</u>

Continued on next page

**Victor Valley Wastewater Reclamation Authority**  
**Schedule of Operating Expenses**  
**For the Years Ended June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Administration:		
Telephone and communications	\$ 91,615	106,658
Computers and office equipment	108,401	98,753
Computer and office supplies	8,601	9,272
Printing and advertising	18,420	19,513
Postage and freight	12,007	13,269
Travel and education	105,976	174,007
Membership and commissioner fees	56,409	63,517
Books and periodicals	20,254	21,695
Professional services	903,281	367,689
Legal services	352,168	543,662
Temporary labor	82,748	43,393
Insurance	205,409	127,625
Permit fees	134,619	128,809
Rent	51,079	45,256
Construction services	9,783	17,571
Other	1,497	2,565
	<u>2,162,267</u>	<u>1,783,254</u>
<b>Total administration</b>		
	<u>11,983,127</u>	<u>11,129,093</u>
<b>Total operating expenses</b>		
Depreciation	<u>12,468,103</u>	<u>9,226,174</u>
<b>Total operating expense including depreciation expense</b>	<u>\$ 24,451,230</u>	<u>20,355,267</u>



**Victor Valley Wastewater Reclamation Authority**  
**Combining Schedule of Revenues and Expenses**  
**For the Year Ended June 30, 2019**

	<u>Operations and Maintenance</u>	<u>Repairs and Replacements</u>	<u>Capital Outlay</u>	<u>Total</u>
<b>Operating revenues:</b>				
Wastewater service charges	\$ 13,706,977	-	-	13,706,977
Septage receiving facility fees	614,617	-	-	614,617
ADM-FOG tipping fees	274,186	-	-	274,186
Pretreatment permit fees	53,600	-	-	53,600
<b>Total operating revenues</b>	<u>14,649,380</u>	<u>-</u>	<u>-</u>	<u>14,649,380</u>
<b>Operating expenses:</b>				
Salaries and benefits	5,011,708	-	-	5,011,708
Maintenance	1,620,396	260,052	-	1,880,448
Operations	2,908,271	20,433	-	2,928,704
General and administration	2,075,818	73,001	13,448	2,162,267
<b>Total operating expense</b>	<u>11,616,193</u>	<u>353,486</u>	<u>13,448</u>	<u>11,983,127</u>
Operating income (loss) before depreciation expense	3,033,187	(353,486)	(13,448)	2,666,253
Depreciation	(12,468,103)	-	-	(12,468,103)
<b>Operating loss</b>	<u>(9,434,916)</u>	<u>(353,486)</u>	<u>(13,448)</u>	<u>(9,801,850)</u>
<b>Non-operating revenue (expense):</b>				
Investment earnings	1,412	-	280,208	281,620
Interest expense	(762,250)	-	(421,122)	(1,183,372)
Other, net	(1,129)	-	-	(1,129)
Capital contribution to local government	(71,132)	-	-	(71,132)
<b>Total non-operating expense, net</b>	<u>(833,099)</u>	<u>-</u>	<u>(140,914)</u>	<u>(974,013)</u>
<b>Net loss before capital contributions</b>	<u>(10,268,015)</u>	<u>(353,486)</u>	<u>(154,362)</u>	<u>(10,775,863)</u>
<b>Capital contributions:</b>				
Capital grants – Other agency	-	-	294,907	294,907
Connection fees	-	-	3,088,860	3,088,860
<b>Total contributed capital</b>	<u>-</u>	<u>-</u>	<u>3,383,767</u>	<u>3,383,767</u>
<b>Change in net position</b>	<u>\$ (10,268,015)</u>	<u>(353,486)</u>	<u>3,229,405</u>	<u>(7,392,096)</u>

See accompanying notes to the basic financial statements

**Victor Valley Wastewater Reclamation Authority**  
**Combining Schedule of Revenues and Expenses**  
**For the Year Ended June 30, 2018**

	<u>Operations and Maintenance</u>	<u>Repairs and Replacements</u>	<u>Capital Outlay</u>	<u>Total</u>
<b>Operating revenues:</b>				
Wastewater service charges	\$ 13,463,583	247,500	-	13,711,083
Septage receiving facility fees	621,154	-	-	621,154
ADM-FOG tipping fees	311,600	-	-	311,600
Pretreatment permit fees	52,700	-	-	52,700
<b>Total operating revenues</b>	<u>14,449,037</u>	<u>247,500</u>	<u>-</u>	<u>14,696,537</u>
<b>Operating expenses:</b>				
Salaries and benefits	4,813,879	-	-	4,813,879
Maintenance	1,596,945	57,846	-	1,654,791
Operations	2,775,629	101,540	-	2,877,169
General and administration	1,783,254	-	-	1,783,254
<b>Total operating expense</b>	<u>10,969,707</u>	<u>159,386</u>	<u>-</u>	<u>11,129,093</u>
Operating income (loss) before depreciation expense	3,479,330	88,114	-	3,567,444
Depreciation	(9,226,174)	-	-	(9,226,174)
<b>Operating loss</b>	<u>(5,746,844)</u>	<u>88,114</u>	<u>-</u>	<u>(5,658,730)</u>
<b>Non-operating revenue (expense):</b>				
Investment earnings	1,061	-	64,747	65,808
Interest expense	(1,104,556)	-	(662,075)	(1,766,631)
Other, net	380	-	1,344	1,724
Capital contribution to local government	(170,804)	-	-	(170,804)
<b>Total non-operating expense, net</b>	<u>(1,273,919)</u>	<u>-</u>	<u>(595,984)</u>	<u>(1,869,903)</u>
<b>Net loss before capital contributions</b>	<u>(7,020,763)</u>	<u>88,114</u>	<u>(595,984)</u>	<u>(7,528,633)</u>
<b>Capital contributions:</b>				
Capital grants – Title 16	10,367	-	6,627	16,994
Capital grants – State of California	559,205	-	357,524	916,729
Capital grants – Water Recycling Grant	269,863	-	172,536	442,399
Capital grants – Other agency	-	-	991,745	991,745
Connection fees	-	-	2,882,239	2,882,239
<b>Total contributed capital</b>	<u>839,435</u>	<u>-</u>	<u>4,410,671</u>	<u>5,250,106</u>
<b>Change in net position</b>	<u>\$ (6,181,328)</u>	<u>88,114</u>	<u>3,814,687</u>	<u>(2,278,527)</u>

See accompanying notes to the basic financial statements

A high-speed photograph of a water splash, with water droplets and streams forming a circular shape around the text. The water is clear and blue, set against a white background.

**Statistics Section**

**Victor Valley Wastewater Reclamation Authority**

**Statistical Section Table of Contents**

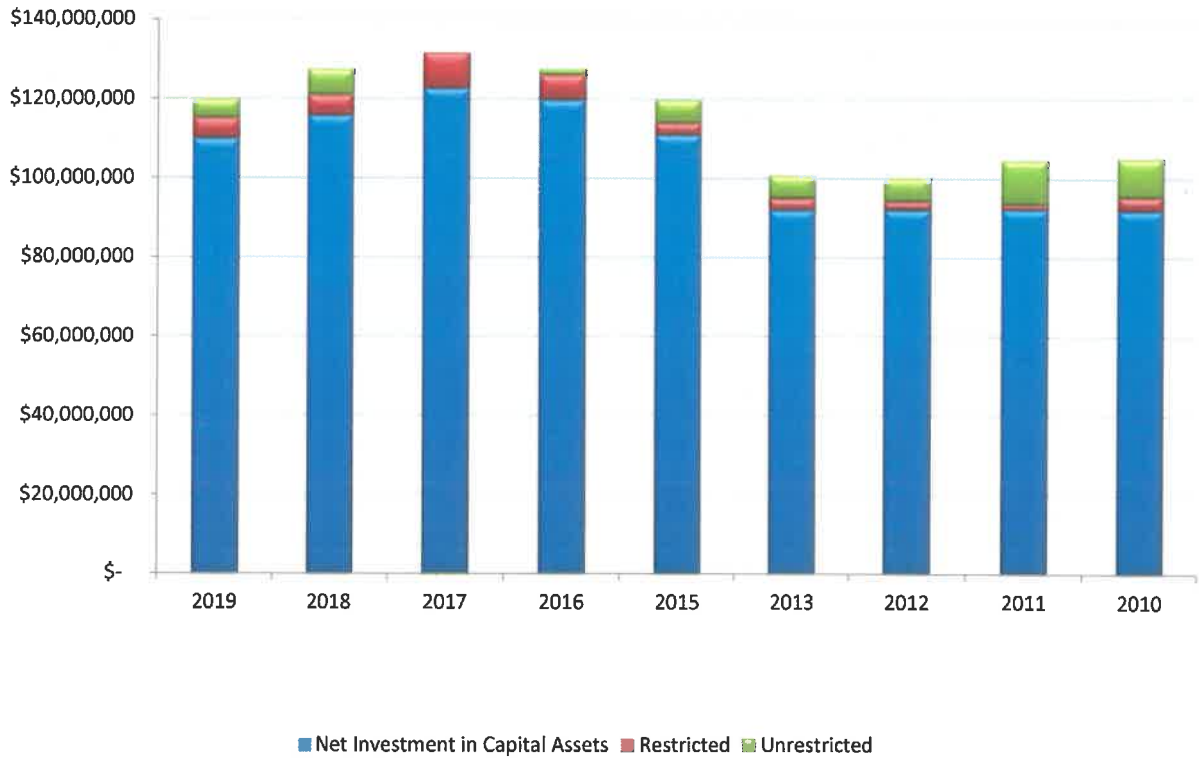
This part of Authority's comprehensive annual financial report presents detailed information as a context for understanding what the information in the accompanying financial statements and notes to the financial statements say about the Authority's overall financial health.

	<u>Page No.</u>
<p><b>Financial Trends</b>            These schedules contain information to help the reader understand how the Authority's financial performance and well-being have changed over time.</p>	64 – 65
<p><b>Revenue Capacity</b>            These schedules contain information to help the reader assess the factors affecting the Authority's ability to generate revenues.</p>	66 – 71
<p><b>Debt Capacity</b>            These schedules present information to help the reader assess the affordability of the Authority's current levels of outstanding debt and the Authority's ability to issue additional debts in the future.</p>	72
<p><b>Demographic and Economic Information</b>            These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place and to help make comparisons over time and with other agencies.</p>	73 – 76
<p><b>Operating Information</b>            These schedules contain information about the Authority's operations and resources to help the reader understand how the Authority's financial information relates to the services the Authority provides and the activities it performs.</p>	77 – 84

**Victor Valley Wastewater Reclamation Authority  
Net Position by Component  
Last Ten Fiscal Years**

June 30	2019	2018	2017	2016	2015
Net Investment in Capital Assets	\$ 110,092,368	\$ 115,843,035	\$ 122,731,832	\$ 119,848,757	\$ 110,982,384
Restricted	5,147,861	5,285,091	9,004,801	6,367,601	3,150,314
Unrestricted	4,856,081	6,360,280	(1,131,737)	1,295,274	5,692,256
<b>Total Net Position</b>	<b>\$ 120,096,310</b>	<b>\$ 127,488,406</b>	<b>\$ 130,604,896</b>	<b>\$ 127,511,632</b>	<b>\$ 119,824,954</b>

June 30	2014	2013	2012	2011	2010
Net Investment in Capital Assets	\$ 89,340,144	\$ 92,011,190	\$ 92,132,472	\$ 92,316,194	\$ 92,011,371
Restricted	2,322,650	2,961,518	2,147,445	1,166,446	3,455,773
Unrestricted	10,061,819	5,729,404	5,936,342	11,190,359	9,802,016
<b>Total Net Position</b>	<b>\$ 101,724,613</b>	<b>\$ 100,702,112</b>	<b>\$ 100,216,259</b>	<b>\$ 104,672,999</b>	<b>\$ 105,269,160</b>



Source: Victor Valley Wastewater Reclamation Authority

**Victor Valley Wastewater Reclamation Authority**  
**Changes in Net Position**  
**Last Ten Fiscal Years**

June 30	2019	2018	2017	2016	2015
Operating Revenues	\$ 14,649,380	\$ 14,696,537	\$ 13,655,631	\$ 12,305,439	\$ 11,850,841
Operating Expenses	24,451,230	20,355,267	18,804,718	17,820,239	16,901,749
Operating Income (Loss)	(9,801,850)	(5,658,730)	(5,149,087)	(5,514,800)	(5,050,908)
Non-operating Revenues	3,665,387	5,317,638	9,797,819	14,416,430	27,703,303
Non-operating Expenses	1,255,633	1,937,435	1,555,468	1,214,952	1,335,646
Increase (Decrease) in Net Position	<b>\$ (7,392,096)</b>	<b>\$ (2,278,527)</b>	<b>\$ 3,093,264</b>	<b>\$ 21,316,749</b>	<b>\$ 987,700</b>

June 30	2014	2013	2012	2011	2010
Operating Revenues	\$ 10,744,312	\$ 11,526,052	\$ 10,469,338	\$ 10,616,850	\$ 9,715,020
Operating Expenses	16,703,301	15,738,220	17,677,977	14,933,992	14,302,713
Operating Income (Loss)	(5,958,989)	(4,212,168)	(7,208,639)	(4,317,142)	(4,587,693)
Non-operating Revenues	8,482,186	6,054,793	5,141,787	5,041,540	3,636,256
Non-operating Expenses	1,535,497	1,356,772	2,389,888	572,285	304,779
Increase (Decrease) in Net Position	<b>\$ 987,700</b>	<b>\$ 485,853</b>	<b>\$ (4,456,740)</b>	<b>\$ 152,113</b>	<b>\$ (1,256,216)</b>



Source: Victor Valley Wastewater Reclamation Authority

**VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY**  
**Revenues by Source**  
**Last Ten Fiscal Years**

Operating Revenues					
June 30	Service Charges	Septage Receiving Facility Fees	ADM-FOG Tipping Fees	Pretreatment Permit Fees	Total Operating Revenues
2019	\$ 13,706,977	\$ 614,617	\$ 274,186	\$ 53,600	\$ 14,649,380
2018	13,711,083	621,154	311,600	52,700	14,696,537
2017	12,719,827	649,362	234,160	52,282	13,655,631
2016	11,645,881	604,958	-	54,600	12,305,439
2015	11,260,317	538,367	-	52,157	11,850,841
2014	10,695,640	390,682	-	48,672	11,134,994
2013	11,480,756	190,261	-	45,296	11,716,313
2012	10,422,738	197,688	-	46,600	10,667,026
2011	10,570,050	256,828	-	46,800	10,873,678
2010	9,665,620	279,947	-	49,400	9,994,967

Non-Operating Revenues										
June 30	Connection Fees	Other Non-Operating Revenues	FEMA Reimbursement*	Title 16 Grant	Proposition 1 Grant	Proposition 84 Grant	Water Recycling Grant	CEC Grant	Loan Forgiveness	Total Non-Operating Revenues
2019	\$ 3,088,860	\$ 281,620	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 294,907	\$ -	\$ 3,665,387
2018	2,882,239	67,532	-	16,994	916,729	-	442,399	991,745	-	5,317,638
2017	2,951,667	78,595	978,766	-	3,844,476	-	1,808,434	135,881	-	9,797,819
2016	1,146,089	69,906	2,396,510	1,899,930	4,189,343	3,000,000	1,714,652	-	-	14,416,430
2015	1,387,175	107,030	24,544,825	1,637,192	-	-	27,081	-	-	27,703,303
2014	1,524,577	204,545	6,256,569	105,813	-	-	-	-	-	8,091,504
2013	1,620,728	74,852	1,047,586	121,366	-	-	-	-	3,000,000	5,864,532
2012	2,012,423	160,348	1,685,630	1,085,698	-	-	-	-	-	4,944,099
2011	2,205,637	134,276	2,444,799	-	-	-	-	-	-	4,784,712
2010	3,166,772	189,537	-	-	-	-	-	-	-	3,356,309

