

AGENDA

REGULAR MEETING OF THE BOARD OF COMMISSIONERS
VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY (VWVRA)
Victorville City Hall – Conference Room “D”, 14343 Civic Drive, Victorville, CA
92392
Phone: (760) 246-8638

MEETING DATE: Thursday, December 20, 2018 **TIME:** 8:00 AM (Closed Session)
8:30 AM (Regular Session)

CALL TO ORDER

PUBLIC COMMENTS – CLOSED SESSION AGENDA

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.

CONFERENCE WITH LEGAL COUNSEL- (Gov. Code Sec. 54954.5-54956.9(d)):

1. **Flow Diversion**

CONFERENCE WITH LEGAL COUNSEL-PUBLIC EMPLOYEE NEGOTIATION (Gov. Code Sections 54957(b)(1)):

2. **Position: Plant Superintendent**

CONFERENCE WITH LEGAL COUNSEL-POTENTIAL LITIGATION (Gov. Code Sec. 54956.9(d)):

3. **Threatened or Pending Litigation- Upper Narrows Project**

CONFERENCE WITH LEGAL COUNSEL-POTENTIAL LITIGATION (Gov. Code Sec. 54956.9(1)(D)):

4. **Potential Litigation- Angela Valles, Government Tort Claim**

REGULAR SESSION

CALL TO ORDER & PLEDGE OF ALLEGIANCE

REPORT FROM CLOSED SESSION

PUBLIC COMMENTS – REGULAR SESSION AGENDA

ANNOUNCEMENTS AND CORRESPONDENCE:

- 5. Possible conflict of interest issues**
- 6. Article- Grease Collection Cooperative In Tempe**
- 7. Notice- State Water Resource Control Board Notice of Public Meeting**

CONSENT CALENDAR:

- 8. Approve November 2018 Disbursement Registers**
- 9. Approve Minutes from the November 15, 2018 Regular Meeting**
- 10. Recommendation to Approve Employment Contract for Plant Superintendent**

REPORTS & PRESENTATIONS:

- 11. Presentation: Audit for Fiscal Year Ending 17-18 (Chris Brown)**

ACTION & DISCUSSION ITEMS:

- 12. Resolution 2018- 18 Receive and File CAFR**
- 13. Resolution 2018- 19 Receive and File AB1600**
- 14. Resolution 2018- 20 Amend the Procurement Policy**
- 15. Recommendation to Approve Addition of Tyler Payroll Module**
- 16. Recommendation to Approve Open Purchase Order to Perform Electrical Services**
- 17. Recommendation to Approve Professional Services with Larry Walker for 2019 Regulatory Assistance**

STAFF/PROFESSIONAL SERVICES REPORTS:

- 18. Financial and Investment Report – November 2018**
- 19. Operations & Maintenance Report – November 2018**

20. Environmental Compliance Department Reports – November 2018

21. Septage Receiving Facility Reports – November 2018

22. Safety & Communications Report – November 2018

NEXT VVWRA BOARD MEETING:

Thursday, January 17, 2019 - Regular Meeting of the Board of Commissioners

FUTURE AGENDA ITEMS

Leave Policy

Flow Billing Percentages and Re-allocation

COMMISSIONER COMMENTS

ADJOURNMENT

VVWRA Regular Meeting Agenda

Thursday, December 20, 2018

Page 4

Agenda Posting: In accordance with the requirements of California 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.

Items Not Posted: 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 in compliance with Section 54954.2(b) 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.

Public Comments: Any member of the public may address the Board of Commissioners on specific agenda items or matters of general interest. As determined by the Chair, speakers may be deferred until the specific item is taken for discussion and remarks may be limited to five minutes. 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.

Matters of Interest addressed by a member of the public and not listed on this agenda cannot have action taken by the Board of Commissioners except as authorized by Section 54954.2(b). If you wish to speak, please complete a Speaker's Form (located at the table in the lobby outside of the Board Room) and give it to the Board Secretary prior to the start of the meeting.

If any individual wishes to challenge an action of the Commission in court, he or she may be limited to raising those issues that were raised at the public hearing pertaining to the Commission's actions, or in any written correspondence delivered to the Commission on or prior to the public hearing.

Consent Calendar: 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.

The Chair will determine if any items are to be deleted from the Consent Calendar.

Items Continued: Items may be continued from this meeting without further notice to a Committee or Board meeting held within five (5) days of this meeting per Government Code Section 54954.2(b)(3).

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 in accordance with Government Code Section 54955 (posted within 24 hours).

Accommodations for the Disabled: In compliance with the Americans with Disabilities Act (ADA), the Board of Commissioners Meeting Room is wheelchair accessible. If you require any special disability related accommodations, please contact the Victor Valley Wastewater Reclamation Authority Board Secretary's office at 760-246-2892 at least 72 hours prior to the scheduled meeting. Requests must specify the nature of the disability and the type of accommodation requested.

DECEMBER 2017

BioCycle.net

BIOCYCLE

THE ORGANICS RECYCLING AUTHORITY

NATIONWIDE BIOCYCLE SURVEY

Residential Food Waste Collection Access In The U.S.

00003117

PERIODICALS

9393 0582 1# U U 11/17

SCH 3-DIGIT 852 002/010 0000

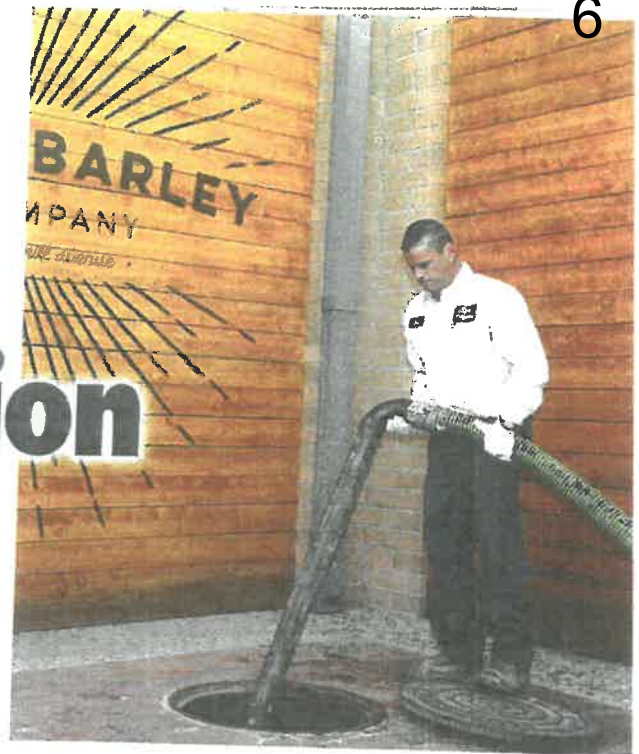
BioCycle, Official Magazine of the





FEEDSTOCK SECURITY

Grease Collection Cooperative In Tempe



Example of FOG collection at regulated food service establishment in Tempe by grease hauling service contracted by the City's cooperative.

To increase compliance with a FOG ordinance — and secure feedstock for future codigestion projects — Arizona city procures grease recovery services on behalf of restaurants.

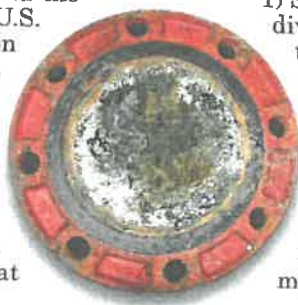
Marsha W. Johnston

DISPOSING of fats, oils and grease (FOG) from food service establishments (FSE) so that it does not wreak havoc on municipal sewer systems is an eternal headache around the country. Data from the U.S. Environmental Protection Agency (EPA) shows that less than 30 percent of FSEs in major U.S. cities comply with municipal FOG-related ordinances, resulting in between 800 and 1,700 lbs of uncollected grease per restaurant every year. The FOG that falls through the cracks in the custodial chain and into sewer systems causes billions of dollars a year in repairs and maintenance to unclog and keep the pipes flow-

ing. With an increasing number of restaurants in the U.S., the problem is only getting worse.

The traditional model for FOG collection and disposal includes:

- 1) Sewer utilities engage in individual regulatory transactions with FSEs to ensure compliance.
- 2) To comply with the utility, restaurants engage in individual retail transactions with waste haulers for grease trap cleaning and maintenance at, and waste removal from, the premise.
- 3) Haulers responsible for servicing the FSE engage in a transaction (typically paying a tipping fee) to dispose of the grease. In some instances, a wastewater



FOG in the sewer systems causes billions of dollars annually in repairs and maintenance to unclog the pipes, and can generate odors.

treatment plant (WWTP) is paid to receive the FOG and utilizes it for codigestion.

The essential problem with the traditional model, explains David McNeil, Environmental Services Manager for the City of Tempe, Arizona Public Works, is that it holds the restaurant accountable for the service practices of the third-party grease hauler, requiring FSEs to enforce the utility's quality requirements. This delegation of responsibility typically fails because restaurateurs do not have the requisite skills, knowledge or time to enforce those requirements.

Furthermore, due to enforcement responsibility being delegated to the restaurant premises manager and regulatory criteria limited to cleaning practices at the premises, all regulatory control stops at the restaurant's property line. Beyond that, neither the restaurant nor the utility have any authority over the unregulated transport of FOG. At the same time, adds McNeil, traditional random municipal inspections cannot accurately determine a grease hauler's performance and compliance unless they occur within a 2- to 3-hour window of the service event, "which is virtually impossible without an army of inspectors."

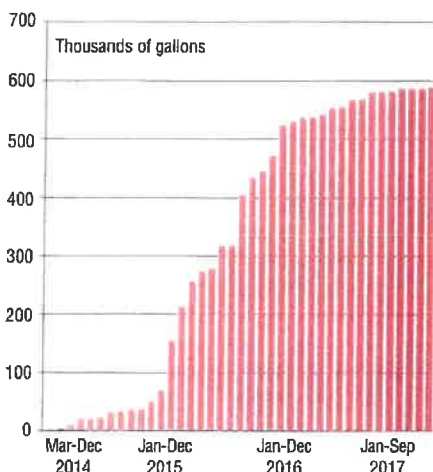
FORMING A COOPERATIVE

After nearly four years of successfully operating a voluntary retailers' cooperative for collecting FOG from

city restaurants — known as the Tempe Grease Cooperative (TGC) — the City believes it has the answer to maintaining service and feedstock quality control throughout the FOG supply chain. Retailers' cooperatives have long been used by groups of independent retailers to leverage their collective purchasing power to obtain competitive advantages in the marketplace by acquiring discounts from suppliers and sharing marketing costs through a central buying organization. Examples include True Value and Ace Hardware, Best Western Hotels and NAPA Auto Parts.

Although TGC developers had never heard of a retailers' cooperative implemented by a local government, they realized that the business model would provide the piece missing from the traditional FOG collection model: utility ownership of FOG waste/feedstock. Thus, in 2012, the Tempe City Council passed an ordinance granting the city authority to engage in procurement of grease recovery services on behalf of its restaurants, followed by a resolution in 2013 establishing TGC's terms and structure. Now the City of Tempe brokers both pricing and service quality for grease hauling services on behalf of regulated restaurants that voluntarily

Figure 1. Grease trap waste recovered by Tempe Grease Cooperative, 2014-2017



enroll in the TGC.

"We take over compliance of grease disposal from restaurants," says McNeil, who is quick to point out that the city does not force any restaurants into the program. "We say, 'Look, you have to comply with the regulatory agency, but click here and we will comply for you. You won't be responsible for it, we will

make sure your plumbing is taken care of, odor problems, everything.' And they say, 'So the choice is either I have to do it and be responsible for noncompliance of the hauler, or letting you do it? How much is it going to cost me?' And we say '20 percent less because we are buying in bulk.'" He adds that the cost is less for its partner haulers too, as it sharply reduces their marketing and billing costs.

As the central buying organization, the utility provides member restaurants with both service discounts and compliance assurance under its collective contracts. Unlike traditional FOG regulation, transaction management allows the City to manage grease hauling services beyond the property boundary of the regulated business. In addition to GPS and other tracking requirements to ensure complete transparency in the transport and disposition stages of service, contracts with haulers establish city ownership of hauled waste, securing its availability and manageability as codigestion feedstock.

"At the BioCycle REFOR17 Conference in Portland in October, I heard investors in anaerobic digester projects repeatedly say that feedstock security and consistency is one of the primary problems they have to resolve," notes McNeil. "And then we thought, 'we are trying to fine-tune an instrument from a waste management standpoint, and you guys are trying to fine-tune it from a feedstock security standpoint, but our solution provides both! The city controls the entire disposition, and we know the makeup of each load because we know which restaurants it came from. We heard over and over about the uncertainty of feedstock security, and I'm thinking, 'We have solved that by securing feedstock without the tipping transaction and by collecting at the restaurant'."

Since TGC launched in March 2014, 182 food service establishments, or over one in six regulated food businesses in Tempe, have enrolled, securing almost 600,000 gallons of total grease trap waste annually — compared to virtually zero when the co-op began (Figure 1). Two of the city's three school districts, city facilities, hotels, and Arizona State University, the largest public university in the country, are customers.

The net effect is that partners in the TGC collectively are keeping tons of grease out of the sewer and creating a more livable city by reducing odors from the sewers community-wide, all at a lower cost for both the utility and its regulated users. McNeil acknowledges that some grease haulers might believe the city is creating an unfair advantage by entering the marketplace.

GRINDERCRUSHERSCREEN.COM
 YOUR 1ST STOP FOR NEW & USED RECYCLING EQUIPMENT AND WEAR PARTS
 WEST COAST 971-344-0001 EAST COAST 770-433-2679

NEW TROMMEL 512 TROMMEL SCREENS

USED TUB GRINDERS

USED HORIZONTAL GRINDERS

USED COMPOST TURNERS

USED TROMMEL SCREENS

"TGC supports business for haulers who are on the up and up, providing good service at a competitive price," he explains. "It disadvantages haulers who provide bad service." Furthermore, the co-op model, with its end-to-end contracts, creates "investment grade hauling" for mom and pop companies using municipal stability typically found only in national companies, he adds. "Everybody wins."

CODIGESTION OPPORTUNITY

With cheap energy rates due to lots of hydropower and low tipping fees at landfills, Arizona has no mandates for organics diversion and few incentives for renewable energy generation. Consequently, no wastewater treatment plants (WWTPs) are capturing and utilizing biogas in Arizona. Largely due to that environment, and because Tempe does not own or operate its own WWTP, TGC's FOG is being dewatered and landfilled, while fryer grease is converted to biodiesel by the City's yellow grease vendor.

However, through a public-private partnership with Ameresco, the 91st Avenue Wastewater Treatment Plant in Phoenix, expects to begin capturing the biogas from the plant's anaerobic digesters shortly. Codigestion could follow in the future. The WWTP is owned by a Sub-Regional Operating Group (SROG) comprised of Phoenix, Glendale, Mesa, Scottsdale, and Tempe, and is operated by the City of Phoenix.

Ameresco will design, build, own, operate and maintain (DBOOM) the innovative wastewater biogas-to-energy facility. McNeil says Ameresco already has buyers for the renewable natural gas (RNG) in California, and expects to start sending the RNG to California via natural gas pipeline in the first or second quarter of 2018.

The Ameresco partnership is not yet adding FOG to the process. But McNeil notes that one of the initiatives in TGC's recently launched 5-Year Strategic Plan (2018-2023) is to approach the 91st Avenue WWTP co-owner partner cities (Phoenix, Tempe, Mesa, Scottsdale and Glendale) to solicit interest in FOG codigestion and expand the co-op as the regional program for its feedstock sourcing.

The plan also has a goal of 100 percent FOG codigestion. To do that locally, TGC will have to work out a public-private partnership to build a digester or to partner with other utilities to build one. Regionally, the TGC could partner with neighbor utilities to utilize excess capacity in existing WWTP digesters, like 91st Avenue WWTP and others. "We are getting interest from renewable energy companies regarding siting AD facilities (food/FOG) near Tempe and using the Co-op to get a commitment for feedstock," he explains.

Other elements in the TGC's strategic initiative include developing software to facilitate the co-op's administration, and to partner with other utilities and research organizations to study the economic benefits of innovative supply-chain solutions to some of the obstacles to FOG codigestion. TGC has contracted with a third-party software provider specialized in FOG waste management for a package that enables utilities to manage FOG pretreatment programs.

As for studies, McNeil says TGC wants to do a triple bottom line compliance study, and quantify a number of values related to compliance assurance. Those values include how much the removal of 600,000 gallons of FOG from sewers is contributing to maintenance cost reduction and the specific value of a consistently clean, high-quality feedstock. "With regard to sewer clogging, we certainly have seen a reduction in odors in our downtown area, but have not quantified that reduction yet," he notes. On deck for TGC next year, McNeil adds, is to deploy a pilot program to enlist some of its members in food waste collection, and to provide potential TGC members a discount on city commercial solid waste service if they sign up for the co-op. ■

Marsha W. Johnston is a Contributing Editor to BioCycle and an Editor at Earth Steward Associates in Arlington, Virginia.

CREATE THE IDEAL COMPOSTING ENVIRONMENT IN A
CLEARSPAN STRUCTURE

NJBA AWARDED CONTRACT
SATISFIES PURCHASING REQUIREMENTS

FOR NEARLY 40 YEARS CLEARSPAN FABRIC STRUCTURES has been providing structural solutions for composting needs of any size.

INDUSTRY-LEADING WARRANTIES - ClearSpan structures are built to last. With triple-galvanized steel frames and durable covers, they can withstand corrosive environments and will compliment your business for decades to come.

COST-EFFECTIVE BUILDING SOLUTIONS - Drastically reduce construction costs, monthly utilities and maintenance requirements, with a structure that is superior in quality.

FINANCING AVAILABLE - Speak to your Truss Arch Specialist today.

Visit WWW.CLEARSPAN.COM OR CALL 1.866.643.1010
TO FIND OUT HOW WE CAN HELP WITH YOUR STRUCTURE NEEDS

Science and Innovation

MATER-BI

Renewable

Compostable Biopolymers

Sustainable Solutions

MATER-BI

Agriculture

Check out the city of Milan's curbside organics program.
tinyurl.com/MilanSSO

NOVAMONT
Experts in the collection & processing
of source separated organics
www.Novamont.com



EDMUND G. BROWN JR.
GOVERNOR

MATTHEW RODRIGUEZ
SECRETARY FOR
ENVIRONMENTAL PROTECTION

State Water Resources Control Board

NOTICE OF PUBLIC MEETING AND CONSIDERATION OF ADOPTION

Concerning

An Amendment to the Policy for Water Quality Control for Recycled Water

NOTICE IS HEREBY GIVEN that the State Water Resources Control Board (State Water Board) will hold a public meeting to consider adoption of an Amendment to the Policy for Water Quality Control for Recycled Water (Amendment) and Staff Report with Substitute Environmental Documentation (Staff Report). The location and start time of the Board meeting are provided below:

Tuesday, December 11, 2018 – 9:30 a.m.
Joe Serna, Jr.—CalEPA Headquarters Building
Coastal Hearing Room
1001 I Street, Second Floor
Sacramento, CA 95814

The meeting agenda will be available at https://www.waterboards.ca.gov/board_info/calendar/ at least 10 days before the meeting.

BACKGROUND

The Policy for Water Quality Control for Recycled Water (Recycled Water Policy) was adopted by the State Water Board on February 3, 2009 and was amended on January 22, 2013 to provide direction to the nine regional water quality control boards (regional water boards) on monitoring requirements for constituents of emerging concern (CECs) in recycled water used for groundwater recharge. The Recycled Water Policy includes provisions that require staff to reconvene a science advisory panel every five years to provide guidance on future actions related to CECs in recycled water. State Water Board [Resolution No. 2016-0061](#) directed staff to consider advancements in recycled water regulations and research, conduct stakeholder outreach, reconvene a science advisory panel on CECs in recycled water (Panel), and to update the Recycled Water Policy.

The Amendment provides statewide consistency for permit requirements for recycled water projects and promote production and use of recycled water in a manner that is protective of human health and the environment. The Amendment: 1) removes statewide recycled water mandates; 2) sets narrative goals for the production and use of recycled water; 3) establishes treated wastewater and recycled water reporting requirements statewide; 4) clarifies the process for recycled water project proponents to comply with Water Code section 1211 for wastewater change petitions; 5) updates requirements for salt and nutrient management planning;

FELICIA MARCUS, CHAIR | EILEEN SOBECK, EXECUTIVE DIRECTOR

1001 I Street, Sacramento, CA 95814 | Mailing Address: P.O. Box 100, Sacramento, CA 95812-0100 | www.waterboards.ca.gov



6) improves consistency in permitting of recycled water projects by encouraging the use of statewide water reclamation requirements for non-potable recycled water use, removing streamlined permitting criteria for landscape irrigation recycled water projects, and adding permitting guidance for reservoir augmentation projects; 7) updates monitoring requirements for CECs in recycled water used for groundwater recharge and reservoir water augmentation, and 8) incorporates other substantive and non-substantive changes.

DOCUMENT AVAILABILITY

The Amendment, Staff Report, and related documents and information are available on the State Water Board's website:

https://www.waterboards.ca.gov/water_issues/programs/water_recycling_policy/index.html

You may also request a paper copy by contacting Laura McLellan by phone at (916) 319-8288, or email at: Laura.McLellan@waterboards.ca.gov, or by writing to Laura McLellan, Division of Water Quality, State Water Resources Control Board, 1001 I Street, Sacramento, CA 95814.

PROCEDURAL MATTERS FOR THE ADOPTION MEETING

At the December 11, 2018 public meeting at which the State Water Board will consider adopting the Amendment, interested persons will have an opportunity to comment orally on the Amendment and Staff Report. Oral comments will be limited to the proposed changes made to the Amendment and Staff Report that are reflected in the Amendment and Staff Report. There will be no sworn testimony or cross-examination of participants. However, the State Water Board and its staff may ask clarifying questions.

WEBCAST INFORMATION

Video and audio broadcasts of the public meeting will be available via the internet and can be accessed at: <https://video.calepa.ca.gov/>.

PARKING AND ACCESSIBILITY

The facilities will be accessible to persons with disabilities. Individuals requiring special accommodations are requested to call (916) 341-5254 at least five working days prior to the meeting. Persons with hearing or speech impairments can contact us by using the California Relay Service Telecommunications Device for the Deaf (TDD). TDD is reachable only from phones equipped with a TDD Device. HEARING IMPAIRED RELAY SERVICE: TDD to voice (800) 735-2929; voice to TDD (800) 735-2922.

State Water Board location, directions and parking information can be found at:

<https://calepa.ca.gov/headquarters-sacramento/location/>.

All visitors are required to sign in and receive a badge prior to attending any meeting in the building. The Visitor and Environmental Services Center is located just inside and to the left of the CalEPA Building's public entrance. Valid picture identification may be required due to security requirements. Please allow up to 15 minutes for receiving clearance.

FUTURE NOTICE

The State Water Board public meeting will be at the time and place noted above. Any change in the date, time, and place of the adoption meeting will be noticed on the email subscription list. To sign up for the email subscription list, access the Email List Subscription Form at the web


address listed below, at the "Water Quality" tab, by checking the box for "Recycled Water Policy/General Permit for Landscape Irrigation":

http://www.waterboards.ca.gov/resources/email_subscriptions/swrcb_subscribe.shtml.

Additional Information

Please direct questions about this notice to Laura McLellan at (916) 319-8288 or via email at Laura.McLellan@waterboards.ca.gov.

November 15, 2018
Date


Jeanine Townsend
Clerk to the Board




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 6, 2018

TO: Logan Olds
 General Manager

FROM: Chieko Keagy 
 Controller

SUBJECT: Cash Disbursements Register

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 2018, check numbers 122064- 122097 and ACH's.

<i>Accounts Payable</i>			
<i>Checks</i>	<i>ACH's and EFT's</i>	<i>Payroll</i>	<i>Total</i>
\$39,823.06	\$627,638.80	\$298,814.02	\$966,275.88

**Victor Valley Reclamation Authority
Cash Disbursement Register
From 11/1/18 through 11/30/18**

Check Number	Check Date	Effective Date	Fund Code	Vendor Name	Transaction Description	Matching Document Number	Check Amount
122064	11/7/2018	11/7/2018	01	A.M.S. / Anderson Air Conditioning Lp	Service Call	1079850	\$ 431.00
122065	11/7/2018	11/7/2018	01	Atmospheric Analysis And Consulting, Inc	Analysis and Reporting	A-19032	\$ 1,890.00
122066	11/7/2018	11/7/2018	01	Concorde Communications	Answering & Telephone Service	181000375	\$ 104.90
122067	11/7/2018	11/7/2018	01	Flyers Energy, Llc	Gasoline	CFS-1725806	\$ 1,714.73
122068	11/7/2018	11/7/2018	07	G.A. Osborne Pipe & Supply	Flanges	395655	\$ 127.67
122068	11/7/2018	11/7/2018	07	G.A. Osborne Pipe & Supply	Parts	395583	\$ 78.53
122068	11/7/2018	11/7/2018	07	G.A. Osborne Pipe & Supply	Pipe	395471	\$ 581.85
122068	11/7/2018	11/7/2018	01	G.A. Osborne Pipe & Supply	Tape	395589	\$ 238.56
122069	11/7/2018	11/7/2018	01	Hi-Desert Communications	Site Rent	38097	\$ 100.00
122070	11/7/2018	11/7/2018	01	Konica Minolta Business Solutions	Printing Charges	9005092938	\$ 804.90
122071	11/7/2018	11/7/2018	01	Mailfinance	Postage Lease	P7400326	\$ 71.47
122072	11/7/2018	11/7/2018	01	Napa Victorville	Corrected Payment for Wrong Credit	10252018	\$ 116.06
122072	11/7/2018	11/7/2018	01	Napa Victorville	Filters	151924	\$ 338.25
122073	11/7/2018	11/7/2018	01	Orkin	Pest Control	176898367	\$ 390.61
122074	11/7/2018	11/7/2018	01	Parkhouse Tire Inc.	Backhoe Tires	2020091927	\$ 993.76
122075	11/7/2018	11/7/2018	01	Prudential Overall Supply	Uniform Service	22698979	\$ 475.01
122076	11/7/2018	11/7/2018	01	Rdo Equipment Co	Parts	P97585	\$ 57.35
122077	11/7/2018	11/7/2018	01	Thurlow'S Heating & A/C Inc.	New Condenser	22421	\$ 2,450.00
122078	11/7/2018	11/7/2018	01	United Rentals Northwest, Inc	Dump Truck Rental	162086765	\$ 395.03
122079	11/7/2018	11/7/2018	01	Wateruse Association	2019 Membership Dues	D20191927	\$ 7,597.00
122080	11/7/2018	11/7/2018	01	Yafe Chae Equipment And Services	Filters For JCB	SI93951	\$ 899.26
122081	11/7/2018	11/7/2018	01	Cintas Corporation	First Aid Supplies	5012180411	\$ 319.54
122082	11/15/2018	11/15/2018	01	World Oil Environmental Services	Used Oil Service	I500-00376734	\$ 35.00
122083	11/15/2018	11/15/2018	07	Environmental Water Solutions, Inc.	Digester Hatch Cover Hand Wheels	2806	\$ 758.24
122084	11/15/2018	11/15/2018	01	G.A. Osborne Pipe & Supply	Ball valve	395674	\$ 384.55
122084	11/15/2018	11/15/2018	01	G.A. Osborne Pipe & Supply	Primary Strainer	395697	\$ 258.60
122085	11/15/2018	11/15/2018	01	Gfoa	Chieko Keagy Annual Conference	2903381	\$ 378.00
122085	11/15/2018	11/15/2018	01	Gfoa	Kyle Parker Annual Conference	2903391	\$ 423.00
122085	11/15/2018	11/15/2018	01	Gfoa	Xiwei Wang Annual Conference	2903392	\$ 423.00
122086	11/15/2018	11/15/2018	01	G.P. Electric	OGPS Pump Inspection	102175	\$ 365.82
122087	11/15/2018	11/15/2018	01	Graybar Electric Co., Inc.	Relays	9307213052	\$ 562.95
122088	11/15/2018	11/15/2018	07	Jericho Systems, Inc.	South AV Interceptor Construction Monit	18-VVW-02-01	\$ 2,175.00
122089	11/15/2018	11/15/2018	01	Konica Minolta Business Solutions	Printer Return	061-0096636-000 2431	\$ 1,988.92
122090	11/15/2018	11/15/2018	01	Napa Victorville	Explorer Battery	152617	\$ 182.55
122090	11/15/2018	11/15/2018	01	Napa Victorville	NAPA000 152628	152628	\$ (90.00)
122091	11/15/2018	11/15/2018	01	Prudential Overall Supply	Uniform Service	22702596	\$ 487.19
122091	11/15/2018	11/15/2018	01	Prudential Overall Supply	Uniform Service	22706256	\$ 475.25
122092	11/15/2018	11/15/2018	01	Quantum Labs, Inc	Nitrile Gloves	INV-424687	\$ 1,614.00
122093	11/15/2018	11/15/2018	01	Royal Wholesale Electric	UPS System	6441-580480	\$ 4,769.96
122094	11/15/2018	11/15/2018	01	Southern Counties Lubricants	Oils	651640	\$ 1,687.11
122094	11/15/2018	11/15/2018	01	Southern Counties Lubricants	Rando 220	651600	\$ 990.82
122095	11/15/2018	11/15/2018	01	Sparklets Drinking Water	Bottled Water	14877093 111118	\$ 1,126.65
122096	11/19/2018	11/19/2018	01	Donna Anthony	Retiree Health Benefit Allowance	ANTH111618	\$ 438.00
122097	11/19/2018	11/19/2018	01	Dan Sentman	Retiree Health Benefit Allowance	SENT111618	\$ 212.97
Total Checks							\$ 39,823.06
0028623-1	11/1/2018	11/1/2018	01	Cdw Government, Inc	Thinkpad and Case	PMK8845	\$ 878.79
0028623-2	11/1/2018	11/1/2018	01	Crane Pro Services	Overhead Crane Service	154003181	\$ 1,480.00
0028623-3	11/1/2018	11/1/2018	01	Dudek	Interceptor Capacity Study	20186480	\$ 17,092.50
0028623-4	11/1/2018	11/1/2018	01	Hach Company	SC1000 Display Modules	11174750	\$ 7,945.15
0028623-5	11/1/2018	11/1/2018	01	Innerline Engineering	Septage Cleaning	170491	\$ 3,063.50
0028623-5	11/1/2018	11/1/2018	01	Innerline Engineering	Septage Cleaning	170681	\$ 3,737.50
0028623-6	11/1/2018	11/1/2018	01	Protection One	AV Subregional Alarm Connection Fee	125176070	\$ 494.36
0028623-7	11/1/2018	11/1/2018	01	Teledyne Isco, Inc.	Isco Pump Tubing	SO20283945	\$ 276.92
0028623-8	11/1/2018	11/1/2018	01	West Coast Safety Supply	Multi Tech Repairs	365734	\$ 767.41
0029007-1	11/7/2018	11/7/2018	01	Moises Castro	DOT Renewal	10312018	\$ 40.00
0029007-2	11/7/2018	11/7/2018	01	Latif Laari	Palmdale Training Mileage Reimbursemen	10102018	\$ 45.00
0029007-3	11/7/2018	11/7/2018	01	Casteel, Kristi	Castell Mileage Reimbursement for Traini	102518	\$ 71.44
0029007-4	11/7/2018	11/7/2018	01	David Wylie	Wylie Milage Reimbursement	102918	\$ 92.21
0029009-1	11/7/2018	11/7/2018	01	A.D.S. Corp.	Flow Monitoring	12928.22-1018	\$ 8,333.28
0029009-10	11/7/2018	11/7/2018	01	Ehs International Inc.	Lockout Tagout Refresher	3-17435	\$ 1,350.00
0029009-10	11/7/2018	11/7/2018	01	Ehs International Inc.	Traffic Control Safety Training	3-17484	\$ 1,350.00
0029009-11	11/7/2018	11/7/2018	01	Grainger	Shipping Carton	9917404395	\$ 106.13
0029009-12	11/7/2018	11/7/2018	01	link Business Management	AV Subregional Custodial Service	54608	\$ 263.88
0029009-13	11/7/2018	11/7/2018	07	Inland Water Works Supply	Parts	S1017378.001	\$ 1,317.78
0029009-13	11/7/2018	11/7/2018	07	Inland Water Works Supply	Paris	S1017513.001	\$ 997.77
0029009-13	11/7/2018	11/7/2018	07	Inland Water Works Supply	Tubing	S1017714.001	\$ 749.94
0029009-13	11/7/2018	11/7/2018	07	Inland Water Works Supply	Tubing	S1017714.002	\$ 261.83
0029009-14	11/7/2018	11/7/2018	01	Larry Walker Associates	2018 Regulatory Assistance	00054.49-10	\$ 780.00
0029009-14	11/7/2018	11/7/2018	01	Larry Walker Associates	NPDES Permit Renewal	00054.45-11	\$ 974.00
0029009-14	11/7/2018	11/7/2018	01	Larry Walker Associates	Sanitary Sewer Mgmt Plan	00054.50-2	\$ 4,750.00
0029009-15	11/7/2018	11/7/2018	01	Protection One	Protection One Monitoring	125418595	\$ 924.05
0029009-16	11/7/2018	11/7/2018	01	Quinn Company	Dial Assembly	PCI00011346	\$ 1,293.56
0029009-16	11/7/2018	11/7/2018	01	Quinn Company	Forklift Rental	07770501	\$ 522.16
0029009-17	11/7/2018	11/7/2018	07	Siemens Industry Inc.	SIEMENS Pressure and Level Transmitter	5602889549	\$ 4,531.97
0029009-18	11/7/2018	11/7/2018	01	T-Mobile	Mobil Hot Spots	10202018	\$ 59.50
0029009-19	11/7/2018	11/7/2018	01	Underground Service Alert Of Southerm C	Dig Alert Charges	1020180793	\$ 76.00
0029009-2	11/7/2018	11/7/2018	01	Applied Maintenance Supplies & Solution	Consumables	96992770	\$ 682.02
0029009-20	11/7/2018	11/7/2018	01	U.S.A. Bluebook	Lab Supplies	712762	\$ 394.19
0029009-20	11/7/2018	11/7/2018	01	U.S.A. Bluebook	Pumps	709197	\$ 956.58

**Victor Valley Reclamation Authority
Cash Disbursement Register
From 11/1/18 through 11/30/18**

Check Number	Check Date	Effective Date	Fund Code	Vendor Name	Transaction Description	Matching Document Number	Check Amount
0030106-3	11/29/2018	11/29/2018	01	Biogas Engineering	CEC Battery Installation	235	\$ -32.00
0030106-3	11/29/2018	11/29/2018	07	Biogas Engineering	Integration of Digesters	234	\$ 12,000.00
0030106-3	11/29/2018	11/29/2018	01	Biogas Engineering	Net Energy Metering	236	\$ 750.00
0030106-4	11/29/2018	11/29/2018	01	Blackline Safety Corp	Loner Device Lease	INV2013088	\$ 210.00
0030106-4	11/29/2018	11/29/2018	01	Blackline Safety Corp	Loner Device Lease	INV2013606	\$ 210.00
0030106-5	11/29/2018	11/29/2018	01	Brenntag Pacific, Inc	Ferroc Chloride	BPI891954	\$ 11,509.86
0030106-6	11/29/2018	11/29/2018	01	Caltrol, Inc.	Raw Influent EIM Operator Replacement	CD99060242	\$ 2,816.21
0030106-7	11/29/2018	11/29/2018	01	Carollo Engineers, A Professional Corport	Main Plant Capacity Study	0171611	\$ 43,747.00
0030106-8	11/29/2018	11/29/2018	01	Fedak & Brown LLP	FYE 2018 Audit	103118	\$ 2,500.00
0030106-9	11/29/2018	11/29/2018	01	Culligan Water Conditioning	Water Softener	201811041401	\$ 502.90
111518CHAR	11/15/2018	11/15/2018	01	Charter Communications	Telephone Charges	0013529110718	\$ 4,831.48
111518SWG	11/15/2018	11/15/2018	01	Southwest Gas Company	Hesperia Subregional Natural Gas- Appal	110618	\$ 84.96
111518SWG1	11/15/2018	11/15/2018	01	Southwest Gas Company	Hesperia Subregional Natural Gas- Fresno	11062018	\$ 25.00
111518SWG2	11/15/2018	11/15/2018	01	Southwest Gas Company	AV Subregional Natural Gas- Otoa	110718	\$ 138.86
111518UPS	11/15/2018	11/15/2018	01	Ups	Express Shipping	0000615V7V448	\$ 136.84
111518UPS	11/15/2018	11/15/2018	01	Ups	Express Shipping	0000615V7V458	\$ 262.36
141603106.58	11/7/2018	11/7/2018	01	Dell Inc.	Optiplex	101218	\$ 1,934.11
37760329	11/7/2018	11/7/2018	01	Hesperia Water District	Hesperia Subregional Water Usage	110518	\$ 1,570.97
37886713	11/15/2018	11/15/2018	01	Hesperia Water District	Hesperia Subregional Water Usage	110518	\$ 1,570.97
83204268103199	11/15/2018	11/15/2018	01	Southern California Edison	Electric Utility	110318	\$ 1,111.47
83950026113199	11/15/2018	11/15/2018	01	Southern California Edison	Hesperia Subregional Electricity- Appaloo	11082018	\$ 6,984.47
83950027693195	11/15/2018	11/15/2018	01	Southern California Edison	Hesperia Subregional Electricity- Fresno	110818	\$ 260.84
Total ACH and EFT's							\$ 627,638.80

Total Checks	\$ 39,823.06
Total ACH and EFT	\$ 627,638.80
Total Payroll - November 2018	\$ 298,814.02
Total	\$ 966,275.88

C. Kasey 12-06-18
APPROVED

**MINUTES OF A REGULAR MEETING
REGULAR MEETING OF THE BOARD OF COMMISSIONERS
VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY (VWVRA)
November 15, 2018**

CALL TO ORDER: Chair Jeff Rigney called the meeting to order at 8:02 am; in Conference Room D at Victorville City Hall, located at 14343 Civic Drive, Victorville California, with the following members present:

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

Jeff Rigney, Chair

Scott Nassif, Vice-Chair

Jim Kennedy, Secretary

Larry Bird, Treasurer

VWVRA Staff and Legal Counsel:

**Logan Olds, General Manager
Kristi Casteel, Secretary to GM/Board
Piero Dallarda, Legal Counsel (BB&K)
Chieko Keagy, Controller
Alton Anderson, Construction Manager
David Wylie, Safety & Communications Officer**

**Xiewi Wang, Senior Accountant
Robert Coromina, Director of Administration
Brad Adams, Lead Operator
Marcos Avila, Lead Mechanic
Eugene Davis, O&M Manager**

Others Present:

**Brad Miller, Town of Apple Valley
Keith Metzler, City of Victorville
Jim Cox, City of Victorville
George Harris, City of Victorville**

**Keith Metzler, City of Victorville
Doug Robertson, Apple Valley
Blanca Gomez, City of Victorville
Brian Gengler, City of Victorville**

CLOSED SESSION

PUBLIC COMMENTS- CLOSED SESSION AGENDA

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

Commissioner Nassif made a motion to enter into Closed Session. Seconded by Commissioner Bird.

VVWRA Regular Meeting Minutes
Thursday November 15, 2018
Page 2

REGULAR SESSION

CALL TO ORDER & PLEDGE OF ALLEGIANCE

Chair Rigney called the meeting to order at 9:20 am.

REPORT FROM CLOSED SESSION

Nothing to report

PUBLIC COMMENTS- REGULAR SESSION AGENDA

Blanca Gomez made public comments on transparency

ANNOUNCEMENTS AND CORRESPONDENCE:

6. Possible conflict of interest issues

Commissioner Nassif is abstaining from any disbursements to Napa Auto Parts.
 Commissioner Kennedy is abstaining from item 17.

7. Article- Bipartisan Legislation Introduced to Establish a Low Income Water Assistance Program

Blanca Gomez made comments on the article Bipartisan Legislation Introduced to Establish a Low Income Water Assistance Program

8. Notice- Southern California Edison Changes to Business Rates

9. Notice- WaterReuse Congress Enacts Major Water Infrastructure

10. Memo- Sewer System Management Plan Audit Results

CONSENT CALENDAR:

11. Approve October 2018 Disbursement Registers

Commissioner Nassif is abstaining from any disbursements to Napa Auto Parts.

12. Approve Minutes from the October 18, 2018 Regular Meeting

13. Approve 2019 Board Meeting Schedule

VVWRA Regular Meeting Minutes**Thursday November 15, 2018****Page 3**

Commissioner Kennedy made a motion to approve the consent calendar, seconded by Commissioner Nassif and approved by roll call vote with Commissioner Nassif abstaining from any disbursements to Napa Auto Parts.

Chair Rigney: Yes

Commissioner Bird: Yes

Commissioner Nassif: Yes

Commissioner Kennedy: Yes

ACTION & DISCUSSION ITEMS:**14. Request Authorization to Finalize Easement for Frontier Communications Facilities**

Manager Olds stated that Southern California Edison moved the poles that go to VVWRA from the east side of Shay Road to the west side of Shay Road. Frontier Communications, they provides communications to VVWRA, are located on the old poles. Frontier Communications wants to just move their lines to the new poles.

Commissioner Nassif made a motion to approve the recommendation, seconded by Commissioner Bird and approved by roll call.

Chair Rigney: Yes

Commissioner Bird: Yes

Commissioner Nassif: Yes

Commissioner Kennedy: Yes

15. Recommendation to Approve GIS Data Updates and Conversion Services

Manager Olds stated that this is done every three years to update VVWRA's GIS maps with new infrastructure to make certain it is consistent with the GIS programs the member agencies have.

Commissioner Nassif made a motion to approve the recommendation, seconded by Commissioner Kennedy and approved by roll call.

Chair Rigney: Yes

Commissioner Bird: Yes

VVWRA Regular Meeting Minutes

Thursday November 15, 2018

Page 4

Commissioner Nassif: Yes

Commissioner Kennedy: Yes

16. Recommendation to Approve Proposal from Raftelis for Phase II of the Rate Study

Manager Olds stated that in 2017 when the Board retained Raftelis to do the rate study, they requested that the initial phase be to only review existing conditions and not to incorporate the discussions to the JPA or the potential changes. Raftelis has completed the basic financial plan to include an evaluation of rates, connection fees and fixed and variable charges. That information has been communicated to the Finance Committee. Raftelis is now waiting on VVWRA to provide the information on how capacity would be allocated so that they can complete those documents. Once completed, there will be a series of meetings with the Finance Committee and the Commissioners to review that information. Now that phase one is completed, it is time to begin phase two. At the end of phase two VVWRA will have a financial plan, a rate study that includes connection fees and user fees, and a fixed and variable cost model that will be consistent with the changes to the JPA.

Commissioner Kennedy made a motion to approve the recommendation, seconded by Commissioner Nassif and approved by roll call.

Chair Rigney: Yes

Commissioner Bird: Yes

Commissioner Nassif: Yes

Commissioner Kennedy: Yes

17. Recommendation to Approve Permanent Easement and Temporary Construction Easement for Desert Knolls Wash with the High Desert “Partnership in Academic Excellence” Foundation

Commissioner Kennedy will be abstaining from item 17.

Commissioner Bird made a motion to approve the recommendation, seconded by Commissioner Nassif and approved by roll call.

Chair Rigney: Yes

Commissioner Bird: Yes

Commissioner Nassif: Yes

Commissioner Kennedy: Abstaining

18. South Coast Air Quality Management District Proposed Rule 1118.1, Control of Emissions from Non-Refinery Flares

Manager Olds stated that if this did become an issue for VWVRA, VWVRA is in a very good position to mitigate it's potential impact because of the interest of a private party to do pipeline injection of the excess biogas.

19. Recommendation to Approve Fibrecast Proposal

Manager Olds stated that Fibrecast has offered to expand the capacity of the Hesperia Subregional to test a new membrane. This was discussed and tabled at the October Board Meeting. Since that time, a number of discussions have occurred, and the item is back before you for your review. The general benefit of this project will be that by increasing the capacity of the Hesperia Subregional, the City of Hesperia can then redirect an existing 200,000 gallons per day of flow that their community is currently generating to the Hesperia Subregional. This then benefits the entire infrastructure because the interceptor that convey the flow from Hesperia all the way to the main plant are only a certain size and some of them are near or over capacity. By pulling the flow out and redirecting it to the Hesperia Subregional, it reduces the overall impact to the system so that VWVRA does not have to build additional infrastructure to address those issues in the interceptors.

Commissioner Nassif made a motion to approve the recommendation, seconded by Commissioner Bird and approved by roll call.

Chair Rigney: Yes

Commissioner Bird: Yes

Commissioner Nassif: Yes

Commissioner Kennedy: Yes

20. Recommendation to Approve Professional Service Contract for Larry Walker for Hesperia Subregional Reclamation Plant Waste Discharge Requirements Permit Assistance

After Manager Old's comments, it was the consensus of the Board to table this item.

Commissioner Nassif made a motion to approve the recommendation as amended, seconded by Commissioner Kennedy and approved by roll call.

VVWRA Regular Meeting Minutes
Thursday November 15, 2018
Page 6

Chair Rigney: Yes

Commissioner Bird: Yes

Commissioner Nassif: Yes

Commissioner Kennedy: Yes

21. Resolution 2018-17 Appreciation of Dedicated Service

Commissioner Nassif made a motion to approve the recommendation, seconded by Commissioner Bird and approved by roll call.

Chair Rigney: Yes

Commissioner Bird: Yes

Commissioner Nassif: Yes

Commissioner Kennedy: Abstaining

STAFF/PROFESSIONAL SERVICES REPORTS:

22. Financial and Investment Report – October 2018

23. Operations & Maintenance Report – October 2018

24. Environmental Compliance Department Reports – October 2018

25. Septage Receiving Facility Reports – October 2018

26. Safety & Communications Report – October 2018

NEXT VVWRA BOARD MEETING:

Tuesday, November 27, 2018 – Board Workshop

Thursday, December 20, 2018 - Regular Meeting of the Board of Commissioners

FUTURE AGENDA ITEMS

Leave Policy

Flow Billing Percentages and Re-allocation

Electrical Contract Work

VVWRA Regular Meeting Minutes
Thursday November 15, 2018
Page 7

COMMISSIONER COMMENTS

ADJOURNMENT

APPROVAL:

DATE: December 20, 2018 **BY:**

Approved by VVWRA Board Jim Kennedy,
Secretary VVWRA Board of Commissioners



**VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY
Report/Recommendation to the Board of Commissioners**

December 20, 2018

FROM: Chieko Keagy, Controller *CK*

TO: Logan Olds, General Manager

SUBJECT: Adoption of Resolution 2018-18 to Receive and File the Comprehensive Annual Financial Report for the Year Ended June 30, 2018

RECOMMENDATION

It is recommended that the Board of Commissioners adopt Resolution 2018-18, A Resolution of the Board of Commissioners of the Victor Valley Wastewater Reclamation Authority to receive and file the Comprehensive Annual Financial Report for the year ended June 30, 2018.

REVIEW BY OTHERS

This recommendation was reviewed by Internal and External Finance Committee. The staff emailed to Larry Bird (City of Hesperia), James Kennedy (City of Victorville), George Harris (City of Victorville), Casey Brooksher (City of Hesperia), and Brian Johnson (Town of Apple Valley), and Carolina Mendoza (San Bernardino County Special District); and Piero Dallarda, Legal Counsel.

BACKGROUND INFORMATION

On December 3, 2018 the staff emailed the Internal and External Finance Committees to ask to review the Comprehensive Annual Financial Report for the year ended June 30, 2018. It was the committees' recommendation to the VVWRA Board to receive and file the Comprehensive Annual Financial Report as submitted.

FINANCIAL IMPACT

None		Finance Approval:		
Fund		01 []	07 []	09 []
Account String	<i>example: 07-02-50-9000</i>			
Project Code	<i>example: C005 for Desert Knoll Wash</i>			
Budgeted Available before This Recommendation				
Budget Applied to This Staff Recommendation				
Budget Remaining (Over Budget)				

RELATED IMPACTS None

RESOLUTION NO. 2018-18**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 FISCAL YEAR 2017-2018**

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 complete financial audit detailing the Auditor’s findings related to revenues, expenditures, and appropriations that occurred during the period July 1, 2017 through June 30, 2018, hereafter Fiscal Year 2017-2018 (“Annual Audit”), and

WHEREAS, on December 3, 2018, the External Financial Advisory Committee received the preliminary findings and recommendations of the Annual Audit from the independent auditing consultant, and

WHEREAS, the independent Auditor has now completed the Annual Audit, which has been duly reviewed by staff and legal counsel, with respect to the listed revenues, expenditures, projects programs, and assets, and

WHEREAS, the Annual Audit has been incorporated into the Authority’s Comprehensive Annual Financial Report (CAFR).

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

Section 1. The Comprehensive Annual Financial Report for Fiscal Year 2017-2018 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 Comprehensive Annual Financial 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 20th day of December 2018.

Jeff Rigney, Chair
VVWRA Board of Commissioners

ATTEST:

APPROVED AS TO FORM:

Jim Kennedy, Secretary
VVWRA Board of Commissioners

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

EXHIBIT A



**Victor Valley Wastewater
Reclamation Authority**
Taking the Waste Out of Wastewater
**Comprehensive Annual
Financial Report**
For the Fiscal Year Ended June 30, 2018

20111 Shay Rd., Victorville, CA 92394

760-246-8638 www.vvwra.com

< Page Intentionally Left Blank >

Prepared by:
The Victor Valley Wastewater Reclamation Authority
Finance Department



< Page Intentionally Left Blank >

**Victor Valley Wastewater Reclamation Authority
Annual Financial Report
For the Fiscal Years Ended June 30, 2018**

Table of Contents (page 1 of 2)

	<u>Page No.</u>
Introductory Section	
Letter of Transmittal	i - vi
Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting	vii
Board of Commissioners and Management	viii
The Mission of the Victor Valley Wastewater Reclamation Authority	ix
Organizational Chart	x
Service Area Map	xi
 Financial Section	
Independent Auditor's Report	1 - 3
Management's Discussion and Analysis	4 - 9
 Basic Financial Statements	
Statements of Net Position	10 - 11
Statements of Revenues, Expenses and Changes in Net Position	12
Statements of Cash Flows	13 - 14
Notes to the Financial Statements	15 - 48
 Required Supplementary Information	
Schedule of the Changes in the Total OPEB Liability and Related Ratios	49
Schedules of the Proportionate Share of the Net Pension Liability	50
Schedules of Pension Plan Contributions	51
 Supplemental Information	
Schedules of Operating Expenses	52 - 53
Combining Schedule of Revenues, Expenses and Changes in Net Position	54
 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 <i>Government Auditing Standards</i>	55 - 56

**Victor Valley Wastewater Reclamation Authority
Annual Financial Report
For the Fiscal Years Ended June 30, 2018**

Table of Contents (page 2 of 2)

Statistical Section	<u>Page No.</u>
Statistical Section Table of Contents	57
Net Position by Component	58
Changes in Net Position	59
Revenues by Source	60
Expenses by Function	61
Revenue Base	62
Principal Customers	63 - 64
Revenue Rate	65
Ratio of Outstanding Debt by Type	66
Direct and Overlapping Bonded Debts	67
Demographic and Economic Statistics	68
Principal Employers	69
Investment in Capital Assets	70
Full-Time Equivalent Employees by Function	71
Operating and Capital Indicators (Facts and Figures)	72 - 79

Introductory Section



< Page Intentionally Left Blank >



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 20, 2018

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, 2018.

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, 2018 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, 2018 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 year 2018 is the 40th anniversary for Victor Valley Wastewater Reclamation Authority. 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, 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 and (2) flow diversion addressed by a member agency.

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

During the current fiscal year, the Authority has experienced a flow diversion that the City of Victorville announced on January 21, 2015. 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 21, 2014.

Non-payment of Flow Processing and Connection Fees

The City of Hesperia (City) has withheld some of its payments to VVWRA for the flow processing services and 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 completed the construction of the sub-regional water reclamation plants during the year ended June 30, 2018. 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 construction 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 weaknesses in internal controls. See pages 56 and 57 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, 2017. 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, 2018.

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,



Logan Olds
General Manager

**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, 2017

Christopher P. Morrill

Executive Director/CEO

< Page Intentionally Left Blank >

Victor Valley Wastewater Reclamation Authority

Board of Commissioners and Management

As of June 30, 2018

Board of Commissioners 2018

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

Management

Logan Olds, General Manager

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.

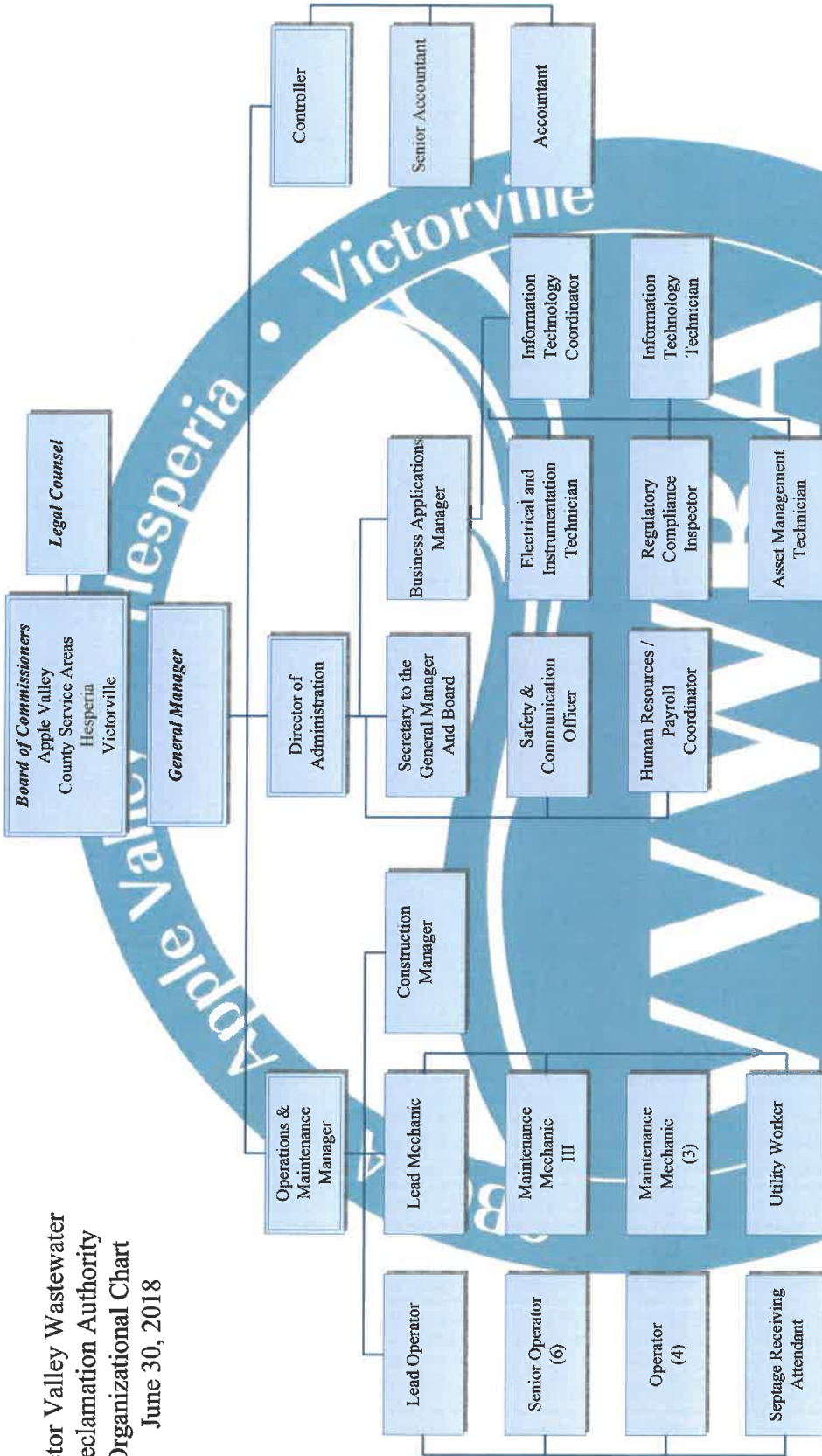
Motivated by...

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

Measured by...

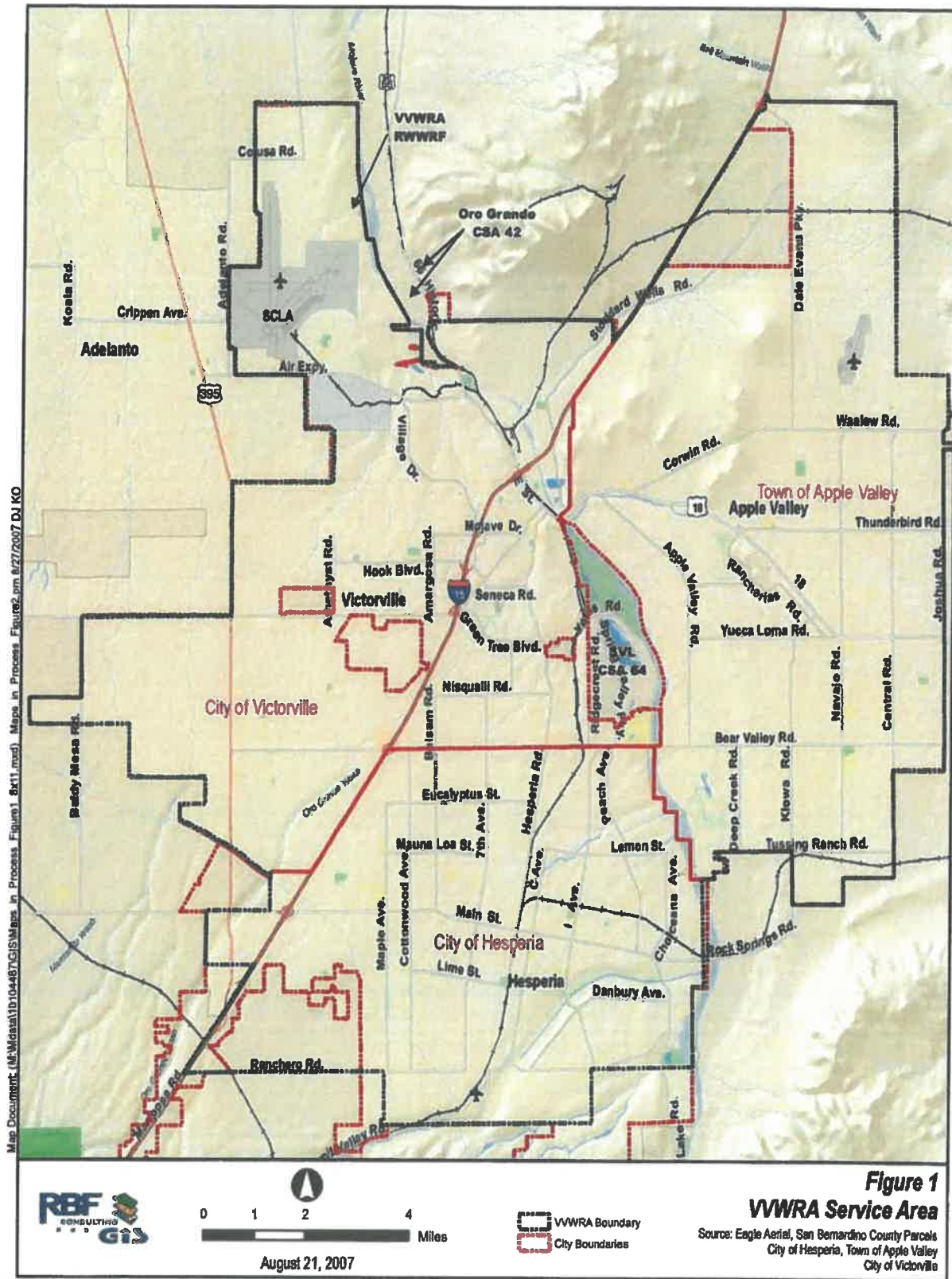
Meeting budgetary goals,
Meeting the standards for regulatory compliance,
The successful completion of projects,
Employee retention, and
A cooperative effort during emergencies.

Victor Valley Wastewater
Reclamation Authority
Organizational Chart
June 30, 2018



Victor Valley Wastewater Reclamation Authority

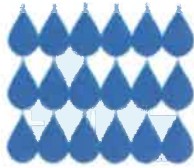
Service Area Map



Financial Section



< Page Intentionally Left Blank >



Charles Z. Fedak, CPA, MBA
 Christopher J. Brown, CPA, CGMA
 Jonathan P. Abbeduto, CPA
 Andy Beck, CPA

Fedak & Brown LLP

Certified Public Accountants

Cypress Office:
 6081 Orange Avenue
 Cypress, California 90630
 (657) 214-2307
 FAX (714) 527-9154

Riverside Office:
 1945 Chicago Avenue, Suite C-1
 Riverside, California 92507
 (951) 783-9149

Independent Auditor's Report

Board of Commissioners
 Victor Valley Wastewater Reclamation Authority
 Hesperia, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Victor Valley Wastewater Reclamation Authority (Authority), which comprises the statement of net position as of June 30, 2018, and the related statement of revenues, expenses and changes in net position, and cash flows for the year 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 audit. We conducted our audit 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 audit 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 opinion.

Opinion

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

Independent Auditor's Report, continued

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 audit 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 pension contributions from expense to deferred outflows of resources and recorded a prior period adjustment to restate net position as of June 30, 2017.

As discussed in Note 1.C to the financial statements, in June 30, 2018, the Authority adopted new accounting guidance *Governmental Accounting Standards Board Statement Nos. 75*. Our opinion is not modified with respect to this matter.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements as a whole. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Independent Auditor's Report, continued***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated December 20, 2018, 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

Fedak & Brown LLP
Cypress, California
December 20, 2018

< Page Intentionally Left Blank >

Victor Valley Wastewater Reclamation Authority
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 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 year ended June 30, 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 2018, the Authority's net position decreased 2.4% or \$3,116,490 to \$127,488,406; primarily due to a decrease of \$7,528,633 from ongoing operations, an increase \$5,250,106 from capital contributions, which were offset by the effect of an \$837,963 restatement to net position related to the implementation of GASB 75. (See note 14 for further information).
- In fiscal year 2018, the Authority's operating revenues increased 7.6% or \$1,040,906 to \$14,696,537.
- 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.

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.

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

Financial Analysis of the Authority, continued

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

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Assets:			
Current assets	\$ 19,845,500	24,215,150	(4,369,650)
Non-current assets	207,756	142,327	65,429
Capital asset, net	<u>204,028,354</u>	<u>204,293,272</u>	<u>(264,918)</u>
Total assets	<u>224,081,610</u>	<u>228,650,749</u>	<u>(4,569,139)</u>
Deferred outflows of resources:	<u>1,742,472</u>	<u>1,743,035</u>	<u>(563)</u>
Liabilities:			
Current liabilities	5,863,899	13,308,048	(7,444,149)
Non-current liabilities	<u>92,382,340</u>	<u>86,315,817</u>	<u>6,066,523</u>
Total liabilities	<u>98,246,239</u>	<u>99,623,865</u>	<u>(1,377,626)</u>
Deferred inflows of resources:	<u>89,437</u>	<u>165,023</u>	<u>(75,586)</u>
Net position:			
Net investment in capital assets	116,272,187	122,731,832	(6,459,645)
Restricted	5,285,091	9,004,801	(3,719,710)
Unrestricted	<u>5,931,128</u>	<u>(1,131,737)</u>	<u>7,062,865</u>
Total net position	<u>\$ 127,488,406</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 \$127,488,406 as of June 30, 2018.

By far the largest portion of the Authority's net position (91% as of June 30, 2018) 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.

At the end of fiscal year 2018, the Authority showed a balance in its unrestricted net position of \$5,931,128. See note 13 for further discussion.

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

Statements of Revenues, Expenses and Changes in Net Position

Condensed Statements of Revenues, Expenses and Changes in Net Position

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Revenue:			
Operating revenues	\$ 14,696,537	13,655,631	1,040,906
Non-operating revenues	67,532	78,595	(11,063)
Total revenue	<u>14,764,069</u>	<u>13,734,226</u>	<u>1,029,843</u>
Expense:			
Operating expenses	11,129,093	10,904,348	224,745
Depreciation	9,226,174	7,900,370	1,325,804
Non-operating expenses	1,937,435	1,555,468	381,967
Total expense	<u>22,292,702</u>	<u>20,360,186</u>	<u>1,932,516</u>
Net loss before capital contributions	<u>(7,528,633)</u>	<u>(6,625,960)</u>	<u>(902,673)</u>
Capital contributions:			
Capital grants	2,367,867	6,767,557	(4,399,690)
Connection fees	2,882,239	2,951,667	(69,428)
Total capital contributions	<u>5,250,106</u>	<u>9,719,224</u>	<u>(4,469,118)</u>
Changes in net position	<u>(2,278,527)</u>	<u>3,093,264</u>	<u>(5,371,791)</u>
Net position, beginning of year	<u>130,604,896</u>	<u>127,511,632</u>	<u>3,093,264</u>
Prior period adjustment	<u>(837,963)</u>	<u>-</u>	<u>(837,963)</u>
Net position, beginning of year – as restated	<u>129,766,933</u>	<u>127,511,632</u>	<u>2,255,301</u>
Net position, end of year	<u>\$ 127,488,406</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 2.4% or \$3,116,490 to \$127,488,406 in fiscal year 2018, due to a decrease of \$7,528,633 from ongoing operations, an increase \$5,250,106 from capital contributions, which was offset by the effect of an \$837,963 restatement to net position related to the implementation of GASB 75. (See note 14 for further information).

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 9.5% or \$1,932,516, due primarily to increases of \$1,325,804 in depreciation expense, \$224,745 in operating expenses, \$1,226,313 in interest expense, and \$381,967 in non-operating expenses.