Total Revenues			
June 30	Total Operating Revenues	Total Non-Operating Revenues	Total Revenues
2019	\$ 14,649,380	\$ 3,665,387	\$ 18,314,767
2018	14,696,537	5,317,638	20,014,175
2017	13,655,631	9,797,819	23,453,450
2016	12,305,439	14,416,430	26,721,869
2015	11,850,841	27,703,303	39,554,144
2014	11,134,994	8,091,504	19,226,498
2013	11,716,313	5,864,532	17,580,845
2012	10,667,026	4,944,099	15,611,125
2011	10,873,678	4,784,712	15,658,390
2010	9,994,967	3,356,309	13,351,276

\*VVWRA will be reimbursed 93.75% of the extraordinary expenses incurred during FY 16-17 through FEMA and Cal EMA.  
Source: Victor Valley Wastewater Reclamation Authority's Statements of Revenues, Expenses and Changes in Net Position



**VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY**  
**Expenses by Function**  
**Last Ten Fiscal Years**

June 30	Operating Expenses						Total Operating Expenses	Total Non-Operating Expenses	Combined Expenses
	Personnel	Maintenance	Operations	Administration	Depreciation				
2019	\$ 5,011,708	\$ 1,880,448	\$ 2,928,704	\$ 2,162,267	\$ 12,468,103	\$ 24,451,230	\$ 1,255,633	\$ 25,706,863	
2018	4,813,879	1,654,791	2,877,169	1,783,254	9,226,174	20,355,267	1,937,435	22,292,702	
2017	4,435,790	1,936,625	2,444,093	2,087,840	7,900,370	18,804,718	1,555,468	20,360,186	
2016	5,090,845	1,892,127	2,359,892	1,831,796	6,645,579	17,820,239	1,214,952	19,035,191	
2015	4,610,511	1,902,719	1,865,289	1,734,702	6,788,528	16,901,749	1,335,646 *	18,237,395	
2014	4,475,438	1,647,896	2,183,544	1,784,021	6,612,402	16,703,301	1,535,497 *	18,238,798	
2013	4,386,713	1,377,024	2,169,317	2,044,400	5,760,766	15,738,220	1,356,772	17,094,992	
2012	4,398,077	3,041,988	2,828,368	1,788,697	5,620,847	17,677,977	2,389,888	20,067,865	
2011	4,356,129	883,688	2,521,414	1,498,077	5,674,684	14,933,992	572,285	15,506,277	
2010	4,596,477	652,862	2,023,628	1,365,467	5,664,279	14,302,713	304,779	14,607,492	

\*Per prior year adjustment

Source: Victor Valley Wastewater Reclamation Authority's Statements of Revenues, Expenses and Changes in Net Position



**Victor Valley Wastewater Reclamation Authority**

**Revenue Base**

**Last Ten Fiscal Years**

<b>June 30</b>	<b>Wastewater Received (MG)*</b>
2019	3,864
2018	3,888
2017	3,845
2016	3,834
2015	4,171
2014	4,423
2013	4,704
2012	4,821
2011	4,881
2010	4,805

\*MG = Million Gallons



Source: Victor Valley Wastewater Reclamation Authority

**Victor Valley Wastewater Reclamation Authority**

**Principal Customers**

**Last Ten Fiscal Years**

<b>June 30</b>	<b>2019</b>		<b>2018</b>		<b>2017</b>	
	Wastewater Received (MG)*	Percentage of Total	Wastewater Received (MG)*	Percentage of Total	Wastewater Received (MG)*	Percentage of Total
<b>San Bernardino County</b>	218	5.7%	222	5.7%	220	5.7%
<b>Apple Valley</b>	643	16.6%	653	16.8%	645	16.8%
<b>Hesperia</b>	707	18.3%	703	18.1%	695	18.1%
<b>Victorville</b>	2,296	59.4%	2,310	59.4%	2,285	59.4%
<b>Principal Customers Total</b>	3,864	100.0%	3,888	100.0%	3,845	100.0%
<b>Total Water Received</b>	3,864	100.0%	3,888	100.0%	3,845	100.0%

<b>June 30</b>	<b>2016</b>		<b>2015</b>		<b>2014</b>	
	Wastewater Received (MG)	Percentage of Total	Wastewater Received (MG)	Percentage of Total	Wastewater Received (MG)	Percentage of Total
<b>San Bernardino County</b>	219	5.7%	233	5.6%	287	6.5%
<b>Apple Valley</b>	644	16.8%	672	16.1%	611	13.8%
<b>Hesperia</b>	694	18.1%	697	16.7%	752	17.0%
<b>Victorville</b>	2,277	59.4%	2,569	61.6%	2,576	58.2%
<b>Principal Customers Total</b>	3834	100.0%	4,171	100.0%	4,226	95.5%
<b>Total Water Received</b>	3834	100.0%	4,171	100.0%	4,423	100.0%

**Victor Valley Wastewater Reclamation Authority**

**Principal Customers**

**Last Ten Fiscal Years**

<b>June 30</b>	<b>2013</b>		<b>2012</b>		<b>2011</b>	
	Wastewater Received (MG)	Percentage of Total	Wastewater Received (MG)	Percentage of Total	Wastewater Received (MG)	Percentage of Total
<b>San Bernardino County</b>	306	6.5%	528	11.0%	322	6.6%
<b>Apple Valley</b>	650	13.8%	666	13.8%	692	14.2%
<b>Hesperia</b>	799	17.0%	819	17.0%	818	16.8%
<b>Victorville</b>	2,739	58.2%	2,808	58.2%	3,049	62.4%
<b>Principal Customers Total</b>	4,494	95.5%	4,821	100.0%	4,881	100.0%
<b>Total Water Received</b>	4,704	100.0%	4,821	100.0%	4,881	100.0%

<b>June 30</b>	<b>2010</b>	
	Wastewater Received (MG)	Wastewater Received (MG)
<b>San Bernardino County</b>	290	290
<b>Apple Valley</b>	719	719
<b>Hesperia</b>	608	608
<b>Victorville</b>	2,990	2,990
<b>Principal Customers Total</b>	4,607	4,607
<b>Total Water Received</b>	4,805	4,805

\*MG=Million Gallons

Source: Victor Valley Wastewater Reclamation Authority

**Victor Valley Wastewater Reclamation Authority**

**Revenue Rate**

**Last Ten Fiscal Years**

<b>June 30</b>	<b>Service Charges (\$/MG)*</b>	<b>Connection Fees (\$/EDU)**</b>
<b>2019</b>	\$3,503	\$4,000
<b>2018</b>	3,503	4,000
<b>2017</b>	3,274	4,000
<b>2016</b>	3,004	4,000
<b>2015</b>	2,756	4,000
<b>2014</b>	2,528	3,750
<b>2013</b>	2,528	3,750
<b>2012</b>	2,200	3,750
<b>2011</b>	2,200	3,750
<b>2010</b>	2,100	3,750

\*MG = Million Gallons

\*\*EDU = Equivalent Dwelling Unit (245 gallons/day or 20 fixture units)

Source: Victor Valley Wastewater Reclamation Authority

<b>High Strength Surcharge Rates (\$/LB)</b>			
<b>June 30</b>	<b>BOD</b>	<b>TSS</b>	<b>NH3</b>
<b>2019</b>	\$0.3685	\$0.2470	\$4.1368
<b>2018</b>	0.3323	0.2262	3.9800
<b>2017</b>	0.3679	0.2124	3.5430
<b>2016</b>	0.2701	0.2333	2.6887
<b>2015</b>	0.2989	0.2336	2.9252
<b>2014</b>	0.2318	0.2057	2.9118
<b>2013</b>	0.3231	0.1842	3.2876
<b>2012</b>	0.2812	0.1603	2.8611
<b>2011</b>	0.2671	0.1520	3.0159
<b>2010</b>	0.1419	0.0785	1.0963

Source: Victor Valley Wastewater Reclamation Authority

**Victor Valley Wastewater Reclamation Authority**  
**Ratio of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

June 30	State Revolving Fund Loans	Advances from Member Agencies	Lease Payable	California Edison	Cal PERS Side Fund	Total Debt	Debt Per Capita	As a Share of Personal Income
2019	\$ 83,736,020	\$ -	\$ 339,222	\$ 39,744	\$ -	\$ 84,114,986	*	*
2018	87,698,996	-	429,152	57,171	-	88,185,319	297.55	0.74%
2017	81,478,053	-	-	83,387	-	81,561,440	278.81	0.72%
2016	52,619,607	-	-	223,062	-	52,842,669	180.72	0.48%
2015	29,773,664	-	-	107,376	-	29,881,040	102.55	0.28%
2014	25,844,065	-	-	-	670,612	26,514,677	93.12	0.27%
2013	24,024,452	-	-	-	696,459	24,720,911	87.40	0.27%
2012	25,553,520	-	-	-	718,434	26,271,954	93.10	0.29%
2011	13,976,968	-	-	-	735,025	14,711,993	52.52	0.17%
2010	11,516,803	2,719,048	-	-	748,274	14,984,125	54.45	0.18%

\* Data not Available

Source: Victor Valley Wastewater Reclamation Authority  
California Department of Finance

**Victor Valley Wastewater Reclamation Authority**

**Demographic and Economic Statistics**

**Last Ten Calendar Years**

Dec. 31	Population in Service Area <sup>1</sup>	Personal Income (In Millions)	Personal Income Per Capita <sup>2</sup>	Unemployment Rate <sup>2</sup>
2018	296,369	\$11,948	\$40,316	4.00%
2017	292,534	\$11,306	\$38,648	5.60%
2016	292,399	\$10,992	\$37,592	6.80%
2015	291,392	\$10,581	\$36,311	7.50%
2014	284,741	\$9,772	\$34,320	8.10%
2013	282,851	\$9,179	\$32,453	10.10%
2012	282,204	\$8,955	\$31,733	12.00%
2011	280,125	\$8,703	\$31,068	13.20%
2010	275,211	\$8,137	\$29,566	14.20%
2009	270,616	\$5,897	\$21,792	13.00%

\* Data Not Available per

**Service Area Population by Cities**

Dec. 31	Apple Valley <sup>1</sup>	Victorville <sup>1</sup>	Hesperia <sup>1</sup>
2017	73,464	126,543	96,362
2016	74,701	123,565	94,133
2015	74,656	123,510	93,226
2014	71,396	121,168	92,177
2013	70,755	120,590	91,506
2012	70,436	120,368	91,400
2011	70,033	119,059	91,033
2010	69,135	115,903	90,173
2009	70,040	112,097	88,479

\* Data Not Available

Note 1: VVWRA also serves County of San Bernardino, No. 42 (Oro Grande), No. 64 (Spring Valley Lake), and Mojave Narrows. The population in service area represents most of the population in the area that VVWRA serves.

Note 2: Personal income for the service area is calculated by multiplying the population in the service area by Personal Income Per Capita.

<sup>1</sup> California Department of Finance and U.S. Census Bureau

<sup>2</sup> State of California Employment Development Department (Data shown is for the County)



**Victor Valley Wastewater Reclamation Authority**  
**Principal Employers**  
**Current Year and Nine Years Ago**

*June 30, 2019*

Employer	Business Category
Leading Edge	Aviation
Southern California Aviation	Aviation
Victorville Aerospace	Aviation
TXI Cement	Cement
Robar Enterprises	Cement/Steel
Goodyear	Distribution
Lowe's Home Improvement Warehouse	Distribution
Newell Rubbermaid	Distribution
Walmart Distribution Center	Distribution
Apple Valley Unified School District	Education
Hesperia Unified School District	Education
Victor Elementary School District	Education
Victor Valley College	Education
Victor Valley Union High School District	Education
City of Hesperia	Government
City of Victorville	Government
County of San Bernardino	Government
Hesperia Recreation and Park District	Government
Town of Apple Valley	Government
Stater Bros.	Grocery
WinCo Foods	Grocery
Desert Valley Hospital / Medical Group	Health
St. Mary Medical Center	Health
Victor Valley Community Hospital	Health
Nutro Foods	Pet Food Processing
Arizona Pipeline Company	Pipe Fabricator
Federal Correction Complex Victorville	Prison
In-N-Out	Restaurant
Wood Grill Buffett	Restaurant
K-Mart	Retail
Target Stores, Inc	Retail
The Home Depot	Retail
Walmart Store	Retail
Double Eagle Transportation	Trucking / Repairs
Verizon	Utility – telephone

*June 30, 2010*

Employer	Business Category
Leading Edge	Aviation
Southern California Aviation	Aviation
Victorville Aerospace	Aviation
TXI Cement	Cement
Robar Enterprises	Cement/Steel
Goodyear	Distribution
Newell Rubbermaid	Distribution
Wal-Mart Distribution Center	Distribution
Apple Valley Unified School District	Education
Hesperia Unified School District	Education
Victor Elementary School District	Education
Victor Valley College	Education
Victor Valley Union High School District	Education
City of Hesperia	Government
City of Victorville	Government
County of San Bernardino	Government
Hesperia Recreation and Park District	Government
High Desert Law & Justice Center	Government
Town of Apple Valley	Government
Albertson's Supermarket	Grocery
Stater Bros.	Grocery
WinCo Foods	Grocery
Apple Valley Christian Care Centers	Health
Desert Valley Hospital / Medical Group	Health
St. Mary Medical Center	Health
Victor Valley Community Hospital	Health
Nutro Foods	Pet Food Processing
Arizona Pipeline Company	Pipe Fabricator
Federal Correction Complex Victorville	Prison
In-N-Out	Restaurant
McDonald's	Restaurant
Red Robin	Restaurant
Wood Grill Buffett	Restaurant
Best Buy	Retail
K-Mart	Retail
Lowe's Home Improvement	Retail
Target Stores, Inc	Retail
Walmart Store	Retail
Double Eagle Transportation	Trucking / Repairs
Verizon	Utility – telephone

Note: Total number of employees for each employer is confidential per 20 CFR Part 603.