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

Revenues

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Operating revenues:			
Wastewater service charges	\$ 13,711,083	12,719,827	991,256
Septage receiving facility fees	621,154	649,362	(28,208)
ADM-FOG tipping fees	311,600	234,160	77,440
Pretreatment permit fees	52,700	52,282	418
Total operating revenues	<u>14,696,537</u>	<u>13,655,631</u>	<u>1,040,906</u>
Non-operating revenue:			
Investment earnings	65,808	37,886	27,922
Other revenues	1,724	40,709	(38,985)
Total non-operating revenue	<u>67,532</u>	<u>78,595</u>	<u>(11,063)</u>
Capital contributions:			
Capital grants	2,367,867	6,767,557	(4,399,690)
Connection fees	2,882,239	2,951,667	(69,428)
Total capital contributions	<u>5,250,106</u>	<u>9,719,224</u>	<u>(4,469,118)</u>
Total revenues	<u>\$ 20,014,175</u>	<u>23,453,450</u>	<u>(3,439,275)</u>

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

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.

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.

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.

Expenses

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Operating expenses:			
Salaries and benefits	\$ 4,813,879	4,435,790	378,089
Maintenance	1,654,791	1,936,625	(281,834)
Operations	2,877,169	2,444,093	433,076
General and administration	1,783,254	2,087,840	(304,586)
Depreciation	9,226,174	7,900,370	1,325,804
Total operating expense	<u>20,355,267</u>	<u>18,804,718</u>	<u>1,550,549</u>
Non-operating expenses:			
Interest expense	1,766,631	540,318	1,226,313
Loss on disposal of temp. pipeline	-	784,245	(784,245)
Capital contribution to local government	170,804	-	170,804
Flood damage expense	-	230,905	(230,905)
Total non-operating expenses	<u>1,937,435</u>	<u>1,555,468</u>	<u>381,967</u>
Total expenses	<u>\$ 22,292,702</u>	<u>20,360,186</u>	<u>1,932,516</u>

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

Expenses, continued

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

The Authority's total expenses increased by 9.5% or \$1,932,516 to \$22,292,702. The Authority's operating expenses increased 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.

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.

Capital Asset Administration

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	<u>(86,958,289)</u>	<u>(9,226,174)</u>	<u>69,548</u>	<u>(96,114,915)</u>
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.

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.

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.

Debt Administration

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>81,561,440</u>	<u>8,292,040</u>	<u>(2,097,313)</u>	<u>87,756,167</u>
Total long-term debt	<u>\$ 81,561,440</u>	<u>8,824,983</u>	<u>(2,201,104)</u>	<u>88,185,319</u>

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

Debt Administration, continued

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.

During the prior fiscal year, the Authority experienced a flow diversion that the City of Victorville announced on January 21, 2015. 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, 2018, 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.

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
Statement of Net Position
For the Fiscal Year Ended June 30, 2018

	2018
Current assets:	
Cash and equivalents (note 2)	\$ 4,082,087
Restricted – cash and equivalents (note 2)	5,285,091
Interest receivable	7,311
Accounts receivable, net	186,800
Accounts receivable – due from member agencies (note 3)	5,259,325
Accounts receivable – other (note 4)	9,131
Accounts receivable – loan (note 10)	82,946
Accounts receivable – grants	4,718,438
Notes receivable, net (note 5)	9,562
Materials and supplies inventory	83,104
Prepaid expenses and other deposits	121,705
Total current assets	19,845,500
Non-current assets:	
Notes receivable, net (note 5)	207,756
Capital assets not being depreciated (note 6)	3,081,101
Capital assets being depreciated, net (note 6)	200,947,253
Total non-current assets	204,236,110
Total assets	224,081,610
Deferred outflows of resources:	
Pension related outflows (note 12)	1,742,472
Total deferred outflows of resources:	\$ 1,742,472

Continued on next page

See accompanying notes to the basic financial statements

Victor Valley Wastewater Reclamation Authority
Statement of Net Position, continued
For the Fiscal Year Ended June 30, 2018

	2018
Current liabilities:	
Accounts payable and accrued expenses	\$ 1,279,448
Accrued wages and related payables	160,234
Accrued interest on long-term debt	275,043
Long-term liabilities – due within one year:	
Compensated absences (note 7)	72,005
Other payables (note 8)	6,852
Lease payable (note 9)	89,930
Loans payable (note 10)	3,980,387
Total current liabilities	5,863,899
Non-current liabilities:	
Long-term liabilities – due in more than one year:	
Compensated absences (note 7)	216,014
Other payables (note 8)	15,382
Lease payable (note 9)	339,222
Loans payable (note 10)	83,775,780
Total other post-employment benefits liability (note 11)	2,285,368
Net pension liability (note 12)	5,750,574
Total non-current liabilities:	92,382,340
Total liabilities	98,246,239
Deferred inflows of resources:	
Pension related inflows (note 12)	89,437
Total deferred inflows of resources:	89,437
Net position: (note 13)	
Net investment in capital assets	116,272,187
Restricted for debt service	5,285,091
Unrestricted	5,931,128
Total net position	\$ 127,488,406

See accompanying notes to the basic financial statements

Victor Valley Wastewater Reclamation Authority
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2018

	2018
Operating revenues:	
Wastewater service charges	\$ 13,711,083
Septage receiving facility fees	621,154
ADM-FOG tipping fees	311,600
Pretreatment permit fees	52,700
Total operating revenues	14,696,537
Operating expenses:	
Salaries and benefits	4,813,879
Maintenance	1,654,791
Operations	2,877,169
General and administration	1,783,254
Total operating expense	11,129,093
Operating income before depreciation expense	3,567,444
Depreciation	(9,226,174)
Operating loss	(5,658,730)
Non-operating revenue (expense):	
Investment earnings	65,808
Interest expense	(1,766,631)
Other, net	1,724
Capital contribution to local government	(170,804)
Total non-operating expense, net	(1,869,903)
Net loss before capital contributions	(7,528,633)
Capital contributions:	
Capital grants – Title 16	16,994
Capital grants – State of California	916,729
Capital grants – Water Recycling Grant	442,399
Capital grants – Other agency	991,745
Connection fees	2,882,239
Total contributed capital	5,250,106
Change in net position	(2,278,527)
Net position, beginning of year – as restated (note 14)	129,766,933
Net position, end of year	\$ 127,488,406

See accompanying notes to the basic financial statements

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

	2018
Cash flows from operating activities:	
Cash receipts from customers	\$ 14,688,448
Cash paid to employees for salaries and wages	(4,796,725)
Cash paid to vendors and suppliers for materials and services	(17,612,059)
Net cash used in operating activities	(7,720,336)
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(9,806,930)
Proceeds from connection fees	2,882,239
Proceeds from grant funding	2,516,556
Proceeds from capital lease	532,943
Proceeds from loans	11,364,606
Principal paid for capital lease	(103,791)
Principal paid for long-term debt	(2,097,313)
Interest paid for long-term debt	(1,566,970)
Net cash provided by capital and related financing activities	3,721,340
Cash flows from investing activities:	
Investment earnings	73,319
Net cash provided by investing activities	73,319
Net decrease in cash and cash equivalents	(3,925,677)
Cash and cash equivalents, beginning of year	13,292,855
Cash and cash equivalents, end of year	\$ 9,367,178
Reconciliation of cash and cash equivalents to the statements of net position:	
Cash and cash equivalents	\$ 4,082,087
Restricted cash and cash equivalents	5,285,091
Total cash and cash equivalents	\$ 9,367,178

Continued on next page

See accompanying notes to the basic financial statements

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

	2018
Reconciliation of operating income to net cash used in operating activities:	
Operating loss	\$ <u>(5,658,730)</u>
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	9,226,174
Other non-operating revenues	1,724
Other non-operating expenses	(170,804)
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:	
(Increase) decrease in assets:	
Accounts receivable	(10,909)
Accounts receivable – other	2,820
Accounts receivable – due from member agencies	(2,774,972)
Note receivable, net	(69,138)
Materials and supplies inventory	3,411
Prepaid expenses and other deposits	6,277
Increase in deferred outflows of resources	563
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	(3,458,698)
Construction retention payable	(6,378,023)
Accrued wages and related payables	17,154
Compensated absences	19,976
Other payables	(6,852)
Total other post-employment benefits liability	866,327
Net pension liability	738,950
Decrease in deferred inflows of resources	<u>(75,586)</u>
Total adjustments	<u>(2,061,606)</u>
Net cash used in operating activities	\$ <u>(7,720,336)</u>
Non-cash investing, capital and financing transactions:	
Change in fair value of funds deposited with LAIF	\$ <u>7,311</u>
Change in capital contributions – grants	\$ <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 Year Ended June 30, 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. 75

In June 2015, the GASB issued Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

This Statement replaces the requirements of Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2017. The impact of the implementation of this Statement to the Authority's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 81

In March 2016, the GASB issued Statement No. 81 – *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

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

C. Financial Reporting, continued

Governmental Accounting Standards Board Statement No. 81, continued

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

Governmental Accounting Standards Board Statement No. 85

In March 2017, the GASB issued Statement No. 85 – *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits - OPEB).

The provisions of this Statement are effective for reporting periods beginning after June 15, 2017. The impact of the implementation of this Statement to the Authority'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.

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 Authority's financial statements during the fiscal year ended June 30, 2018 included recognition of construction period interest upon the finalization of the subregional wastewater reclamation plants in Hesperia and Apple Valley of \$577,805 and \$366,235, respectively.

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

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

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 Director of Finance or the Accounting Supervisor 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.
- **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.

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

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

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

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 uncollectible.

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 is valued at an acquisition 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. 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:

- 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.

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

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

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

11. Deferred Outflows of Resources, continued

- 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.
- Deferred outflow 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 outflow 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.

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.

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 Date: June 30, 2018
- Measurement Date: June 30, 2018
- Measurement Period: 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.

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

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

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

14. Pensions, continued

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 Date: June 30, 2016
- Measurement Date: June 30, 2017
- Measurement Period: 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:

- Deferred inflow 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.

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.

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

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

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

19. Budgetary Policies

Prior to June 30th 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:

	2018
Cash and cash equivalents	\$ 4,082,087
Restricted – Cash and cash equivalents	5,285,091
Total cash and investments	\$ 9,367,178

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

	2018
Deposits with financial institutions	\$ 4,720,145
Investments:	
Deposits with California Local Agency Investment Fund (LAIF)	1,537,864
Deposits with Cal Trust – Short Term Fund	3,109,169
Total investments	4,647,033
Total cash and investments	\$ 9,367,178

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

	2018
Deposits held with California Local Agency Investment Fund (LAIF)	193 days
Deposits held with Cal Trust – Short Term Fund	318 days

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

(2) Cash and Investments, continued

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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
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

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.

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

(2) Cash and Investments, continued

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, 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.

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).

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, 2018, were as follows:

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

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 Year Ended June 30, 2018

(2) Cash and Investments, continued

Credit Risk, continued

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	<u>3,109,169</u>	AAA	<u>3,109,169</u>	<u>-</u>
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, 2018.

Fair Value Measurements

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

(3) Accounts Receivable – Due from Member Agencies

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

	<u>2018</u>
User Charge Receivable:	
City of Hesperia	\$ 2,044,387
Town of Apple Valley	373,730
City of Victorville	1,343,427
County of San Bernardino Special Districts	<u>61,696</u>
Total user charge receivable	<u>3,823,240</u>
Connection Fees Receivable:	
City of Hesperia	1,216,985
Town of Apple Valley	47,200
City of Victorville	29,400
County of San Bernardino Special Districts	<u>142,500</u>
Total connection fees receivable	<u>1,436,085</u>
Total due from member agencies	<u>\$ 5,259,325</u>

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

(4) Accounts Receivable – Other

Other receivables include amounts related to a Flexible Health Savings Account established by the Authority for qualified employees. Terms of the program provide that the Authority fund each participating employee's flexible health savings 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:

	2018
Flexible health savings account	\$ 9,131

(5) Notes Receivable, Net

Changes in notes receivable amounts for 2018 were as follows:

	Balance 2017	Additions	Payments	Balance 2018
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	148,180	-	(3,800)	144,380
Biogas Power Systems – Mojave LLC	-	75,320	(2,382)	72,938
Total	148,180	75,320	(6,182)	217,318
Less current	(5,853)			(9,562)
Total non-current	\$ 142,327			207,756

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 Year Ended June 30, 2018

(5) Notes Receivable, Net, 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>
2019	\$ 5,853	(2,054)	3,799
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
2024-2028	29,265	(10,267)	18,998
2029-2033	29,265	(10,268)	18,997
2034-2038	29,265	(10,267)	18,998
2039-2043	29,265	(10,268)	18,997
2044-2048	29,265	(10,267)	18,998
2049-2053	29,265	(10,268)	18,997
2054-2056	17,559	(6,161)	11,398
Total	222,414	(78,034)	144,380
Less current	(5,853)		
Less Unamortized discount	(78,034)		
Total non-current	\$ 138,527		

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>
2019	\$ 3,709	1,412	5,121
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
2024-2028	21,309	4,294	25,603
2029-2033	23,527	2,077	25,604
2034-2035	8,801	161	8,962
Total	72,938	12,835	85,773
Less current	(3,709)		
Total non-current	\$ 69,229		

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

(6) Capital Assets

Changes in capital assets for 2018 were as follows:

	<u>Balance 2017</u>	<u>Additions</u>	<u>Disposals/ Transfers</u>	<u>Balance 2018</u>
Non-depreciable assets:				
Land	\$ 779,136	-	-	779,136
Construction in progress	82,908,664	8,217,002	(88,823,701)	2,301,965
Total non-depreciable assets	<u>83,687,800</u>	<u>8,217,002</u>	<u>(88,823,701)</u>	<u>3,081,101</u>
Depreciable assets:				
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
Total depreciable assets	<u>207,563,761</u>	<u>89,567,955</u>	<u>(69,548)</u>	<u>297,062,168</u>
Less accumulated depreciation:				
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)
Total accumulated depreciation	<u>(86,958,289)</u>	<u>(9,226,174)</u>	<u>69,548</u>	<u>(96,114,915)</u>
Total depreciable assets, net	<u>120,605,472</u>	<u>80,341,781</u>	<u>-</u>	<u>200,947,253</u>
Total capital assets, net	<u>\$ 204,293,272</u>	<u>88,558,783</u>	<u>(88,823,701)</u>	<u>204,028,354</u>

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.

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 for June 30, 2017 and 2018, was as follows:

<u>Projects</u>	<u>2017</u>	<u>2018</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
Oro Grande Inteceptor Project	266,799	268,849
Micro-grid / Battery Storage Project	135,973	1,173,574
Total Ignition SCADA Project	-	150,000
Various other minor projects > \$50,000	58,094	78,191
Total	<u>\$ 82,908,664</u>	<u>2,301,965</u>

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

(7) Compensated Absences

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

<u>Balance</u> <u>2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>2017</u>	<u>Due Within</u> <u>One Year</u>	<u>Due in More</u> <u>Than One Year</u>
\$ 268,043	335,965	(315,989)	288,019	72,005	216,014

(8) Other Payables

At June 30 2018, 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>
2019	\$ 6,852
2020	6,852
2021	6,852
2022	1,678
Total	22,234
Less current	(6,852)
Total non-current	\$ 15,382

(9) Lease Payable

Lease payable at June 30, 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>
2019	\$ 89,930	13,861	103,791
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	429,152	39,307	468,459
Less current	(89,930)		
Total non-current	\$ 339,222		

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

(10) Loans Payable

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 Facility	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 Gravity Interceptor	4,083,755	411,458	(196,889)	4,298,324
Southern California Edison Loans:	-			
So. Cal. Edison loan 2015	75,453	-	(18,282)	57,171
So. Cal. Edison loan 2016	7,934	-	(7,934)	-
Total	81,561,440	8,292,040	(2,097,313)	87,756,167
Less current	<u>(1,899,554)</u>			<u>(3,980,387)</u>
Total non-current	\$ 79,661,886			83,775,780

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 15th 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>
2019	\$ 251,786	13,263	265,049
2020	258,333	6,717	265,050
Total	510,119	<u>19,980</u>	<u>530,099</u>
Less current	<u>(251,786)</u>		
Total non-current	\$ 258,333		

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

(10) Loans Payable, continued

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 3rd, 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:

Fiscal Year	Principal	Interest	Total
2019	\$ 538,835	41,035	579,870
2020	548,803	31,067	579,870
2021	558,956	20,914	579,870
2022	571,533	8,336	579,869
Total	2,218,127	101,352	2,319,479
Less current	(538,835)		
Total non-current	\$ 1,679,292		

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 13th at the rate of 2.500%, maturing in fiscal year 2024.

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

Fiscal Year	Principal	Interest	Total
2019	\$ 222,603	21,329	243,932
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	1,421,928	76,187	1,498,115
Less current	(222,603)		
Total non-current	\$ 1,199,325		

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

(10) Loans Payable, continued

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 30th at the rate of 2.700%, maturing in fiscal year 2032.

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

Fiscal Year	Principal	Interest	Total
2019	\$ 707,688	319,922	1,027,610
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
2024-2028	4,266,909	871,141	5,138,050
2029-2032	3,847,288	263,151	4,110,439
Total	11,848,943	2,537,596	14,386,539
Less current	(707,688)		
Total non-current	\$ 11,141,255		

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 31st at the rate of 1.900%, maturing in fiscal year 2033.

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

Fiscal Year	Principal	Interest	Total
2019	\$ 197,174	60,571	257,745
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
2024-2028	1,125,108	163,620	1,288,728
2029-2033	1,038,780	52,595	1,091,375
Total	3,187,941	480,887	3,668,828
Less current	(197,174)		
Total non-current	\$ 2,990,767		

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

(10) Loans Payable, continued

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 (SWRCB) 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 to commence beginning on February 28, 2019, at the rate of 1.000%, maturing in fiscal year 2048. At June 30, 2018, the Authority had annual claims of \$3,656,300 of the total loan amount during the construction phase through completion.

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

Fiscal Year	Principal	Interest	Total
2019	1,090,893	371,957	1,462,850
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
2024-2028	5,818,637	1,495,614	7,314,252
2029-2033	6,115,446	1,198,805	7,314,252
2034-2038	6,427,396	886,856	7,314,252
2039-2043	6,755,257	558,994	7,314,252
2044-2048	7,099,844	214,408	7,314,252
Total	37,758,385	6,127,124	43,885,509
Less current	(1,090,893)		
Total non-current	\$ 36,667,492		

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 to commence beginning on February 28, 2019, at the rate of 1.000%, maturing in fiscal year 2048. At June 30, 2018, the Authority had annual claims of \$4,224,282 of the total loan amount during the construction phase. At June 30, 2018, the Authority had \$82,946 in loan receivable.

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

(10) Loans Payable, continued

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

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

Fiscal Year	Principal	Interest	Total
2019	764,031	260,920	1,024,951
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
2024-2028	4,076,847	1,047,907	5,124,754
2029-2033	4,284,807	839,947	5,124,754
2034-2038	4,503,376	621,379	5,124,754
2039-2043	4,733,094	391,661	5,124,754
2044-2048	4,974,529	150,226	5,124,754
Total	26,455,229	4,293,298	30,748,525
Less current	(764,031)		
Total non-current	\$ 25,691,198		

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 to commence beginning on June 30, 2018, at the rate of 1.900%, maturing in fiscal year 2037. At June 30, 2018, the Authority had annual claims of \$411,458, of the total loan amount during the construction phase.

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

Fiscal Year	Principal	Interest	Total
2019	189,965	81,668	271,633
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
2024-2028	1,083,966	274,197	1,358,163
2029-2033	1,190,931	167,232	1,358,163
2034-2037	1,036,817	49,712	1,086,529
Total	4,298,324	862,696	5,161,020
Less current	(189,965)		
Total non-current	\$ 4,108,359		

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 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:

Fiscal Year	Principal	Interest	Total
2019	\$ 17,412	-	17,412
2020	17,412	-	17,412
2021	17,412	-	17,412
2022	4,935	-	4,935
Total	57,171	-	57,171
Less current	(17,412)		
Total non-current	\$ 39,759		

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. At 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.

Employees Covered by Benefit Terms

At June 30, 2018, the following employees were covered by the benefit terms:

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

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

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

Contributions

The Plan and its contribution requirements for eligible retired employees of the Authority are established and may be amended by the Board of Directors. 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 adjusted for each year in accordance 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>2018</u>
Contributions – employer	\$ <u>94,258</u>

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

Total OPEB Liability

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

Actuarial Assumptions

The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	2.75 percent
Discount rate	3.80 percent
Healthcare cost trend rates	4.00 percent per year
Retirees' share of benefit-related costs	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.

Notes:

The discount rate was based on the Bond Buyer 20-Year Bond Index.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.80 percent. 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.

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

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

Total OPEB Liability, continued

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2017	\$ <u>2,257,004</u>
Changes for the year:	
Service cost	37,946
Interest	84,676
Employer contributions	(94,258)
Employee contributions	-
Actual investment income	-
Administrative expenses	-
Benefit payments	-
Net changes	<u>28,364</u>
Balance at June 30, 2018	\$ <u>2,285,368</u>

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:

	Discount Rate - 1% (2.80%)	Current Discount Rate (3.80%)	Discount Rate + 1% (4.80%)
District's Total OPEB liability \$	<u>2,603,574</u>	<u>2,285,368</u>	<u>2,024,772</u>

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:

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

For the year ended June 30, 2018, the Authority recognized OPEB expense of \$122,622.

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 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, 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.

The Plans' provision and benefits in effect at June 30, 2018, are summarized as follows:

	Miscellaneous Plan	
	Tier 1	Tier 2
	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	7.946%	6.250%
Required employer contribution rates	9.539%	6.533%

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

(12) Defined Benefit Pension Plan, continued

Benefits Provided, continued

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 1st, 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:

	Miscellaneous Plan 2018
Contributions – employer	\$ 528,660
Contributions – employee (paid by employer)	51,957
Total employer paid contributions	\$ 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:

	Proportionate Share of Net Pension Liability 2018
Miscellaneous Plan	\$ 5,750,574

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, 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, 2016, rolled forward to June 30, 2017, 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, 2017, was as follows:

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

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

(12) Defined Benefit Pension Plan, continued

As of June 30, 2018, the Authority recognized pension expense of \$989,426.

Deferred Pension Outflows (Inflows) of Resources

As of the fiscal year ended June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to the measurement date	\$ 528,660	-
Net differences between actual and expected experience	-	(89,437)
Net changes in assumptions	769,187	-
Net differences between projected and actual earnings on plan investments	188,318	-
Net differences between actual contribution and proportionate share of contribution	1,258	-
Net adjustment due to differences in proportions of net pension liability	255,049	-
Total	<u>\$ 1,742,472</u>	<u>(89,437)</u>

As of June 30, 2018, employer pension contributions of \$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, 2019.

At June 30, 2018, 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	\$ 403,981
2020	516,776
2021	336,853
2022	(133,235)
2023	-
Thereafter	-

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

(12) Defined Benefit Pension Plan, continued

Actuarial Assumptions

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

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

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions:	
Discount rate	7.15%
Inflation	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
Post Retirement Benefit	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.

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.

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

(12) Defined Benefit Pension Plan, continued

Discount Rate, continued

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.

<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

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, 2018, the discount rate comparison was the following:

	<u>Discount Rate – 1% (6.15%)</u>	<u>Current Discount Rate (7.15%)</u>	<u>Discount Rate + 1% (8.15%)</u>
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, 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 Year Ended June 30, 2018

(13) Net Position

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

	2018
Net investment in capital assets:	
Capital assets – not being depreciated	\$ 3,081,101
Capital assets, net – being depreciated	200,947,253
Loans payable	(87,756,167)
Total net investment in capital assets	116,272,187
Restricted net position:	
Restricted for debt service	5,285,091
Total restricted net position	5,285,091
Unrestricted net position:	
Non-spendable net position:	
Materials and supplies inventory	83,104
Prepaid expenses and deposits	121,705
Total non-spendable net position	204,809
Spendable net position are designated as follows:	
Undesignated net position reserve	5,726,319
Total spendable net position	5,726,319
Total unrestricted net position	5,931,128
Total net position	\$ 127,488,406

(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	\$ 130,604,896
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	1,419,041
Net position at July 1, 2017, as restated	\$ 129,766,933

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 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, 2018, 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 \$93,348,334, with a deductible of \$10,000 per claim.
- Mobile Vehicle Program coverage up to \$491,509, 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, \$100,000 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, 2018, 2017, and 2016. 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, 2018, 2017, and 2016.

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 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, 2018, that has effective dates that may impact future financial presentations.

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

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 Authority's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 86

In May 2017, the GASB issued Statement No. 86 – *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The provisions of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. The impact of the implementation of this Statement to the Authority's financial statements has not been assessed at this time.

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

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

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 Authority's financial statements has not been assessed at this time.

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 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.

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. The impact of the implementation of this Statement to the Authority'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.

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

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

Governmental Accounting Standards Board Statement No. 90, continued

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 Authority's financial statements has not been assessed at this time.

(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. The Authority has committed to approximately \$239,400 of open construction contracts as of June 30, 2018.

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, 2018, the future minimum remaining commitment amounted to \$12,478,000.

Litigation

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

Victor Valley Wastewater Reclamation Authority
Notes to the Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

(17) Commitments and Contingencies

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 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 2018. 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 faces 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 wastewater flows and 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 2019.

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.

(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 Year Ended June 30, 2018

(18) Related Party, continued

City of Hesperia

During the fiscal year ended June 30, 2018, the Authority has amounts due and receivable for user charges and connection fees amounting to \$2,029,035 which were past-due from the City of Hesperia (City). On August 8, 2017, the Authority was notified by the City that it has retained the payment 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, 2018, or arose subsequent to that date and are considered inherent in the process of preparing these financial statements.

Required Supplementary Information

< Page Intentionally Left Blank >

Victor Valley Wastewater Reclamation Authority
Schedule of Changes in the Total OPEB Liability and Related Ratios
As of June 30, 2018
Last Ten Years*

		<u>2018</u>
Total OPEB Liability		
Service cost	\$	37,946
Interest		84,676
Employer contributions		(94,258)
Employee contributions		-
Actual investment income		-
Administrative expenses		<u>-</u>
Net change in total OPEB liability		28,364
Total OPEB liability – beginning		<u>2,257,004</u>
Total OPEB liability – ending	\$	<u>2,285,368</u>
Covered payroll	\$	<u>3,004,335</u>
Total OPEB liability as a percentage of covered payroll		<u>76.07%</u>

Notes:

* Historical information presented above follows the measurement periods for which GASB 75 was applicable. The fiscal year ended June 30, 2018, (valuation date of June 30, 2018) was the first year of implementation required by GASB 75; therefore only one year is shown.

Victor Valley Wastewater Reclamation Authority
Schedules of the Proportionate Share of the Net Pension Liability
As of June 30, 2018
Last Ten Years*

<u>Description</u>	<u>Measurement Date 6/30/2017</u>	<u>Measurement Date 6/30/2016</u>	<u>Measurement Date 6/30/2015</u>	<u>Measurement Date 6/30/2014</u>
Authority's Proportion of the Net Pension Liability	<u>0.05799%</u>	<u>0.05792%</u>	<u>0.06074%</u>	<u>0.05341%</u>
Authority's Proportionate Share of the Net Pension Liability	\$ <u>5,750,574</u>	<u>5,011,624</u>	<u>4,169,063</u>	<u>3,323,316</u>
Authority's Covered Payroll	\$ <u>3,397,714</u>	<u>3,004,335</u>	<u>3,004,402</u>	<u>2,945,462</u>
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	<u>169.25%</u>	<u>166.81%</u>	<u>138.77%</u>	<u>112.83%</u>
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	<u>71.18%</u>	<u>71.30%</u>	<u>75.01%</u>	<u>79.19%</u>

Notes:

Changes in Benefit Terms – For the measurement date June 30, 2017, there were no changes in the benefit terms.

Changes of Assumptions – For the measurement date June 30, 2017, the discount rate was reduced from 7.65% percent to 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 four years are shown.

Victor Valley Wastewater Reclamation Authority
Schedules of Pension Plan Contributions
As of June 30, 2018
Last Ten Years*

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

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 four years are shown.

< Page Intentionally Left Blank >

Supplemental Information

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

	2018
Salaries and benefits:	
Salaries	\$ 3,067,516
Employee benefits	1,746,363
Total salaries and benefits	4,813,879
Maintenance:	
Equipment and supplies	878,988
Instrumentation	192,802
Tools	36,043
Ground repairs and maintenance	180,448
Vehicle repairs and maintenance	126,984
Sewer repairs and maintenance	41,511
Other	198,015
Total Maintenance	1,654,791
Operations:	
Process chemicals	311,566
Utilities	1,576,574
Trash and sludge disposal	142,565
Fuel and lubricants	104,137
Lab supplies and services	406,935
Safety equipment	46,939
Custodial	39,982
Equipment rental	173,995
Uniforms	21,141
Security	27,449
Sewer location services	25,886
Total operations	\$ 2,877,169

Continued on next page

**Victor Valley Wastewater Reclamation Authority
Schedule of Operating Expenses, continued
For the Year Ended June 30, 2018**

		<u>2018</u>
Administration:		
Telephone and communications	\$	106,658
Computers and office equipment		98,753
Computer and office supplies		9,272
Printing and advertising		19,513
Postage and freight		13,269
Travel and education		174,007
Membership and commissioner fees		63,517
Books and periodicals		21,695
Professional services		367,689
Legal services		543,662
Temporary labor		43,393
Insurance		127,625
Permit fees		128,809
Rent		45,256
Construction services		17,571
Other		<u>2,565</u>
Total administration		<u>1,783,254</u>
Total operating expenses		<u>11,129,093</u>
Depreciation		<u>9,226,174</u>
Total operating expense including depreciation expense	\$	<u>20,355,267</u>

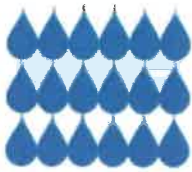
Victor Valley Wastewater Reclamation Authority
Combining Schedule of Revenues and Expenses
For the Year Ended June 30, 2018

	Operations and Maintenance	Repairs and Replacements	Capital Outlay	Total
Operating revenues:				
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
Total operating revenues	14,449,037	247,500	-	14,696,537
Operating expenses:				
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
Total operating expense	10,969,707	159,386	-	11,129,093
Operating income (loss) before depreciation expense	3,479,330	88,114	-	3,567,444
Depreciation	(9,226,174)	-	-	(9,226,174)
Operating loss	(5,746,844)	88,114	-	(5,658,730)
Non-operating revenue (expense):				
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)
Total non-operating expense, net	(1,273,919)	-	(595,984)	(1,869,903)
Net loss before capital contributions	(7,020,763)	88,114	(595,984)	(7,528,633)
Capital contributions:				
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
Total contributed capital	839,435	-	4,410,671	5,250,106
Change in net position	\$ (6,181,328)	88,114	3,814,687	(2,278,527)

See accompanying notes to the basic financial statements

Report on Internal Controls and Compliance

< Page Intentionally Left Blank >



Charles Z. Fedak, CPA, MBA
 Christopher J. Brown, CPA, CGMA
 Jonathan P. Abadesco, CPA
 Andy Bock, CPA

Fedak & Brown LLP
 Certified Public Accountants

Cypress Office:
 6081 Orange Avenue
 Cypress, California 90630
 (657) 214-2307
 FAX (714) 527-9154

Riverside Office:
 1945 Chicago Avenue, Suite C-1
 Riverside, California 92507
 (951) 783-9149

**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
 Hesperia, 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 year ended June 30, 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 20, 2018.

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 audit 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

Fedak & Brown LLP
Cypress, California
December 20, 2018

Statistical Section



< Page Intentionally Left Blank >

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.

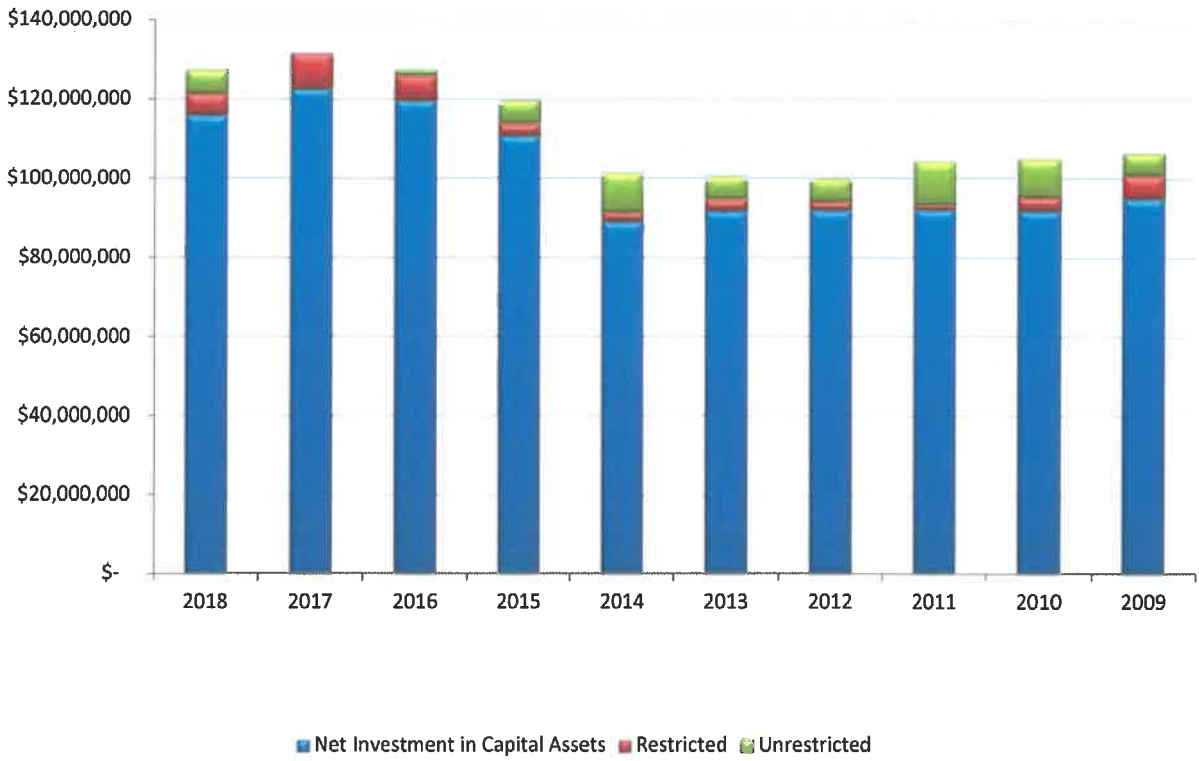
	<u>Page No.</u>
Financial Trends	
These schedules contain information to help the reader understand how the Authority's financial performance and well-being have changed over time.	58 – 59
Revenue Capacity	
These schedules contain information to help the reader assess the factors affecting the Authority's ability to generate revenues.	60 – 65
Debt Capacity	
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.	66 – 67
Demographic and Economic Information	
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.	68 – 69
Operating Information	
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.	70 – 79

< Page Intentionally Left Blank >

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

June 30	2018	2017	2016	2015	2014
Net Investment in Capital Assets	\$ 116,272,187	\$ 122,731,832	\$ 119,848,757	\$ 110,982,384	\$ 89,340,144
Restricted	5,285,091	9,004,801	6,367,601	3,150,314	2,322,650
Unrestricted	5,931,128	(1,131,737)	1,295,274	5,692,256	10,061,819
Total Net Position	\$ 127,488,406	\$ 130,604,896	\$ 127,511,632	\$ 119,824,954	\$ 101,724,613

June 30	2013	2012	2011	2010	2009
Net Investment in Capital Assets	\$ 92,011,190	\$ 92,132,472	\$ 92,316,194	\$ 92,011,371	\$ 95,268,279
Restricted	2,961,518	2,147,445	1,166,446	3,455,773	5,791,448
Unrestricted	5,729,404	5,936,342	11,190,359	9,802,016	5,465,649
Total Net Position	\$ 100,702,112	\$ 100,216,259	\$ 104,672,999	\$ 105,269,160	\$ 106,525,376

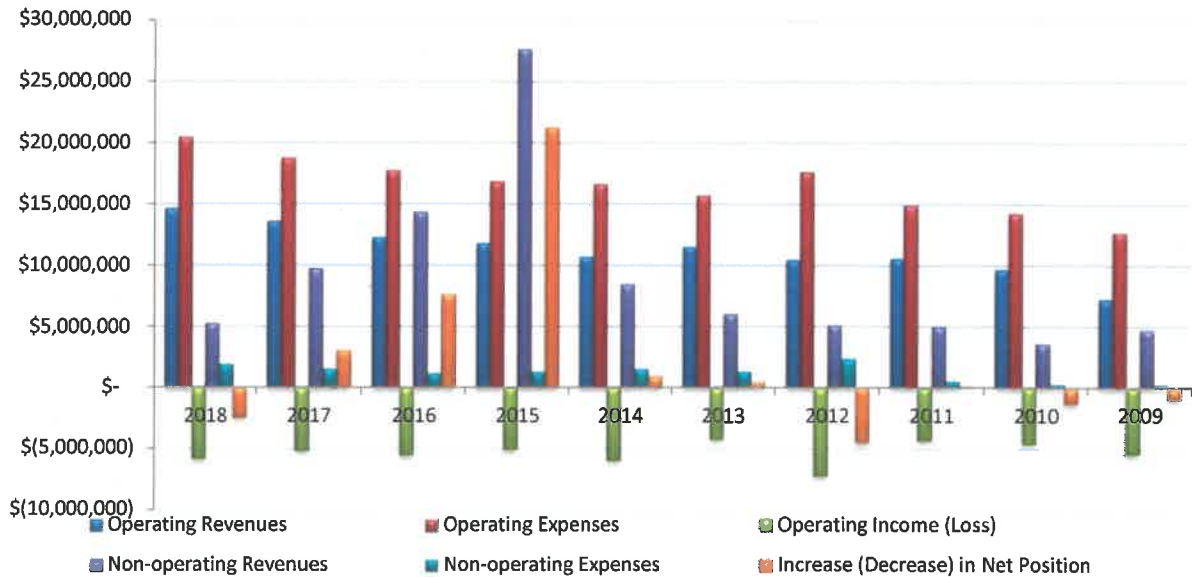


Source: Victor Valley Wastewater Reclamation Authority

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

June 30	2018	2017	2016	2015	2014
Operating Revenues	\$ 14,696,537	\$ 13,655,631	\$ 12,305,439	\$ 11,850,841	\$ 10,744,312
Operating Expenses	20,505,267	18,804,718	17,820,239	16,901,749	16,703,301
Operating Income (Loss)	(5,808,730)	(5,149,087)	(5,514,800)	(5,050,908)	(5,958,989)
Non-operating Revenues	5,317,638	9,797,819	14,416,430	27,703,303	8,482,186
Non-operating Expenses	1,937,435	1,555,468	1,214,952	1,335,646	1,535,497
Increase (Decrease) in Net Position	\$ (2,428,527)	\$ 3,093,264	\$ 7,686,678	\$ 21,316,749	\$ 987,700

June 30	2013	2012	2011	2010	2009
Operating Revenues	\$ 11,526,052	\$ 10,469,338	\$ 10,616,850	\$ 9,715,020	\$ 7,313,826
Operating Expenses	15,738,220	17,677,977	14,933,992	14,302,713	12,725,823
Operating Income (Loss)	(4,212,168)	(7,208,639)	(4,317,142)	(4,587,693)	(5,411,997)
Non-operating Revenues	6,054,793	5,141,787	5,041,540	3,636,256	4,787,060
Non-operating Expenses	1,356,772	2,389,888	572,285	304,779	277,858
Increase (Decrease) in Net Position	\$ 485,853	\$ (4,456,740)	\$ 152,113	\$ (1,256,216)	\$ (902,795)



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
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
2009	7,265,926	221,227	-	47,900	7,535,053

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
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
2009	4,138,678	427,155	-	-	-	-	-	-	-	4,565,833

Total Revenues			
June 30	Total Operating Revenues	Total Non-Operating Revenues	Total Revenues
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
2009	7,535,053	4,565,833	12,100,886

*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

	Operating Expenses						Total Non-Operating Expenses	Combined Expenses
June 30	Personnel	Maintenance	Operations	Administration	Depreciation	Total Operating Expenses		
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
2009	4,474,015	732,973	1,875,436	1,181,150	4,462,249	12,725,823	277,858	13,003,681

*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

June 30	Wastewater Received (MG)*
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
2009	4,465

*MG = Million Gallons



Source: Victor Valley Wastewater Reclamation Authority

Victor Valley Wastewater Reclamation Authority

Principal Customers

Last Ten Fiscal Years

June 30	2018		2017		2016	
	Wastewater Received (MG)*	Percentage of Total	Wastewater Received (MG)*	Percentage of Total	Wastewater Received (MG)	Percentage of Total
San Bernardino County	222	5.7%	220	5.7%	219	5.7%
Apple Valley	651	16.8%	645	16.8%	644	16.8%
Hesperia	701	18.1%	695	18.1%	694	18.1%
Victorville	2,304	59.4%	2,285	59.4%	2,277	59.4%
Principal Customers Total	3,878	100.0%	3,845	100.0%	3834	100.0%
Total Water Received	3,878	100.0%	3,845	100.0%	3834	100.0%

June 30	2015		2014		2013	
	Wastewater Received (MG)	Percentage of Total	Wastewater Received (MG)	Percentage of Total	Wastewater Received (MG)	Percentage of Total
San Bernardino County	233	5.6%	287	6.5%	306	6.5%
Apple Valley	672	16.1%	611	13.8%	650	13.8%
Hesperia	697	16.7%	752	17.0%	799	17.0%
Victorville	2,569	61.6%	2,576	58.2%	2,739	58.2%
Principal Customers Total	4,171	100.0%	4,226	95.5%	4,494	95.5%
Total Water Received	4,171	100.0%	4,423	100.0%	4,704	100.0%

Victor Valley Wastewater Reclamation Authority

Principal Customers

Last Ten Fiscal Years

June 30	2012		2011		2010	
	Wastewater Received (MG)	Percentage of Total	Wastewater Received (MG)	Percentage of Total	Wastewater Received (MG)	Percentage of Total
San Bernardino County	528	11.0%	322	6.6%	290	6.3%
Apple Valley	666	13.8%	692	14.2%	719	15.6%
Hesperia	819	17.0%	818	16.8%	608	13.2%
Victorville	2,808	58.2%	3,049	62.4%	2,990	64.9%
Principal Customers Total	4,821	100.0%	4,881	100.0%	4,607	100.0%
Total Water Received	4,821	100.0%	4,881	100.0%	4,805	95.9%

June 30	2009	
	Wastewater Received (MG)	Percentage of Total
San Bernardino County	280	6.3%
Apple Valley	698	15.6%
Hesperia	588	13.2%
Victorville	2,899	64.9%
Principal Customers Total	4,465	100.0%
Total Water Received	4,465	100.0%

*MG=Million Gallons

Source: Victor Valley Wastewater Reclamation Authority

Victor Valley Wastewater Reclamation Authority

Revenue Rate

Last Ten Fiscal Years

June 30	Service Charges (\$/MG)*	Connection Fees (\$/EDU)**
2018	\$3,503	\$4,000
2017	3,274	4,000
2016	3,004	4,000
2015	2,756	4,000
2014	2,528	3,750
2013	2,528	3,750
2012	2,200	3,750
2011	2,200	3,750
2010	2,100	3,750
2009	1,614	3,215

*MG = Million Gallons

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

Source: Victor Valley Wastewater Reclamation Authority

High Strength Surcharge Rates (\$/LB)			
June 30	BOD	TSS	NH3
2018	\$0.3323	\$0.2262	\$3.9800
2017	0.3679	0.2124	3.5430
2016	0.2701	0.2333	2.6887
2015	0.2989	0.2336	2.9252
2014	0.2318	0.2057	2.9118
2013	0.3231	0.1842	3.2876
2012	0.2812	0.1603	2.8611
2011	0.2671	0.1520	3.0159
2010	0.1419	0.0785	1.0963
2009	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
2018	\$ 87,698,996	\$ -	\$ 468,459	\$ 57,171	\$ -	\$ 88,224,626	*	*
2017	81,478,053	-	-	83,387	-	81,561,440	278.81	0.75%
2016	52,619,607	-	-	223,062	-	52,842,669	180.72	0.54%
2015	29,773,664	-	-	107,376	-	29,881,040	102.55	0.31%
2014	25,844,065	-	-	-	670,612	26,514,677	93.12	0.28%
2013	24,024,452	-	-	-	696,459	24,720,911	87.40	0.28%
2012	25,553,520	-	-	-	718,434	26,271,954	93.10	0.29%
2011	13,976,968	-	-	-	735,025	14,711,993	52.52	0.18%
2010	11,516,803	2,719,048	-	-	748,274	14,984,125	54.45	0.18%
2009	12,351,783	231,252	-	-	758,489	13,341,524	49.30	0.23%

* Data not Available

Source: Victor Valley Wastewater Reclamation Authority
California Department of Finance
State of California Employment Development Department

Victor Valley Wastewater Reclamation Authority
Direct and Overlapping Bonded Debts
For the Fiscal Year Ended June 30, 2018

2017-18 Assessed Valuation: \$20,913,906,330

	Total Debt 6/30/18	% Applicable (1)	Authority's Share of Debt 6/30/18
OVERLAPPING TAX AND ASSESSMENT DEBT:			
Victor Valley Joint Community College District	\$133,548,390	71.363%	\$ 95,304,138
Apple Valley Unified School District	24,903,758	83.870	20,886,782
Victor Valley Union High School District	125,655,828	72.729	91,388,227
Adelanto School District	6,193,086	43.577	2,698,761
Victor School District	51,445,264	97.548	50,183,826
Mojave Water Agency	7,720,000	61.831	4,773,353
City Community Facilities Districts	22,825,000	100.	22,825,000
School District Community Facilities Districts	64,960,000	100.	64,960,000
Town of Apple Valley 1915 Act Bonds	1,165,000	100.	1,165,000
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$354,185,087
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
San Bernardino County General Fund Obligations	\$368,015,000	10.089%	\$ 37,129,033
San Bernardino County Pension Obligation Bonds	336,106,248	10.089	33,909,759
San Bernardino County Flood Control District General Fund Obligations	68,325,000	10.089	6,893,309
Victor Valley Union High School District Certificates of Participation	24,515,000	72.729	17,829,514
Apple Valley Unified School District Certificates of Participation	2,060,000	83.870	1,727,722
Hesperia Unified School District Certificates of Participation	121,740,000	91.766	111,715,928
Snowline Joint Unified School District Certificates of Participation	63,685,000	16.240	10,342,444
Oro Grande School District Certificates of Participation	38,095,000	76.659	29,203,246
Adelanto School District Certificates of Participation	8,565,000	43.577	3,732,370
Town of Apple Valley General Fund Obligations	9,235,000	100.	9,235,000
City of Hesperia Certificates of Participation	35,435,000	100.	35,435,000
Victor Valley Wastewater Reclamation Authority	0	100.	0
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$297,153,325
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):	\$513,374,925	86.649-100. %	\$473,335,286
TOTAL DIRECT DEBT			\$0
TOTAL OVERLAPPING DEBT			\$1,124,673,698
COMBINED TOTAL DEBT			\$1,124,673,698 (2)

- (1) Percentage of overlapping debt applicable to the authority is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed values within the boundaries of the authority divided by the district's total taxable assessed value.
- (2) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

Ratios to 2017-18 Assessed Valuation:

Total Overlapping Tax and Assessment Debt.....	1.69%
Total Direct Debt.....	0.00%
Combined Total Debt.....	5.38%

Ratios to Redevelopment Successor Agencies Incremental Valuation (\$8,869,362,291):

Total Overlapping Tax Increment Debt.....	5.34%
---	-------

AB:(\$425)

Victor Valley Wastewater Reclamation Authority

Demographic and Economic Statistics

Last Ten Calendar Years

Dec. 31	Population in Service Area ¹	Personal Income (In Millions)	Personal Income Per Capita ²	Unemployment Rate ²
2017	292,534	\$10,850	\$37,091	5.60%
2016	292,399	\$9,737	\$33,302	6.80%
2015	291,392	\$9,596	\$32,932	7.50%
2014	284,741	\$9,366	\$32,892	8.10%
2013	282,851	\$8,962	\$31,683	10.10%
2012	282,204	\$9,051	\$32,072	12.00%
2011	280,125	\$8,466	\$29,998	13.20%
2010	275,211	\$8,148	\$29,609	14.20%
2009	270,616	\$5,897	\$21,792	13.00%

* Data Not Available per

Service Area Population by Cities

Dec. 31	Apple Valley ¹	Victorville ¹	Hesperia ¹
2017	73,984	123,701	94,849
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.

¹ California Department of Finance and U.S. Census Bureau

² 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, 2018

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, 2009

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	2018	2017	2016	2015	2014
Land	\$ 779,136	\$ 779,136	\$ 779,136	\$ 779,136	\$ 650,136
Land Improvements	9,738,124	9,738,124	9,630,803	9,421,375	7,792,390
Plant Buildings	218,162,852	133,494,901	132,421,707	131,778,715	131,601,527
Interceptor Lines	67,544,012	62,653,035	27,606,672	27,606,672	27,606,672
Office Equipment	775,612	766,585	766,585	530,213	530,213
Trucks/Auto	841,568	911,116	911,116	911,116	911,116
Construction in Progress (1)	2,301,965	82,908,664	79,877,599	42,492,810	11,960,240
Accumulated Depreciation	(96,114,915)	(86,958,289)	(79,302,192)	(72,656,613)	(65,868,085)
Total	\$ 204,028,354	\$ 204,293,272	\$ 172,691,426	\$ 140,863,424	\$ 115,184,209

June 30	2013	2012	2011	2010	2009
Land	\$ 650,136	\$ 650,136	\$ 650,136	\$ 650,136	\$ 650,136
Land Improvements	7,757,640	7,757,640	7,757,640	7,564,164	7,538,664
Plant Buildings	112,079,795	105,576,501	105,387,194	104,419,502	104,016,298
Interceptor Lines	27,606,672	27,606,672	24,510,412	23,619,909	23,333,909
Office Equipment	465,609	406,239	406,239	406,239	373,633
Trucks/Auto	858,726	858,726	814,281	708,755	684,364
Construction in Progress (1)	25,896,952	28,349,200	15,130,636	11,567,209	8,283,392
Accumulated Depreciation	(59,279,888)	(53,519,122)	(48,363,376)	(42,688,692)	(37,029,082)
Total	\$ 116,035,642	\$ 117,685,992	\$ 106,293,162	\$ 106,247,222	\$ 107,851,314

Note:

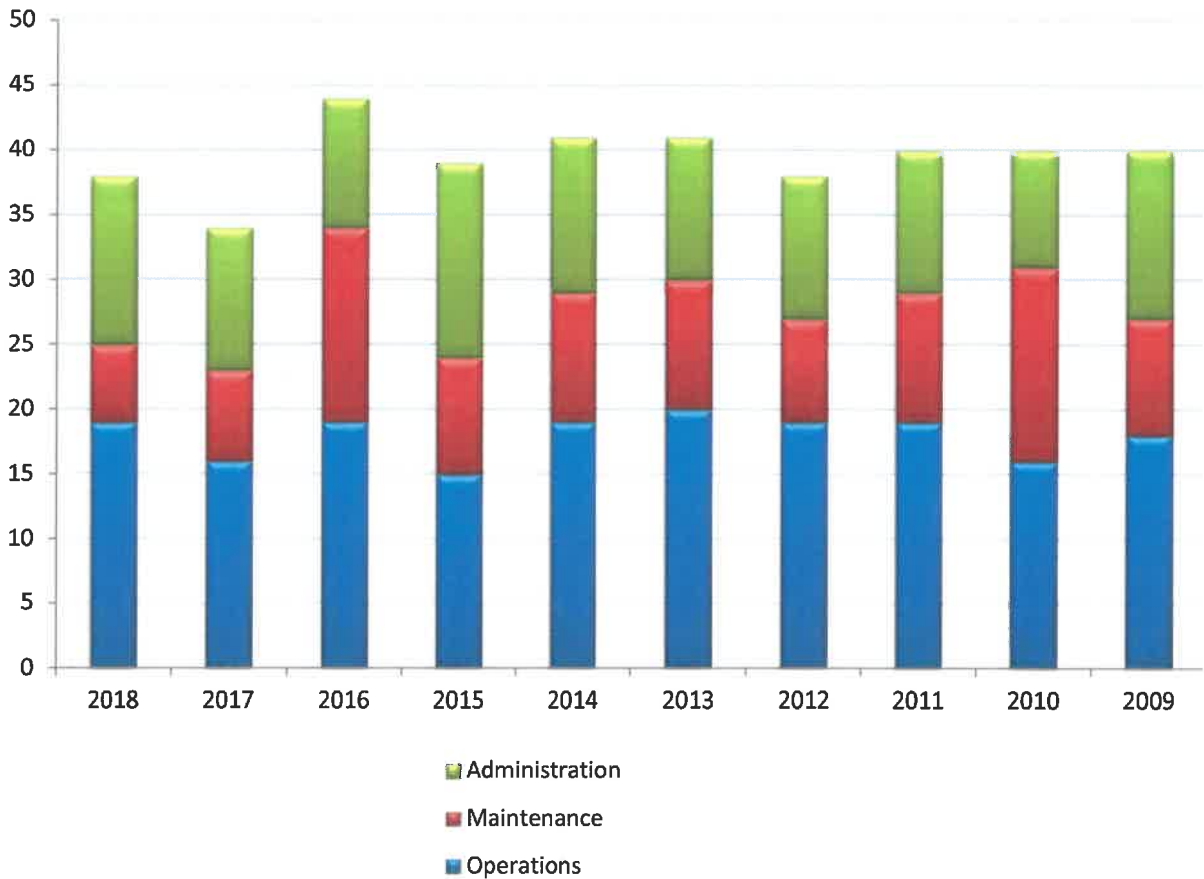
- (1) Construction in progress significantly increased in Fiscal Years 2015, 2016 and 2017 due to the construction of Upper Narrows Pipeline and Subregional Water Reclamation Plants in Hesperia and Apple Valley.
- (2) Construction in progress significantly decreased in Fiscal Years 2018 due to the completion 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	2018	2017	2016	2015	2014
Operations	19	16	19	15	19
Maintenance	6	7	15	9	10
Administration	13	11	10	15	12
Total	38	34	44	39	41

June 30	2013	2012	2011	2010	2009
Operations	20	19	19	16	18
Maintenance	10	8	10	15	9
Administration	11	11	11	9	13
Total	41	38	40	40	40



Source: Victor Valley Wastewater Reclamation Authority

**Victor Valley Wastewater Reclamation Authority
Operating and Capital Indicators (Facts and Figures)
June 30, 2018**

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 2.1% for 2017 and 2.1% for 2016. 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, 2018**

- a. Reporting period: Year ended June 30, 2018
- b. Source: State Water Resources Control Board, California Integrated Water Quality System Project (CIWQS)



Apple Valley Sub-regional Plant

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, 2018
- 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, 2018

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, 2018
- 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, 2018, pages 13

4. **Debt Ratio:** It quantifies the utilities level of indebtedness.

- a. Reporting Period: Fiscal Year 2017-2018
- b. Source: VVWRA Audited Financial Statements June 30, 2018, page 12

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, 2018**

Sewer Overflow Rate

Nationwide

	Top Quartile	Median	Bottom Quartile	VVWRA June 30, 2018
Sewer Overflow Rate	0.7	2.2	3.3	6.0

West States Region IV

	Top Quartile	Median	Bottom Quartile	VVWRA June 30, 2018
Sewer Overflow Rate	<i>Data Not Available</i>	0.7	2.4	6.0

Population 100,001-500,000

	Top Quartile	Median	Bottom Quartile	VVWRA June 30, 2018
Sewer Overflow Rate	0.6	1.6	4.4	6.0

VVWRA’s Sewer Overflow Rate is 6.0. VVWRA had two reported spill at the Town of Apple Valley and another reported spill at a pump station during year ended June 30, 2018. 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, 2018**

Million Gallons per Day of Wastewater Processed per Employee

Nationwide

	Top Quartile	Median	Bottom Quartile	VVWRA June 30, 2018
MGD Wastewater processed per employee	0.39	0.23	0.20	0.28

West States Region IV

	Top Quartile	Median	Bottom Quartile	VVWRA June 30, 2018
MGD Wastewater processed per employee	0.31	0.23	0.14	0.28

Population 100,001-500,000

	Top Quartile	Median	Bottom Quartile	VVWRA June 30, 2018
MGD Wastewater processed per employee	0.29	0.22	0.18	0.28

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

**Victor Valley Wastewater Reclamation Authority
Operating and Capital Indicators (Facts and Figures)
June 30, 2018**

Operations and Maintenance Cost per Million Gallons Processed

Nationwide

	Top Quartile	Median	Bottom Quartile	VVWRA June 30, 2018
O&M Cost per MG Processed	<i>Data Not Available</i>	\$2,577	<i>Data Not Available</i>	\$2,901

West States Region IV

	Top Quartile	Median	Bottom Quartile	VVWRA June 30, 2018
O&M Cost per MG Processed	\$1,796	\$4,222	\$6,139	\$2,901

Population 100,001-500,000

	Top Quartile	Median	Bottom Quartile	VVWRA June 30, 2018
O&M Cost per MG Processed	\$1,897	\$3,129	\$4,574	\$2,901

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, 2018**

Debt Ratio

Nationwide

	Top Quartile	Median	Bottom Quartile	VVWRA June 30, 2018
Debt Ratio (%)	<i>Data Not Available</i>	22	<i>Data Not Available</i>	44

West States Region IV

	Top Quartile	Median	Bottom Quartile	VVWRA June 30, 2018
Debt Ratio (%)	18	33	56	44

Population 100,001-500,000

	Top Quartile	Median	Bottom Quartile	VVWRA June 30, 2018
Debt Ratio (%)	23	32	44	44

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 \$126,681, 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, 2018**

Financial and Statistical summary of Selected Wastewater Agencies – Year Ended June 30, 2018							
Wastewater Agencies	Arrowhead	VVWRA	Inland Empire	Big Bear RWA	Orange County San. Dist.	Encina WA	Leucadia WD
Cost of Services	\$6,796,703	\$4,813,879	\$45,457,000	\$2,047,123	\$90,617,606	\$10,985,291	\$3,061,606
Positions	55.5	38	343	15	627	70	19
Average personnel cost per position	\$122,463	\$126,681	\$132,528	\$136,475	\$144,525	\$156,933	\$161,137

Sources: VVWRA's cost of services and personnel cost are **actual** for the fiscal year ended June 30, 2018, while data for other agencies are from their **budgets** for June 30, 2018.

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, 2018**

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.

< Page Intentionally Left Blank >





**VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY
Report/Recommendation to the Board of Commissioners**

December 20, 2018

FROM: Chieko Keagy, Controller *CK*

TO: Logan Olds, General Manager

SUBJECT: Adoption of Resolution 2018-19 to Receive and File the AB 1600 Report for the Year Ended June 30, 2018

RECOMMENDATION

It is recommended that the Board of Commissioners adopt Resolution 2018-19, A Resolution of the Board of Commissioners of the Victor Valley Wastewater Reclamation Authority to receive and file the AB 1600 Report for the year ended June 30, 2018.

REVIEW BY OTHERS

This recommendation was reviewed by External Finance Committee. The staff emailed to George Harris (City of Victorville), Casey Brooksher (City of Hesperia), and Brian Johnson (Town of Apple Valley), and Carolina Mendoza (San Bernardino County Special District); and Piero Dallarda, Legal Counsel.

BACKGROUND INFORMATION

On December 4, 2018 the staff emailed the External Finance Committee to ask to review the AB 1600 Report for the year ended June 30, 2018. It was the committee’s recommendation to the VVWRA Board to receive and file the AB 1600 Report as submitted.

FINANCIAL IMPACT

None		Finance Approval:		
Fund		01 []	07 []	09 []
Account String	<i>example: 07-02-50-9000</i>			
Project Code	<i>example: C005 for Desert Knoll Wash</i>			
Budgeted Available before This Recommendation				
Budget Applied to This Staff Recommendation				
Budget Remaining (Over Budget)				

RELATED IMPACTS

None

RESOLUTION NO. 2018-19

**A RESOLUTION OF THE BOARD OF COMMISSIONERS OF THE
VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY TO
RECEIVE AND FILE AB1600 REPORT FOR FISCAL YEAR 2017-2018**

WHEREAS, the Victor Valley Wastewater Reclamation Authority (“Authority”) financial staff prepared and submits to the Board of Commissioners (“Commission”) a capital projects report for July 1, 2017 through June 30, 2018, hereafter Fiscal Year 2017-2018 (“AB 1600 Report”), and

WHEREAS, on December 5, 2018, the External Financial Advisory Committee received the AB 1600 report, and

WHEREAS, the Finance Committee has completed its review, and

WHEREAS, the AB 1600 report has been prepared in accordance with the Authority’s financial practices

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

Section 1. The AB 1600 Report for Fiscal Year 2017-2018 for the Victor Valley Wastewater Reclamation Authority, a copy of which is attached hereto as Exhibit “A”, is hereby received and filed.

ADOPTED this 20th day of December 2018.

Jeff Rigney, Chair
VWRA Board of Commissioners

ATTEST:

APPROVED AS TO FORM:

Jim Kennedy, Secretary
VWRA Board of Commissioners

Piero Dallarda, a Partner of
Best Best & Krieger LLP
General Counsel, VWRA

EXHIBIT A

Victor Valley Wastewater Reclamation Authority

Taking the Waste Out of Wastewater
AB1600

For the Fiscal Year Ended June 30, 2018



20111 Shay Rd., Victorville, CA 92394
760-246-8638 www.vvwwra.com



Table of Contents

Connection Fee Background	2
Funding Source Definition	3
FY 2018 Project Expenditures	5



WASTEWATER TREATMENT SYSTEM CONNECTION FEES

The wastewater treatment system connection fee was first established by Ordinance No. 002, which the Board of Commissioners of Victor Valley Wastewater Reclamation Authority (VWVRA) adopted on May 26, 1983. This ordinance was revised several times since then, and its most current revision was adopted on March 20, 2014.

Purpose of the Fund:

The wastewater system connection fee is assessed as a condition of approval for all new development to pay for wastewater lines connected to VWVRA treatment facilities to support new development. The funds collected are accounted for as connection fee revenues and shall be used for the following purposes:

1. Acquisition of additional property for wastewater treatment facility system and right-of-ways
2. Design and construction of treatment facilities, buildings, infrastructure, and pipelines for wastewater collection and treatment services
3. Construction of facility buildings, pumps, and lift station to collect wastewater and provide wastewater treatment services
4. Purchases of treatment equipment for such treatment services
5. Growth and expansion of wastewater system excluding repairs and replacements

Amount of Fees:

Connection fees rate is \$4,000 per Equivalent Dwelling Unit (245 gallons per day or 20 fixture units) per Ordinance 002 that was adopted on March 20, 2014, effective on July 1, 2014.



Funding Source Definition

Funding sources and connection (capacity) fees:

VVWRA has determined allocation percentage to keep track of capital project costs separately from operation costs based on historical data. For example, for the Sub-Regional projects, VVWRA has 61% for operations and 39% for capital for all grants and SRF loans. The allocation summary for the SRF loan follows.

SRF (State Revolving Fund) Loans:

The California State Water Resource Control Board provides local government entities with relatively low interest rates for its SRF loans for mainly infrastructure projects. VVWRA has eight SRF loans as shown below.

2019	9.5 MGD Capital Improvements	11 MGD Expansion	North Apple Valley Interceptor	Phase IIIA Regulatory Upgrades	Upper Narrows Replacement Project	Namfivoke Bypass Project	Apple Valley Sub-Regional Project	Hesperia Sub-Regional Project	2019 Total
SRF Loan Amount	\$ 4,069,859	\$ 11,430,726	\$ 4,084,688	\$ 15,717,668	\$ 4,286,380	\$ 4,459,190	\$ 27,129,023	\$ 40,658,810	\$ 111,836,344
Annual Payment	\$ 265,050	\$ 579,870	\$ 258,151	\$ 1,027,610	\$ 257,745	\$ 270,220	\$ 1,050,521	\$ 1,574,511	\$ 5,283,678
Payment Date	September 15	April 3	February 13	June 30	December 31	June 30	February 28	February 28	
1. Operations	4.30%	0.00%	0.00%	75.00%	100.00%	75.00%	61.00%	61.00%	
Original Loan	\$ 175,004	\$ -	\$ -	\$ 11,788,251	\$ 4,286,380	\$ 3,344,393	\$ 16,548,704	\$ 24,801,874	
Principal	\$ 10,827	\$ -	\$ -	\$ 530,766	\$ 197,174	\$ 142,474	\$ 486,104	\$ 727,394	\$ 2,094,739
Interest	\$ 570	\$ -	\$ -	\$ 239,942	\$ 60,571	\$ 61,251	\$ 154,714	\$ 233,058	\$ 750,106
Annual Payment	\$ 11,397	\$ -	\$ -	\$ 770,708	\$ 257,745	\$ 203,725	\$ 640,818	\$ 960,452	\$ 2,844,845
2. Capital	95.70%	100.00%	100.00%	25.00%	0.00%	25.00%	39.00%	39.00%	
Original Loan	\$ 3,894,855	\$ 11,430,726	\$ 4,084,688	\$ 3,929,417	\$ -	\$ 1,114,798	\$ 10,580,319	\$ 15,856,936	
Principal	\$ 240,960	\$ 538,835	\$ 222,603	\$ 176,922	\$ -	\$ 47,491	\$ 310,787	\$ 465,055	\$ 2,002,653
Interest	\$ 12,693	\$ 41,035	\$ 35,548	\$ 79,981	\$ -	\$ 20,417	\$ 98,916	\$ 149,004	\$ 437,594
Annual Payment	\$ 253,653	\$ 579,870	\$ 258,151	\$ 256,903	\$ -	\$ 67,908	\$ 409,703	\$ 614,059	\$ 2,440,247
Total Principal	\$ 251,787	\$ 538,835	\$ 222,603	\$ 707,688	\$ 197,174	\$ 189,965	\$ 796,891	\$ 1,192,449	\$ 4,097,391
Total Interest	\$ 13,263	\$ 41,035	\$ 35,548	\$ 319,922	\$ 60,571	\$ 81,668	\$ 253,630	\$ 382,062	\$ 1,187,700
Annual Payment	\$ 265,050	\$ 579,870	\$ 258,151	\$ 1,027,610	\$ 257,745	\$ 271,633	\$ 1,050,521	\$ 1,574,511	\$ 5,285,091



Prop (Proposition) 1 grant:

On November 6, 2015, the California State Water Resource Control Board provided VVWRA with a grant to fund the construction of Apple Valley (only) sub-regional plant. The loan amount of \$9,181,841 was limited to \$8,961,687 due to funding allocation determined as the grant percentage against the total grant and SFR loan actually used. VVWRA uses the same allocation rates, 61% for operations and 39% for capital.