Source: Victor Valley Economic Development Authority

**Victor Valley Wastewater Reclamation Authority**  
**Investment In Capital Assets**  
**Last Ten Fiscal Years**

June 30	2019	2018	2017	2016	2015
Land	\$ 779,136	\$ 779,136	\$ 779,136	\$ 779,136	\$ 779,136
Land Improvements	9,738,124	9,738,124	9,738,124	9,630,803	9,421,375
Plant Buildings	218,514,351	218,162,852	133,494,901	132,421,707	131,778,715
Interceptor Lines	69,200,504	67,544,012	62,653,035	27,606,672	27,606,672
Office Equipment	1,064,592	775,612	766,585	766,585	530,213
Trucks/Auto	861,825	841,568	911,116	911,116	911,116
Construction in Progress (1)	2,596,294	2,301,965	82,908,664	79,877,599	42,492,810
Accumulated Depreciation	(108,547,472)	(96,114,915)	(86,958,289)	(79,302,192)	(72,656,613)
<b>Total</b>	<b>\$ 194,207,354</b>	<b>\$ 204,028,354</b>	<b>\$ 204,293,272</b>	<b>\$ 172,691,426</b>	<b>\$ 140,863,424</b>

June 30	2014	2013	2012	2011	2010
Land	\$ 650,136	\$ 650,136	\$ 650,136	\$ 650,136	\$ 650,136
Land Improvements	7,792,390	7,757,640	7,757,640	7,757,640	7,564,164
Plant Buildings	131,601,527	112,079,795	105,576,501	105,387,194	104,419,502
Interceptor Lines	27,606,672	27,606,672	27,606,672	24,510,412	23,619,909
Office Equipment	530,213	465,609	406,239	406,239	406,239
Trucks/Auto	911,116	858,726	858,726	814,281	708,755
Construction in Progress (1)	11,960,240	25,896,952	28,349,200	15,130,636	11,567,209
Accumulated Depreciation	(65,868,085)	(59,279,888)	(53,519,122)	(48,363,376)	(42,688,692)
<b>Total</b>	<b>\$ 115,184,209</b>	<b>\$ 116,035,642</b>	<b>\$ 117,685,992</b>	<b>\$ 106,293,162</b>	<b>\$ 106,247,222</b>

**Note:**

- (1) Construction in progress significantly increased in Fiscal Years 2015, 2016 and 2017 due to the construction of Upper Narrows Pipeline and Subregional Water Reclamation Plants in Hesperia and Apple Valley.
- (2) Construction in progress significantly decreased in Fiscal Years 2018 due to the completion of Subregional Water Reclamation Plants in Hesperia and Apple Valley.

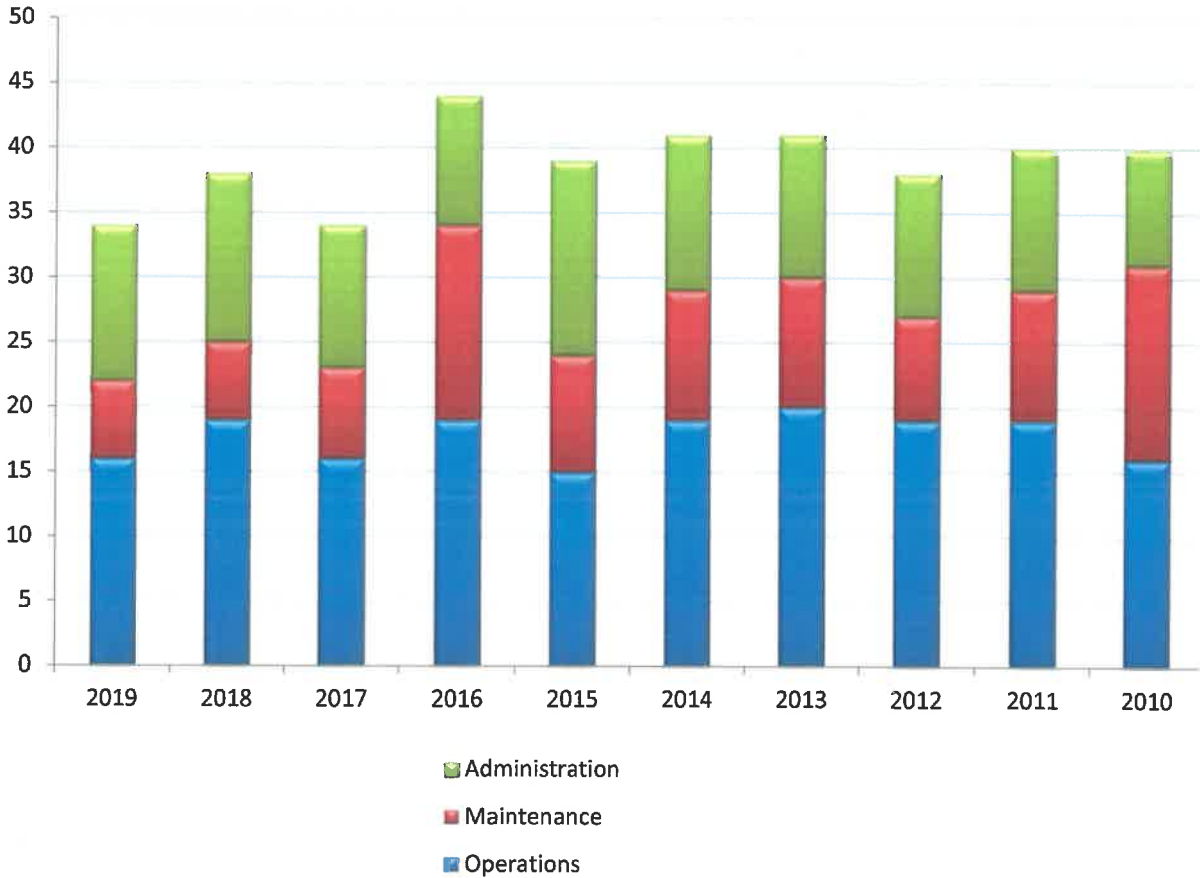
Source: Victor Valley Wastewater Reclamation Authority



**Victor Valley Wastewater Reclamation Authority  
Full-Time Equivalent Employees by Function  
Last Ten Fiscal Years**

June 30	2019	2018	2017	2016	2015
Operations	16	19	16	19	15
Maintenance	6	6	7	15	9
Administration	12	13	11	10	15
<b>Total</b>	<b>34</b>	<b>38</b>	<b>34</b>	<b>44</b>	<b>39</b>

June 30	2014	2013	2012	2011	2010
Operations	19	20	19	19	16
Maintenance	10	10	8	10	15
Administration	12	11	11	11	9
<b>Total</b>	<b>41</b>	<b>41</b>	<b>38</b>	<b>40</b>	<b>40</b>



Source: Victor Valley Wastewater Reclamation Authority

**Victor Valley Wastewater Reclamation Authority  
Operating and Capital Indicators (Facts and Figures)  
June 30, 2019**

Throughout the last three years Victor Valley Wastewater Reclamation Authority (VWVRA) has identified areas in which to improve its operational reliability and efficiency, financial policies and procedures and capital improvement plans. Part of our ongoing effort is to track those improvements and make sure that when change occurs that it is incorporated in to our organizational structure. Benchmarking is a measurement tool used to track the Authority's progress towards achieving its goals. The process encourages transparency, innovation and accountability. Not surprisingly, the Authority has received numerous awards at both local and state levels recognizing its achievements in wastewater treatment and financial reporting. These analyses are included in the Authority's Comprehensive Annual Financial Report and used for financial planning purposes related to budget and evaluating financing options.

Benchmarking is akin to a self evaluation. It is an excellent tool to build credibility, but it is also important given VWVRA's increasing role as a part of the broader water solution locally and statewide. The California Water Plan Update 2005 sets forth statewide goals and provides that sustainability of our water supplies to 2030 will require three actions:

1. Use water efficiently
2. Protect water quality
3. Manage water in ways that protect and restore the environment

VWVRA is actively pursuing these three goals within its service areas and within its organizational culture. To attain these goals, the Capital Improvement Plan (CIP) includes three elements in each project to improve and meet (1) the capacity, (2) performance efficiency and (3) regulatory needs for wastewater treatment for its Member Agencies.

As any good steward of our limited resources would do, we have conducted a benchmarking analysis to identify areas where VWVRA could improve its operation. The primary objective is to create a performance measurement system to evaluate and improve the Authority's operational efficiency. The manual "Benchmarking, Performance Indicators for Water and Wastewater Utilities: 2012 Annual Survey Data and Analysis Report" was utilized as an industry standard reference. The manual is published by the American Water Works Association (AWWA), a national organization dedicated to promoting sound water policy.

We have used information from the U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers (CPI-U) to adjust for inflation. The CPI-U is 2.7% for 2018 and 2.1% for 2017. We have adjusted the AWWA wastewater performance data with 2017 CPI-U.

Four indices were chosen which provide a broad perspective on the operational efficiency of VWVRA, these include:

1. **Sewer Overflow Rate**: the purpose of this indicator is to provide "...a measure of collection system piping condition and the effectiveness of routine maintenance by quantifying the number of sewer overflows per 100 miles of collection piping."

**Victor Valley Wastewater Reclamation Authority  
Operating and Capital Indicators (Facts and Figures)  
June 30, 2019**

- a. Reporting period: Year ended June 30, 2019
  - b. Source: State Water Resources Control Board, California Integrated Water Quality System Project (CIWQS)
2. **Million Gallons per Day (mgd) of Wastewater Processed per Employee:** This is a measure of employee productivity and includes all staff.
- a. Reporting Period: Year ended June 30, 2019
  - b. Source: Actual inflow data measured by VVWRA and data provided by Member Agencies and other users.
  - c. Source: based on actual employee numbers as of June 30, 2019
3. **Operations and Maintenance Cost per Million Gallons Processed:**  
This represents the total operations and maintenance costs (without depreciation) divided by the volume processed during the year.
- a. Reporting Period: Year ended June 30, 2019
  - b. Source: Actual inflow data measured by VVWRA and data provided by Member Agencies and other users.
  - c. Source: VVWRA Audited Financial Statements June 30, 2019, pages 13
4. **Debt Ratio:** It quantifies the utilities level of indebtedness.
- a. Reporting Period: Fiscal Year 2018-2019
  - b. Source: VVWRA Audited Financial Statements June 30, 2019, page 12



Apple Valley Sub-regional Plant

The performance indicators are analyzed, comparing to wastewater facilities that are nationwide, West States Region IV, and serving a population size of 100,001 to 500,000.

There are significant regional variations due to population, regulatory complexity and the cost of living associated with wastewater treatment. West States Region IV consists of Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, New Mexico, Nevada, Oregon, Utah, Washington, and Wyoming.

**Victor Valley Wastewater Reclamation Authority  
Operating and Capital Indicators (Facts and Figures)  
June 30, 2019**

**Sewer Overflow Rate**

**Nationwide**

	Top Quartile	Median	Bottom Quartile	VVWRA June 30, 2019
Sewer Overflow Rate	0.7	2.2	3.3	<b>0</b>

**West States Region IV**

	Top Quartile	Median	Bottom Quartile	VVWRA June 30, 2019
Sewer Overflow Rate	<i>Data Not Available</i>	0.7	2.4	<b>0</b>

**Population 100,001-500,000**

	Top Quartile	Median	Bottom Quartile	VVWRA June 30, 2019
Sewer Overflow Rate	0.6	1.6	4.4	<b>0</b>

VVWRA’s Sewer Overflow Rate is 0. VVWRA had 0 reported spill at during year ended June 30, 2019. VVWRA has completed the construction of a permanent interceptor to replace the temporary bypass line that was completed during 2011 to divert the wastewater flow from a damaged interceptor. In addition, VVWRA is finished constructing the Sub-regional wastewater treatment plant each in Apple Valley and Hesperia. The Capital Improvement Plan requires a multi-million dollar funding to address the construction needs.



Hesperia Sub-regional Plant

**Victor Valley Wastewater Reclamation Authority  
Operating and Capital Indicators (Facts and Figures)  
June 30, 2019**

**Million Gallons per Day of Wastewater Processed per Employee**

**Nationwide**

	Top Quartile	Median	Bottom Quartile	VVWRA June 30, 2019
MGD Wastewater processed per employee	0.39	0.23	0.20	<b>0.31</b>

**West States Region IV**

	Top Quartile	Median	Bottom Quartile	VVWRA June 30, 2019
MGD Wastewater processed per employee	0.31	0.23	0.14	<b>0.31</b>

**Population 100,001-500,000**

	Top Quartile	Median	Bottom Quartile	VVWRA June 30, 2019
MGD Wastewater processed per employee	0.29	0.22	0.18	<b>0.31</b>

VVWRA places between the top and median quartiles of the Nationwide quartile, the West States. VVWRA places above the top quartile in the population category.

**Victor Valley Wastewater Reclamation Authority  
Operating and Capital Indicators (Facts and Figures)  
June 30, 2019**

**Operations and Maintenance Cost per Million Gallons Processed**

**Nationwide**

	Top Quartile	Median	Bottom Quartile	VVWRA June 30, 2019
O&M Cost per MG Processed	<i>Data Not Available</i>	\$2,631	<i>Data Not Available</i>	<b>\$3,101</b>

**West States Region IV**

	Top Quartile	Median	Bottom Quartile	VVWRA June 30, 2019
O&M Cost per MG Processed	\$1,844	\$4,336	\$6,305	<b>\$3,101</b>

**Population 100,001-500,000**

	Top Quartile	Median	Bottom Quartile	VVWRA June 30, 2019
O&M Cost per MG Processed	\$1,948	\$3,213	\$4,698	<b>\$3,101</b>

VVWRA is performing between the median and the top quartile in the West States and the population categories however lower than the median quartile nationally. Unfortunately the numbers generated as indices in the AWWA Benchmarking analysis did not differentiate basis upon level of treatment or regulatory requirements. There were also significant differences in personnel costs in the Midwest and South which may have skewed the National Results.

**Victor Valley Wastewater Reclamation Authority  
Operating and Capital Indicators (Facts and Figures)  
June 30, 2019**

**Debt Ratio**

**Nationwide**

	Top Quartile	Median	Bottom Quartile	VVWRA June 30, 2019
Debt Ratio (%)	<i>Data Not Available</i>	22	<i>Data Not Available</i>	<b>45</b>

**West States Region IV**

	Top Quartile	Median	Bottom Quartile	VVWRA June 30, 2019
Debt Ratio (%)	18	33	56	<b>45</b>

**Population 100,001-500,000**

	Top Quartile	Median	Bottom Quartile	VVWRA June 30, 2019
Debt Ratio (%)	23	32	44	<b>45</b>

The Authority's debt ratio is below the median quartile when compared to all categories.

**Average Cost per Employee**

A final analysis is needed to determine how VVWRA's personnel cost compares to southern California agencies. The results indicate that the VVWRA's median per employee cost was approximately \$147,403, showing that VVWRA's personnel cost was one of the lowest. See next page.

**Victor Valley Wastewater Reclamation Authority  
Operating and Capital Indicators (Facts and Figures)  
June 30, 2019**

Financial and Statistical summary of Selected Wastewater Agencies – Year Ended June 30, 2019							
Wastewater Agencies	Arrowhead	Inland Empire	Big Bear RWA	VVWRA	Orange County San. Dist.	Encina WA	Leucadia WD
Cost of Services	\$7,150,694	\$46,046,000	\$2,150,153	\$5,011,708	\$95,834,200	\$11,461,182	\$3,277,372
Positions	55.5	343	15	34	636	70	19
Average personnel cost per position	\$128,841	\$134,245	\$143,344	\$147,403	\$150,683	\$163,731	\$172,493

Sources: VVWRA's cost of services and personnel cost are **actual** for the fiscal year ended June 30, 2019, while data for other agencies are from their **budgets** for June 30, 2019.

### Discussion

As the data above indicates, VVWRA's performance seems to be at average or better. There is always room for improvement which is why VVWRA routinely evaluates its performance efficiency to reduce costs and considers alternatives to costly upgrades to address regulatory requirements. The Authority has an approved CIP which is designed to address capacity issues within the interceptor system. These projects include Sub-regional facilities and interceptor upgrades. The Authority is also uniquely positioned in the High Desert to address potable water shortages through improved use of reclaimed water. VVWRA is not unique in this respect, the Little Hoover Commission produced a report in January 2009 dealing with the California water situation and organizational challenges. The report states, in pertinent part:



Equipment at the Hesperia Sub-regional Plant

*And while implementation of the Federal Clean Water Act and the state's Porter-Cologne Water Quality Control Act, the two key laws governing water quality, have made profound improvements in wastewater treatment discharges, wastewater remains a critical statewide problem. Local governments, representing small, poor communities as well as larger, richer urban areas, are struggling to pay for upgrades needed to protect the state's waters and ensure they are safe to swim in, fish in or drink. An EPA report noted that California would need to spend more than \$18 billion to properly upgrade and expand wastewater treatment.*



**Victor Valley Wastewater Reclamation Authority  
Operating and Capital Indicators (Facts and Figures)  
June 30, 2019**

VVWRA is aggressively pursuing funds to meet the needs of the Member Agencies and the State Regulatory Agencies and to ensure that the communities it serves continue to have reliable wastewater treatment and a source of reclaimed water. The first key step is obvious: to manage the assets the Authority currently operates as efficiently as possible. The second step is to incorporate elements of sustainable land use planning, which are exemplified within the Ahwahnee Water Principles, specifically Water Principle 7-Water Recycling. The reuse of “waste” water is an opportunity for the community to diversify their water portfolios and create a drought proof supply of water to meet landscape irrigation, industrial and commercial needs. Furthermore, since reuse began in 1929 in California, not one single health problem has been reported. VVWRA will continue to partner with the Member Agencies to promote the local reuse of wastewater while actively seeking the resources to provide reliable wastewater treatment services.



Hesperia Sub-regional Plant

In addition to this benchmarking analysis, VVWRA will be preparing itself for the future through a strategic planning and continuous improvement process. All managerial staff has reviewed a book entitled, “Managing the Water and Wastewater Utility” with the goal of producing a Business Plan to help guide the Authority as issues arise. The purpose is to continuously create an organization which proactively recognizes problems and addresses them early rather than reacting to them once they have occurred and responding to the fallout. The book states the goals of this process will be to:

1. Respond to external threats to the utility;
2. Seize opportunities presented by technological, financial, or political change to the advantage of the customers we serve;
3. Maximize the quality of customer service within available resources;
4. Cut costs, while providing excellent customer service;
5. Maintain or improve the safety and quality of employee work life; and
6. Create an organization that will continuously improve and revitalize itself in response to an ever-changing world.

Through a process of self evaluation and creative problem solving, VVWRA intends to meet the needs of the Member Agencies while serving the broader community. It would assist VVWRA in this process if any of the Member Agencies conduct their own benchmarking analysis and they would be willing to share it with us in confidence. This approach would ensure that our effort mirrors theirs such that comparable results are generated. The ultimate goal is to plan and create an organization capable of responding to our local issues and needs, while keeping in mind the broader policy issues, which may impact our ability to execute our goals locally.

**Report on Internal Controls and Compliance**

**Independent Auditor's Report on Internal Control Over Financial Reporting  
And on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

Board of Commissioners  
Victor Valley Wastewater Reclamation Authority  
Victorville, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the Victor Valley Wastewater Reclamation Authority (Authority) as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 19, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Independent Auditor's Report on Internal Controls Over Financial Reporting  
And on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*, (continued)**

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**Fedak & Brown LLP**  
Cypress, California  
December 19, 2019



**VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY**  
**Board of Commissioners Staff Report**

**TO:** VVWRA Board of Commissioners  
**FROM:** Darron Poulsen, General Manager *DRP*  
**SUBMITTED BY:** Alton Anderson, Construction Manager *AA*  
**DATE:** December 19, 2018  
**SUBJECT:** Resolution 2019-18: A Resolution of the VVWRA Finding the VVWRA Biomethane Gas Project Exempt from the California Environmental Quality Act (CEQA) Pursuant to the Class 1, 2, 3, and 29 Categorical Exemptions, and Approving the Project

<input checked="" type="checkbox"/>	<b>For Action</b>	<input type="checkbox"/>	<b>Fiscal Impact</b>	<b>\$</b>	<b>NONE</b>
<input type="checkbox"/>	<b>Information Only</b>	<input type="checkbox"/>	<b>Account Code:</b>		
		<input type="checkbox"/>	<b>Funds Budgeted/ Approved:</b>		

**STAFF RECOMMENDATION**

It is recommended that the Board of Commissioners adopt Resolution 2019-18, a Resolution of VVWRA Finding the VVWRA Biomethane Gas Project Exempt from the California Environmental Quality Act (CEQA) Pursuant to the Class 1, 2, 3, and 29 Categorical Exemptions, and Approving the Project.

**PREVIOUS ACTION(S)**

April 18, 2019 Board Meeting- The Board approved the Gas Collection Facilities Lease and Energy Storage Agreement.

**BACKGROUND INFORMATION**

The proposed Project will be located at the Shay Road Regional Plant, 20111 Shay Road, City of Victorville, San Bernardino County, California 92394. The Project consists of taking biogas currently produced by VVWRA and converting it to biomethane for injection into the existing natural gas grid owned by Southwest Gas.

The Project includes installation of two 600 standard cubic feet per minute (scfm) treatment trains; installation of two 10-foot diameter by 8-foot media depth iron hydroxide dry scrubbers; installation of a new biogas blower system to the new biogas conditioning facility; the inspection,

repair, and reconditioning of existing structures and equipment, and the replacement of various existing equipment and instruments.

The Project is currently in planning and design with the intention to begin construction in the fall of 2019. Timing for approving this Resolution for the CEQA concerns is critical to the contractor in order to complete the grant application for this project. The costs for the project will be paid by SoCal Biomethane, LLC. VVWRA will receive a base fee of \$100,000 dollars per year and a percentage of the profits as spelled out in the Gas Collection Facilities Lease and Energy Services Agreement.

As described in the attached documentation the Project meets the criteria to be specifically exempted from the provisions of CEQA.

**Attachment(s):**

**Exhibit A- Resolution 2019-18**

**Exhibit B- Notice of Exemption**

**Exhibit C- CEQA Categorical Exemption Review and Determination**

# EXHIBIT A

## RESOLUTION NO. 2019-18

### A RESOLUTION OF THE VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY FINDING THE VVWRA BIOMETHANE GAS PROJECT EXEMPT FROM THE CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA) PURSUANT TO THE CLASS 1, 2, 3, AND 29 CATEGORICAL EXEMPTIONS, AND APPROVING THE PROJECT

**WHEREAS**, the Victor Valley Wastewater Reclamation Authority (“VVWRA”) receives wastewater from customers, delivered to the Westside Water Reclamation Plant (WRP) for treatment; and

**WHEREAS**, the proposed project consists of the construction of biomethane processing and injection equipment for injecting biogas generated in the wastewater treatment process into the existing natural gas grid owned by Southwest Gas; and

**WHEREAS**, in accordance with the California Environmental Quality Act (California Public Resources Code Section 21000, et seq.) the State CEQA Guidelines (California Code of Regulations, Title 14, Section 15000 et seq.), and the VVWRA’s local CEQA Guidelines (collectively, “CEQA”), VVWRA has determined approval of the Project is exempt from the requirements of CEQA and the State CEQA Guidelines as set forth in more detail in the accompanying staff report and pursuant to State CEQA Guidelines Sections 15301 (Existing Facilities), 15302 (Replacement or Reconstruction), 15303 (New Construction or Conversion of Small Structures), and 15329 (Cogeneration Projects) because the Project involves the construction/installation of mechanical equipment at VVWRA’s existing reclamation plant in a manner that does not expand the plant’s capacity and for purposes of furthering existing biogas cogeneration operations; and

**WHEREAS**, pursuant to the foregoing, the VVWRA has determined that a notice of exemption (“Notice of Exemption”) for approval of the VVWRA Biomethane Gas Project should be filed pursuant to CEQA, the State CEQA Guidelines and Authority’s Local CEQA Guidelines.

**NOW, THEREFORE**, the VVWRA hereby resolves as follows:

**SECTION 1.** The above recitals are true and correct.

**SECTION 2.** VVWRA hereby finds and determines that the environmental impacts of the Project’s modifications to existing support systems are categorically exempt from CEQA under State CEQA Guidelines Sections 15301 (Existing Facilities), 15302 (Replacement or Reconstruction), 15303 (New Construction or Conversion of Small Structures), and 15329 (Cogeneration Projects) because the Project involves the construction/installation of mechanical equipment at VVWRA’s existing reclamation plant in a manner that does not expand the plant’s capacity and for purposes of furthering existing biogas cogeneration operations. Finally, VVWRA finds that no exceptions to the application of these categorical exemptions apply pursuant to State CEQA Guidelines Section 15300.2, because the Project is located at an existing developed facility and not within a sensitive environment will not impact historic resources, is not located near a scenic highway, is not located on a hazardous waste site, does not result in significant cumulative impacts, and because the record does not present any unusual circumstances that may result in potentially significant impacts.

**SECTION 3.** VVWRA hereby approves the Project.



**SECTION 4.** Staff is hereby authorized and directed to file a Notice of Exemption with the Clerk of the Board of Supervisors of San Bernardino County or other appropriate officer or employee of San Bernardino County that is designated by San Bernardino County to file such notices, within five (5) calendar days following the adoption of this Resolution.

**SECTION 5.** The custodian of the record of proceedings for this action shall be the secretary to the VVWRA, whose offices are located at 20111 Shay Road, Victorville CA 92394.

**SECTION 6.** This Resolution shall become effective on the date of its approval and adoption.

**ADOPTED** this 19th day of December, 2019.

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Scott Nassif, Chair  
VVWRA Board of Commissioners

**ATTEST:**

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Larry Bird, Secretary  
VVWRA Board of Commissioners

**APPROVED AS TO FORM:**

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Piero Dallarda of  
Best Best & Krieger LLP,  
General Counsel for VVWRA

**CERTIFICATION**

I, Kristi Casteel, Secretary to the Board of Commissioners of the Victor Valley Wastewater Reclamation Authority, State of California, do hereby certify that the foregoing is a full, true and correct, adopted by the Board of Commissioners of said Authority at its meeting of December 19, 2019.

\_\_\_\_\_  
Kristi Casteel  
Secretary to the Board of Commissioners

# EXHIBIT B

**NOTICE OF EXEMPTION**

<b>TO:</b> San Bernardino County Clerk of the Board of Supervisors 385 North Arrowhead Avenue 2nd Floor San Bernardino, CA 92415-0130	<b>FROM:</b> Victor Valley Wastewater Reclamation Authority 20111 Shay Road Victorville, CA 92394
1. Activity Title:	VWVRA Biomethane Gas Project (the "Project")
2. Applicant and Lead Agency:	Victor Valley Wastewater Reclamation Authority ("VWVRA")
3. Activity Location:	The proposed project would be located at 20111 Shay Road, City of Victorville, San Bernardino County, California 92394 (the "Site"). The project site is located in Section 13 of Township 6 North and Range 5 West at latitude 34°36'54.9" north and longitude 117°21'26.9" west. (Google Earth Pro, 2019a).
4. (a) Project Location – City: City of Victorville	(b) Project Location – County: San Bernardino
5. Description of nature, purpose, and beneficiaries of Activity:	The Project consists of taking biogas currently produced by VWVRA and converting it to biomethane for injection into the existing natural gas grid owned by Southwest Gas. The Project further entails installation of two 600 standard cubic feet per minute (scfm) treatment trains; installation of two 10-foot diameter by 8-foot media depth iron hydroxide dry scrubbers arranged in series and piped as lead-lag vessels; installation of a new biogas booster blower system to convey biogas from the existing biogas system to the new biogas conditioning facility; the inspection, repair, and reconditioning of existing structures and equipment; and the replacement of various existing equipment and instruments.
6. Name of Public Agency approving Activity:	Victor Valley Wastewater Reclamation Authority approved the Project on December 19, 2019.
7. Exempt status:	
<input checked="" type="checkbox"/> Categorically exempt State type and section number:	State CEQA Guidelines sections 15301, 15302, 15303, and 15329
8. Reason why project was exempt:	First, the Project is exempt from CEQA under the Class 1 exemption per State CEQA Guidelines 15301. This exemption applies to "the operation, repair, maintenance, permitting, leasing, licensing, or minor alteration of existing public or private structures, facilities, mechanical equipment, or topographical features, involving negligible or no expansion of existing or former use." (State CEQA Guidelines, § 15301.) This exemption applies to "existing facilities of both investor and publicly-owned utilities used to provide electric power, natural gas, sewerage, or other public utility services." Here, the Project is the repair, operation, and alteration of an existing facility used to provide public utility services. The Project would alter the existing facility by (1) repairing and reconditioning existing structures and equipment; (2) installing a new biogas booster blower system to convey biogas from the existing biogas system to a new biogas conditioning facility; and (3)

	<p>installing two 600 scfm treatment trains to take all of the biogas currently being produced by VVWRA at the Site and converting it to biomethane for injection into the natural gas grid owned by Southwest Gas. The Project involves negligible or no expansion of the Site’s existing or former use, and it <u>reduces</u> existing environmental impacts by dramatically decreasing the amount of flared biogas generated at the Site.</p> <p>Second, the Project is exempt under the Class 2 exemption per State CEQA Guidelines 15302. This exemption applies to the “replacement or reconstruction of existing structures and facilities where the new structure will be located on the same site as the structure replaced and will have substantially the same purpose and capacity as the structure replaced.” The State CEQA Guidelines provide that this exemption applies to “replacement or reconstruction of existing utility systems and/or facilities involving negligible or no expansion of capacity.” Here, the Project involves replacement of various existing equipment and instruments and involves the installation of a new biogas booster blower system to convey biogas from the existing biogas system to the new biogas conditioning facility. The entirety of the Project will take place at the existing Site, and the Site will have substantially the same purpose and capacity after the Project as it has now.</p> <p>Third, the Project is exempt under the Class 3 exemption per State CEQA Guidelines 15303. This exemption applies to, among other things, the “construction and location of limited numbers of new, small facilities or structures” and the “installation of small new equipment and facilities in small structures.” The Project includes the installation of a new biogas booster blower system, dry scrubbers, and two 600 scfm treatment trains</p> <p>The Project is exempt under the Class 29 exemption per State CEQA Guidelines 15329. This exemption applies to the installation of certain cogeneration facilities, and the Project meets those requirements.</p> <p>While State CEQA Guidelines section 15300.2 does set forth exceptions to the applicability of the aforementioned exemptions, VVWRA found that none of the exceptions apply.</p>
9. Lead Agency Contact Person:	Darron Poulsen
10. Telephone:	760-246-8738

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Name: Darron Poulsen, General Manager of Victor Valley Wastewater Reclamation Authority

Date Received for Filing: \_\_\_\_\_

(Clerk Stamp Here)

# EXHIBIT C

## CEQA CATEGORICAL EXEMPTION REVIEW AND DETERMINATION

Categorical exemptions are identified in Section 15300 and the related sections of the State CEQA Guidelines as “a list of classes of projects which have been determined not to have a significant effect on the environment and which shall, therefore, be exempt from the provision of CEQA.” After review of the various exemption classes, the proposed Victor Valley Wastewater Reclamation Authority Biomethane Gas Project (the “Project”) can be found to meet the criteria for the following CEQA exemptions:

### **Class 1 Exemption – “Existing Facilities”**

Section 15301 of State CEQA Guidelines states: “Class 1 consists of the operation, repair, maintenance, permitting, leasing, licensing, or minor alteration of existing public or private structures, facilities, mechanical equipment, or topographical features, involving negligible or no expansion of existing or former use.” The State CEQA Guidelines expressly provide that this exemption applies to “existing facilities of both investor and publicly-owned utilities used to provide electric power, natural gas, sewerage, or other public utility services.” (State CEQA Guidelines, § 15301, subd. (b).)