Prop (Proposition) 13 “Water Recycling” grant:

On November 6, 2015, the California State Water Resource Control Board provided VVWRA with a grant to fund the construction of Apple Valley (only) sub-regional plant. The loan amount of \$4,000,000 was limited to \$3,992,567 due to funding allocation determined as the grant percentage against the total grant and SFR loan actually used. VVWRA uses the same allocation rates, 61% for operations and 39% for capital.

Prop (Proposition) 84 grant:

State of California, Department of Water Resources has provided VVWRA with \$3,000,000 grant per ‘Round 2 Integrated Regional Water Management Implementation Grant Agreement’ dated July 14, 2014. The entire \$3,000,000 was utilized on the construction of both Apple Valley and Hesperia plants and granted for reimbursements. VVWRA uses the same allocation rates, 61% for operations and 39% for capital.

Title 16 grant:

United States Department of the Interior, Bureau of Reclamation has provided VVWRA with a grant (originally \$5,000,000 on September 30, 2011 and then modified to \$4,866,994.46 on July 9, 2018) based on Southern California Desert Region Integrated Water and Economic Sustainability Plan. Mojave Water Agency (MWA) received Title 16 authorizing a regional recycled water program under PL 102-575. MWA has designated VVWRA to receive up to \$5,000,000 of the Title 16 fund to construct sub-regional water reclamation plants and recycled water distribution systems that implement the water recycling program. The two sub-regional plants will produce 2,240 AFY for groundwater recharge and recycled water customers, satisfying about 7% of the area’s water demand. This use of recycled water will replace current uses of the local groundwater and State Water Project Water. The entire \$4,866,994.46 was granted. VVWRA uses the same allocation rates, 61% for operations and 39% for capital.

FEMA and Cal OES grants:

Federal Emergency Management Agency (FEMA) and California Office of Emergency Services (Cal OES) have granted VVWRA with grants based on President Obama’s declaration of national disaster announced on January 26, 2011. These grants include \$33,124,002 for Upper Narrows pipeline, \$7,954,740 for Lower Narrows pipeline, \$228,416 for other large projects, and \$24,940 for other small projects, making a total grant of \$41,332,098. This entire amount was utilized for the construction of a temporary pipeline, a permanent pipeline to replace the temporary line, and all large and small projects affected by this national disaster. These grants were for 100% operations.



Fiscal Year 2018

Project Code	Project Description	Additions during YE 6/30/18	Funding Sources						Total		
			SRF	Prop 1	Prop 84	Title 16	FEMA/Cal OES	CEC		Operating Revenue/Reserve	Connection (Capacity) Fee
C005	Desert Knolls Wash	152,208									152,208
C101	Hesperia WRP - Sub Regional	1,956,153									1,956,153
C103	Apple Valley WRP - Sub Regional	4,716,749									4,716,749
C104	Nanticoke Gravity Interceptor	182,145	1,084,852	471,675							1,821,450
C126	Oro Grande Interceptor Project	2,050								2,050	2,050
C131	Micro-grd/Battery Storage	1,037,601							1,028,990	8,611	1,037,601
C130	Storm Containment System	20,097								20,097	20,097
R135	SCADA Ignition Software	150,000									150,000
		8,217,002	5,298,519	1,084,852	471,675				1,028,990	304,258	8,217,002

FY 2018	Operating Revenues	14,696,537
	Operating Expenses excluding Depreciation	(11,129,063)
	Operating Surplus	3,567,444
	Connection (Capacity) Fee Accrued	2,882,239

Debt Service Payment		Connection (Capacity) Fee Accrued		Capital Fund Balance	
Operating Revenue/Reserve	1,243,574	Apple Valley	818,819	Beginning Balance	8,471,651
Connection (Capacity) Fee	1,416,485	SB County	185,600	Connection (Capacity) Fee Received	1,446,154
	2,660,059	Hesperia	1,084,920	Interest and Misc Income	65,808
		Victorville	792,900	Capital Acquisitions	(28,708)
			2,882,239	Capacity Loan Repayments	(1,416,485)
					8,538,420

Project Description

Desert Knolls Wash (C005)

San Bernardino County Flood Control intends to reconstruct desert knolls wash which will require VVWRA to realign its manholes in that area.

Hesperia WRP (C101)

The Hesperia WRP project will reduce flow in the VVWRA interceptor system thus eliminating extensive sewer interceptor upgrades. In addition the facility will provide recycled water to the City of Hesperia.

Apple Valley WRP (C103)

The Apple Valley WRP project will reduce flow in the VVWRA interceptor system thus eliminating extensive sewer interceptor upgrades. In addition the facility will provide recycled water to the Town of Apple Valley.

Nanticoke Gravity Interceptor (C104)

The Nanticoke gravity interceptor replaces the obsolete Nanticoke pump station with a gravity sewer line. The new interceptor will significantly reduce VVWRA's operation and maintenance costs by eliminating the pump station.



Fiscal Year 2018 (Continued)

Oro Grande Interceptor Project (C126)

This project serves as the Replacement or lining of the interceptor in the Mojave River serving Oro Grande.

Microgrid (C131)

This project will improve the power management and energy production of VVWRA electrical infrastructure.

Storm Containment System (C130)

The storm-water containment project is a regulatory compliance project to capture flows that may reach the stormwater system and be captured and sent to the headworks for treatment prior to discharge.

SCADA Ignition Software (R135)

Ignition SCADA by Inductive Automation® combines an unlimited licensing model, with instant web-based deployment, and the industry-leading toolset for supervisory control and data acquisition (SCADA) — all on one open and scalable universal platform. Ignition is The New SCADA because it solves all the major pain points of old SCADA . Ignition empowers VVWRA to easily control our processes, and track, display, and analyze all our data, without limits.



**VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY
Report/Recommendation to the Board of Commissioners**

December 20, 2018

FROM: Chieko Keagy, Controller *CK*
TO: Logan Olds, General Manager
SUBJECT: Adoption of Resolution 2018-20 to Amend Procurement Policy

RECOMMENDATION

It is recommended that the Board of Commissioners adopt Resolution 2018-20, A Resolution of the Board of Commissioners of the Victor Valley Wastewater Reclamation Authority to Amend Procurement Policy.

REVIEW BY OTHERS

This recommendation was reviewed by External Finance Committee. The staff emailed to George Harris (City of Victorville), Casey Brooksher (City of Hesperia), and Brian Johnson (Town of Apple Valley), and Carolina Mendoza (San Bernardino County Special District); and Piero Dallarda, Legal Counsel.

BACKGROUND INFORMATION

On December 4, 2018 staff emailed the External Finance Committee to ask to review the procurement policy revisions that reflect the addition of Section IX for Public Projects. The committee provided the staff with comments on the revisions. The staff presents to the Board for consideration of the revisions and other clarifying modifications.

FINANCIAL IMPACT

Finance Approval:

None noted.

Fund		01 []	07 []	09 []
Account String	<i>example: 07-02-50-9000</i>			
Project Code	<i>example: C005 for Desert Knoll Wash</i>			
Budgeted Available before This Recommendation		\$		
Budget Applied to This Staff Recommendation		\$		
Budget Remaining (Over Budget)		\$		

RELATED IMPACTS

None noted.



Victor Valley Wastewater Reclamation Authority

Formatted: Font: Times New Roman

Department of Finance

Procurement Policy

APPROVALS

Approved by: _____ Date: _____
General Manager

Approved by: _____ Date: _____
Controller

PROCEDURE REVISION HISTORY		
Rev.	Date	Approval
1.5	07/16/15	Board Approval - Resolution No.2015-15
2.0	10/18/18	Board Approval - Resolution No.2018-13
<u>2.5</u>	<u>12/20/18</u>	<u>Board Approval – Resolution No.2018-20</u>

Formatted: Font: Times New Roman

*This document is controlled when viewed online. When downloaded and printed, this document becomes **UNCONTROLLED**, and users should check with the Department of Human Resources to ensure that they have the latest version.*



Victor Valley Wastewater Reclamation Authority

Procurement Policy

Board Approved ~~October 18~~ December 20, 2018

Resolution No. 2018-~~1320~~

TABLE OF CONTENTS

Formatted: Font: (Default) Times New Roman

Purpose of Procurement Policy

Section I. Guidelines for the Use of Funds.....1

**Section II. Purchase Orders, Contracts, Invoices,
And Purchase Requisitions3**

Section III. Limits of Authority4

Section IV. Purchases less than or equal to \$2,0005

Section V. Purchases of \$2,000 to \$5,000.....5

Section VI. Purchases of \$5,000 to \$30,000.....5

Section VII. Purchases in Excess of \$30,000 7

Section VIII. Professional Services Agreements9

Section IX. Public Projects.....10

Section X. Utilization of Open Ended Purchase Orders.....120

Section XI. Leases and Rentals120

**Section XII. Credit Cards, Purchasing Cards, and Fuel
Purchase Cards120**

Section XIII. Travel142

Section XIV. Petty Cash185

Section XV. Exceptions to the Purchasing Policy Requirements.....185

**Section XVI. Authorizing Signatures for Agency Funds,
Documents and Payments Subject
To the Joint Signatures Provisions186**

Formatted: Font: (Default) Times New Roman

Formatted: Font: (Default) Times New Roman

Formatted: Font: (Default) Times New Roman

Formatted: Font: (Default) Times New Roman

Formatted: Font: (Default) Times New Roman

Formatted: Font: (Default) Times New Roman

Formatted: Font: (Default) Times New Roman

Formatted: Font: (Default) Times New Roman

Formatted: Font: (Default) Times New Roman

Formatted: Font: (Default) Times New Roman

Formatted: Font: (Default) Times New Roman

Formatted: Font: (Default) Times New Roman

Formatted: Font: (Default) Times New Roman

Section XVII.	Emergency Conditions and Purchasing Authority	197	Formatted: Font: (Default) Times New Roman
			Formatted: Font: (Default) Times New Roman
Section XVII.	Violation of this Policy.....	220	Formatted: Font: (Default) Times New Roman
			Formatted: Font: (Default) Times New Roman
Section XVIH.	Definitions.....	230	Formatted: Font: (Default) Times New Roman
			Formatted: Font: (Default) Times New Roman
Appendix A	VVWRA Organizational Flow Chart		
Appendix B	VVWRA Quotation Comparison Sample Form		
Appendix C	VVWRA Code of Ethics		
Appendix D	Purchasing Card Agreement		
Appendix E	Acknowledgement of Receipt of VVWRA Procurement Policy		

The purpose of this procurement policy is to establish the requirements and implement the rules and regulations governing the procurement of all goods, services, travel and capital (fixed) assets required by the Victor Valley Wastewater Reclamation Authority (VWRA) within the limits established in this policy pertaining to the use of the VWRA funds.

Section I. Guidelines for the Use of Funds

A. Capital Improvement Funds (Fund 09)

Capital Funds are principally sewer connection fees and the associated interest earned on invested connection fees. Connection fees are collected from property owners by the member entities and paid to Victor Valley Wastewater Reclamation Authority (“VWRA”).

The use of accrued Capital Improvements Funds shall be restricted to the following:

1. The expansion of capacity to meet the needs of the service area shall be pursuant to Title 23 of the California Code of Regulations Section 2232. Capacity shall include the sewage collection system, the water reclamation plant(s) and solids handling facilities. The Authority will routinely evaluate the infrastructure needs of the Member Agencies and its existing resources to identify capital projects required to ensure that the rated capacity of existing facilities is not exceeded prior to the completion of projects providing additional capacity.
2. The improvement of existing collection and treatment systems to meet regulatory requirements or to protect the environment. Regulatory requirements are generally contained in local, state, and federal permits, but may also be required by other regulatory, legislative, or judicial actions.
3. The construction of new facilities required for the efficient and cost-effective processing of wastewater. New facilities shall include sewers, treatment units, and ancillary facilities required for the operation, maintenance, and administration of the regional Authority.
4. The construction of reclaimed water facilities that will generate revenue, which will in turn be used to reduce the cost of wastewater treatment for the service area. Reclaimed water facilities include subregional treatment plants, reclaimed water pumping systems, and reclaimed water distribution and metering systems.
5. Consulting, engineering, and legal studies and reviews required for the proper planning, design, and construction of capital improvements.

Formatted: Font: Times New Roman

12/11/2018 11:46 AM 12/3/2018 1:31 PM 11/28/2018 1:36 PM 11/27/2018 11:52 AM

6. Fixed-term loans to the Operations and Maintenance Fund to finance unanticipated needs, such as costs incurred in responding to emergencies. Capital Funds loaned to the Operations and Maintenance Fund must be repaid to the Capital Improvements fund with interest, at a rate consistent with the current LAIF interest rate.
7. The management and administration of Capital Improvement Projects and of the collected and invested Capital funds by the regional Authority staff.

B. Repair and Replacement Fund (Fund 07)

Repair and Replacement Fund is collected by the Authority as a component of the sewer user charge (as variable fees). Sewer user charges are collected from the member agencies corresponding to measured discharges of wastewater to the regional collection system. Sewer user charge rates are established and/or adjusted by the Board of Commissioners from time to time to provide for the anticipated cost of operating and maintaining the regional collection and treatment facilities.

The use of Repair and Replacement Fund shall be limited to projects or items with an aggregate cost of at least \$12,000 and an expected life of at least three (3) years.

The use of Repair and Replacement Fund shall be restricted to the following:

1. The replacement of existing facilities due to age, maintenance costs, or advances in current technology. Existing facilities shall include systems for sewage collection, wastewater pumping, wastewater treatment, solids handling, and process controls.
2. The purchase of components or systems not otherwise defined as capital improvements to include one-time repairs and replacements that are not regular operations and maintenance costs.

Some examples of Repairs and Replacements expenses are:

1. The overhaul or complete unit repair of existing facilities due to wear.
2. Spare parts and spare complete units for existing facilities.

C. Operations & Maintenance Fund (Fund 01)

Operations & Maintenance Funds are collected by the Authority as sewer user charges (variable fees). Sewer user charges are collected from the member entities corresponding to measured discharges of wastewater to the regional

Formatted: Font: Times New Roman

12/11/2018 11:45 AM 12/3/2018 1:31 PM 11/28/2018 1:36 PM 11/27/2018 11:52 AM

collections system. Sewer user charge rates are established by the Board of Commissioners from time to time to provide for the anticipated cost of operating and maintaining the regional collections and treatment facilities. The use of Operations & Maintenance Funds shall include but not be limited to the actual fixed and variable costs associated with operating and maintaining the regional Authority.

Section II. Purchase Orders, Contracts, Invoices, and Purchase Requisitions

Formatted: Font: Times New Roman

A. Purchase Order and Contract Approval

In general, purchases for the Authority are processed by generating a purchase order. Construction projects, professional services, and significant material purchases usually require the execution of a contract in addition to a purchase order. Some purchases may be arranged without the use of a purchase order as described herein. Authority to sign purchase orders, contracts or to otherwise authorize expenditures on behalf of the Authority shall be in accordance with the limits of authority and the provisions contained herein.

B. Invoice Approval

Prior to the payment of invoices or other demands for money, all invoices with purchase orders shall be matched with invoice, purchase order and receiving docs and approved by appropriate supervisor for payment approval. Invoices without purchase orders, such as Contractual Monthly Services, which include but not limited to Electrical, Natural Gas, Telephone, Water, Pest Control, and Uniforms, will go to the Director of Administrative Services for approval. Any Non-Contractual Invoices without purchase orders shall go to the appropriate department Supervisor for approval. In the absence of the Director of Administrative Services, the General Manager and his or her designees may approve invoices on behalf of the Director of Administrative Services.

C. Purchase Order Request

Purchase order requests are to be prepared for the solicitation of quotes, bids, availability, and to prepare a purchase order for approval. Purchase requisitions shall have the approval of the appropriate employee as determined by the limits of authority described herein. A copy of the purchase requisition and supporting documentation shall be attached to the respective purchase order.

D. Cooperative Purchasing or Piggy Backing

When the purchase from a supplier of ordinary and generic materials of common use, like chairs, pencils, cars, etc. who has been awarded a specific item or items in a contract resulting from a formal competitive bid process by another governmental agency within the state of California or by the federal government within the previous three hundred sixty-five days (one year) and

Formatted: Font: Times New Roman

12/11/2018 11:45 AM 12/3/2018 1:31 PM 11/28/2018 1:36 PM 11/27/2018 11:52 AM

permits other governments to purchase from the bid. The purchase must be approved by the Director of Administrative Services. If more than \$30,000 must be approved by the Board of Commissioners. This section specifically excludes construction and large capital projects.

E. Other Provisions

Under no circumstances shall any individual split orders or otherwise alter the process of purchasing materials, supplies, equipment, or contractual services so as to circumvent the limits or provisions contained in this Policy.

All amounts pertaining to limits of authority and authorized signatories shall be for the total amount of the purchase inclusive of sales tax, shipping, handling and any and all fees/charges/taxes paid in order to fulfill the terms of the purchase.

Section III. Limits of Authority

Formatted: Font: Times New Roman

A. Board of Commissioners

The VVWRA Board of Commissioners shall approve all expenditures in excess of \$30,000, except for expenditures such as utilities, process chemicals, permit fees, and other expenses defined as exceptions elsewhere in this Policy. The VVWRA Board of Commissioners must approve all construction contract change orders.

B. General Manager

The General Manager, Acting General Manager, or any other person that has been specifically named in an official action by the VVWRA Board of Commissioners to act on behalf of the General Manager, is authorized to approve expenditures up to a limit of \$30,000 on any one order or contract either by bid or quote.

C. Director of Operations (or Operations & Maintenance Manager in the absence of Director of Operations), Director of Administration, Controller, Project Construction Manager and Business Application Manager

The above department directors and managers are authorized to approve expenditures up to a limit of \$10,000 on any one order or contract.

Formatted: Font: Times New Roman

Comment [KW1]: BBK: This section seems to be extraneous.

Formatted: Font: Times New Roman

Formatted: Font: Times New Roman

Formatted: Normal, Justified, Level 1, Indent: Left: 0"

Formatted: Font: Times New Roman

~~The Project Construction Manager and Business Application Manager are authorized to approve expenditures up to a limit of \$10,000 on any one order or contract.~~

12/11/2018 11:48 AM 12/3/2018 1:31 PM 11/28/2018 1:36 PM 11/27/2018 11:52 AM

ED. Lead Operator and Lead Mechanic

Lead Operator and Lead Mechanic are authorized to approve expenditures up to a limit of \$5,000 each on any one order or contract.

FE. Other Employees

Other employees authorized by the General Manager may spend up to \$500 per month for purchases on behalf of VVWRA such as travel expenses, materials, supplies, and other emergency services, excluding construction contract change orders. Such spending shall be conducted using an authorized purchasing card program. Itemized receipts are required for all expenses. Further, all such purchases should be supported by requisitions and purchase orders approved by managers.

Formatted: Font: Bold

A list of all current positions is available in the Human Resources Department. All of the above titles and persons holding these positions are identified in the VVWRA Organizational Chart. (Appendix A)

Section IV. Purchases less than or equal to \$2,000

Purchases of materials, supplies, equipment and contractual services ([other than services qualifying as a "public project" as defined below](#)) having a total estimated value of less than or equal to \$2,000 may be made without formal or informal competitive bidding or competitive quotes. However, a reasonable effort is to be made at all times to insure the most favorable terms for VVWRA in the procurement of all such materials, supplies, equipment and contractual services.

Formatted: Font: Times New Roman

Section V. Purchases of \$2,000 to \$5,000

Purchases of materials, supplies, equipment and contractual services ([other than services qualifying as a "public project" as defined below](#)) having an estimated value of more than \$2,000 and less than or equal to \$5,000 may be made in the open market based on a minimum of three (3) verbal quotes obtained via telephone or in person. Purchases described in this section may be made with less than three (3) verbal quotes if reasonable efforts to obtain three (3) or more verbal quotes have failed to produce the required number of responsive quotes. All information obtained via verbal quote shall be logged onto a VVWRA "Quotation Comparison" worksheet, (Appendix B).

Formatted: Font: Times New Roman

Section VI. Purchases of \$5,000 to \$30,000

Purchases of materials, supplies, equipment and contractual services ([other than services qualifying as a "public project" as defined below](#)) having an estimated value of more than \$5,000 and less than or equal to \$30,000 may be

Formatted: Font: Times New Roman

Formatted: Font: Times New Roman

12/11/2018 11:48 AM 12/3/2018 1:31 PM 11/28/2018 1:36 PM 11/27/2018 11:52 AM

made in the open market based on a minimum of three (3) competitive written quotes. Purchases described in this section may be made with less than three (3) competitive quotes if reasonable efforts to obtain three (3) or more written quotes have failed to produce the required number of responsive quotes. All written quotes shall be logged onto a VVWRA "Quotation Comparison" worksheet and the written quotes attached to the worksheet. Purchases of \$5,000 to \$30,000 may go out for competitive sealed bid at the discretion of the General Manager. The competitive written quote process is further described as follows:

A. Notice Inviting Competitive Quotes

Requests for competitive quotes shall be solicited either by verbal or written requests mailed, faxed, or e-mailed to prospective vendors. The notice inviting competitive quotes shall contain a clear and concise description of the desired materials, supplies, equipment, or contractual services. The notice inviting competitive quotes shall also include a deadline for the submission of responsive quotes.

B. Record of Competitive Quotes

A written record of the responses from all vendors contacted shall be maintained with the respective purchase request. If appropriate, signed and dated telephone conversation records shall suffice for vendors that respond only by telephone

C. Award of Competitive Quotes

Awards of purchases made under this section shall be to the lowest responsible vendor or contractor that complies with the specifications contained in the notice inviting competitive quotes. Awards made to vendors or contractors that did not provide the lowest cost shall be accompanied by written documentation explaining the reason or reasons for the award. All documentation regarding the award must be attached to the purchase order.

D. Exclusions

The General Manager shall have the authority to waive the requirements of this section in the following circumstances provided that the reasons for such a waiver are documented as part of the purchasing process:

1. The acquisition of engineering, professional, audit, or legal services.
2. The acquisition of highly technical and specialized outside services.
3. The acquisition of materials, supplies and equipment in which the Authority did not receive at least three quotes.

Formatted: Font: Times New Roman

12/11/2018 11:48 AM 12/3/2018 1:31 PM 11/28/2018 1:36 PM 11/27/2018 11:52 AM

4. The acquisition of materials, supplies and equipment when it is in the best interest of the Authority to purchase name brand or sole source materials, supplies, or equipment, as determined by the General Manager. Materials, supplies and equipment shall be considered obtainable from only one vendor when only one vendor offers it for sale, lease, or rental, or when only one vendor is able to provide the materials, supplies or equipment within the time frame and/or under the terms and conditions which reasonably meet the needs of VVWRA. Sole source purchases are appropriate when there is no suitable substitute for the desired materials, supplies and equipment. A memo to the General Manager must be attached describing the circumstances surrounding the situation.
5. The purchase of equipment or supplies at a public auction that has been approved in advance by the General Manager. The spending limit for purchases made at a public auction shall be \$10,000, unless the spending limit for a particular auction is increased in advance by an action of the VVWRA Board of Commissioners.
6. In determining the lowest responsible bidder for the purchase of supplies, and or services totaling \$100,000 or less, and where responsibility and quality are equal, a credit of three percent (3%) of the bid submitted by the lowest responsible bidder meeting the specifications shall be given to a vendor, supplier or service provider that has held a current business license and has maintained its principal business office within the jurisdictional boundaries of VVWRA continuously for at least twelve (12) consecutive months prior to submitting the bid. No credit shall be given pursuant to this section when legal constraints on the expenditure of funds prohibit the provision of such a credit.

Section VII. Purchases in Excess of \$30,000

Purchases of materials, supplies, equipment and contractual services (other than services qualifying as a "public project" as defined below) having an estimated value of more than \$30,000 shall be made by the competitive sealed bid process. The competitive sealed bid process is further described as follows:

A. Notices Inviting Bids

A notice inviting bids shall be advertised at a minimum of five (5) business days in the newspaper of local publication. The notice inviting bids shall include a general description of the articles or services to be procured, instructions on how to obtain bid forms and specifications, and the time and place for the opening of sealed bids. The notice inviting bids shall be

Formatted: Font: Times New Roman

Formatted: Font: Times New Roman

Formatted: Font: Times New Roman

12/11/2018 11:49 AM 12/3/2018 1:31 PM 11/28/2018 1:36 PM 11/27/2018 11:52 AM

published at least ten (10) working days before the date of opening of the sealed bids. The notice inviting bids shall also be posted in the lobby area of the VVWRA administration building. The Notice Inviting Bids and the bid documents may also be mailed, faxed, or e-mailed to one or more identified potential bidders.

B. Bidder's List

The Authority shall maintain a list of potential bidders for various supplies and services, which shall be updated from time to time.

Formatted: Font: Times New Roman

C. Bid Holder's List

Records shall be maintained for each person or firm requesting a copy of the bid documents, including the firm name, contact person, address, city, state, zip code, phone number, fax number, and e-mail address. Included in this list shall be all of the firms initially identified and mailed bid documents.

D. Bid Documents

The bid documents shall include, at a minimum, a bid advertisement, instructions to bidders, technical specifications, and a bid form. Bids for contractual services shall also include general and special conditions, if any, as well as engineering plans, detailed specifications, and additional requirements for bonds, insurance, etc. The Authority may require that certain specialized materials and supplies, such as chemicals and lubricants, be tested for performance prior to the award of a contract. The Authority may require a bid bond, performance bond or other type of bond or bonds in amounts determined to be appropriate to protect the best interests of the Authority.

E. Bid Opening Procedure

Sealed bids shall be submitted to the General Manager or his or her designee and shall be identified on the outside of the sealed envelope as a bid for the given project. Bids shall be opened and read aloud in public at the time and place stated in the bid advertisement. A tabulation of all bids received shall be made available for public inspection and shall be distributed to all responsive bidders.

F. Rejection of Bids

At its sole discretion, the Authority may reject any and all bids presented and re-advertise for bids or cancel the bid solicitation altogether.

G. Award of Bids and Contracts

Awards shall be made to the lowest responsible bidder. The determination of the lowest responsible bidder shall be at the discretion of the General Manager or the VVWRA Board of Commissioners pursuant to the findings and recommendations presented at the time of award of the contract. The award shall consider the following in determining the lowest responsible bidder:

Formatted: Font: Times New Roman

12/11/2018 11:46 AM 12/3/2018 1:31 PM 11/28/2018 1:36 PM 11/27/2018 11:52 AM

1. The ability, capacity and skill of the bidder to perform the contract.
2. The integrity, reputation, judgment, experience, efficiency and record of performance of the bidder.
3. The sufficiency of the financial resources of the bidder to perform the contract.
4. The quality, availability and adaptability of the materials, supplies, equipment or services to the particular use required.
5. The ability of the bidder to provide future maintenance and service for the use of the subject of the contract.
6. The number and scope of any conditions attached to the bid.
7. The price quoted, taking into account all relevant factors in evaluating that quote.
8. Potential vendors, suppliers, contractors, and service providers that are located in the VVWRA service area or who maintain a permanent office in the VVWRA service area shall be given additional favorable consideration in the award of bids or contracts (see page 7, D6), provided that the other criteria in this section are deemed equal.

H. Exclusions

The VVWRA Board of Commissioners shall have the authority to waive the requirements of this section provided that any such exclusion does not conflict with the provisions of the California Government Code, Public Contract Code, or other applicable code. Further, if the Authority does not receive at least three (3) responsible bids in response to the provisions of this section, the VVWRA Board of Commissioners may choose to utilize other provisions described herein as an alternative method of bidding, provided that such an action does not conflict with the provisions of applicable law.

Section VIII. Professional Services Agreements

The acquisition of services for engineering, audit, legal, consulting, and other professional services in excess of \$30,000 shall be obtained through a solicitation of Requests for Proposals. The procedures for soliciting Requests for Proposals shall be respective to the type, complexity, and expected cost of services to be provided. Awards made for professional services shall be based on the qualifications that best match the needs of the Authority.

Formatted: Font: Times New Roman

Formatted: Font: Times New Roman

12/11/2018 11:45 AM 12/3/2018 1:31 PM 11/29/2018 1:36 PM 11/27/2018 11:52 AM

Section IX. Public Projects

Contracts for public projects shall be procured in accordance with the contracting procedures set forth in Article 3 of the Act (Section 22030 et seq. of the Public Contract Code) as it may be amended from time to time.

Formatted: Font: Times New Roman
Formatted: Normal, Justified, Indent: Left: 1.25", Tab stops: Not at 0.75" + 1.25" + 1.75"
Formatted: Font: Times New Roman, Italic
Formatted: Font: Times New Roman

A. Contractor's List

The General Manager, or his or her designee, shall compile and maintain a list of qualified contractors identified according to categories of work. This list shall comply with the requirements of the Act and the criteria promulgated, from time to time, by the Commission.

B. Force Account, Negotiated Contract

Contracts for public projects below the bidding threshold under the Act, as it may be amended from time to time, may be done pursuant to force account or negotiated contract. On-call or as-needed contracts for public projects must be procured pursuant to the following process:

1. VVWRA staff must present the General Manager with a written request to contract for on-call or as-needed services for a public project and written quotes from contractors that are proposed to be utilized for such on-call or as-needed services.
2. The General Manager and Controller shall have the authority to approve or deny the contract request.
3. Once approved, the Controller shall issue the on-call or as-needed contract for public project services to the selected contractor(s).
4. The total contract amount of any on-call or as-needed contract issued under this Section shall not exceed \$55,000. The Controller shall track expenditures under the on-call or as-needed contract to ensure it does not exceed \$55,000.
5. Once an on-call or as-needed contract reaches the \$55,000 threshold, it must be terminated without accruing any further costs in excess of the \$55,000 threshold. VVWRA staff may issue a new on-call or as-needed contract to the contractor pursuant to the same procedure set forth above. There is no limitation on the number of on-call or as-needed contracts that may be issued to the same contractor in any one year.

Formatted: Font: Times New Roman

C. Informal Bidding – Notice

Formatted: Font: Times New Roman

1. When a public project is to be performed which qualifies for informal bidding under the Act, a notice of such project shall be given as follows except where the product or service is proprietary:

a. Mailed notices shall be sent to all contractors on the contractors list for the category of work being bid; or

Formatted: Justified

b. Mailed notices shall be given to all construction trade journals specified by the Commission for the receipt of such a notice for San Bernardino County;

c. Additional notices to other contractors and/or trade journals may, in the discretion of VVWRA, be given.

Formatted: Font: Times New Roman

Formatted: Normal, Justified, Indent: Left: 1.75", Hanging: 0.5", Tab stops: Not at 0.75" + 1.25" + 1.75"

2. If the product or service to be acquired is proprietary in nature such that it can only be obtained from a certain contractor or contractors, notice inviting bids may be sent only to such contractor or contractors.

3. All mailing of notices to contractors and construction trade journals shall be completed not less than 10 calendar days before bids are due..

4. The notice shall describe the project in general terms, how to obtain more detailed information about the project and shall state the time and place for submission of bids.

Formatted: Normal, Justified, Tab stops: Not at 0.75" + 1.25" + 1.75"

Formatted: Normal, Justified, Indent: Left: 0.75", Hanging: 0.5", Tab stops: Not at 0.75" + 1.25" + 1.75"

D. Formal Bidding – Notice

1. When a public project is to be performed which qualifies for formal bidding under the Act, notice of such project shall be given as follows except where the product or service is proprietary:

Formatted: Justified

a. A notice shall be published at least 14 calendar days before bids are due in a newspaper of general circulation, printed and published in the jurisdiction of VVWRA; and

b. Mailed notices shall be given to all construction trade journals specified by the Commission for the receipt of such notice for San Bernardino County at least 15 calendar days before bids are due;

c. Additional notices to other contractors and/or trade journals may, in the discretion of VVWRA, be given.

Formatted: Font: Times New Roman

12/11/2018 11:41 AM 12/3/2018 1:31 PM 11/28/2018 1:36 PM 11/27/2018 11:52 AM

- 2. If the product or service to be acquired is proprietary in nature such that it can only be obtained from a certain contractor or contractors, notice inviting bids may be sent only to such contractor or contractors.
- 3. The notice shall describe the project in general terms, how to obtain more detailed information about the project and shall state the time and place for submission of bids.

E. Award of Contracts

Where bidding is required by the Act, award of the contract shall be made to the lowest responsible bidder submitting a responsive bid.

F. Rejection of Bids

The General Manager or the VVWRA Board of Commissioners, as the case may be, may, in their respective discretion, reject all bids and proceed as authorized by the Act.

Formatted: Font: Times New Roman

Formatted: Normal, Justified, Indent: Left: 0.75", Hanging: 0.5", Tab stops: Not at 0.75" + 1.25" + 1.75"

Formatted: Font: Times New Roman, Bold

Formatted: Font: Times New Roman

Section X. Utilization of Open Ended Purchase Orders

Open ended purchase orders may be utilized and approved for recurring purchases of materials, supplies, outside services and month-to-month rentals where the vendor periodically bills for materials, supplies, or services rendered throughout the current fiscal year, provided that such approval is in accordance with all the provisions of this Policy. Each individual purchase made against an open purchase order must be evidenced by a purchase requisition that has been approved by the employee with the appropriate spending authority. The VVWRA Board of Commissioners must approve any exceptions to these requirements.