The Project is exempt because it relates to the repair, operation, and alteration of an existing biogas facility that is used to provide public utility services. The Project would alter the existing facility by (1) repairing and reconditioning existing structures and equipment; (2) installing dry scrubbers; (3) installing a new biogas booster blower system to convey biogas from the existing biogas system to a new biogas conditioning facility; and (4) installing two 600 scfm treatment trains to take the biogas currently being produced by VVWRA at the Site and converting it to biomethane for injection into the natural gas grid owned by Southwest Gas. The Project involves negligible or no expansion of the Site’s existing or former use, and it reduces existing environmental impacts by dramatically decreasing the amount of flared biogas generated at the Site. Notably, VVWRA’s existing facility at the Site has flared roughly 87,081,108 cubic feet of biogas in the last twelve months. The Project will ensure that biogas that is currently flared will instead be recovered and refined for injection in the gas pipeline.

### **Class 2 Exemption – “Replacement or Reconstruction”**

Section 15302 of State CEQA Guidelines states: “Class 2 consists of replacement or reconstruction of existing structures and facilities where the new structure will be located on the same site as the structure replaced and will have substantially the same purpose and capacity as the structure replaced.” The State CEQA Guidelines expressly provide that this exemption applies to “replacement or reconstruction of existing utility systems and/or facilities involving negligible or no expansion of capacity.”

The Project is additionally exempt under the Class 2 exemption as it involves replacement of various existing equipment and instruments and involves the installation of a new biogas booster blower system to convey biogas from the existing biogas system to the new biogas conditioning facility. The entirety of the Project will affect only existing disturbed areas within the existing VVWRA Wastewater Treatment Plant (“WWTP”), and the relevant facility will have substantially the same purpose and capacity after the Project as it has now.

### **Class 3 Exemption – “New Construction or Conversion of Small Structures”**

Section 15303 of State CEQA Guidelines states: “Class 3 consists of construction and location of limited numbers of new, small facilities or structures; installation of small new equipment and facilities in small structures; and the conversion of existing small structures from one use to another where only minor modifications are made in the exterior of the structure.”

As noted, the Project includes the installation of a new biogas booster blower system, dry scrubbers, and two 600 scfm treatment trains. These new, small facilities and structures fall directly within the Class 3 exemption.

### **Class 29 Exemption - "Cogeneration Projects at Existing Facilities"**

Section 15329 of State CEQA Guidelines states: "Class 29 consists of the installation of cogeneration equipment with a capacity of 50 megawatts or less at existing facilities meeting the conditions: (A) At existing industrial facilities, the installation of cogeneration facilities will be exempt where it will: (1) Result in no net increases in air emissions from the industrial facility, or will produce emissions lower than the amount that would require review under the new source review rules applicable in the county, and (2) Comply with all applicable state, federal, and local air quality laws; (B) At commercial and industrial facilities, the installation of cogeneration facilities will be exempt if the installation will: (1) Meet all the criteria described in Subsection (A), (2) Result in no noticeable increase in noise to nearby residential structures, or (3) Be contiguous to other commercial or institutional structures."

Here, the Project is exempt from CEQA because the Project relates to the installation of cogeneration equipment with a capacity of 50 megawatts or less, and (1) the Project will not result in any net increases in air emissions from the facility, or will produce emissions lower than the amount that would require review under the new source review rules applicable in the county, and (2) the Project will comply with all applicable state, federal, and local air quality laws. Moreover, the Project will affect only existing disturbed areas within the WWTP located on the Project Site. The key criteria that are met by the Project include:

1. The proposed project converts a waste by-product, biogas, into a resource and must obtain all appropriate air permits from the Mojave Desert Air Quality Management District in order to be installed.
2. The proposed biogas conditioning and upgrading systems will substantially reduce and/or eliminate biogas flare combustion. In the past calendar year, VVWRA flared 87,081,108 cubic feet of biogas, and the purpose of this Project is to forgo flaring and, instead, treat the biogas so that it is appropriate for injection into the regional natural gas pipelines. Thus, existing permitted flare emissions would be substantially reduced and/or eliminated, such that the Project will result in net decreases in the existing facility's overall emissions. Further, approval for an interconnect regarding the natural gas pipeline operated by the Southwest Gas Corporation would be obtained.
3. Due to the distance of the nearest neighbor being over ¼ mile, the new equipment would not cause any noticeable change in noise level at this location.
4. The proposed project is within the existing VVWRA WWTP site, is surrounded by vacant and industrial land and meets the requirement of not being located adjacent to any other noise sensitive uses.

### **No "Exceptions" to the Above Exemptions Apply**

Pursuant to Section 15300.2 of the State CEQA Guidelines, no "exceptions" to the application of the above exemptions apply, because the Project does not involve sensitive environments, significant cumulative impacts, unusual circumstances giving rise to significant effects, visual impacts within scenic highways, hazardous waste sites, or impacts to historical resources. Specifically:

A. Location: A review of the proposed VVWRA Biomethane Gas Project site shows that all of the proposed facilities and related construction disturbance will be located within the existing disturbed areas of the VVWRA WWTP. All adjacent uses are either industrial or vacant. The proposed project is located on a totally manmade, engineered site. No fundamental operations or functions will change as a result of the proposed project. The proposed project would result in recovery and reuse of existing biogas resources, converting an existing waste product into an energy resource. Since the site-specific physical changes in



the environmental will occur within previously engineered or disturbed areas, no site specific locational impacts are forecast to result from implementing the proposed project.

B. Cumulative Impact: The purpose of installing the VVWRA Biomethane Gas Project is to convert an existing waste stream into an energy resource. This project will not alter the capacity of the VVWRA WWTP operations. Thus, the proposed project has no potential to contribute to any cumulatively considerable effects, if implemented. There would therefore be no cumulative effects from implementation of the proposed project.

C. Significant Impact: Installation of the proposed VVWRA Biomethane Gas Project has no known potential significant adverse environmental effects associated with its implementation, and certainly none due to unusual circumstances. The whole of the project area, temporary and permanent areas of disturbance, is already engineered and disturbed. Potential air emissions from construction and operations, including two operating scenarios, were estimated and demonstrate all potential emissions would be less than the MDAQMD CEQA thresholds of significance. Therefore, no significant adverse environmental effects are forecasted to result from project implementation at the proposed project site.

D. Scenic Highway: There are no scenic roadways or resources in proximity to the project site. Therefore, implementation of the proposed project would have no potential adverse effects to scenic resources.

E. Hazardous Waste Sites: The project site is an existing WWTP within an existing industrial area. A review of on-line database shows there are no known contaminants at the VVWRA WWTP facility (EnviroStor 2019). VVWRA WWTP already handles wastewater and related residual waste stream disposal at its existing facility; the proposed project would not change or be affected by the existing handling of hazardous materials. Thus, this issue does not pose a significant hazard to construction employees or facility operators.

F. Historical Resources: As previously noted, the existing VVWRA WWTP site, including the proposed VVWRA Biomethane Gas Project area, has been previously disturbed with construction and operation of the existing facility. Thus, no historic resources with any integrity or value can remain on the project site.

### **Conclusion**

Based on the evaluation presented above, the proposed VVWRA Biomethane Gas Project is Exempt from further review under CEQA.



**VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY  
Board of Commissioners Staff Report**

**TO:** VVWRA Board of Commissioners  
**FROM:** Darron Poulsen, General Manager *DPP*  
**SUBMITTED BY:** Alton Anderson, Construction Manager *ACA*  
**DATE:** December 19, 2018  
**SUBJECT:** Recommendation to Increase the existing Professional Services Agreement with Carollo Engineers by \$17,386.06 for additional Construction Management/Inspection Services for the Desert Knolls Wash Interceptor Project

---

<input checked="" type="checkbox"/>	<b>For Action</b>	<input checked="" type="checkbox"/>	<b>Fiscal Impact</b>	<b>\$ 17,386.06</b>
<input type="checkbox"/>	<b>Information Only</b>	<input checked="" type="checkbox"/>	<b>Account Code:</b>	<b>07-02-112-9025-C005</b>
		<input checked="" type="checkbox"/>	<b>Funds Budgeted/ Approved:</b>	<i>ACA</i>

---

**STAFF RECOMMENDATION**

It is recommended that the Board of Commissioners approve increasing the amount of the existing Professional Services Agreement (PSA) for Construction Management/Inspection Services P.O. 16835 dated 9-24-18 for the Desert Knolls Wash Interceptor Project with Carollo Engineers by \$17,386.06 for additional services. This would be in accordance to their Amendment Proposal dated November 14, 2019 which is attached. This brings the PSA to a total of \$186,179.06. The project is complete and this is the final adjustment.

**PREVIOUS ACTION(S)**

September 20, 2019 Board Meeting- Board approved the Professional Service Agreement for Carollo Engineering for the Desert Knolls Wash Interceptor Project

**BACKGROUND INFORMATION**

The Desert Knolls Wash Interceptor Project has been completed. Construction was complete in May 2019, with a notice of completion issued in October 2019. Carollo Engineers designed this project and was selected to provide Construction Management/Inspection Services in September 2018.

As provided in the attached Amendment Request dated November 14, 2019 the PSA has had scope increases that were not included in the original scope. These include:

1. Increase in estimated submittal review
2. Revision to the right-of-way documents
3. Unknown underground conditions, requiring engineering and support
4. Revisions by staff at the sampling building
5. Record drawings in CADD and GIS format
6. Additional time for CM services when Construction Manager was on medical leave

As is the case for all our Professional Services Agreements, the contract is based on an estimate of manhours required to meet the proposed scope. All of these items amounted to an approximately 10% overage on the manhours to complete the required work. Carollo Engineers has done an excellent job in managing this construction project. All construction issues were met and resolved in a timely manner. The construction project was completed under budget and under the estimated time.

Funds for this project are fully spent. The additional dollars necessary to pay for these final costs will be transferred from an existing capital project, the UV Coating Project. Staff recommends that the Board approve the increase in the PSA for Carollo Engineers in the amount of \$17,386.06.

**Attachment(s):**

**Exhibit A- Carollo Engineers Amendment Request**

# EXHIBIT A



November 14, 2019

Alton Anderson  
 Construction Manager  
 Victor Valley Wastewater Reclamation Authority  
 20111 Shay Road  
 Victorville, CA 92394

Subject: Desert Knolls Interceptor ESDC and CM/Inspection Services  
 Amendment Request to P.O. 16835 Dated 9-24-18

Dear Mr. Anderson:

We apologize for the delay in formally submitting this request. The project is now complete, so that we have an accurate accounting of the increased scope items related to the Engineering Services During Construction (ESDC) and Construction Management (CM) Services and related costs. Outlined below are the primary items that we believe contributed to the budget problem:

1. Seven (7) additional submittals beyond the estimated number, not including resubmittals.
2. Right-of-way support and documentation.
3. Design and field support for connection to existing 10-inch VCP that was encased in concrete.
4. Connection manhole AVS-2, additional 4 days of night work during the core drilling, due to inaccurate as-built drawings.
5. Design and field support for added additional concrete work at the sampling building, added by past GM.
6. Provided record drawings in GIS format, at the request of VVWRA.
6. Extra coordination by the CM with the Contractor, tribal and environmental inspectors, and VVWRA during Construction Manager sick time.

Based on the items above and the attached draft invoices we are requesting an additional \$17,386.06. See attached. In addition, attached is our scope of work Exhibit A, Fee Estimate for ESDC Services Exhibit B, and Fee Estimate for CM Services Exhibit C.

Please call me to discuss at your earliest convenience.

Sincerely,

CAROLLO ENGINEERS, INC.

*Michael A. Fleury*  
 Michael A. Fleury, P.E., BCEE  
 Associate Vice President



Remit all electronic payments to the following account:  
**Bank:** Zions Bancorporation  
**Account Name:** Carollo Depository  
**ABA Number/ Routing Number:** 122105320  
**Account #:** 560013387

Attn: Alton Anderson  
 Victor Valley Wastewater Reclamation Authority  
 20111 Shay Road  
 Victorville, CA 92394

November 4, 2019  
 Project No: 10836A.20  
 Invoice No: <Draft>  
 Principal In Charge: Andrew Gilmore  
 Project Manager: Michael Fleury

VVWRA Desert Knoll Wash Interceptor ESDC  
 Board Approved EREQ # 9734 Dated 9-20-2018  
 PO NO.: 16835, Dated 9-24-18  
 Account Code: 07-05-20-9000-C005  
 Total PO Amount \$73,653

Professional Services from October 1, 2019 to October 31, 2019  
**Professional Personnel**

	<b>Hours</b>	<b>Rate</b>	<b>Amount</b>	
Engineer/Scientist				
Fleury, Michael	13.00	255.00	3,315.00	
Technician				
Davis, Greg	14.00	205.00	2,870.00	
Powers, Riley	7.00	205.00	1,435.00	
Silber, Jackie	1.00	205.00	205.00	
<b>Totals</b>	<b>35.00</b>		<b>7,825.00</b>	
<b>Total Labor</b>				<b>7,825.00</b>
<b>Unit Billing</b>				
PECE Charges		35.0 Hrs @ 11.70	409.50	
<b>Total Units</b>			<b>409.50</b>	<b>409.50</b>
<b>Billing Limits</b>				
	<b>Current</b>	<b>Prior</b>	<b>To-Date</b>	
Total Billings	8,234.50	71,977.27	80,211.77	
Limit			73,653.00	
<b>Adjustment</b>				<b>-6,558.77</b>

**Please Pay This Amount \$1,675.73**

For any questions regarding this invoice please contact us at [ClientInvoicing@carollo.com](mailto:ClientInvoicing@carollo.com).

10,827.29  
 \$17,386.06

## Unbilled Detail

Monday, November 4, 2019

8:57:30 AM

Carollo Engineers, Inc.