Formatted: Font: Times New Roman

Section XI. Leases and Rentals

For purposes of this Policy, leases and other similar contracts that provide property, materials, supplies, equipment, and services shall be considered to be a purchase. The cost associated with the lease shall be the sum of all payments to be made by VVWRA under the terms of that lease.

Formatted: Font: Times New Roman

Section XII. Credit Cards, Purchasing Cards, and Fuel Purchase Cards, and

~~Open Charge Accounts~~ (In order to use these cards ~~and accounts~~, the Employee must sign the Credit Card, Purchasing Card, Purchase Card and ~~Open Charge Account~~ Fuel Purchase Card Agreement. See Appendix D).

Formatted: Font: Times New Roman

Formatted: Font: Times New Roman

Formatted: Font: Times New Roman, Not Bold

Formatted: Indent: First line: 0"

Formatted: Font: Times New Roman, Not Bold

Formatted: Font: Times New Roman, Not Bold

Formatted: Centered, Indent: Left: 0", Tab stops: Not at 0.75" + 1.25" + 1.75"

Formatted: Font: Times New Roman

12/11/2018 11:45 AM 12/3/2018 1:31 PM 11/29/2018 1:36 PM 11/27/2018 11:52 AM

A. Credit Card Accounts

Credit card accounts may be used by the General Manager and his/her designee to make reservations or charge purchases in the name of VVWRA without the submission of signed purchase orders for Authority travel, travel related expenses, business related meetings, business related meals, and non-routine commodity purchases. Reservations and/or purchases for Authority travel and travel related expenses shall be limited to \$2,500 per purchase. Reservations and/or purchases for business related meetings and business related meals shall be limited to \$1,000 per purchase. Non-routine commodity purchases shall be limited to \$5,000 per purchase unless authorized by an action of the Board of Commissioners. Non-routine commodity purchases are generally defined as equipment, parts, and/or supplies that are determined to be critical to the operation of the treatment facility, and due to time considerations require a more expedient procurement process than can be obtained using a routine purchase order. All credit card purchases shall require the submission of signed, itemized receipts. Credit card purchases may be executed by the General Manager and by other employees specifically authorized by the General Manager to use the credit card account. All such purchases must be in compliance with the requirements of this section and the limits of authority set forth in Section III.

B. Purchasing Card Accounts

An approved purchasing card, such as Cal CARD may be used by employees authorized by the General Manager to purchase materials, supplies, and services, or to pay for travel related expenses that are retroactively supported by the submission of s approved purchase orders. Materials, supplies, and services obtained using the purchasing card are generally defined as equipment, parts, supplies, and services that are relatively minor in cost and are urgently needed for the operations of the treatment facility that require a more expedient procurement process than a routine purchase order. Purchasing card transactions shall be limited to a monthly expenditure limit of:

Credit Card Expenditure Limits:

Directors and Controller	\$5,000	
Managers	\$2,500	Other employees \$500

All purchasing card transactions are limited to a \$2,000 maximum per single transaction. Any purchases above \$2,000 require General Manager’s approval prior to making purchases. All purchasing card transactions should be approved by department heads retroactively or in advance by issuing approved purchase orders.

Formatted: Font: Times New Roman

12/11/2018 11:48 AM 12/3/2018 1:34 PM 11/28/2018 1:36 PM 11/27/2018 11:52 AM

All purchasing card purchases shall require the submission of signed, itemized receipts.

1. The card holder is responsible to ensure that sufficient appropriations are available prior to making a purchase.
2. Use of the purchasing card is not intended to replace the purchasing policy or replace effective procurement planning which enables volume discounts or results in split purchases to circumvent the dollar limitations in this policy.
3. Prior to issuance of the VVWRA purchasing card to an employee, he/she must read the Card Policies and Procedures and sign the Agreement. (Appendix D)

C. Open Charge Accounts

Open charge accounts that would allow employees to charge purchases in the name of VVWRA without the submission of a signed purchase order are only allowed when the specific account, with a list of named employees authorized to sign on that account, has been authorized for use by an employee with appropriate spending authority. The use of open charge accounts is further limited to \$10,000 per transaction.

D. Cardlock Fuel Purchase Accounts

An approved purchasing card such as the Cardlock system may be used by employees to purchase gasoline or diesel fuel for specific vehicles owned by the Authority without the submission of signed purchase orders. Cardlock fuel purchase cards are provided in the Authority's vehicles for this purpose. The use of Cardlock system does not require the submission of signed receipts.

Section XIII. Travel

Formatted: Font: (Default) Times New Roman

Agency funds, equipment, supplies (including letterhead), and staff time must only be used for authorized Agency business. Expenses incurred in connection with the following types of activities generally constitute authorized expenses, as long as the other requirements of this policy are met:

1. Communicating with representatives of regional, state and national government on Agency adopted policy positions;
2. Attending educational seminars designed to improve employees' skill and information levels;
3. Participating in regional, state and national organizations whose activities affect the Agencies interests;

Formatted: Font: Times New Roman

12/11/2018 11:49 AM 12/3/2018 1:31 PM 11/28/2018 1:36 PM 11/27/2018 11:52 AM

4. Recognizing service to the Agency (for example, Safety Awards to promote safe work practices, Employee of the Month Awards to encourage moral and employee retention, or thanking a longtime employee with a retirement gift or celebration of nominal value and cost);

5. Attending Agency events;

The following expenses also require prior Board approval:

1. International travel;

2. Expenses which exceed the limits established for each employee; and

3. Expenses exceeding \$5,000.00 per trip.

Examples of personal expenses that the Agency will not reimburse include, but are not limited to:

1. The personal portion of any trip;

2. Political or charitable contributions or events;

3. Family expenses, including partner's expenses when accompanying employee on agency-related business, as well as children- or pet-related expenses;

4. Entertainment expenses, including theater, movies (either in-room or at the theater), sporting events (including gym, massage and/or golf related expenses), or other cultural events;

5. Non-mileage personal automobile expenses, including repairs, traffic citations, insurance or gasoline; and

6. Personal losses incurred while on Agency business. Any questions regarding the propriety of a particular type of expense should be resolved by the approving authority before the expense is incurred.

All other expenditures require prior approval by the Board of Commissioners.

Cost Control

To conserve Agency resources and keep expenses within budget, expenditures should adhere to the following guidelines. In the event that expenses are incurred which exceed these guidelines, the cost borne or reimbursed by the Agency will be limited to the costs that fall within the guidelines.

Formatted: Font: Times New Roman

12/11/2018 11:45 AM 12/3/2018 1:31 PM 11/28/2018 1:36 PM 11/27/2018 11:52 AM

Transportation - The most economical mode and class of transportation reasonably consistent with scheduling needs and cargo space requirements must be used, using the most direct and time-efficient route. Charges for rental vehicles may be reimbursed under this provision if more than one employee is attending an out of town conference or if other extenuating circumstances apply, and it is determined that a rental vehicle is more economical than other forms of transportation. In making such determination, the cost of the rental vehicle, parking and gasoline will be compared to the combined cost of such other forms of transportation.

Airfare - Airfares will be purchased through Expedia.com or directly from airlines.

Automobile - Automobile mileage is reimbursed at Internal Revenue Service rates presently in effect (*see* www.irs.gov). These rates are designed to compensate the driver for gasoline, insurance, maintenance, and other expenses associated with operating the vehicle. This amount does not include bridge and road tolls, which are also reimbursable. The Internal Revenue Service rates will not be paid for rental vehicles; only receipted fuel expenses will be reimbursed. An employee must use an agency vehicle if the company vehicle is available for use. If an agency vehicle is not available and the employee has the proper automobile insurance coverage on file with the Human Resource Department, the employee may use their own vehicle, unless otherwise authorized by management.

Car Rental - Rental cars will be rented through www.expedia.com or directly through the respective airlines.

Taxis/Shuttles - Taxis or shuttles fares may be reimbursed, including a 15 percent gratuity per fare, when the cost of such fares is equal or less than the cost of car rentals, gasoline and parking combined, or when such transportation is necessary for time-efficiency.

Lodging - Lodging expenses will be reimbursed or paid for when travel on official Agency business reasonably requires an overnight stay.

Conferences/Meetings - If such lodging is in connection with a conference, lodging expenses must not exceed the group rate published by the conference sponsor for the meeting in question if such rates are available at the time of booking. If the group rate is not available, see next section.

Other Lodging - Travelers must request conference rates when attending conferences and, when available. Lodging rates that are equal or less than

Formatted: Font: Times New Roman

12/11/2018 11:48 AM 12/3/2018 1:31 PM 11/28/2018 1:36 PM 11/27/2018 11:52 AM

conference rates are presumed to be reasonable and hence reimbursable for purposes of this policy. In the event that conference rates are not available at a given time or in a given area, lodging rates that do not exceed the median retail price for lodging for that area listed on websites like www.expedia.com or an equivalent service shall be considered reasonable and hence reimbursable.

Field Code Changed

Meals - Meal expenses are reimbursed at Internal Revenue Service rates presently in effect (*see* www.irs.gov).

When the meal function is an organized event (for example, conferences and other types of activities that fall within the list of “authorized expenditures” above), the official or employee shall be reimbursed the amount being charged by the event organizer for the meal. The Agency recognizes that the per person cost may exceed the above rates due to additional costs associated with organizing the event, service charges, and the costs associated with any invited guests. **Victor Valley Wastewater will not pay for alcohol/personal bar expenses.**

Telephone/Fax/Cellular - Employees will be reimbursed for actual telephone and fax expenses incurred on Agency business. Telephone bills should identify which calls were made on Agency business. For cellular calls when the employee has a particular number of minutes included in the employee’s plan, the employee can identify the percentage of calls made on public business.

Internet - Employees will be reimbursed for Internet access connection and/or usage fees away from home, not to exceed \$15.00 per day, if Internet access is necessary for agency-related business.

Airport Parking - Long-term parking must be used for travel exceeding 24-hours.

Other - Baggage handling fees of up to \$1 per bag and gratuities of up to 15 percent will be reimbursed.

Cash Advance

From time to time, it may be necessary for an employee to request a cash advance to cover anticipated expenses while traveling or doing business on the Agencies behalf. Such request for an advance should be submitted to the Finance Department 7 days prior to the need for the advance with the following information:

Formatted: Font: Times New Roman

12/11/2018 11:47 AM 12/3/2018 1:31 PM 11/28/2018 1:36 PM 11/27/2018 11:52 AM

1. The purpose of the expenditure(s);
 - a. The anticipated amount of the expenditure(s) (for example, hotel rates, meal costs, and transportation expenses); and
2. The dates of the expenditure(s).

Any unused advance must be returned to the Finance Department within two business days of the employee's return, along with an expense report and itemized receipts documenting how the advance was used in compliance with this expense policy.

Section XIV. Petty Cash – Deleted per Resolution 2014-28

Formatted: Font: Times New Roman

Section XV. Exceptions to the Purchasing Policy Requirements

Formatted: Font: Times New Roman

The provisions and limitations contained in this Policy do not apply to the following items and accordingly the General Manager is authorized to disburse funds for these items in the appropriate amounts. However, disbursements for these items must still be made in accordance with the guidelines for the use of funds contained herein:

- | | |
|--------------------|------------------------|
| Electrical power | Natural gas |
| Telephone service | Regulatory permit fees |
| Water service | Refuse Service |
| Process chemicals | Lab Analysis |
| Insurance Premiums | |

Section XVI. Authorizing Signatures for Agency Funds, Documents, and Payments Subject to the Joint Signatures Provisions

Formatted: Font: Times New Roman

A. Payments under \$30,000

Payments by the Authority to individuals or institutions in the amount of less than \$30,000 shall require two original signatures from General Manager and one of the following signers. When General Manager is not available, the following alternate signers will approve and sign checks for payments.

- Director of Administration
- Director of Operations (or Operations and Maintenance Manager in the absence of Director of Operations)
- Project Construction Manager
- Controller

Formatted: Font: Times New Roman

12/11/2018 11:48 AM 12/3/2018 1:31 PM 11/28/2018 1:36 PM 11/27/2018 11:52 AM

- B. Payments Of \$30,000 or More**
 Payments by the Authority to individuals or institutions of \$30,000 or more shall require two original signatures, either by General Manager, one Commissioner, or two Commissioners. When General Manager is not available, the alternate signers specified above at the Section VX, item A will approve and sign checks for payments together with one Commissioner.
- C. Payments in the Absence of Two Authorized Signers**
 Payments by the Authority to individuals or institutions in any amount may be executed upon the original signatures of two Commissioners in the absence of authorized signers described at the Section VX, item A.
- D. Names of Authorized Officers**
 The names of the authorized Officers and Commissioners of the Authority may change from time to time, and any such changes shall be described in the adopted minutes of the Authority.
- E. Notification of Financial Institutions**
 Controller shall provide each financial institution with a current list of the names of the signers including four Commissioners that are authorized to execute documents. The list so described shall include the name the title and an original signature for each authorized signer including the four Commissioners.
- F. Acting Or Interim Authorized Signer**
 Any acting or interim signer authorized by the Board of Commissioners shall have the same authority as a permanent signer.

Section XVI.L. Emergency Conditions and Purchasing Authority

Formatted: Font: Times New Roman

- A. Purpose**
 The declared purposes of this section are to provide for the preparation and implementation of plans for the protection of persons, property, and the environment within the VVWRA service area in the event of an emergency; the direction of the emergency organization and emergency response activities; and the coordination of the emergency functions of the Authority with all other public agencies, corporations, organizations and affected private persons.
- B. Emergency Defined**
 As used in this section, "emergency" means the actual or threatened existence of conditions of disaster or of extreme peril to the safety of persons, property, or the environment within the VVWRA service area caused by such conditions as sewer overflows or spills, sewer backups, air pollution, fire,

Formatted: Font: Times New Roman

12/11/2018 11:45 AM 12/3/2018 1:31 PM 11/28/2018 1:36 PM 11/27/2018 11:52 AM

flood, storm, epidemic, riot, or earthquake, or other conditions, including conditions resulting from war or imminent threat of war, but other than conditions resulting from a labor controversy, for which conditions are or are likely to be beyond the control of the services, personnel, equipment and facilities of the Authority, which may require the combined forces of other political subdivisions to combat.

C. Mutual Aid Agreements

It shall be the duty of the General Manager to develop and recommend for adoption by the VVWRA Board of Commissioners emergency and mutual aid plans and agreements and such ordinances, resolutions, rules, and regulations as are necessary to implement such plans and agreements.

D. Emergency services - General Manager - Powers and duties

The General Manager is empowered to:

1. Request the Board of Commissioners to proclaim the existence or threatened existence of an "emergency" if the Board is in session, or to issue such proclamation if the Board is not in session. Whenever an emergency is proclaimed by the General Manager, the Board shall take action to ratify the proclamation in a timely fashion or the proclamation shall have no further force or effect. For emergencies that are anticipated to result in \$50,000 or less in actual expenditures, ratification of the emergency may occur at the next scheduled Board meeting. For emergencies that are anticipated to result in more than \$50,000 in total expenditures, ratification of the emergency must occur within seven days after the proclamation of the emergency;
2. Request the Governor to proclaim a "state of emergency" when, in the opinion of the General Manager, the locally available resources is inadequate to cope with the emergency;
3. Control and direct the efforts of the emergency organization of the Authority for the accomplishment of the purposes of this section;
4. Direct cooperation between and coordination of services and staff of the emergency organization of the Authority, and resolve questions of authority and responsibility that may arise between them;
5. Represent the Authority in all dealings with public or private agencies on matters pertaining to emergencies as defined herein;
6. In the event of the proclamation of an emergency, the General Manager is empowered to:

Formatted: Font: Times New Roman

12/11/2018 11:20 AM 12/3/2018 1:31 PM 11/28/2018 1:36 PM 11/27/2018 11:52 AM

- a. Make and issue rules and regulations on matters reasonably related to the protection of life, property, and the environment as affected by such emergency; provided, however, such rules and regulations must be confirmed at the earliest practicable time by the Board of Commissioners;
- b. Obtain vital supplies, equipment, and such other properties found lacking and needed for the protection of life and property and to bind the Authority for the fair value thereof and, if required immediately, to commandeer the same for the Authority's use;
- c. Require emergency services of any VVWRA employee and, in the event of a proclamation of an emergency, to command the aid of as many citizens of the community as he or she deems necessary in the execution of his or her duties; such persons shall be entitled to all privileges, benefits and immunities as are provided by state law for registered disaster service workers;
- d. Requisition necessary personnel or material of any member entity or willing agency, and;
- e. Execute all of his or her ordinary power as General Manager, all of the special powers conferred upon him or her by this section or by resolution or emergency plan developed pursuant to this section and adopted by the Board of Commissioners, all powers conferred upon him or her by any statute, by any agreement approved by the Board of Commissioners, and by any other lawful authority.

E. Emergency services - General Manager - Designating order of succession

The General Manager shall designate a person or persons that shall be in charge in his or her absence, to take effect in the event the General Manager is unavailable to attend meetings and otherwise perform his or her duties during an emergency. The Board of Commissioners shall approve any changes to the order of succession. In the event that the General Manager does not or cannot designate a person or persons to be in charge, the following order of succession shall apply:

1. Director of Operations (or Operations and Maintenance Manager in the absence of Director of Operations)
2. Director of Administration
3. Project Construction Manager
4. Controller

Formatted: Indent: Left: 1.25", Hanging: 0.5"

Formatted: Font: Times New Roman

12/11/2018 11:21 AM 12/3/2018 1:31 PM 11/28/2018 1:36 PM 11/27/2018 11:52 AM

If any of the above listed persons are absent or otherwise unable to perform the duties described during an emergency, the order of succession shall continue to the first available person listed.

Formatted: Indent: Left: 1.25"

F. Emergency Organization

All officers and employees of the Authority, together with those volunteer forces enrolled to aid them during an emergency, and all groups, organizations, and persons who may by agreement or operation of law, including persons impressed into service under the provisions described herein, shall be charged with duties incident to the protection of life and property in the VVWRA service area during such emergency, and shall constitute the emergency organization of the Authority.

G. Emergency Plans

The General Manager shall be responsible for the development, periodic review, and maintenance of emergency plans, which plan shall provide for the effective mobilization of the resources of the Authority, both public and private, to meet any condition constituting an emergency, and shall provide for the organization, powers, duties, services, and staff of the emergency organization. Such emergency plans shall take effect upon adoption by resolution of the Board of Commissioners. (See Resolution 81-11 a Resolution Establishing Statement of Policy on Emergency Operations)

H. Expenditures

Any expenditure made in connection with and subsequent to the proclamation of an emergency, including mutual aid activities, shall be deemed conclusively to be for the direct protection and benefit of the inhabitants, property, or environment of the VVWRA service area. The spending limits and purchasing policies set forth herein shall not apply in the event of a proclaimed emergency.

Section XV III. Violation of this Policy

Formatted: Font: Times New Roman

Use of public resources or falsifying expense reports in violation of this policy may result in disciplinary action up to and including termination. Appendix E. Acknowledgement of Receipt of VVWRA Procurement Policy, must be signed by all employees.

Formatted: Font: Times New Roman

Formatted: Font: Times New Roman

12/11/2018 11:45 AM 12/3/2018 1:31 PM 11/28/2018 1:36 PM 11/27/2018 11:52 AM

Section ~~XVIXH~~. Definitions

Act: The Uniform Public Construction Cost Accounting Act (California Public Contracts Code Section 22000 et seq.).

Formatted: Font: Not Bold

Formatted: Font: Not Bold, Italic

Formatted: Font: Not Bold

Formatted: Font: Not Bold

Formatted: Font: Not Bold

Capacity: The ability to collect, transport, measure, analyze, treat, process and/or sell or otherwise dispose of wastes, wastewater and its components and/or its residuals or by-products, as measured by volume or weight.

Capital assets: Those assets that have been capitalized for accounting purposes in accordance with the VVWRA Capital Asset Policy.

Capital Fund: The VVWRA fund that is funded by sewer connection fees, in addition to other sources.

Commission: The California Uniform Construction Cost Accounting Commission.

Formatted: Font: Not Bold

Connection Fees: Fees collected by the VVWRA member entities for connecting to the regional wastewater system and paid to VVWRA for the purpose of funding capital costs.

Cooperative Purchasing Agreements or Piggy Back: Cooperative purchase agreements are when another governmental agency has performed a competitive bid process and allows other agencies to “piggyback” off of those bid prices offered. No formal or informal procedures shall then be required.

Facility: Any plant, building, structure, ground facility, utility system, subject to the limitation of subsection (4) of the definition for “public project” below, real property, streets and highways, or other public work improvement.

Formatted: Font: Not Bold

Maintenance Work: Any of the following: (1) Routine, recurring and usual work for the preservation or protection of any VVWRA owned or VVWRA operated facility for its intended purposes; (2) Minor repainting; (3) Resurfacing of streets and highways at less than one inch.

Formatted: Font: Not Bold

Open Charge Account: A charge account that is the financial liability of VVWRA and can be used by VVWRA employees without providing the vendor with an authorized purchase order or purchase contract.

Open Ended Purchase Order: An authorized purchase order that is used for recurring expenditures up to a maximum stated amount. The vendor that is named on this type of purchase order submits invoices or other requests for payment as supplies and materials are furnished or as services are rendered.

Formatted: Font: Times New Roman

Operations and Maintenance Fund: The VVWRA fund that is funded by monthly user service charges, in addition to other sources.

Public Project: Any of the following: (1) Construction, reconstruction, erection, alteration, renovation, improvement, demolition and repair work involving any VVWRA owned, leased or operated facility; (2) Painting or repainting of any VVWRA owned, leased, or operated facility; (3) In the case of a VVWRA owned electric utility system, "public project" shall include only the construction, erection, improvement, or repair of dams, reservoirs, power plants, and electrical transmission lines of two hundred thirty thousand volts and higher. "Public project" does not include maintenance work as defined above.

Formatted: Font: Not Bold

Rehabilitation: Extraordinary expenditures for obtaining and installing process structures, equipment, and accessories which extend the useful life and/or improve the efficiency of the wastewater collection and treatment process from the original design.

Repair and Replacement Fund: The VVWRA fund that is collected as an approved and identified component of the monthly user service charges.

Replacement: Expenditures for obtaining and installing process structures, equipment, and accessories which are necessary to maintain the capacity and performance for which such items were originally designed and constructed.

Upgrade: The ability to process or treat wastewater and its components and/or its residuals or by-products to a higher level, as stated and measured by regulatory authorities.

Sewer User Charges: The unit-price charge levied on each user of the VVWRA system to recover the costs of operation, maintenance, repair, replacement, and rehabilitation; and, which may include an amount for capital costs and debt service. The user charge is based on a unit cost applied to each user's measured wastewater flow to the regional collection system. The users billed by VVWRA are the member entities of the regional authority.

Formatted: Font: Times New Roman

12/11/2018 11:24 AM 12/3/2018 1:31 PM 11/28/2018 1:36 PM 11/27/2018 11:52 AM

Appendix A Organization Chart

Formatted: Font: Times New Roman

12/11/2018 11:25 AM 12/3/2018 1:31 PM 11/28/2018 1:36 PM 11/27/2018 11:52 AM

Appendix B
Quotation Comparison Form

12/11/2018 11:38 AM 12/3/2018 1:31 PM 11/28/2018 1:36 PM 11/27/2018 11:52 AM

Formatted: Font: Times New Roman

Appendix C

Victor Valley Wastewater Reclamation Authority Code of Ethics

VVWRA HUMAN RESOURCES' CODE OF ETHICS

The Human Resources Department has established the following standards of conduct governing the performance of all persons exercising delegated purchasing authority in transacting VVWRA business and preventing potential conflicts of interest.

- To regard public service as a sacred trust, giving primary considerations to the interest of the public agency that employs us.
- To purchase without prejudice, seeking to obtain the maximum value for each dollar spent.
- To avoid unfair practices giving all qualified vendors' equal opportunity and consideration in an atmosphere of good faith, devoid of intentional misrepresentation.
- To honor our obligations and require that obligations to our public agency be honored.
- To accord vendor representatives courteous treatment, remembering that these representatives are important sources of information and assistance in solving our purchasing needs.

To refuse to accept any form of commercial bribery and zealously guard against any appearance of conflict of interest. To be receptive to counsel from our co-workers and to cooperate with them to promote a spirit of teamwork and unity.

- To conduct ourselves with fairness and dignity and to demand honesty and truth in the purchasing process.
- To strive for greater knowledge of purchasing methods and of the materials we purchase.
- To operate with all organizations and individuals engaged in activities designed to enhance the development of the profession, remembering that our actions reflect on the entire purchasing profession.

Formatted: Font: Times New Roman

12/11/2018 11:27 AM 12/3/2018 1:31 PM 11/28/2018 1:36 PM 11/27/2018 11:52 AM

ACKNOWLEDGEMENT

I have received a copy of, am fully aware, and understand the VVWRA Human Resources' ethical guidelines; and I agree to abide by the terms of this policy. I also agree to remain apprised of future revisions to this policy and to abide by the terms of all such revisions.

Employee Name: _____

Employee Signature: _____

Date: _____

Formatted: Font: Times New Roman

12/11/2018 11:45 AM 12/3/2018 1:31 PM 11/28/2018 1:36 PM 11/27/2018 11:52 AM

Appendix D

Victor Valley Wastewater Reclamation Authority Credit Card, Purchasing Card, ~~and Fuel Card~~ ~~lock Purchase Card~~ ~~and Open Charge Accounts~~ Agreement

I _____ certify that I have received a copy of the Victor Valley Wastewater Reclamation Authority (VWVRA)'s Procurement Policy dated _____ and I agree to fully comply with such policy and all the procedures, terms and conditions including Section XII on pages 12 as it pertains to the use of Credit Cards, the Purchasing Card, ~~or Fuel Purchase Card~~ assigned to me, ~~the Cardlock Purchase Card and Open Charge Accounts~~.

Formatted: Underline

I have received Purchasing Card No. _____ Expiration Date _____

~~Single Transaction Limit~~ _____ Monthly Limit _____.

I understand that transactions are limited as indicated in the Procurement Policy under Section XI and may be modified further by the General Manager or ~~Director of Administrative Services~~ ~~Controller~~.

I understand that this card has been provided to me through VWVRA's ~~participation in the State of California~~ Cal-Card Program and that, as a cardholder, I am a designated employee under this program. I understand that this card may only be used for Official VWVRA business. I will not use this card to make unauthorized, prohibited or personal purchases. I further agree not to use the card for any purchase that conflicts with VWVRA's Procurement Policies and Procedures. That is, advance approval of each purchase shall be provided by ordinance, resolution, administrative regulation, or action of the Board of Commissioners, General Manager or ~~Director of Administrative Services~~ ~~Controller~~.

Formatted: Underline

I understand that unauthorized use of the card may result in disciplinary action up to and including termination and payment for unauthorized charges. I understand that the VWVRA may be liable for all charges on the card, even if inconsistent with the terms of the Agreement. I further understand that the VWVRA will audit the use of this card and will report any discrepancies or misuse of the card to the General Manger and, if necessary, to the Police Department. I acknowledge and agree that I am personally liable to VWVRA for all charges made on the card in violation of the Procurement Policies and Procedures. Accordingly, I further understand and agree that, in the future, I will authorize the VWVRA to deduct from my paycheck any amount that I have charged or have permitted to be charged to this card account which is not consistent with the terms of this Agreement. If acceptable justification for the charge is not received within fifteen (15) days from the receipt of the Statement of Account for the card, I agree that I will authorize VWVRA to deduct the amount of the charge from my paycheck.

I am responsible for the Card's safekeeping at all times. I understand that no one else may use this card for any reason. I will immediately notify the Bank, the ~~Controller~~ ~~Director of~~

Formatted: Font: Times New Roman

12/11/2016 11:46 AM 12/3/2018 1:31 PM 11/28/2018 1:36 PM 11/27/2018 11:52 AM

~~Administrative Services,~~ and my supervisor in the event that the card is lost or stolen, if I believe the card has been used in a fraudulent or inappropriate manner, or when there are any changes to my cardholder information.

I agree to retain my bankcard receipts to complete the transaction and to verify the expenditure on behalf of the VVWRA. I will review the Monthly Statement of Account immediately upon receipt and forward verification of each charge to my supervisor as provided for above. If I dispute a charge, I will immediately seek to resolve the problem with the vendor, and ~~complete~~ ~~prepare~~ a "Statement of Questioned Item".

I understand that the VVWRA has the unconditional right to cancel the card issued to me at any time. In the event the VVWRA cancels the card issued to me, or at the time of separation from service with the VVWRA, I will immediately ~~cut it in half and~~ return the card to the ~~Director of~~ ~~Administrative Services~~ Controller or my supervisor.

I understand that approval of this Agreement by the VVWRA makes me responsible for safeguarding and protecting VVWRA assets. I hereby acknowledge receipt of this Agreement and confirm that I have read and understand the terms and conditions. I further acknowledge and confirm that any violation of the terms and conditions of this Agreement may result in disciplinary and/or legal against me.

Cardholder (Print and Sign) _____ Date

Supervisor (Print and Sign) _____ Date

Attachment: VVWRA Procurement Policy dated _____

Formatted: Font: Times New Roman

12/11/2018 11:40 AM 12/3/2018 1:31 PM 11/28/2018 1:36 PM 11/27/2018 11:52 AM

Appendix E

Acknowledgement of Receipt of VVWRA Procurement Policy

I, hereby acknowledge receipt of the Victor Valley Wastewater Reclamation Authority Procurement Policy approved on _____.
I understand that compliance with this policy is a condition of employment and that violation of this policy may result in disciplinary action up to and including termination.

Date: _____

Employee Signature: _____

Employee Name (Please Print): _____

Formatted: Font: Times New Roman

12/11/2018 11:49 AM 12/3/2018 1:31 PM 11/28/2018 1:36 PM 11/27/2018 11:52 AM

RESOLUTION NO. 2018-20

**A RESOLUTION OF THE BOARD OF COMMISSIONERS OF THE
VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY
TO AMEND THE PROCUREMENT POLICY**

WHEREAS, Section 54202 of the Government Code requires every local agency to adopt policies and procedures governing the purchases of supplies and equipment by the local agency and that all purchases of supplies and equipment shall be in accordance with said policies and procedures; and

WHEREAS, on May 23, 1996, the Board of Commissioners for the Victor Valley Wastewater Reclamation Authority adopted Resolution No. 96-1 establishing policies and procedures governing the letting of public works contracts and purchases of supplies and equipment by the Victor Valley Wastewater Reclamation Authority (“Purchasing Policy”); and

WHEREAS, on March 23, 2000, the Board of Commissioners adopted Resolution No. 2000-5, which revised and updated the policies and procedures governing contracts and purchases of supplies and equipment (“Amended Purchasing Policy”); and

WHEREAS, on April 26, 2001, the Board of Commissioners adopted Resolution No. 2001-7 to address new staff positions that were approved by the Board of Commissioners (“Amended Purchasing Policy”); and

WHEREAS, on June 19, 2006, the Board of Commissioner adopted Resolution No. 2006-8 to address new staff positions that were approved by the Board of Commissioners and to designate purchasing authority to acting or interim positions that were approved by the Board of Commissioners; and

WHEREAS, on March 2, 2007, the Board of Commissioners adopted Resolution No. 2007-2 to address administrative changes requested by the Finance Department and update positions that were approved by the Board of Commissioners; and

WHEREAS, on July 16, 2009 the Board of Commissioners adopted a Procurement Policy under Resolution No. 2009-12 that addressed administrative changes requested by the Finance Department to enhance internal controls and address new updated bid limitations to bring the limits into line with current practices and with other governmental entities; and

WHEREAS, on March 20, 2013 under Resolution 2013-9 the Board of Commissioners adopted an amendment to the Procurement Policy to address travel paid for by third parties in Section XII: Third Party Travel Payment Guidelines; and

WHEREAS, on September 16, 2013 under Resolution 2013-21 the Board of Commissioners adopted an amendment to extend the length of the advertising period for Notices Inviting Bids; and

WHEREAS, on October 23, 2014 under Resolution 2014-28 the Board of Commissioners adopted an amendment to amend the Procurement Policy to modify the Procurement Policy Sections XIII, Petty Cash and XV, Authorizing Signatures for Agency Funds, Documents, and Payments Subject to the Joint Signatures Provisions; and

WHEREAS, on July 16, 2015 under Resolution 2015-15 the Board of Commissioners adopted an amendment to amend the Procurement Policy to modify the Procurement Policy Sections IV, Purchases less than or equal to \$2,000.00 and XI, Credit Card, Purchasing Card, Cardlock Fuel Purchase Card and Open Charge Accounts and XV, Authorizing Signatures for Agency Funds, Documents, and Payments Subject to the Joint Signatures Provisions; and

WHEREAS, on October 18, 2018, the Board of Commissioners adopted Resolution No. 2018-13 to address administrative changes requested by the Finance Department and update positions that were approved by the Board of Commissioners; and

WHEREAS, the Board of Commissioners now desires to amend the Procurement Policy to address administrative changes requested by the Finance Department.

NOW, THEREFORE, BE IT RESOLVED, by the Board of Commissioners of the Victor Valley Wastewater Reclamation Authority that the Procurement Policy shall be amended:

SECTION 1: Adopted Procurement Policy. The Procurement Policy shall be adopted as set forth in the attached Exhibit "A," and all expenditure of funds by the Victor Valley Wastewater Reclamation Authority shall be in accordance with the policies and procedures set forth therein.

SECTION 2: Effective Date. This adopted Procurement Policy shall be effective immediately and shall supersede and replace all previous versions of said policy.

SECTION 3: Execution of Resolution. The Chair of the Commission will sign this Resolution, and the Secretary of the Commission will certify that this Resolution was duly and properly adopted by the Commission.

ADOPTED AND APPROVED this 20th day of December, 2018.

Jeff Rigney, Chair
VWRA Board of Commissioners

ATTEST:**APPROVED AS TO FORM:**

Jim Kennedy, Secretary
VWRA Board of Commissioners

Piero Dallarda of
Best Best & Krieger LLP, Counsel VWRA

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 copy of Resolution No. 2018-20, adopted by the Board of Commissioners of said Authority at its meeting of December 20, 2018.

Kristi Casteel
Secretary to the Board of Commissioners

EXHIBIT 'A'



Victor Valley Wastewater Reclamation Authority

Department of Finance

Procurement Policy

APPROVALS

Approved by: _____ Date: _____
 General Manager

Approved by: _____ Date: _____
 Controller

PROCEDURE REVISION HISTORY		
Rev.	Date	Approval
1.5	07/16/15	Board Approval - Resolution No.2015-15
2.0	10/18/18	Board Approval - Resolution No.2018-13
2.5	12/20/18	Board Approval – Resolution No.2018-20

*This document is controlled when viewed online. When downloaded and printed, this document becomes **UNCONTROLLED**, and users should check with the Department of Human Resources to ensure that they have the latest version.*



Victor Valley Wastewater Reclamation Authority

Procurement Policy

Board Approved December 20, 2018

Resolution No. 2018-20

TABLE OF CONTENTS

	Purpose of Procurement Policy	
Section I.	Guidelines for the Use of Funds.....	1
Section II.	Purchase Orders, Contracts, Invoices, And Purchase Requisitions	3
Section III.	Limits of Authority	4
Section IV.	Purchases less than or equal to \$2,000	5
Section V.	Purchases of \$2,000 to \$5,000.....	5
Section VI.	Purchases of \$5,000 to \$30,000.....	5
Section VII.	Purchases in Excess of \$30,000	7
Section VIII.	Professional Services Agreements	9
Section IX.	Public Projects.....	10
Section X.	Utilization of Open Ended Purchase Orders.....	12
Section XI.	Leases and Rentals.....	12
Section XII.	Credit Cards, Purchasing Cards, and Fuel Purchase Cards	12
Section XIII.	Travel	14
Section XIV.	Petty Cash	18
Section XV.	Exceptions to the Purchasing Policy Requirements.....	18
Section XVI.	Authorizing Signatures for Agency Funds, Documents and Payments Subject To the Joint Signatures Provisions.....	18

Section XVII.	Emergency Conditions and Purchasing Authority	19
Section XVIII.	Violation of this Policy.....	22
Section XIV.	Definitions.....	23
Appendix A	VVWRA Organizational Flow Chart	
Appendix B	VVWRA Quotation Comparison Sample Form	
Appendix C	VVWRA Code of Ethics	
Appendix D	Purchasing Card Agreement	
Appendix E	Acknowledgement of Receipt of VVWRA Procurement Policy	

The purpose of this procurement policy is to establish the requirements and implement the rules and regulations governing the procurement of all goods, services, travel and capital (fixed) assets required by the Victor Valley Wastewater Reclamation Authority (VWVRA) within the limits established in this policy pertaining to the use of the VWVRA funds.

Section I. Guidelines for the Use of Funds

A. Capital Improvement Funds (Fund 09)

Capital Funds are principally sewer connection fees and the associated interest earned on invested connection fees. Connection fees are collected from property owners by the member entities and paid to Victor Valley Wastewater Reclamation Authority (“VWVRA”).

The use of accrued Capital Improvements Funds shall be restricted to the following:

1. The expansion of capacity to meet the needs of the service area shall be pursuant to Title 23 of the California Code of Regulations Section 2232. Capacity shall include the sewage collection system, the water reclamation plant(s) and solids handling facilities. The Authority will routinely evaluate the infrastructure needs of the Member Agencies and its existing resources to identify capital projects required to ensure that the rated capacity of existing facilities is not exceeded prior to the completion of projects providing additional capacity.
2. The improvement of existing collection and treatment systems to meet regulatory requirements or to protect the environment. Regulatory requirements are generally contained in local, state, and federal permits, but may also be required by other regulatory, legislative, or judicial actions.
3. The construction of new facilities required for the efficient and cost-effective processing of wastewater. New facilities shall include sewers, treatment units, and ancillary facilities required for the operation, maintenance, and administration of the regional Authority.
4. The construction of reclaimed water facilities that will generate revenue, which will in turn be used to reduce the cost of wastewater treatment for the service area. Reclaimed water facilities include subregional treatment plants, reclaimed water pumping systems, and reclaimed water distribution and metering systems.
5. Consulting, engineering, and legal studies and reviews required for the proper planning, design, and construction of capital improvements.

6. Fixed-term loans to the Operations and Maintenance Fund to finance unanticipated needs, such as costs incurred in responding to emergencies. Capital Funds loaned to the Operations and Maintenance Fund must be repaid to the Capital Improvements fund with interest, at a rate consistent with the current LAIF interest rate.
7. The management and administration of Capital Improvement Projects and of the collected and invested Capital funds by the regional Authority staff.

B. Repair and Replacement Fund (Fund 07)

Repair and Replacement Fund is collected by the Authority as a component of the sewer user charge (as variable fees). Sewer user charges are collected from the member agencies corresponding to measured discharges of wastewater to the regional collection system. Sewer user charge rates are established and/or adjusted by the Board of Commissioners from time to time to provide for the anticipated cost of operating and maintaining the regional collection and treatment facilities.

The use of Repair and Replacement Fund shall be limited to projects or items with an aggregate cost of at least \$12,000 and an expected life of at least three (3) years.

The use of Repair and Replacement Fund shall be restricted to the following:

1. The replacement of existing facilities due to age, maintenance costs, or advances in current technology. Existing facilities shall include systems for sewage collection, wastewater pumping, wastewater treatment, solids handling, and process controls.
2. The purchase of components or systems not otherwise defined as capital improvements to include one-time repairs and replacements that are not regular operations and maintenance costs.

Some examples of Repairs and Replacements expenses are:

1. The overhaul or complete unit repair of existing facilities due to wear.
2. Spare parts and spare complete units for existing facilities.

C. Operations & Maintenance Fund (Fund 01)

Operations & Maintenance Funds are collected by the Authority as sewer user charges (variable fees). Sewer user charges are collected from the member entities corresponding to measured discharges of wastewater to the regional

collections system. Sewer user charge rates are established by the Board of Commissioners from time to time to provide for the anticipated cost of operating and maintaining the regional collections and treatment facilities. The use of Operations & Maintenance Funds shall include but not be limited to the actual fixed and variable costs associated with operating and maintaining the regional Authority.

Section II. Purchase Orders, Contracts, Invoices, and Purchase Requisitions

A. Purchase Order and Contract Approval

In general, purchases for the Authority are processed by generating a purchase order. Construction projects, professional services, and significant material purchases usually require the execution of a contract in addition to a purchase order. Some purchases may be arranged without the use of a purchase order as described herein. Authority to sign purchase orders, contracts or to otherwise authorize expenditures on behalf of the Authority shall be in accordance with the limits of authority and the provisions contained herein.

B. Invoice Approval

Prior to the payment of invoices or other demands for money, all invoices with purchase orders shall be matched with invoice, purchase order and receiving docs and approved by appropriate supervisor for payment approval. Invoices without purchase orders, such as Contractual Monthly Services, which include but not limited to Electrical, Natural Gas, Telephone, Water, Pest Control, and Uniforms, will go to the Director of Administrative Services for approval. Any Non-Contractual Invoices without purchase orders shall go to the appropriate department Supervisor for approval. In the absence of the Director of Administrative Services, the General Manager and his or her designees may approve invoices on behalf of the Director of Administrative Services.

C. Purchase Order Request

Purchase order requests are to be prepared for the solicitation of quotes, bids, availability, and to prepare a purchase order for approval. Purchase requisitions shall have the approval of the appropriate employee as determined by the limits of authority described herein. A copy of the purchase requisition and supporting documentation shall be attached to the respective purchase order.

D. Cooperative Purchasing or Piggy Backing

When the purchase from a supplier of ordinary and generic materials of common use, like chairs, pencils, cars, etc. who has been awarded a specific item or items in a contract resulting from a formal competitive bid process by another governmental agency within the state of California or by the federal government within the previous three hundred sixty-five days (one year) and

permits other governments to purchase from the bid. The purchase must be approved by the Director of Administrative Services. If more than \$30,000 must be approved by the Board of Commissioners. This section specifically excludes construction and large capital projects.

E. Other Provisions

Under no circumstances shall any individual split orders or otherwise alter the process of purchasing materials, supplies, equipment, or contractual services so as to circumvent the limits or provisions contained in this Policy.

All amounts pertaining to limits of authority and authorized signatories shall be for the total amount of the purchase inclusive of sales tax, shipping, handling and any and all fees/charges/taxes paid in order to fulfill the terms of the purchase.

Section III. Limits of Authority

A. Board of Commissioners

The VVWRA Board of Commissioners shall approve all expenditures in excess of \$30,000, except for expenditures such as utilities, process chemicals, permit fees, and other expenses defined as exceptions elsewhere in this Policy. The VVWRA Board of Commissioners must approve all construction contract change orders.

B. General Manager

The General Manager, Acting General Manager, or any other person that has been specifically named in an official action by the VVWRA Board of Commissioners to act on behalf of the General Manager, is authorized to approve expenditures up to a limit of \$30,000 on any one order or contract either by bid or quote.

C. Director of Operations (or Operations & Maintenance Manager in the absence of Director of Operations), Director of Administration, Controller, Project Construction Manager and Business Application Manager

The above department directors and managers are authorized to approve expenditures up to a limit of \$10,000 on any one order or contract.

D. Lead Operator and Lead Mechanic

Lead Operator and Lead Mechanic are authorized to approve expenditures up to a limit of \$5,000 each on any one order or contract.

E. Other Employees

Other employees authorized by the General Manager may spend up to \$500 per month for purchases on behalf of VVWRA such as travel expenses, materials, supplies, and other emergency services, excluding construction contract change orders. Such spending shall be conducted using an authorized purchasing card program. Itemized receipts are required for all expenses. Further, all such purchases should be supported by requisitions and purchase orders approved by managers.

A list of all current positions is available in the Human Resources Department. All of the above titles and persons holding these positions are identified in the VVWRA Organizational Chart. (Appendix A)

Section IV. Purchases less than or equal to \$2,000

Purchases of materials, supplies, equipment and contractual services (other than services qualifying as a “public project” as defined below) having a total estimated value of less than or equal to \$2,000 may be made without formal or informal competitive bidding or competitive quotes. However, a reasonable effort is to be made at all times to insure the most favorable terms for VVWRA in the procurement of all such materials, supplies, equipment and contractual services.

Section V. Purchases of \$2,000 to \$5,000

Purchases of materials, supplies, equipment and contractual services (other than services qualifying as a “public project” as defined below) having an estimated value of more than \$2,000 and less than or equal to \$5,000 may be made in the open market based on a minimum of three (3) verbal quotes obtained via telephone or in person. Purchases described in this section may be made with less than three (3) verbal quotes if reasonable efforts to obtain three (3) or more verbal quotes have failed to produce the required number of responsive quotes. All information obtained via verbal quote shall be logged onto a VVWRA “Quotation Comparison” worksheet, (Appendix B).

Section VI. Purchases of \$5,000 to \$30,000

Purchases of materials, supplies, equipment and contractual services (other than services qualifying as a “public project” as defined below) having an estimated value of more than \$5,000 and less than or equal to \$30,000 may be made in the open market based on a minimum of three (3) competitive written quotes. Purchases described in this section may be made with less than three

(3) competitive quotes if reasonable efforts to obtain three (3) or more written quotes have failed to produce the required number of responsive quotes. All written quotes shall be logged onto a VVWRA "Quotation Comparison" worksheet and the written quotes attached to the worksheet. Purchases of \$5,000 to \$30,000 may go out for competitive sealed bid at the discretion of the General Manager. The competitive written quote process is further described as follows:

A. Notice Inviting Competitive Quotes

Requests for competitive quotes shall be solicited either by verbal or written requests mailed, faxed, or e-mailed to prospective vendors. The notice inviting competitive quotes shall contain a clear and concise description of the desired materials, supplies, equipment, or contractual services. The notice inviting competitive quotes shall also include a deadline for the submission of responsive quotes.

B. Record of Competitive Quotes

A written record of the responses from all vendors contacted shall be maintained with the respective purchase request. If appropriate, signed and dated telephone conversation records shall suffice for vendors that respond only by telephone

C. Award of Competitive Quotes

Awards of purchases made under this section shall be to the lowest responsible vendor or contractor that complies with the specifications contained in the notice inviting competitive quotes. Awards made to vendors or contractors that did not provide the lowest cost shall be accompanied by written documentation explaining the reason or reasons for the award. All documentation regarding the award must be attached to the purchase order.

D. Exclusions

The General Manager shall have the authority to waive the requirements of this section in the following circumstances provided that the reasons for such a waiver are documented as part of the purchasing process:

1. The acquisition of engineering, professional, audit, or legal services.
2. The acquisition of highly technical and specialized outside services.
3. The acquisition of materials, supplies and equipment in which the Authority did not receive at least three quotes.
4. The acquisition of materials, supplies and equipment when it is in the best interest of the Authority to purchase name brand or sole source materials, supplies, or equipment, as determined by the General

Manager. Materials, supplies and equipment shall be considered obtainable from only one vendor when only one vendor offers it for sale, lease, or rental, or when only one vendor is able to provide the materials, supplies or equipment within the time frame and/or under the terms and conditions which reasonably meet the needs of VVWRA. Sole source purchases are appropriate when there is no suitable substitute for the desired materials, supplies and equipment. A memo to the General Manager must be attached describing the circumstances surrounding the situation.

5. The purchase of equipment or supplies at a public auction that has been approved in advance by the General Manager. The spending limit for purchases made at a public auction shall be \$10,000, unless the spending limit for a particular auction is increased in advance by an action of the VVWRA Board of Commissioners.
6. In determining the lowest responsible bidder for the purchase of supplies, and or services totaling \$100,000 or less, and where responsibility and quality are equal, a credit of three percent (3%) of the bid submitted by the lowest responsible bidder meeting the specifications shall be given to a vendor, supplier or service provider that has held a current business license and has maintained its principal business office within the jurisdictional boundaries of VVWRA continuously for at least twelve (12) consecutive months prior to submitting the bid. No credit shall be given pursuant to this section when legal constraints on the expenditure of funds prohibit the provision of such a credit.

Section VII. Purchases in Excess of \$30,000

Purchases of materials, supplies, equipment and contractual services (other than services qualifying as a “public project” as defined below) having an estimated value of more than \$30,000 shall be made by the competitive sealed bid process. The competitive sealed bid process is further described as follows:

A. Notices Inviting Bids

A notice inviting bids shall be advertised at a minimum of five (5) business days in the newspaper of local publication. The notice inviting bids shall include a general description of the articles or services to be procured, instructions on how to obtain bid forms and specifications, and the time and place for the opening of sealed bids. The notice inviting bids shall be published at least ten (10) working days before the date of opening of the sealed bids. The notice inviting bids shall also be posted in the lobby area of the VVWRA administration building. The Notice Inviting Bids and the bid

documents may also be mailed, faxed, or e-mailed to one or more identified potential bidders.

B. Bidder's List

The Authority shall maintain a list of potential bidders for various supplies and services, which shall be updated from time to time.

C. Bid Holder's List

Records shall be maintained for each person or firm requesting a copy of the bid documents, including the firm name, contact person, address, city, state, zip code, phone number, fax number, and e-mail address. Included in this list shall be all of the firms initially identified and mailed bid documents.

D. Bid Documents

The bid documents shall include, at a minimum, a bid advertisement, instructions to bidders, technical specifications, and a bid form. Bids for contractual services shall also include general and special conditions, if any, as well as engineering plans, detailed specifications, and additional requirements for bonds, insurance, etc. The Authority may require that certain specialized materials and supplies, such as chemicals and lubricants, be tested for performance prior to the award of a contract. The Authority may require a bid bond, performance bond or other type of bond or bonds in amounts determined to be appropriate to protect the best interests of the Authority.

E. Bid Opening Procedure

Sealed bids shall be submitted to the General Manager or his or her designee and shall be identified on the outside of the sealed envelope as a bid for the given project. Bids shall be opened and read aloud in public at the time and place stated in the bid advertisement. A tabulation of all bids received shall be made available for public inspection and shall be distributed to all responsive bidders.

F. Rejection of Bids

At its sole discretion, the Authority may reject any and all bids presented and re-advertise for bids or cancel the bid solicitation altogether.

G. Award of Bids and Contracts

Awards shall be made to the lowest responsible bidder. The determination of the lowest responsible bidder shall be at the discretion of the General Manager or the VVWRA Board of Commissioners pursuant to the findings and recommendations presented at the time of award of the contract. The award shall consider the following in determining the lowest responsible bidder:

1. The ability, capacity and skill of the bidder to perform the contract.

2. The integrity, reputation, judgment, experience, efficiency and record of performance of the bidder.
3. The sufficiency of the financial resources of the bidder to perform the contract.
4. The quality, availability and adaptability of the materials, supplies, equipment or services to the particular use required.
5. The ability of the bidder to provide future maintenance and service for the use of the subject of the contract.
6. The number and scope of any conditions attached to the bid.
7. The price quoted, taking into account all relevant factors in evaluating that quote.
8. Potential vendors, suppliers, contractors, and service providers that are located in the VVWRA service area or who maintain a permanent office in the VVWRA service area shall be given additional favorable consideration in the award of bids or contracts (see page 7, D6), provided that the other criteria in this section are deemed equal.

H. Exclusions

The VVWRA Board of Commissioners shall have the authority to waive the requirements of this section provided that any such exclusion does not conflict with the provisions of the California Government Code, Public Contract Code, or other applicable code. Further, if the Authority does not receive at least three (3) responsible bids in response to the provisions of this section, the VVWRA Board of Commissioners may choose to utilize other provisions described herein as an alternative method of bidding, provided that such an action does not conflict with the provisions of applicable law.

Section VIII. Professional Services Agreements

The acquisition of services for engineering, audit, legal, consulting, and other professional services in excess of \$30,000 shall be obtained through a solicitation of Requests for Proposals. The procedures for soliciting Requests for Proposals shall be respective to the type, complexity, and expected cost of services to be provided. Awards made for professional services shall be based on the qualifications that best match the needs of the Authority.

Section IX. Public Projects

Contracts for public projects shall be procured in accordance with the contracting procedures set forth in Article 3 of the Act (Section 22030 *et seq.*, of the Public Contract Code) as it may be amended from time to time.

A. Contractor's List

The General Manager, or his or her designee, shall compile and maintain a list of qualified contractors identified according to categories of work. This list shall comply with the requirements of the Act and the criteria promulgated, from time to time, by the Commission.

B. Force Account, Negotiated Contract

Contracts for public projects below the bidding threshold under the Act, as it may be amended from time to time, may be done pursuant to force account or negotiated contract. On-call or as-needed contracts for public projects must be procured pursuant to the following process:

1. VVWRA staff must present the General Manager with a written request to contract for on-call or as-needed services for a public project and written quotes from contractors that are proposed to be utilized for such on-call or as-needed services.
2. The General Manager and Controller shall have the authority to approve or deny the contract request.
3. Once approved, the Controller shall issue the on-call or as-needed contract for public project services to the selected contractor(s).
4. The total contract amount of any on-call or as-needed contract issued under this Section shall not exceed \$55,000. The Controller shall track expenditures under the on-call or as-needed contract to ensure it does not exceed \$55,000.
5. Once an on-call or as-needed contract reaches the \$55,000 threshold, it must be terminated without accruing any further costs in excess of the \$55,000 threshold. VVWRA staff may issue a new on-call or as-needed contract to the contractor pursuant to the same procedure set forth above. There is no limitation on the number of on-call or as-needed contracts that may be issued to the same contractor in any one year.

C. Informal Bidding – Notice

1. When a public project is to be performed which qualifies for informal bidding under the Act, a notice of such project shall be given as follows except where the product or service is proprietary:
 - a. Mailed notices shall be sent to all contractors on the contractors list for the category of work being bid; or
 - b. Mailed notices shall be given to all construction trade journals specified by the Commission for the receipt of such a notice for San Bernardino County;
 - c. Additional notices to other contractors and/or trade journals may, in the discretion of VVWRA, be given.
2. If the product or service to be acquired is proprietary in nature such that it can only be obtained from a certain contractor or contractors, notice inviting bids may be sent only to such contractor or contractors.
3. All mailing of notices to contractors and construction trade journals shall be completed not less than 10 calendar days before bids are due..
4. The notice shall describe the project in general terms, how to obtain more detailed information about the project and shall state the time and place for submission of bids.

D. Formal Bidding – Notice

1. When a public project is to be performed which qualifies for formal bidding under the Act, notice of such project shall be given as follows except where the product or service is proprietary:
 - a. A notice shall be published at least 14 calendar days before bids are due in a newspaper of general circulation, printed and published in the jurisdiction of VVWRA; and
 - b. Mailed notices shall be given to all construction trade journals specified by the Commission for the receipt of such notice for San Bernardino County at least 15 calendar days before bids are due;
 - c. Additional notices to other contractors and/or trade journals may, in the discretion of VVWRA, be given.

2. If the product or service to be acquired is proprietary in nature such that it can only be obtained from a certain contractor or contractors, notice inviting bids may be sent only to such contractor or contractors.
3. The notice shall describe the project in general terms, how to obtain more detailed information about the project and shall state the time and place for submission of bids.

E. Award of Contracts

Where bidding is required by the Act, award of the contract shall be made to the lowest responsible bidder submitting a responsive bid.

F. Rejection of Bids

The General Manager or the VVWRA Board of Commissioners, as the case may be, may, in their respective discretion, reject all bids and proceed as authorized by the Act.

Section X. Utilization of Open Ended Purchase Orders

Open ended purchase orders may be utilized and approved for recurring purchases of materials, supplies, outside services and month-to-month rentals where the vendor periodically bills for materials, supplies, or services rendered throughout the current fiscal year, provided that such approval is in accordance with all the provisions of this Policy. Each individual purchase made against an open purchase order must be evidenced by a purchase requisition that has been approved by the employee with the appropriate spending authority. The VVWRA Board of Commissioners must approve any exceptions to these requirements.

Section XI. Leases and Rentals

For purposes of this Policy, leases and other similar contracts that provide property, materials, supplies, equipment, and services shall be considered to be a purchase. The cost associated with the lease shall be the sum of all payments to be made by VVWRA under the terms of that lease.

Section XII. Credit Cards, Purchasing Cards, and Fuel Purchase Cards

In order to use these cards, the Employee must sign the Credit Card, Purchasing Card, Purchase Card and Fuel Purchase Card Agreement. See Appendix D).

A. Credit Card Accounts

Credit card accounts may be used by the General Manager and his/her designee to make reservations or charge purchases in the name of VVWRA without the submission of signed purchase orders for Authority travel, travel related expenses, business related meetings, business related meals, and non-routine commodity purchases. Reservations and/or purchases for Authority travel and travel related expenses shall be limited to \$2,500 per purchase. Reservations and/or purchases for business related meetings and business related meals shall be limited to \$1,000 per purchase. Non-routine commodity purchases shall be limited to \$5,000 per purchase unless authorized by an action of the Board of Commissioners. Non-routine commodity purchases are generally defined as equipment, parts, and/or supplies that are determined to be critical to the operation of the treatment facility, and due to time considerations require a more expedient procurement process than can be obtained using a routine purchase order. All credit card purchases shall require the submission of signed, itemized receipts. Credit card purchases may be executed by the General Manager and by other employees specifically authorized by the General Manager to use the credit card account. All such purchases must be in compliance with the requirements of this section and the limits of authority set forth in Section III.

B. Purchasing Card Accounts

An approved purchasing card, such as Cal CARD may be used by employees authorized by the General Manager to purchase materials, supplies, and services, or to pay for travel related expenses that are retroactively supported by the submission of s approved purchase orders. Materials, supplies, and services obtained using the purchasing card are generally defined as equipment, parts, supplies, and services that are relatively minor in cost and are urgently needed for the operations of the treatment facility that require a more expedient procurement process than a routine purchase order. Purchasing card transactions shall be limited to a monthly expenditure limit of:

Credit Card Expenditure Limits:

Directors and Controller	\$5,000	
Managers	\$2,500	Other employees \$500

All purchasing card transactions are limited to a \$2,000 maximum per single transaction. Any purchases above \$2,000 require General Manager's approval prior to making purchases. All purchasing card transactions should be approved by department heads retroactively or in advance by issuing approved purchase orders.

All purchasing card purchases shall require the submission of signed, itemized receipts.

1. The card holder is responsible to ensure that sufficient appropriations are available prior to making a purchase.
2. Use of the purchasing card is not intended to replace the purchasing policy or replace effective procurement planning which enables volume discounts or results in split purchases to circumvent the dollar limitations in this policy.
3. Prior to issuance of the VVWRA purchasing card to an employee, he/she must read the Card Policies and Procedures and sign the Agreement. (Appendix D)

C. Open Charge Accounts

Open charge accounts that would allow employees to charge purchases in the name of VVWRA without the submission of a signed purchase order are only allowed when the specific account, with a list of named employees authorized to sign on that account, has been authorized for use by an employee with appropriate spending authority. The use of open charge accounts is further limited to \$10,000 per transaction.

D. Cardlock Fuel Purchase Accounts

An approved purchasing card such as the Cardlock system may be used by employees to purchase gasoline or diesel fuel for specific vehicles owned by the Authority without the submission of signed purchase orders. Cardlock fuel purchase cards are provided in the Authority's vehicles for this purpose. The use of Cardlock system does not require the submission of signed receipts.

Section XIII. Travel

Agency funds, equipment, supplies (including letterhead), and staff time must only be used for authorized Agency business. Expenses incurred in connection with the following types of activities generally constitute authorized expenses, as long as the other requirements of this policy are met:

1. Communicating with representatives of regional, state and national government on Agency adopted policy positions;
2. Attending educational seminars designed to improve employees' skill and information levels;
3. Participating in regional, state and national organizations whose activities affect the Agencies interests;
4. Recognizing service to the Agency (for example, Safety Awards to

promote safe work practices, Employee of the Month Awards to encourage moral and employee retention, or thanking a longtime employee with a retirement gift or celebration of nominal value and cost);

5. Attending Agency events;

The following expenses also require prior Board approval:

1. International travel;
2. Expenses which exceed the limits established for each employee; and
3. Expenses exceeding \$5,000.00 per trip.

Examples of personal expenses that the Agency will not reimburse include, but are not limited to:

1. The personal portion of any trip;
2. Political or charitable contributions or events;
3. Family expenses, including partner's expenses when accompanying employee on agency-related business, as well as children- or pet-related expenses;
4. Entertainment expenses, including theater, movies (either in-room or at the theater), sporting events (including gym, massage and/or golf related expenses), or other cultural events;
5. Non-mileage personal automobile expenses, including repairs, traffic citations, insurance or gasoline; and
6. Personal losses incurred while on Agency business. Any questions regarding the propriety of a particular type of expense should be resolved by the approving authority before the expense is incurred.

All other expenditures require prior approval by the Board of Commissioners.

Cost Control

To conserve Agency resources and keep expenses within budget, expenditures should adhere to the following guidelines. In the event that expenses are incurred which exceed these guidelines, the cost borne or reimbursed by the Agency will be limited to the costs that fall within the guidelines.

Transportation - The most economical mode and class of transportation reasonably consistent with scheduling needs and cargo space requirements must be used, using the most direct and time-efficient route. Charges for rental vehicles may be reimbursed under this provision if more than one employee is attending an out of town conference or if other extenuating circumstances apply, and it is determined that a rental vehicle is more economical than other forms of transportation. In making such determination, the cost of the rental vehicle, parking and gasoline will be compared to the combined cost of such other forms of transportation.

Airfare - Airfares will be purchased through Expedia.com or directly from airlines.

Automobile - Automobile mileage is reimbursed at Internal Revenue Service rates presently in effect (*see* www.irs.gov). These rates are designed to compensate the driver for gasoline, insurance, maintenance, and other expenses associated with operating the vehicle. This amount does not include bridge and road tolls, which are also reimbursable. The Internal Revenue Service rates will not be paid for rental vehicles; only receipted fuel expenses will be reimbursed. An employee must use an agency vehicle if the company vehicle is available for use. If an agency vehicle is not available and the employee has the proper automobile insurance coverage on file with the Human Resource Department, the employee may use their own vehicle, unless otherwise authorized by management.

Car Rental - Rental cars will be rented through www.expedia.com or directly through the respective airlines.

Taxis/Shuttles - Taxis or shuttles fares may be reimbursed, including a 15 percent gratuity per fare, when the cost of such fares is equal or less than the cost of car rentals, gasoline and parking combined, or when such transportation is necessary for time-efficiency.

Lodging - Lodging expenses will be reimbursed or paid for when travel on official Agency business reasonably requires an overnight stay.

Conferences/Meetings - If such lodging is in connection with a conference, lodging expenses must not exceed the group rate published by the conference sponsor for the meeting in question if such rates are available at the time of booking. If the group rate is not available, see next section.

Other Lodging - Travelers must request conference rates when attending conferences and, when available. Lodging rates that are equal or less than conference rates are presumed to be reasonable and hence reimbursable for purposes of this policy. In the event that conference rates are not available at

a given time or in a given area, lodging rates that do not exceed the median retail price for lodging for that area listed on websites like www.expedia.com or an equivalent service shall be considered reasonable and hence reimbursable.

Meals - Meal expenses are reimbursed at Internal Revenue Service rates presently in effect (*see* www.irs.gov).

When the meal function is an organized event (for example, conferences and other types of activities that fall within the list of “authorized expenditures” above), the official or employee shall be reimbursed the amount being charged by the event organizer for the meal. The Agency recognizes that the per person cost may exceed the above rates due to additional costs associated with organizing the event, service charges, and the costs associated with any invited guests. **Victor Valley Wastewater will not pay for alcohol/personal bar expenses.**

Telephone/Fax/Cellular - Employees will be reimbursed for actual telephone and fax expenses incurred on Agency business. Telephone bills should identify which calls were made on Agency business. For cellular calls when the employee has a particular number of minutes included in the employee’s plan, the employee can identify the percentage of calls made on public business.

Internet - Employees will be reimbursed for Internet access connection and/or usage fees away from home, not to exceed \$15.00 per day, if Internet access is necessary for agency-related business.

Airport Parking - Long-term parking must be used for travel exceeding 24-hours.

Other - Baggage handling fees of up to \$1 per bag and gratuities of up to 15 percent will be reimbursed.

Cash Advance

From time to time, it may be necessary for an employee to request a cash advance to cover anticipated expenses while traveling or doing business on the Agencies behalf. Such request for an advance should be submitted to the Finance Department 7 days prior to the need for the advance with the following information:

1. The purpose of the expenditure(s);

- a. The anticipated amount of the expenditure(s) (for example, hotel rates, meal costs, and transportation expenses); and
2. The dates of the expenditure(s).

Any unused advance must be returned to the Finance Department within two business days of the employee's return, along with an expense report and itemized receipts documenting how the advance was used in compliance with this expense policy.

Section XIV. Petty Cash – Deleted per Resolution 2014-28

Section XV. Exceptions to the Purchasing Policy Requirements

The provisions and limitations contained in this Policy do not apply to the following items and accordingly the General Manager is authorized to disburse funds for these items in the appropriate amounts. However, disbursements for these items must still be made in accordance with the guidelines for the use of funds contained herein:

Electrical power	Natural gas
Telephone service	Regulatory permit fees
Water service	Refuse Service
Process chemicals	Lab Analysis
Insurance Premiums	

Section XVI. Authorizing Signatures for Agency Funds, Documents, and Payments Subject to the Joint Signatures Provisions

A. Payments under \$30,000

Payments by the Authority to individuals or institutions in the amount of less than \$30,000 shall require two original signatures from General Manager and one of the following signers. When General Manager is not available, the following alternate signers will approve and sign checks for payments.

Director of Administration
 Director of Operations (or Operations and Maintenance Manager in the absence of Director of Operations)
 Project Construction Manager
 Controller

B. Payments Of \$30,000 or More

Payments by the Authority to individuals or institutions of \$30,000 or more shall require two original signatures, either by General Manager, one Commissioner, or two Commissioners. When General Manager is not

available, the alternate signers specified above at the Section VX, item A will approve and sign checks for payments together with one Commissioner.

- C. Payments in the Absence of Two Authorized Signers**
Payments by the Authority to individuals or institutions in any amount may be executed upon the original signatures of two Commissioners in the absence of authorized signers described at the Section VX, item A.
- D. Names of Authorized Officers**
The names of the authorized Officers and Commissioners of the Authority may change from time to time, and any such changes shall be described in the adopted minutes of the Authority.
- E. Notification of Financial Institutions**
Controller shall provide each financial institution with a current list of the names of the signers including four Commissioners that are authorized to execute documents. The list so described shall include the name the title and an original signature for each authorized signer including the four Commissioners.
- F. Acting Or Interim Authorized Signer**
Any acting or interim signer authorized by the Board of Commissioners shall have the same authority as a permanent signer.