As of 11/4/2019

Billing Status	Date	Labor Code /Account	Employee/ Reference	Description	Hours/ Units	Billing Rate	Billing Amount
<b>Project Number: 10836A.20 Desert Knolls Wash Interceptor ESDC</b>							
<b>Labor:</b>							
B	8/7/2019	0063A	05133	Davis, Greg	2.00	205.00	410.00
B	8/9/2019	0063A	05133	Davis, Greg	6.00	205.00	1,230.00
				Record Dwg			
B	8/29/2019	0063A	05133	Davis, Greg	1.00	205.00	205.00
				reviewed GIS data for Rec Dwg			
B	9/13/2019	0063A	05133	Davis, Greg	5.00	205.00	1,025.00
				Prep Rec CAD files			
B	8/1/2019	0012A	05155	Fleury, Michael	4.00	255.00	1,020.00
B	8/14/2019	0012A	05155	Fleury, Michael	2.00	255.00	510.00
B	8/19/2019	0012A	05155	Fleury, Michael	2.00	255.00	510.00
B	8/29/2019	0012A	05155	Fleury, Michael	1.00	255.00	255.00
B	9/9/2019	0012A	05155	Fleury, Michael	1.00	255.00	255.00
B	10/14/2019	0012A	05155	Fleury, Michael	2.00	255.00	510.00
B	10/15/2019	0012A	05155	Fleury, Michael	1.00	255.00	255.00
B	8/28/2019	0064X	06079	Powers, Riley	4.00	205.00	820.00
B	9/4/2019	0064X	06079	Powers, Riley	1.00	205.00	205.00
B	9/5/2019	0064X	06079	Powers, Riley	1.00	205.00	205.00
B	9/6/2019	0064X	06079	Powers, Riley	1.00	205.00	205.00
B	9/3/2019	0064A	05911	Silber, Jackie	1.00	205.00	205.00
				<b>Total Billable Labor</b>	<b>35.00</b>		<b>7,825.00</b>
				<b>Total Labor</b>	<b>35.00</b>		<b>7,825.00</b>
<b>Units:</b>							
B	9/30/2019	PECE5	0000558	9/30/19 PECE Charges B:10.0 Hrs @ 11.70	10.00	11.70	117.00
B	8/31/2019	PECE5	0000609	8/31/19 PECE Charges B:22.0 Hrs @ 11.70	22.00	11.70	257.40
B	10/31/2019	PECE5	0000637	10/31/19 PECE Charges B:.0 Hrs @ 11.70	3.00	11.70	35.10
				<b>Total Billable Units</b>	<b>35.00</b>		<b>409.50</b>
				<b>Total Units</b>	<b>35.00</b>		<b>409.50</b>
				<b>Total for 10836A.20</b>	<b>70.00</b>		<b>8,234.50</b>





Remit all electronic payments to the following account  
Bank: Zions Bancorporation  
Account Name: Carollo Depository  
ABA Number/ Routing Number: 122105320  
Account #: 560013387

Attn: Alton Anderson  
Victor Valley Wastewater Reclamation Authority  
20111 Shay Road  
Victorville, CA 92394

November 4, 2019  
Project No: 10836A.30  
Invoice No: <Draft>  
Principal In Charge: Andrew Gilmore  
Project Manager: Michael Fleury

VWRA Desert Knoll Wash Interceptor CM  
Board Approved EREQ # 9734 Dated 9-20-2018  
PO NO.: 16835, Dated 9-24-18  
Account Code: 07-05-20-9000-C005  
Total PO Amount \$95,140

**Professional Services from October 1, 2019 to October 31, 2019**

**Professional Personnel**

	Hours	Rate	Amount	
Engineer/Scientist				
Fleury, Michael	3.00	255.00	765.00	
Technician				
Vandamme, Timothy	49.50	205.00	10,147.50	
Totals	52.50		10,912.50	
<b>Total Labor</b>				<b>10,912.50</b>

**Unit Billing**

PECE Charges	52.5 Hrs @ 11.70	614.25	
<b>Total Units</b>		<b>614.25</b>	<b>614.25</b>

**Billing Limits**

	Current	Prior	To-Date	
Total Billings	11,526.75	94,440.54	105,967.29	
Limit			95,140.00	
<b>Adjustment</b>				<b>-10,827.29</b>

**Please Pay This Amount \$699.46**

For any questions regarding this invoice please contact us at [ClientInvoicing@carollo.com](mailto:ClientInvoicing@carollo.com).



## Unbilled Detail

Monday, November 4, 2019

8:57:35 AM

Carollo Engineers, Inc.

As of 11/4/2019

Billing Status	Date	Labor Code /Account	Employee/ Reference	Description	Hours/ Units	Billing Rate	Billing Amount
<b>Project Number: 10836A.30 Desert Knolls Wash Interceptor RE</b>							
<b>Labor:</b>							
B	8/29/2019	0012A	05155	Fleury, Michael	1.00	255.00	255.00
B	9/9/2019	0012A	05155	Fleury, Michael	1.00	255.00	255.00
B	10/14/2019	0012A	05155	Fleury, Michael	1.00	255.00	255.00
B	8/1/2019	0084L	04766	Vandamme, Timothy	2.00	205.00	410.00
B	8/6/2019	0084L	04766	Vandamme, Timothy	2.00	205.00	410.00
B	8/7/2019	0084L	04766	Vandamme, Timothy	4.00	205.00	820.00
B	8/8/2019	0084L	04766	Vandamme, Timothy	3.00	205.00	615.00
B	8/9/2019	0084L	04766	Vandamme, Timothy	3.50	205.00	717.50
B	8/13/2019	0084L	04766	Vandamme, Timothy	1.00	205.00	205.00
B	8/19/2019	0084L	04766	Vandamme, Timothy	.50	205.00	102.50
B	8/21/2019	0084L	04766	Vandamme, Timothy	3.50	205.00	717.50
B	8/22/2019	0084L	04766	Vandamme, Timothy	1.00	205.00	205.00
B	8/23/2019	0084L	04766	Vandamme, Timothy	1.00	205.00	205.00
B	8/26/2019	0084L	04766	Vandamme, Timothy	1.00	205.00	205.00
B	8/29/2019	0084L	04766	Vandamme, Timothy	1.00	205.00	205.00
B	9/3/2019	0084L	04766	Vandamme, Timothy	1.00	205.00	205.00
B	9/11/2019	0084L	04766	Vandamme, Timothy	3.00	205.00	615.00
B	9/12/2019	0084L	04766	Vandamme, Timothy	4.00	205.00	820.00
B	9/13/2019	0084L	04766	Vandamme, Timothy	2.00	205.00	410.00
B	9/17/2019	0084L	04766	Vandamme, Timothy	2.00	205.00	410.00
B	9/18/2019	0084L	04766	Vandamme, Timothy	4.00	205.00	820.00
B	9/19/2019	0084L	04766	Vandamme, Timothy	2.00	205.00	410.00
B	10/16/2019	0084L	04766	Vandamme, Timothy	4.00	205.00	820.00
B	10/17/2019	0084L	04766	Vandamme, Timothy	4.00	205.00	820.00
					<b>Total Billable Labor</b>	<b>52.50</b>	<b>10,912.50</b>
					<b>Total Labor</b>	<b>52.50</b>	<b>10,912.50</b>
<b>Units:</b>							
B	9/30/2019	PECE5	0000558	9/30/19 PECE Charges B:19.0 Hrs @ 11.70	19.00	11.70	222.30
B	8/31/2019	PECE5	0000609	8/31/19 PECE Charges B:24.5 Hrs @ 11.70	24.50	11.70	286.65
B	10/31/2019	PECE5	0000637	10/31/19 PECE Charges B:.0 Hrs @ 11.70	9.00	11.70	105.30
					<b>Total Billable Units</b>	<b>52.50</b>	<b>614.25</b>
					<b>Total Units</b>	<b>52.50</b>	<b>614.25</b>
					<b>Total for 10836A.30</b>	<b>105.00</b>	<b>11,526.75</b>

## EXHIBIT A

### Scope of Work for ESDC and CM/Inspection Services

#### Desert Knolls Wash Interceptor

The South Apple Valley Interceptor (Interceptor) was constructed in 1981 and crosses the Desert Knolls Wash several times in the vicinity of the Lewis Center for Educational Research. The wash upstream of the impacted area was concrete, channelized by San Bernardino Flood Control (FCD), which serves to protect the first crossing. However, the resulting storm water from the FCD channel improvement has caused increased velocity and sediment free storm water until it reaches the unimproved channel where the second crossing is located. Because the water is sediment free and has increased velocity it scours down, picking up sediment and transporting the sediment further downstream until the velocity slows. On December 24, 2016 a portion of the interceptor sewer crossing (15-inch PVC) was exposed and possibly floated during a significant rain event.

As part of this relocation project, CAROLLO will provide engineering services during construction (ESDC) and construction management (CM)/Inspection services for the Desert Knolls Wash interceptor project which consists of: approximately 2,600 linear feet of 15 to 24 inch gravity sewer, 8 manholes, grit control facility, FRP prefabricated sampling building, and the demolition of two existing structures.

#### ASSUMPTIONS

The ESDC and CM/inspection services defined herein are based on the following assumptions including:

1. Engineer will furnish a full time (on-site) inspector and part-time Construction Manager (CM).
2. Engineer will not furnish geotechnical testing, or materials testing during construction. This shall be the responsibility of the Contractor.
3. Contractor shall maintain a set of active Record Drawings at the Project site, consisting of red-lined markups to the bid drawings. Review of red-lined markups shall be the responsibility of the Inspector.
4. Submittals, RFIs, Change Orders, Design Clarifications, etc. beyond the numbers estimated within the attached Fee estimate will require a modification to this Scope and Fee.
5. The anticipated actual construction period will be five (5) months. From Contractor Notice to Proceed (NTP) to Final Completion and Acceptance is a maximum of nine (9) months. Time and services provided beyond this anticipated actual construction duration will require a modification to this Scope and Fee.

6. Coordination with the tribal, cultural, and environmental monitors. Tribal and cultural monitors will be responsible for monitoring all earth moving operations for artifacts, except backfilling.

## **1.0 PROJECT COORDINATION**

CAROLLO's Principal-in-Charge (Andrew Gilmore) and Project Manager (Mike Fleury) will manage the efforts of the project team members, make staffing assignments, review work progress, coordinate the quality assurance / quality review process, and communicate progress to VVWRA.

### **1.1. Project Management**

CAROLLO will provide project management services, including:

- Preparation of budgets for each project task
- Prepare monthly progress reports to accompany the monthly invoice that summarizes:
  - For each task - overview of all activities in the previous and following month.
  - Schedule performance - planned versus actual.
  - Cost performance - planned versus actual
  - Overview of project challenges and issues that may affect performance with respect to schedule and budget.
- Tracking out-of-scope work items.
- Be available remotely to address technical issues as they arise.
- Visit the site at critical points in the construction.
  - Budget is based on four (4) site visits by one person of the management team. Travel, accommodations, meals, and incidental expenses have also been included for the four (4) visits.
  -

### **1.2. Project Meetings**

CAROLLO will provide the agenda, lead, and develop the minutes for the project meetings with VVWRA staff, tribal and cultural monitors, and the Contractor as estimated during the construction to include the following:

- Pre-Construction Meeting followed by a site visit.
- Bi-Weekly Progress Meetings
- Project Close-Out Meeting

## **2.0 REQUESTS FOR INFORMATION**

CAROLLO's Project Manager will respond to Requests for Information (RFIs) from the Contractor and provide written answers to RFIs, including sketches and/or drawing revisions as appropriate. The scope includes providing responses for ten (10) RFIs.

## **3.0 SUBMITTALS**

CAROLLO will review shop drawings, catalog data, and other materials that the Contractor is required to submit. The scope and budget includes providing review and responses for ten (10) original submittals.



#### **4.0 RECORD DRAWINGS**

CAROLLO will prepare record drawings based on the Contractor's redlines that have been approved by CAROLLO's Construction Manager/Inspector

#### **5.0 CONSTRUCTION MANAGEMENT AND INSPECTION SUPPORT**

CAROLLO will provide a part-time CM and a full-time inspector during the construction phase. The CM will provide the following services:

- Document and track work progress, progress payments, RFIs, review and process potential change orders (3), progress photographs, contractor schedules, and construction issues.
- Coordinate with the VVWRA staff to address all VVWRA activities and responsibilities in a timely manner.
- The CM team will always represent the VVWRA's interests in dealing with the project stakeholders.
- Conduct bi-weekly construction meetings.
- Clarify construction changes and irregularities.
- Review contractor progress payment requests, and submit the final progress payment request to VVWRA for approval.
- Negotiate, prepare, and process changes orders(s) and/or extra work orders(s).
- Review up-to-date construction information recorded by the project Inspector.
- Review and comment on the Contractor's schedule.

Our inspector will provide the necessary construction oversight at the jobsite. Our inspector will perform the following duties:

- Prepare daily inspection reports that document fabrication and construction activities, record equipment, personnel, weather, time of observations, and document any deviations and non-conformances to the plans and specifications.
- Maintain a complete photographic record of the project from the pre-construction condition of the site.
- Submit a weekly summary report identifying current and planned work activities, adherence to the project schedule, and any nonconformance items or perceived problems.
- Coordinate with the materials testing company provided by the Contractor.

#### **SCHEDULE**

The work is anticipated to commence after receiving notice to proceed from VVWRA. Anticipated construction schedule is October 1, 2018 to July 1, 2019 (9 months).

**FEE**

The proposed time and materials fee for the project is shown in Appendix B (ESDC- \$73,663) and C (CM/Inspection Services- \$230,540) which equates to a total contract amount of \$304,203. Subsequent to the agreement reached with VVWRA on September 10, 2018 (See attachments) this total contract amount is reduced by \$135,400 to settle Carollo/HDR design issues on the Sub-Regional WRFs. The proposed time and materials not to exceed contract amount is \$168,803.

**Exhibit B**  
**Estimated Work Effort ESDC Services**  
**Desert Knolls Wash Interceptor**  
**Victor Valley Wastewater Reclamation Authority**

**Estimated Effort Hours**

Task No.	Description	Project Manager/Director/CM \$ 255	CADD Tech. \$ 145	Project Prof \$ 185	Inspector \$ 180	Inspector Overtime \$ 184	Support Staff \$ 123	Total	ODC	Total Fee by Task
1	Project Management	40	0	0	0	0	8	48	\$ 262	\$ 11,446
2	Meetings/Site Visits	108	0	0	0	0	16	124	\$ 5,240	\$ 34,748
3	Requests for Information	8	0	40	0	0	8	56	\$ -	\$ 10,424
4	Submittals	20	0	40	0	0	4	64	\$ -	\$ 12,992
4	Record Drawings	4	20		0	0	1	25	\$ 300	\$ 4,043
	<b>Total</b>	<b>180</b>	<b>20</b>	<b>80</b>	<b>0</b>	<b>0</b>	<b>37</b>	<b>317</b>	<b>5802</b>	<b>73653</b>

**\$ 73,653**

**Exhibit C**  
**Estimated Work Effort Construction Management Services**  
**Desert Knolls Wash Interceptor**  
**Victor Valley Wastewater Reclamation Authority**

**Estimated Effort, Hours**

Task No.	Description	Construct. Manager	CADD Tech.	Project Prof	Inspector	Inspector Overtime	Inspector	Inspector Overtime	Support Staff	Total	ODC (\$)	Total Fee by Task (\$)
		\$ 256	\$ 146	\$ 185	\$ 181	\$ 214	\$ 150	\$ 194	\$ 123			
1	Project Documentation	125	0	0	160	0	0	0	40	325	\$ 6,160	\$ 71,915
2	Meetings	96	0	0	20	0	0	0	0	116		\$ 28,100
3	Requests for Information	9	0	0	8	0	0	0	0	17	\$ -	\$ 3,743
4	Submittals	4	0	0	10	0	0	0	0	14	\$ -	\$ 2,830
4	Record Drawings	2	0	0	6	0	0	0	0	8		\$ 1,596
5	Inspection Support (5 months)	0			676					676	\$ -	\$ 122,356
	<b>Total</b>	<b>236</b>	<b>0</b>	<b>0</b>	<b>880</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>40</b>	<b>1156</b>	<b>6160</b>	<b>230540</b>

1. Overtime is based on 1.5 times the base rate.

<b>Sub-Total</b>	<b>\$ 230,540</b>
Settlement	(\$135,400)
<b>Total</b>	<b>\$95,140</b>



4600 East Washington Street, Suite 500, Phoenix, Arizona 85034  
P: 602.263.9500 F: 602.265.1422

September 10, 2018

Mr. Logan Olds, General Manager  
Victor Valley Wastewater Reclamation Authority  
20111 Shay Road  
Victorville, CA 92394

Subject: Design Issues Settlement (update September 10, 2018)

Dear Logan:

This is an update per the draft proposed resolution documented in our letter dated May 25, 2019 (see attached). Per our discussion on September 7, 2018, we propose to use the \$135,400 as a "working credit" for the Construction Management services portion of the DKW pipeline project. Carollo will keep track of the charges (hours and rates, reimbursables, etc.) against this "working credit" and report on a monthly basis the amounts (credit used and credit remaining). Once the credit is completely used we will bill against the DKW project contract budget, as allowable under that Contract. Please confirm this is agreeable by VVWRA and we will proceed accordingly.

Sincerely,

CAROLLO ENGINEERS, INC.

Andrew Gilmore  
Vice President

AG:ch

Attachments: Design Issues Settlement Draft letter, May 25, 2018



***Victor Valley Wastewater Reclamation Authority***



***Financial and Cash Report***

***November 2019***

## Executive Summary of Financial Statements

## For the Month Ended November 30, 2019

1. Cash balance at November 30, 2019 was \$12.44 million with sufficient reserves for operation, repairs/replacement, and SRF loan principal and interest payments.

**Reserves:**

O&M Reserve: 10% of Prior Year Budgeted Operating Expenses	\$	1,372,099
R&R Reserve: 1% of Land Improvements/Plants/Interceptors PY CAFR		2,954,450
Reserve for SRF Payments (P& I) - Operating		2,749,736
Reserve for SRF Payments (P& I) - Capital		2,133,074
Available for O&M		<u>3,226,551</u>
Total Cash		<u>\$ 12,435,909</u>

2. The November 2019 financial statements show a deficit of \$273,840 (a cumulative year-to-date deficit of \$3,176,136) after \$1.05 million (cumulative \$5.24 million) depreciation expense. The depreciation expense is a part of financial statements but does not affect our cash flow.
3. The current month user fee revenue, billed for the month, is lower than a budgeted monthly average amount by \$65,834 (lower by \$336,873 for the period from July 1, 2019 to November 30, 2019). The staff recorded the connection fee revenue of \$245,600 received during November 2019. Compared to the budget, the year-to-date connection fee revenue is lower by \$194,489 for the period from July 1, 2019 to November 30, 2019. The expenses are what the staff actually processed during the month that may not show expenses to match corresponding revenues. The staff will record matching expenses at a year-end by accruing incurred costs.



Chieko Keagy, Controller

Victor Valley Wastewater Reclamation Authority  
**CASH AND RESERVE SUMMARY**  
 November 30, 2019

G/L Account	Description	Balance
1000	DCB Checking Account	\$ 1,113,000
1030	DCB Sweep Account	2,064,309
1075	Cal TRUST	6,380,684
1070	LAIF	2,877,916
	Total Cash	<u>\$ 12,435,909</u>

\$65 mil Max

Reserves:	Current Balance	Restricted	Assigned	Not Assigned
Targeted Capital Reserve	\$ -	\$ -	\$ -	\$ -
O&M Reserve: 10% of Prior Year Budgeted Operating Expenses	1,372,099		1,372,099	
R&R Reserve: 1% of Land Improvements/Plants/Interceptors PY CAFR	2,954,450		2,954,450	
Reserve for SRF Payments (P& I) - Operating	2,749,736	2,749,736		
Reserve for SRF Payments (P& I) - Capital	2,133,074	2,133,074		
Available for O&M	3,226,551	-		
Total Cash	<u>\$ 12,435,909</u>	<u>\$ 4,882,810</u>	<u>\$ 4,326,548</u>	<u>\$ -</u>

**Note 1: ACCUMULATION FOR SRF LOAN PAYMENTS:**

	9.5 MGD, 11.0 MGD, NAVI, Phase III-A	Upper Narrows Replacement	Nanticoke Bypass	Sub- Regional Apple Valley	Sub- Regional Hesperia	Total
Reserve for SRF Payments (P& I) - Operating	\$ 770,707	257,745	203,725	625,220	892,339	\$ 2,749,736
Reserve for SRF Payments (P& I) - Capital	1,094,924	-	67,908	399,731	570,512	2,133,074
	<u>\$ 1,865,631</u>	<u>257,745</u>	<u>271,633</u>	<u>1,024,951</u>	<u>1,462,850</u>	<u>\$ 4,882,810</u>

Payment Schedule

Upper Narrows Replacement	December	257,745
NAVI	February	258,151
Subregional - AV	February	1,024,951
Subregional - HES	February	1,462,850
11.0 MGD	April	579,870
Phase III-A	June	1,027,610
Nanticoke	June	271,633
		<u>\$ 4,882,810</u>

**Victor Valley Wastewater Reclamation Authority**  
**Statement of Net Position**  
**November 30, 2019**

<i>Assets and Deferred Outflows of Resources</i>	<b>2019</b>
<b>Current assets:</b>	
Cash and cash equivalents	\$ 12,390,430
Interest receivable	13,117
Accounts receivable	2,618,073
Receivable from FEMA Grants	3,679,746
Accounts receivable - Other	7,119
Allowance for Doubtful Accounts	(89,459)
Materials and supplies inventory	88,839
Prepaid expenses and other deposits	<u>103,512</u>
Total current assets	<u>18,811,378</u>
<b>Fixed assets:</b>	
Capital assets not being depreciated	3,287,013
Capital assets being depreciated	<u>183,516,023</u>
Total capital assets	<u>186,803,035</u>
Total assets	<u>205,614,413</u>
<b>Deferred outflows of resources</b>	
Deferred outflows of resources - OPEB	-
Deferred outflows of resources - pension	<u>1,742,472</u>
Total	<u>\$ 207,356,885</u>
<b><u>Liabilities, Deferred Inflows of Resources, and Net Position</u></b>	
<b>Current liabilities:</b>	
Accounts payable and accrued expenses	\$ 587,187
Accrued interest on long-term debt	275,043
Long-term liabilities - due within one year:	
Compensated absences	48,647
Lease payables	-
Loans payables	1,849,149
Other payables	<u>6,852</u>
Total current liabilities	<u>2,766,878</u>
<b>Non-current liabilities:</b>	
Long-term liabilities - due in more than one year:	
Compensated absences	239,371
Other post employment benefits payable	2,285,368
Lease payables	235,431
Loans payable	81,661,912
Net pension liability	5,750,574
Other payables	<u>5,675</u>
Total non-current liabilities:	<u>90,178,332</u>
Total liabilities	<u>92,945,209</u>
<b>Deferred inflows of resources</b>	
Deferred inflows of resources - OPEB	-
Deferred inflows of resources - pension	<u>89,437</u>
<b>Net position:</b>	
Net investment in capital assets	122,731,832
Restricted for capital projects	-
Restricted for SRF loan covenant	5,285,091
Unrestricted	(10,518,548)
Decrease in net position FY 19	<u>(3,176,136)</u>
Total net position	<u>114,322,239</u>
Total	<u>\$ 207,356,885</u>

**Victor Valley Wastewater Reclamation Authority**  
**Revenues and Expenses**  
**Operations and Maintenance**  
For the Month Ended November 30, 2019

	Actual November 2019	YTD Actual FY 19-20	Approved Budget FY 19-20
<b>REVENUES</b>			
User Charges	\$ 1,140,891	\$ 5,696,752	14,480,700
Sludge Flow Charge	8,520	47,683	120,000
High Strength Waste Surcharges	-	9,099	20,000
ADM FOG Tipping Fee Revenue	21,748	113,085	250,000
Septage Receiving Facility Charges	48,824	270,250	600,000
Reclaimed Water Sales	1,995	5,540	25,000
Potable Well Water Sales	150	556	-
Interest	112	567	-
Pretreatment Fees	3,300	23,000	50,000
Finance Charge	-	-	-
Grant - FEMA/Cal-EMA	-	-	-
Grant - Proposition 1	-	-	-
Grant- Other State and Federal	-	-	-
Grant- CEC Microgrid	-	-	-
Sale of Assets, Scrap, & Misc Income	-	104,037	1,200
<b>Total REVENUES</b>	<b>\$ 1,225,539</b>	<b>\$ 6,270,568</b>	<b>\$ 15,546,900</b>
<b>EXPENSES</b>			
Personnel	\$ 343,927	\$ 1,889,779	\$ 4,589,786
Maintenance	54,929	452,466	2,236,156
Operations	192,954	1,331,013	3,433,513
Administrative	56,636	867,572	1,823,605
Construction	-	11,149	-
<b>Total EXPENSES</b>	<b>\$ 648,446</b>	<b>\$ 4,551,978</b>	<b>\$ 12,083,060</b>
<b>Revenues over Expenses before Depreciation, Debt Service and Transfers</b>	<b>\$ 577,093</b>	<b>\$ 1,718,590</b>	<b>\$ 3,463,840</b>
Depreciation Expense	1,046,816	5,236,734	-
FEMA CalOES Retention	-	-	-
<b>DEBT SERVICE</b>			
SRF Principal	\$ -	\$ -	2,039,479
SRF Interest	-	289	721,656
	<b>\$ -</b>	<b>\$ 289</b>	<b>\$ 2,761,135</b>
<b>FUND TRANSFERS IN</b>			
Salary/Benefits Charge from Capital	\$ -	\$ -	-
Admin Charge from Capital	-	-	-
<b>Total FUND TRANSFERS IN</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FUND TRANSFERS OUT</b>			
Transfer to Repairs and Replacements Fund	\$ -	\$ -	702,705
Inter-fund loan payment to Capital	-	-	-
<b>Total FUND TRANSFERS OUT</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 702,705</b>
<b>Excess Revenues Over Expenses</b>	<b>\$ (469,723)</b>	<b>\$ (3,518,433)</b>	<b>\$ -</b>

**Victor Valley Wastewater Reclamation Authority**  
**Revenues and Expenditures**  
**Repairs and Replacement**  
For the Month Ended November 30, 2019

	Actual November 2019	YTD Actual FY 19-20	Approved Budget FY 19-20
<b>REVENUES</b>			
R&R Revenues	\$	\$	\$
<b>Total REVENUES</b>	\$ -	\$ -	\$ -
<b>OTHER FINANCING SOURCES</b>			
Interfund Transfer	\$ -	\$ -	\$ 1,963,621
<b>CAPITAL EXPENSES</b>			
Personnel	\$ -	\$ -	\$ -
Maintenance	36,733	261,085	1,896,326
Operations	-	3,592	-
Administrative	-	81,874	145,000
Construction	-	22,818	625,000
<b>Total CAPITAL EXPENSES</b>	\$ 36,733	\$ 369,368	\$ 2,666,326
<b>Revenues over Expenses before Debt Service and Transfers</b>	\$ (36,733)	\$ (369,368)	\$ (702,705)
<b>FUND TRANSFERS IN</b>			
Transfer from Operations and Maintenance Fund	\$ -	\$ -	\$ 702,705
Interfund Loan Payment from O&M	-	-	-
<b>Total FUND TRANSFERS IN</b>	\$ -	\$ -	\$ 702,705
<b>FUND TRANSFERS OUT</b>			
Salary/Benefits Charge to O & M	\$ -	\$ -	\$ -
Admin Charge to O & M	-	-	-
<b>Total FUND TRANSFERS OUT</b>	\$ -	\$ -	\$ -
<b>Excess Revenues Over Expenses</b>	\$ (36,733)	\$ (369,368)	\$ -

*Accrual Basis*

Victor Valley Wastewater Reclamation Authority  
Revenues and Expenditures  
**CAPITAL**  
For the Month Ended November 30, 2019

	Actual November 2019	YTD Actual FY 19-20	Approved Budget FY 19-20
<b>REVENUES</b>			
Connection Fees	\$ 245,600	\$ 744,938	\$ 2,254,625
Title 16 Grant - Subregional	-	-	-
Grant- Water Recycling	-	-	-
Sale of Assets, Scrap, & Misc Income	-	-	-
Interest	15,980	89,375	50,000
Proposition 1 Grant	-	-	-
Proposition 84 Grant	-	-	-
FMV Adjustment	(4,683)	7,858	-
CEC Microgrid Grant	-	-	-
Grant - FEMA/Cal-EMA	-	-	-
<b>Total REVENUES</b>	<u>\$ 256,897</u>	<u>\$ 842,170</u>	<u>\$ 2,304,625</u>
<b>CAPITAL EXPENSES</b>			
Personnel	\$ 24,280	\$ 124,077	\$ 384,912
Maintenance	-	-	-
Operations	-	-	170
Administrative	-	-	50,000
Construction	-	-	550,000
<b>Total CAPITAL EXPENSES</b>	<u>\$ 24,280</u>	<u>\$ 124,077</u>	<u>\$ 985,082</u>
<b>Revenues over Expenses before Debt Service and Transfers</b>	<u>\$ 232,617</u>	<u>\$ 718,093</u>	<u>\$ 1,319,543</u>
<b>DEBT SERVICE</b>			
SRF Principal	\$ -	-	\$ 1,981,331
SRF Interest	-	6,428	405,395
	<u>\$ -</u>	<u>\$ 6,428</u>	<u>\$ 2,386,726</u>
<b>FUND TRANSFERS IN</b>			
Capital Recovery - Septage from O&M	\$ -	-	-
Interfund Loan Payment from O&M	-	-	(1,963,621)
<b>Total FUND TRANSFERS IN</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,963,621)</u>
<b>FUND TRANSFERS OUT</b>			
Salary/Benefits Charge to O & M	\$ -	-	-
Admin Charge to O & M	-	-	-
<b>Total FUND TRANSFERS OUT</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Excess Revenues Over Expenses</b>	<u>\$ 232,617</u>	<u>\$ 711,665</u>	<u>\$ (3,030,804)</u>

*Accrual Basis*





**Victor Valley Wastewater Reclamation Authority**  
**Flow Study**  
**For the Month Ended October 31, 2019**

Measured by ADS	Percentage of Total %	October Monthly MG
VSD 1 (less North Apple Valley)	6.7042%	24.4530
VSD 2	13.1552%	47.9820
VSD 3	24.5082%	89.3910
VSD 4	6.8814%	25.0990
VSD 5	0.6026%	2.1980
VSD 6	6.9208%	25.2430
<b>VSD Total</b>	<b>58.7724%</b>	<b>214.3660</b>
Apple Valley 03	16.6801%	60.8390
Apple Valley North	0.0647%	0.2360
<b>Apple Total</b>	<b>16.7448%</b>	<b>61.0750</b>
<b>Hesperia</b>	<b>19.1038%</b>	<b>69.6790</b>
CSA 64 SVL	4.7993%	17.5050
CSA 42 Oro Grande	0.5796%	2.1140
<b>CSA Total</b>	<b>5.3789%</b>	<b>19.6190</b>
<b>Total Apportioned Flow</b>	<b>100.0001%</b>	<b>364.7390</b>
Mojave Narrows Regional Park		0.1000
<b>Total Study Flow</b>		<b>364.8390</b>

# *Victor Valley Wastewater Reclamation Authority*



## *Operations and Maintenance Report*

*November 2019*

**Victor Valley Wastewater Reclamation Authority  
Operations and Maintenance Report  
November 2019**

**TO:** Board of Commissioners  
**FROM:** Operations & Maintenance Staff  
**SUBJECT:** Operations / Maintenance Report  
**DATE:** December 19, 2019

The following information details the operation of the Victor Valley Wastewater Reclamation Authority Facility for November 2019. Included in this report is pertinent information regarding flows, process control information, process sampling, permit requirements, operations activities, and facility maintenance activities.

### Pertinent Operational Data

Total Flow to Mojave	218.9MGD	Effluent to Mojave BOD	<3.60 mg/l
Avg. Daily Mojave Flow	7.3 MGD	Plant BOD Removal %	>98.6 %
Total Flow to Perc Ponds	110.33 MGD	Effluent to Mojave TSS	<2.4 mg/l
Avg. Daily Flow to Perc Ponds	3.7 MGD	Plant TSS Removal %	>99.28 %
Effluent to Mojave avg. Turbidity	.33 NTU	Avg. Filter Effluent Turbidity	.47 NTU
Avg. Primary Sludge Flow	64,580 gpd	Avg. Primary Sludge TS%	2.9 %
Avg. Primary BOD Removal %	44.1 %	Avg. Primary TSS Removal %	64.3%
Avg. 30min Settle-O-Meter	137.3 ml/l	Avg. Settle-O-Meter Pop Time	>90 min
Avg. Secondary Turbidity	1.68 NTU	Total ADM/FOG Received	543,691 gal
Total Digester Gas Production	19,075,715 scf	Total ADM Received	486,964 gal
Digester 4 Gas Production	9,746,676 scf	Total FOG Received	56,727 gal
Digester 5 Gas Production	9,329,039 scf	Avg. Digester VA/A Ratio	.014

### CMMS Work Order Activity

#### VVWRA KPI Report

12/10/2019  
6:25 AM

11/1/2019 - 11/30/2019

KPI	Count	Percent
Planned Work Total	276	
Planned Work Completed	263	95.29%
Planned Work Completed On-Time	254	92.03%
Planned Work Incomplete	13	4.71%
Planned Work Completed Late	12	4.35%
Total Work Completed	722	
Reactive Work Completed	99	13.71%
PM Work Completed	571	78.09%

VVWRA O&M Monthly Report – November 2019

## O & M Activities

- **Permit Continuous Monitoring Requirements**
  - All permit required, continuous monitoring equipment was on-line and working properly during the month.
  - All PH and conductivity probes cleaned and calibrated.
  - All TSS and Turbidity probes were cleaned and calibrated.
  - UVT probe cleaned and calibrated.
  - Monthly intensity probe verification completed.
- **Permit Violations**
  - No permit violations.
- **Sampling**
  - All permit required samples for the month were collected and processed.
  - Monthly gas samples collected.
- **Safety**
  - Monthly vehicle safety inspections completed.
  - Monthly gas tech monitor inspections completed.
  - Monthly eyewash safety showers inspected.
  - Monthly SCBA inspections.
  - Hazardous storage area inspection.
  - Spill kit inspections.
- **Monthly Backup Generator Tests**
  - Routine testing of the backup generators was completed and showed no issues.
- **Essential Equipment Maintenance**
  - Aqua Guard pre-treatment screen inspected and serviced.
  - Headwork's conveyor belt lubed and inspected.
  - Grit classifier monthly lubed.
  - Primary clarifier shear pins replaced as needed.
  - Primary sludge pump repack PMs completed.
  - Piller blowers 1 & 6 weekly inspections complete.
  - Service Air compressors inspection and service completed.
  - Waukesha engines inspections completed.
  - Monthly tertiary filters gear box and platform drive wheel service complete.
  - Filter #1 & #2 monthly platform gear box PMs completed.
  - Monthly filter festoon inspection completed.
  - Filter #1 & #2 monthly backwash wasting pumps oil checks complete.
  - DAFT #1 and #2 Air Compressors PM services complete.
  - DAFT monthly lube completed.
  - Monthly UREA refill completed on CHPs #1 & #2.
  - CHP1&2 differential pressure readings taken within normal range, Gas DP pressure collected within normal range.

## Operations / Areas of Concern

- **Sludge Thickening Operation**
  - Drying bed capacity.
  - Drying beds reachable with GBT thickened sludge.
  - Treating of filtrate from GBT.
- **Primary Clarifier Operation**
  - Settling of waste solids from HWRP.
  - Settling of waste solids from AVWRP.

## Major Maintenance Activities

- **Preliminary process**
  - Fabricating parts for APT system.
- **Primary Process**
  - Rebuilt helical skimmer on Primary 2.
- **Secondary Process**
  - Replaced mechanical seal on Perc Pond Pump 3.
- **Treatment Disposal**
  - Poured containment pad at GBT.
  - Tore down GBT transfer pump for stator replacement.
  - Flame arrestor inspections.
- **Power generation**
  - Spark plug replacements on both units.
- **Miscellaneous Plant**
  - Plant storm water drainage ditch cleaning.

# ***Victor Valley Wastewater Reclamation Authority***



## **Environmental Compliance Department Report**

**November 2019**

VWRA Environmental Compliance Department  
Industrial Pretreatment Program

## **I. Interceptors Operation and Maintenance:**

---

**1. Interceptors cleaning & CCTV:** None

**2. Interceptors Inspections:**

The following interceptors were visually inspected for signs of damage, vandalism and evidence of sanitary sewer overflows:

- ✓ South Apple Valley & North Apple Valley.
- ✓ Schedule 1, 2, 3 & 4
- ✓ UNE Bypass HDPE pipe
- ✓ Hesperia, I Ave and Santa Fe.
- ✓ CSA 64
- ✓ Adelanto
- ✓ SCLA1

**3. Damage and repair summary:**

- ✓ No Damage found during inspections and no repair was needed or performed.

**4. Sanitary sewer overflows (SSO) summary:**

- ✓ Date of last reportable SSO: June 30th, 2018

**5. Interceptors maintenance budget remaining:**

- ✓ The fiscal year 2019-2020 Interceptor sewer maintenance amount remaining for sewer cleaning and inspection services is \$84,525.00

**6. Dig Alert Underground tickets processed:**

- ✓ A total of One hundred and fifty-two (152) USA Tickets were received and processed in November 2019.

**7. Flow monitoring Studies:**

- ✓ A flow monitoring study by ADS Environmental is continuing.

## II. Industrial pretreatment Activities:

---

1. **New Business Questionnaires and permits applications evaluated:**
  - ✓ Four (4) New Business Questionnaires were processed in the month of November 2019.
  - ✓ One (1) New Business Inspection was conducted in the month of November 2019.
2. **New permits issued:**
  - ✓ Two (2) New permits were issued in the month of November 2019.
3. **Permit renewals issued:**
  - ✓ Six (6) Class III permit renewals were issued in the month of November 2019.
4. **Work Orders:**
  - ✓ 54 Work Orders were completed in November 2019
5. **Monthly revenues collected, and invoices issued:**
  - ✓ Revenues: \$2,100.00
  - ✓ Invoiced: \$2,800.00



### III. Industrial Pretreatment Activities (continued)

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**1. Current enforcement actions:**

- ✓ No Notice of Violations were issued in November 2019.

**2. Current active industrial pretreatment permits:**

- ✓ The current number of VVWRA's industrial wastewater discharge permits is 429, they are comprised as follows:

1	Class I	Categorical Industrial User
11	Class II	Non-Categorical Significant Industrial User
409	Class III	Non-Significant Industrial User
1	Class IV	Zero Discharge Industrial User
15	Class V	Sanitary Waste Haulers

- ✓ The permitted establishments include:

17	Automotive Service Facility
12	Bakery
1	Brewery/Winery
20	Car Wash/Truck Wash/Bus Wash
3	Coffee Shop
9	Dry Cleaner
302	FSE
22	Grocery Store
3	Hospital
3	Misc. Food
3	Misc. Industrial
4	Other
1	Photographic
1	Print Shop
1	Prison
3	School
4	Water Retail
15	Waste Haulers

- ✓ Permitted businesses are distributed among member entities as follows: 165 in Victorville, 127 in Apple Valley, 116 in Hesperia and 1 in Oro Grande.

***Victor Valley Wastewater Reclamation Authority***



**Environmental Compliance Department**

***Septage/FOG/ADM Monthly Report***

**November 2019**

## 1. Septage/FOG/ADM receiving invoices and payments monthly report:

Payments and Invoices period: November 1<sup>st</sup> thru November 30<sup>th</sup> – Septage rate per Gallon: \$ 0.0936  
FOG/ADM rate per Gallon: \$ 0.04

### Receiving invoices

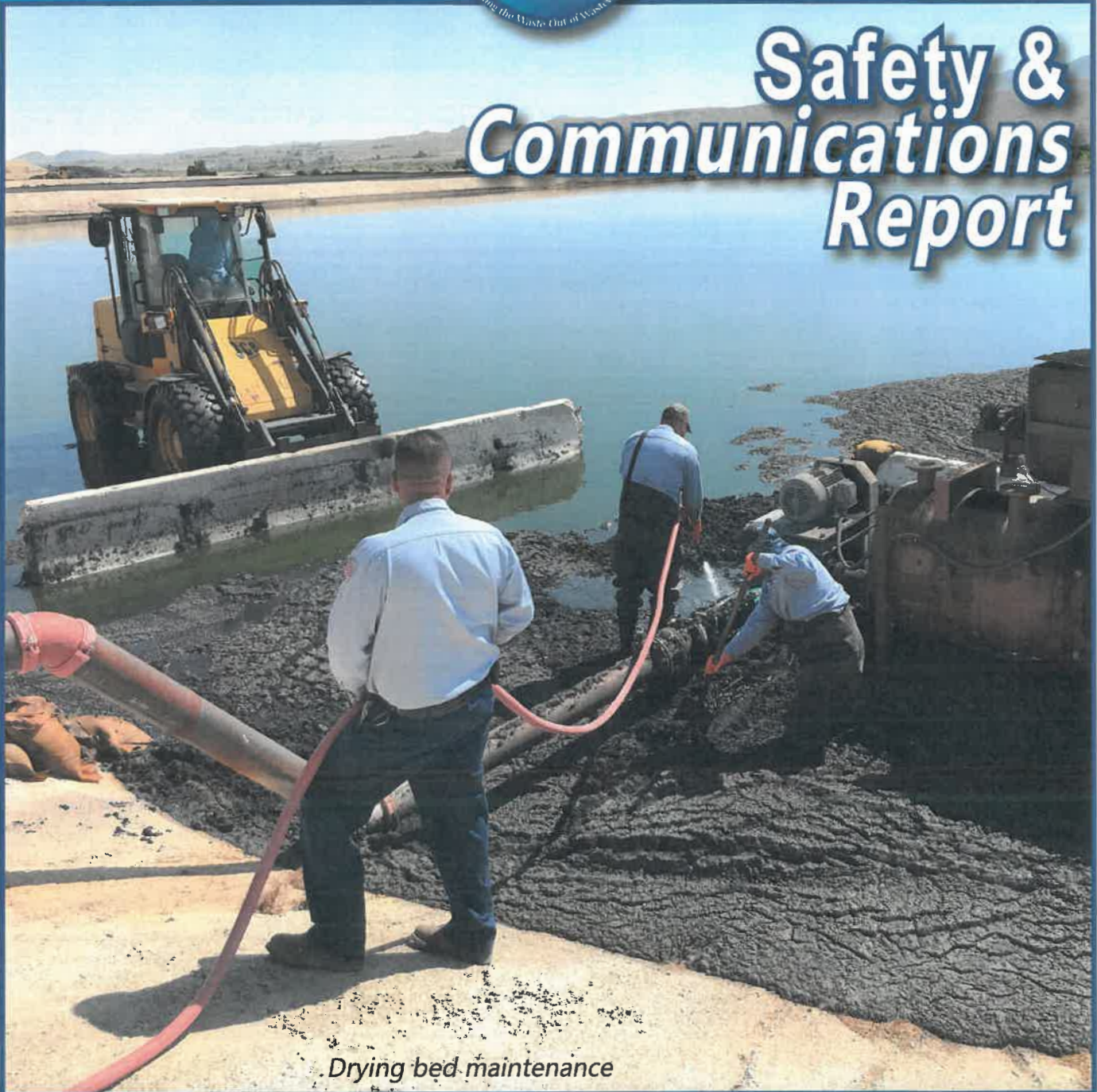
ID No	Septage Hauler	Invoice Date	Total Gallons	Invoice Amount
ABS000	Absolute Pumping	11/28/2019	33,594	\$3,144.40
ALP000	Alpha Omega Septic Service	11/28/2019	175,556	\$16,432.04
BUR000	Burns Septic	11/28/2019	64,000	\$5,990.40
HIT000	Hitt Plumbing	11/28/2019	10,305	\$964.55
HON001	Honest Johns Septic Service, Inc	11/28/2019	46,190	\$4,323.38
POO000	Pooman Pumping	11/28/2019	57,000	\$5,335.20
RIG001	Right Angle Solutions	11/28/2019	0	\$0
ROT001	T.R. Stewart Corp. dba Roto Rooter	11/28/2019	88,082	\$8,244.48
USA000	USA Septic	11/28/2019	46,900	\$4,389.84
ALP000	Alpha Omega Septic Service (Nutro)	11/28/2019	72,191	\$2,887.64
COW000	Co-West Commodities	11/28/2019	147,000	\$5,880.00
LIQ000	Liquid Environmental Solutions of CA	11/28/2019	0	\$0
SMC000	SMC Grease Specialist, Inc.	11/28/2019	324,500	\$12,980.00
WES004	West Valley MRF, LLC Burrtec Waste Industries, Inc.	11/28/2019	0	\$0
HIT000	Hitt Plumbing	11/28/2019	0	\$0
<b>Grand Totals</b>			<b>1,065,318</b>	<b>\$70,571.93</b>

**Septage/FOG/ADM receiving payments:**

<b>ID No</b>	<b>Business Name</b>	<b>Payments Received</b>
ABS000	Absolute Pumping	\$0
ALP000	Alpha Omega Septic Service	\$14,398.79
BUR000	Burns Septic	\$7,113.60
HON001	Honest Johns Septic Service, Inc	\$7,890.20
RIG001	Right Angel Solutions	\$0
ROT001	T.R. Stewart Corp. dba Roto Rooter	\$0
USA000	USA Septic	\$8,096.40
ALP000	Alpha Omega Septic Service (Nutro)	\$3,901.16
COW000	Co-West Commodities	\$6,000.00
LIQ000	Liquid Environmental Solutions of CA	\$0
SMC000	SMC Grease Specialist, Inc.	\$0
WES004	West Valley MRF, LLC Burrtec Waste Industries, Inc.	\$0
HIT000	Hitt Plumbing	\$549.60
<b>Grand Total</b>		<b>\$47,949.75</b>



# Safety & Communications Report



*Drying bed maintenance*

## November 2019





# Safety

## STAFF SAFETY TAILGATE/ORIENTATION

- November 7--Avoiding safety shortcuts
- November 14--Forklift safety
- November 19--establishing a safety culture
- November 21--Keeping your hands safe





# Safety

## Safety Events/ Training

- Safety tailgates
- Daily, weekly and monthly plant inspections
- DAMS Collections Day training
- Safety Committee

## Unsafe Conditions Reported/Resolved

Date of last recordable accident/injury: November 18, 2019  
Employee injured finger moving a pump.

Days since last recordable accident/injury:  
12 Days



# Safety

## NEXT MONTH'S SCHEDULE OF STAFF TRAINING/SAFETY EVENTS :

- Safety Tailgates will be conducted at the Thursday weekly staff briefings.
- Safety Tailgates will be conducted at the bi-monthly Administrative staff meetings.
- Safety Committee meeting

## Communications

- Maintained VWRA website and social media sites including Facebook & Twitter.



- Prepping Fall/Winter edition of the Purple Pipe







# Outreach

- Represented VWRA at PR Coalition
- Represented VWRA and facilitated at CWEA/ DAMS Collections Day event in Hesperia.