Section XVII. Emergency Conditions and Purchasing Authority

- A. Purpose**
The declared purposes of this section are to provide for the preparation and implementation of plans for the protection of persons, property, and the environment within the VVWRA service area in the event of an emergency; the direction of the emergency organization and emergency response activities; and the coordination of the emergency functions of the Authority with all other public agencies, corporations, organizations and affected private persons.
- B. Emergency Defined**
As used in this section, “emergency” means the actual or threatened existence of conditions of disaster or of extreme peril to the safety of persons, property, or the environment within the VVWRA service area caused by such conditions as sewer overflows or spills, sewer backups, air pollution, fire, flood, storm, epidemic, riot, or earthquake, or other conditions, including conditions resulting from war or imminent threat of war, but other than conditions resulting from a labor controversy, for which conditions are or are likely to be beyond the control of the services, personnel, equipment and

facilities of the Authority, which may require the combined forces of other political subdivisions to combat.

C. Mutual Aid Agreements

It shall be the duty of the General Manager to develop and recommend for adoption by the VVWRA Board of Commissioners emergency and mutual aid plans and agreements and such ordinances, resolutions, rules, and regulations as are necessary to implement such plans and agreements.

D. Emergency services - General Manager - Powers and duties

The General Manager is empowered to:

1. Request the Board of Commissioners to proclaim the existence or threatened existence of an “emergency” if the Board is in session, or to issue such proclamation if the Board is not in session. Whenever an emergency is proclaimed by the General Manager, the Board shall take action to ratify the proclamation in a timely fashion or the proclamation shall have no further force or effect. For emergencies that are anticipated to result in \$50,000 or less in actual expenditures, ratification of the emergency may occur at the next scheduled Board meeting. For emergencies that are anticipated to result in more than \$50,000 in total expenditures, ratification of the emergency must occur within seven days after the proclamation of the emergency;
2. Request the Governor to proclaim a “state of emergency” when, in the opinion of the General Manager, the locally available resources is inadequate to cope with the emergency;
3. Control and direct the efforts of the emergency organization of the Authority for the accomplishment of the purposes of this section;
4. Direct cooperation between and coordination of services and staff of the emergency organization of the Authority, and resolve questions of authority and responsibility that may arise between them;
5. Represent the Authority in all dealings with public or private agencies on matters pertaining to emergencies as defined herein;
6. In the event of the proclamation of an emergency, the General Manager is empowered to:
 - a. Make and issue rules and regulations on matters reasonably related to the protection of life, property, and the environment as affected by such emergency; provided, however, such rules

and regulations must be confirmed at the earliest practicable time by the Board of Commissioners;

- b. Obtain vital supplies, equipment, and such other properties found lacking and needed for the protection of life and property and to bind the Authority for the fair value thereof and, if required immediately, to commandeer the same for the Authority's use;
- c. Require emergency services of any VVWRA employee and, in the event of a proclamation of an emergency, to command the aid of as many citizens of the community as he or she deems necessary in the execution of his or her duties; such persons shall be entitled to all privileges, benefits and immunities as are provided by state law for registered disaster service workers;
- d. Requisition necessary personnel or material of any member entity or willing agency, and;
- e. Execute all of his or her ordinary power as General Manager, all of the special powers conferred upon him or her by this section or by resolution or emergency plan developed pursuant to this section and adopted by the Board of Commissioners, all powers conferred upon him or her by any statute, by any agreement approved by the Board of Commissioners, and by any other lawful authority.

E. Emergency services - General Manager - Designating order of succession
 The General Manager shall designate a person or persons that shall be in charge in his or her absence, to take effect in the event the General Manager is unavailable to attend meetings and otherwise perform his or her duties during an emergency. The Board of Commissioners shall approve any changes to the order of succession. In the event that the General Manager does not or cannot designate a person or persons to be in charge, the following order of succession shall apply:

- 1. Director of Operations (or Operations and Maintenance Manager in the absence of Director of Operations)
- 2. Director of Administration
- 3. Project Construction Manager
- 4. Controller

If any of the above listed persons are absent or otherwise unable to perform the duties described during an emergency, the order of succession shall continue to the first available person listed.

F. Emergency Organization

All officers and employees of the Authority, together with those volunteer forces enrolled to aid them during an emergency, and all groups, organizations, and persons who may by agreement or operation of law, including persons impressed into service under the provisions described herein, shall be charged with duties incident to the protection of life and property in the VVWRA service area during such emergency, and shall constitute the emergency organization of the Authority.

G. Emergency Plans

The General Manager shall be responsible for the development, periodic review, and maintenance of emergency plans, which plan shall provide for the effective mobilization of the resources of the Authority, both public and private, to meet any condition constituting an emergency, and shall provide for the organization, powers, duties, services, and staff of the emergency organization. Such emergency plans shall take effect upon adoption by resolution of the Board of Commissioners. (See Resolution 81-11 a Resolution Establishing Statement of Policy on Emergency Operations)

H. Expenditures

Any expenditure made in connection with and subsequent to the proclamation of an emergency, including mutual aid activities, shall be deemed conclusively to be for the direct protection and benefit of the inhabitants, property, or environment of the VVWRA service area. The spending limits and purchasing policies set forth herein shall not apply in the event of a proclaimed emergency.

Section XVIII. Violation of this Policy

Use of public resources or falsifying expense reports in violation of this policy may result in disciplinary action up to and including termination. Appendix E. Acknowledgement of Receipt of VVWRA Procurement Policy, must be signed by all employees.

Section XIX. Definitions

Act: The Uniform Public Construction Cost Accounting Act (California Public Contracts Code Section 22000 *et seq.*).

Capacity: The ability to collect, transport, measure, analyze, treat, process and/or sell or otherwise dispose of wastes, wastewater and its components and/or its residuals or by-products, as measured by volume or weight.

Capital assets: Those assets that have been capitalized for accounting purposes in accordance with the VVWRA Capital Asset Policy.

Capital Fund: The VVWRA fund that is funded by sewer connection fees, in addition to other sources.

Commission: The California Uniform Construction Cost Accounting Commission.

Connection Fees: Fees collected by the VVWRA member entities for connecting to the regional wastewater system and paid to VVWRA for the purpose of funding capital costs.

Cooperative Purchasing Agreements or Piggy Back: Cooperative purchase agreements are when another governmental agency has performed a competitive bid process and allows other agencies to “piggyback” off of those bid prices offered. No formal or informal procedures shall then be required.

Facility: Any plant, building, structure, ground facility, utility system, subject to the limitation of subsection (4) of the definition for “public project” below, real property, streets and highways, or other public work improvement.

Maintenance Work: Any of the following: (1) Routine, recurring and usual work for the preservation or protection of any VVWRA owned or VVWRA operated facility for its intended purposes; (2) Minor repainting; (3) Resurfacing of streets and highways at less than one inch.

Open Charge Account: A charge account that is the financial liability of VVWRA and can be used by VVWRA employees without providing the vendor with an authorized purchase order or purchase contract.

Open Ended Purchase Order: An authorized purchase order that is used for recurring expenditures up to a maximum stated amount. The vendor that is named on this type of purchase order submits invoices or other requests for payment as supplies and materials are furnished or as services are rendered.

Operations and Maintenance Fund: The VVWRA fund that is funded by monthly user service charges, in addition to other sources.

Public Project: Any of the following: (1) Construction, reconstruction, erection, alteration, renovation, improvement, demolition and repair work involving any VVWRA owned, leased or operated facility; (2) Painting or repainting of any VVWRA owned, leased, or operated facility; (3) In the case of a VVWRA owned electric utility system, “public project” shall include only the construction, erection, improvement, or repair of dams, reservoirs, power

plants, and electrical transmission lines of two hundred thirty thousand volts and higher. "Public project" does not include maintenance work as defined above.

Rehabilitation: Extraordinary expenditures for obtaining and installing process structures, equipment, and accessories which extend the useful life and/or improve the efficiency of the wastewater collection and treatment process from the original design.

Repair and Replacement Fund: The VVWRA fund that is collected as an approved and identified component of the monthly user service charges.

Replacement: Expenditures for obtaining and installing process structures, equipment, and accessories which are necessary to maintain the capacity and performance for which such items were originally designed and constructed.

Upgrade: The ability to process or treat wastewater and its components and/or its residuals or by-products to a higher level, as stated and measured by regulatory authorities.

Sewer User Charges: The unit-price charge levied on each user of the VVWRA system to recover the costs of operation, maintenance, repair, replacement, and rehabilitation; and, which may include an amount for capital costs and debt service. The user charge is based on a unit cost applied to each user's measured wastewater flow to the regional collection system. The users billed by VVWRA are the member entities of the regional authority.

Appendix A
Organization Chart

Appendix B
Quotation Comparison Form

Appendix C

Victor Valley Wastewater Reclamation Authority Code of Ethics

VVWRA HUMAN RESOURCES' CODE OF ETHICS

The Human Resources Department has established the following standards of conduct governing the performance of all persons exercising delegated purchasing authority in transacting VVWRA business and preventing potential conflicts of interest.

- To regard public service as a sacred trust, giving primary considerations to the interest of the public agency that employs us.
- To purchase without prejudice, seeking to obtain the maximum value for each dollar spent.
- To avoid unfair practices giving all qualified vendors' equal opportunity and consideration in an atmosphere of good faith, devoid of intentional misrepresentation.
- To honor our obligations and require that obligations to our public agency be honored.
- To accord vendor representatives courteous treatment, remembering that these representatives are important sources of information and assistance in solving our purchasing needs.

To refuse to accept any form of commercial bribery and zealously guard against any appearance of conflict of interest To be receptive to counsel from our co-workers and to cooperate with them to promote a spirit of teamwork and unity.

- To conduct ourselves with fairness and dignity and to demand honesty and truth in the purchasing process.
- To strive for greater knowledge of purchasing methods and of the materials we purchase.
- To operate with all organizations and individuals engaged in activities designed to enhance the development of the profession, remembering that our actions reflect on the entire purchasing profession.

ACKNOWLEDGEMENT

I have received a copy of, am fully aware, and understand the VVWRA Human Resources' ethical guidelines; and I agree to abide by the terms of this policy. I also agree to remain apprised of future revisions to this policy and to abide by the terms of all such revisions.

Employee Name: _____

Employee Signature: _____

Date: _____

Appendix D

Victor Valley Wastewater Reclamation Authority Credit Card, Purchasing Card, and Fuel Purchase Card Agreement

I _____ certify that I have received a copy of the Victor Valley Wastewater Reclamation Authority (VWVRA)'s Procurement Policy dated _____ and I agree to fully comply with such policy and all the procedures, terms and conditions including Section XII on pages ____ 12 ____ as it pertains to the use of Credit Card, the Purchasing Card, or Fuel Purchase Card assigned to mes.

I have received Purchasing Card No. _____ Expiration Date _____
Monthly Limit _____.

I understand that transactions are limited as indicated in the Procurement Policy under Section XII and may be modified further by the General Manager or Controller.

I understand that this card has been provided to me through VWVRA's Cal-Card Program and that, as a cardholder, I am a designated employee under this program. I understand that this card may only be used for official VWVRA business. I will not use this card to make unauthorized, prohibited or personal purchases. I further agree not to use the card for any purchase that conflicts with VWVRA's Procurement Policies and Procedures. That is, advance approval of each purchase shall be provided by ordinance, resolution, administrative regulation, or action of the Board of Commissioners, General Manager or Controller.

I understand that unauthorized use of the card may result in disciplinary action up to and including termination and payment for unauthorized charges. I understand that the VWVRA may be liable for all charges on the card, even if inconsistent with the terms of the Agreement. I further understand that the VWVRA will audit the use of this card and will report any discrepancies or misuse of the card to the General Manger and, if necessary, to the Police Department. I acknowledge and agree that I am personally liable to VWVRA for all charges made on the card in violation of the Procurement Policies and Procedures. Accordingly, I further understand and agree that, in the future, I will authorize the VWVRA to deduct from my paycheck any amount that I have charged or have permitted to be charged to this card account which is not consistent with the terms of this Agreement. If acceptable justification for the charge is not received within fifteen (15) days from the receipt of the Statement of Account for the card, I agree that I will authorize VWVRA to deduct the amount of the charge from my paycheck. I am responsible for the Card's safekeeping at all times. I understand that no one else may use this card for any reason. I will immediately notify the Bank, the Controller, and my supervisor in the event that the card is lost or stolen, if I believe the card has been used in a fraudulent or inappropriate manner, or when there are any changes to my cardholder information.

I agree to retain my bankcard receipts to complete the transaction and to verify the expenditure on behalf of the VWVRA. I will review the Monthly Statement of Account immediately upon receipt and forward verification of each charge to my supervisor as provided for above. If I

dispute a charge, I will immediately seek to resolve the problem with the vendor, and prepare a "Statement of Questioned Item".

I understand that the VVWRA has the unconditional right to cancel the card issued to me at any time. In the event the VVWRA cancels the card issued to me, or at the time of separation from service with the VVWRA, I will immediately return the card to the Controller or my supervisor.

I understand that approval of this Agreement by the VVWRA makes me responsible for safeguarding and protecting VVWRA assets. I hereby acknowledge receipt of this Agreement and confirm that I have read and understand the terms and conditions. I further acknowledge and confirm that any violation of the terms and conditions of this Agreement may result in disciplinary and/or legal against me.

Cardholder (Print and Sign) _____ Date

Supervisor (Print and Sign) _____ Date

Attachment: VVWRA Procurement Policy dated _____

Appendix E

Acknowledgement of Receipt of VVWRA Procurement Policy

I, hereby acknowledge receipt of the Victor Valley Wastewater Reclamation Authority Procurement Policy approved on _____.

I understand that compliance with this policy is a condition of employment and that violation of this policy may result in disciplinary action up to and including termination.

Date: _____

Employee Signature: _____

Employee Name (Please Print): _____



VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY
Report/Recommendation to the Board of Commissioners

December 20, 2018

FROM: Chieko Keagy, Controller *CK*
 TO: Logan Olds, General Manager
 SUBJECT: Recommendation to Add Tyler Payroll Module

RECOMMENDATION

It is recommended that the Board of Commissioners authorize the General Manager to add Tyler Payroll module not exceeding \$34,140.00 to enhance personnel budget functions that would streamline personnel budgeting, payroll processing, and general ledger recording.

REVIEW BY OTHERS

This recommendation was reviewed by Piero Dallarda, Legal Counsel; Robert Coromina, Director of Administration; and Latif Laari, Business Applications Manager.

BACKGROUND INFORMATION

On February 15, 2018, the Board approved the purchase of accounting software, InCode including basic budget functions offered by Tyler Technologies (Tyler). On September 20, 2018, the Board agreed to add permit licensing maintenance program. The Tyler InCode software is scheduled to be implemented during May of 2019. During the pre-installation discussions, the staff has learned that this InCode's basic budgetary function would be enhanced with a payroll module to keep track of position-based information that relates to personnel budgeting and payroll processing. After adding this personnel module and two biometric clocks, the total contract amount would be \$214,877.00 that is still the lowest responsive bid among the six original bids without such payroll features.

If the Board approves the payroll module addition, the module would eliminate an outside party Paychex payroll processing that was approved on September 20, 2018 but has not been implemented.

FINANCIAL IMPACT

Finance Approval:

Fund	01 []	07 [X]	09 []
Account String <i>example: 07-02-50-9000</i>	07-02-530-8120		
Project Code <i>example: C005 for Desert Knoll Wash</i>			
Budgeted Available before This Recommendation	FY 2019 \$ 93,395.00	FY 2018 \$180,737.00	
Budget Applied to This Staff Recommendation	\$ 34,140.00	-	
Budget Remaining (Over Budget)	\$ 59,255.00	-	

RELATED IMPACTS:

The overall software would make effective flow of budgeting, payroll processing, and related data recording.



Sales Quotation For
 Chieko Keagy
 Victor Valley Wastewater Reclamation Authority
 20111 Shay Rd
 Victorville , CA 92394-8539
 Phone: 7602468638
 Email: ckeagy@vwwra.com

Quoted By: Kip Winget
Quote Expiration: 5/13/2019
Quote Name: Victor Valley Wastewater- Personnel
Quote Number: 2018-61188
Quote Description:

Tyler Software and Related Services - SaaS

Description	Impl. Hours	Impl. Cost	Data Conversion	# Years	Annual Fee
Execu Time					
ExecuTime Time & Attendance - Up to 50ee	50	\$6,250	\$0		\$3,107
ExecuTime Time & Attendance Mobile Access License	0	\$0	\$0		\$1,503
Personnel Management Suite					
Personnel Management (Includes Position Budgeting)	92	\$11,500	\$4,000		\$7,070
Tyler Hosted Applications					
Hosting User Fee	0	\$0	\$0		\$575
Sub-Total:		\$17,750	\$4,000		\$12,255
TOTAL:	142	\$17,750	\$4,000	5	\$12,255

Other Services

Description	Quantity	Unit Price	Extended Price	Maintenance
Premium Implementation	24	\$125	\$3,000	\$0
ExecuTime VPN Start up Fee	1	\$4,000	\$4,000	\$0
Import Interface (using ExecuTime)	1	\$0	\$0	\$0
Export Interface (using ExecuTime)	1	\$0	\$0	\$0
TOTAL:			\$7,000	\$0

3rd Party Hardware, Software and Services

Description	Quantity	Unit Price	Unit Discount	Total Price	Maintenance	Maintenance Discount	Total Maintenance
Touchscreen: Biometric Reader	2	\$2,695	\$0	\$5,390	\$0	\$0	\$0
TOTAL:				\$5,390			\$0

Summary
 Total Tyler SaaS

One Time Fees \$0
Recurring Fees \$12,255

Summary	One Time Fees	Recurring Fees
Total Tyler Services	\$28,750	\$0
Total Third Party Hardware, Software and Services	\$5,390	\$0
Summary Total	\$34,140	\$12,255

Detailed Breakdown of Conversions (Included in contract total)

Description	Hours	Unit Price	Programming Fee	Extended Price
Personnel Management Suite				
Personnel Management -Payroll Conversion	4	\$125	\$2,000	\$2,500
Personnel Management -Payroll - Legacy:Historical Views Conversion	4	\$125	\$1,000	\$1,500
Total:				\$4,000



VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY
Report/Recommendation to the Board of Commissioners

December 20, 2018

FROM: Latif Laari, Business Applications Manager & Mauricio Marin Information Technology technician

TO: Logan Olds

SUBJECT: Request to approve a contract for on-call or as needed electrical services

RECOMMENDATION

It is recommended that the Board of Commissioners approve a contract for on-call or as needed electrical services not to exceed \$55,000.00 for public project services to the selected contractor(s) listed below.

REVIEW BY OTHERS

This recommendation was reviewed by Eugene Davis, Operations and Maintenance Manager, Marcos Avila, Lead Mechanic, Alton Anderson, Construction Manager, Craig Taylor Electrical and Instrumentation Technician and Chieko Keagy, Controller.

BACKGROUND INFORMATION

In the past few years VWVRA Electrical and Instrumentation staff was reduced to one technician and as a result electrical contractors were retained to provide the following electrical services on as needed basis:

- ✓ New electrical installations or electrical wiring and appurtenances
- ✓ Scheduled and unscheduled electrical maintenance repairs
- ✓ The repair or replacement of exterior or interior wiring, soft starters, variable-frequency drives (VFD's), motor controls, switch gears, fuses, electrical circuit boxes, etc.
- ✓ The troubleshooting of existing electrical wiring and appurtenance
- ✓ Drafting & modifying electrical CAD drawings
- ✓ Cat5e & Cat6 cable installation, termination & testing
- ✓ Single & multimode fiber optic cable installation, termination & testing
- ✓ Other electrical work as needed

Due to the increasing difficulties to obtain timely competitive bids from electrical contractors, this contract for on-call or as needed electrical services not to exceed \$55,000.00 will improve staff's ability to respond to situations requiring electrical work and to complete larger and more specialized electrical projects including the ongoing Digesters Rehabilitation Project.

Under Section IX, Paragraph A & B of VWVRA procurement policy, staff compiled a list of electrical contractors with a proven track record with VWVRA based on the following criteria: Any electrical contractor on the list can:

- Provide faster response time to electrical emergencies
- Help with large projects
- Provide competitive rates for both time and material
- Have familiarity with VVWRA electrical assets
- Bring increased productivity to a project
- Hold a valid C-10 (Electrical) California Contractor’s license and meet all current licensing and registration requirements.

When the need arises, Electrical and Instrumentation staff will determine which contractor to call based on their responsiveness, availability and past performance.

List of electrical contractors:

Contractor	Address	Phone number
BC Controls	1265 Kendal Dr, San Bernardino CA 92407	(909) 957-7931
Big Bear Electric Inc	644 W. Fairway Blvd Big Bear City CA 92314	(909) 547-6363
Davis Electric Inc	P.O. Box 458 Yucaipa CA 92399	(909) 446-0054
Morrow Meadows Co	620 Reyes Dr, Walnut CA 91789	(909) 594-4161
Prime Systems	8875 Burlington Circle Riverside CA 92508	(951) 656-7139
Soffa Electric	5901 Corvette St, Commerce, CA 90040	(323) 728-0230
Southern Contracting Co	559 N Twin Oaks Valley Rd, San Marcos, CA 92069	(760) 744-0760
Trimax	565 Explorer St, Brea CA 92821	(714) 255-8590

Once this on-call or as-needed contract reaches the \$55,000 threshold, it will be terminated without accruing any further costs in excess of the \$55,000 threshold. VVWRA staff will come back to the board to renew the on-call or as-needed contract pursuant to VVWRA procurement policy.

FINANCIAL IMPACT

Finance Approval:

Fund		01 []	07 [X]	09 []
Account String	<i>example: 07-02-50-9000</i>	07 -02-152-6010-R134		
Project Code	<i>example: C005 for Desert Knoll Wash</i>	R134 Digester repairs		
Budgeted Available before This Recommendation	\$0			
Budget Applied to This Staff Recommendation	\$55,000.00			
Budget Remaining (Over Budget)	(\$55,000.00)			

RELATED IMPACTS

Efficiency in completing small urgent electrical needs at VVWRA facilities



VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY
Report/Recommendation to the Board of Commissioners

December 20, 2018

FROM: Eugene Davis, Operations and Maintenance Manager ED

TO: Logan Olds, General Manager

SUBJECT: Larry Walker and Associates, Regulatory Assistance

RECOMMENDATION

It is recommended that the Board of Commissioners approve VWRA to engage Larry Walker and Associates (LWA) in a professional service agreement for the purpose of providing regulatory assistance in an amount not to exceed \$22,350.00, twenty two thousand three hundred and fifty dollars.

REVIEW BY OTHERS

This recommendation was reviewed by Latif Laari, Business Manager, Brad Adams, Lead Operator, Marcos Avila, Lead Mechanic, Chieko Keagy, Controller

BACKGROUND INFORMATION

The limitations of Ops 10 software for Annual Reporting has created an issue with the preparation of Annual Reports to Lahontan Regional Water Quality Board and Region 9 EPA. Currently staff is working with Watertrax to implement new software for data collection and reporting that will allow staff to generate the Annual reports when this project is completed.

The Annual reports require additional effort to prepare as well as their submittal electronically in the correct formatting, the current quote represents a decrease of 12% from LWA's fees for assisting in the filing of the 2017 Annual reports due to their familiarity with VWRA reporting data and submission formats.

FINANCIAL IMPACT

Finance Approval:

Fund		01 [X]	07 []	09 []
Account String	<i>example: 07-05-20-9000</i>	01-02-300-8135		
Project Code	<i>example: C005 for Desert Knoll Wash</i>	9999		

Budgeted Amount Available for the String	\$49,739.25
Budget Applied to This Staff Reconciliation	\$22,350.00
Budget Remaining (Over Budget)	\$27389.25

RELATED IMPACTS

The ability to submit the required Annual reports on time and accurately

November 30, 2018



Mr. Logan Olds
 General Manager
 Victor Valley Wastewater Reclamation Authority
 15776 Main Street, Suite 3
 Hesperia, CA 92345

Scope of Services – 2019 Annual Reports and Regulatory Assistance

Dear Logan:

Larry Walker Associates is pleased to assist VVWRA with implementation of its permit requirements, including:

- Preparing or assisting with annual reports required by VVWRA's permits (including R6V-2012-0058, R6V-2013-0038, WQ 2016-0068-DDW, EPA biosolids requirements, R6V-2013-0004 and R6V-2013-0005) and
- General Regulatory Assistance

The effort to conduct these tasks is based on the level of effort to conduct these tasks in 2017 and 2018. The work effort is described below in the Scope of Work. A budget and schedule are also provided.

SCOPE OF WORK

LWA will prepare the annual reports according to the following tasks:

Task 1. Prepare Information Request and Compile Data

LWA will provide requests for 2018 data and information to VVWRA staff to acquire all necessary data to complete the various annual reports described in this scope. Data requested will include influent, effluent, biosolids, receiving water and other data required to complete reports. As the annual reports are due at different times, the data requests will be timed to acquire data in the most convenient way, while avoiding duplicate requests. LWA will compile and review the data to facilitate preparation of reports to meet permit requirements.

Task 2. Prepare Required Reports

VVWRA's discharge permits include requirements to submit the following reports:

- Annual Percolation Pond Report (R6V-2012-0058) – Due Feb 1
- Semi-Annual Groundwater Monitoring Reports (R6V-2013-0004 and R6V-2013-0005) – Due Feb 1 and Aug 1

- Annual Biosolids Report (EPA Regulations) – Due Feb 19
- Annual Facility Monitoring Report (R6V-2013-0038) – Due Mar 1
- Annual Discharge Monitoring Report (DMR form, R6V-2013-0038) – Due Mar 1
- Annual Pretreatment Report (R6V-2013-0038) – Due Mar 1
- Annual Recycled Water Report (WQ 2016-0068-DDW) – Due Apr 1

LWA will assist with the preparation of these reports according to the following subtasks.

Task 2.1. Prepare Annual Percolation Pond Report (R6V-2012-0058)

LWA will use the influent, effluent, pond levels and sludge monitoring data and information requested in Task 1 to create tables and graphs as required under items 1 and 2 of Section II.D of the Monitoring and Reporting Program of Order No. R6V-2012-0058. LWA will prepare the Annual Percolation Pond Report with a Compliance Assessment, as required by Section II.D of the Monitoring and Reporting Program of Order No. R6V-2012-0058.

A draft report will be prepared within 1 week after receiving the data from VVWRA. LWA will revise the draft based on VVWRA's comments and prepare a report for submittal by February 1, 2019.

Under this task, LWA will also submit the semi-annual groundwater monitoring reports required by the sub-regional WDRs (Order Nos. R6V-2013-0004 and R6V-2013-0005), which will be prepared under a separate scope of work, by February 1, 2019 and August 1, 2019.

Task 2.2. Prepare Annual Biosolids Report (EPA Regulations 503.18, 503.28, 503.48)

LWA will use the previous annual biosolids report and biosolids data collected during 2018 (requested in Task 1) to complete the EPA Annual Biosolids Report form for submittal by February 19, 2019.

Task 2.3. Prepare Annual Facility Monitoring Report (R6V-2013-0038)

LWA will prepare the Annual Facility Monitoring Report by summarizing all additional effluent and receiving water data collected during the 2018 monitoring year (daily, weekly, monthly and quarterly data requested in Task 1) in tabular and graphical format, as required by Section X.D.4 of the Monitoring and Reporting Program of Order No. R6V-2013-0038. A draft report will be prepared within 2 weeks after receiving the data from VVWRA. LWA will revise the draft based on VVWRA's comments and prepare a report for submittal by March 1, 2019.

LWA will compile the annual data and enter it into DMR Form 001-Y (EPA Form 3320-1) for submittal via CIWQS by March 1, 2019, as required by Section X.C of the Monitoring and Reporting Program of Order No. R6V-2013-0038.

Task 2.4. Assist with Annual Pretreatment Report (R6V-2013-0038)

If requested, LWA will review and provide comments on the draft 2018 Pretreatment Report prior to submittal by VVWRA via CIWQS by March 1, 2019.

Task 2.5. Prepare Annual Recycled Water Report (Order WQ 2016-0068-DDW and NOA)

LWA will use the recycled water monitoring and groundwater monitoring data collected during the 2018 monitoring year (requested in Task 1) to prepare a Recycled Water Annual Report containing a summary table of all recycled water Users and use areas, a summary table of all inspections and enforcement activities, an evaluation of the compliance record and a summary of corrective actions taken or planned to achieve full compliance, an evaluation of treatment facility performance, tabular and graphical summaries of the 2018 monitoring data, and including the names and contact information for the recycled water operator as required by Reporting Section A of Order WQ 2016-0068-DDW. Documentation of application at agronomic rates for any irrigation uses will also be prepared.

A draft report will be prepared within 2 weeks after receiving the data from VVWRA. LWA will revise the draft based on VVWRA's comments and prepare the report and required transmittal letter for submittal by April 1, 2019.

Task 3. Regulatory Assistance

LWA will assist with regulatory issues and questions that may arise as a result of new regulations that may impact VVWRA or in response to concerns regarding permit requirements. Work under this task will only be conducted at the request of VVWRA staff.

Task 4. Project Management

Under this task, LWA will review project status and budget and conduct general communication with VVWRA.

SCHEDULE AND BUDGET

LWA can complete the annual reports by the specified dates in the table below assuming timely receipt of information from VVWRA staff.

Report	Permit Order No.	Section(s)	Due Date
Annual Percolation Pond Report	R6V-2012-0058	MRP II.D	Feb 1, 2019
Semi-Annual Groundwater Monitoring Reports	R6V-2013-0004 R6V-2013-0005	MRP II.B.2	Feb 1, 2019 Aug 1, 2019
Annual Biosolids Report	EPA Regulations	-	Feb 19, 2019
Annual Facility Monitoring Report	R6V-2013-0038	MRP X.D.4	Mar 1, 2019
Annual Discharge Monitoring Report	R6V-2013-0038	MRP X.C	Mar 1, 2019
Annual Pretreatment Report	R6V-2013-0038	MRP X.D.1	Mar 1, 2019
Annual Recycled Water Report	WQ 2016-0068-DDW	MRP Reporting A	Apr 1, 2019

The above tasks will be conducted for a cost not to exceed \$22,350 on a time and materials basis according to our standard billing rates, which are attached. An estimated breakdown by task is shown in the table below.

Larry Walker Associates 2019 Cost Estimate for 2018 VVWRA Annual Reporting						
Task	Hourly rate ^[a]	Project Manager:	Project Engineer IIA:	Contract Administrator:	Total Hours	Total Costs
		\$258	\$200	\$155		
1	Request Data & Information	2	8		10	\$2,050
2	Prepare Annual Reports					
2.1	Annual Percolation Pond Report	2	12		14	\$2,830
2.2	Biosolids Annual Report	2	12		14	\$2,830
2.3	Annual Facility Monitoring Report	2	18		20	\$4,000
2.4	Annual Discharge Monitoring Report (DMR form)		4		4	\$780
2.5	Annual Pretreatment Report		2		2	\$390
	Recycled Water Annual Report	2	16		18	\$3,610
	<i>Task 2 Sub-total</i>	8	64	0	72	\$14,440
3	Regulatory Assistance	8	12		20	\$4,300
4	Project Management	4		4	8	\$1,560
TOTAL PROJECT COSTS		22	84	4	110	22,350.0

[a] LWA hourly rates in effect from July 1, 2018 to June 30, 2019.

Thank you for the opportunity to provide this proposal for services. Please feel free to contact me at betsye@lwa.com or (530) 753-6400 if you have any questions.

Sincerely,

A handwritten signature in blue ink, appearing to read "Betsy Elzufon". The signature is fluid and cursive, with the first name "Betsy" written in a larger, more prominent script than the last name "Elzufon".

Betsy Elzufon
Associate

LARRY WALKER ASSOCIATES

Rate Schedule
Effective July 1, 2018 – June 30, 2019

PERSONNEL	Rate \$/Hour	REIMBURSABLE COSTS	
<i>Project Staff</i>			
Melanie Andreacchi	\$ 88	Travel:	
Alta Ljung	\$ 88	Local mileage	Current IRS rate
Andrew Smith	\$ 88	Transportation	Actual expense
Kim Turner	\$ 88	Auto rental	Actual commercial rate
Tina Van Carpels	\$ 88	Fares	Actual expense
Cab Esposito	\$113	Room	Actual expense
Adriana Stovall	\$113	Subsistence ⁽¹⁾	\$48 per day
Brad Gooch	\$144		
Kelsey McNeill	\$144		
Michelle Benson	\$155	The rate for each meal as follows: ⁽¹⁾	
Kathryn Walker	\$155	Breakfast	\$ 9
Olin Applegate	\$170	Lunch	\$13
Katrina Arredondo	\$170	Dinner	\$21
Jenny Bayley	\$170	Incidentals	\$ 5
Nima Jabbari	\$170		
Adriel Leon	\$170	Report Reproduction and Copying:	
Amir Mani	\$170	Actual outside expense	
Danielle Moss	\$180	Per black and white copy, in-house	\$0.08
Jeff Walker	\$180	Per color copy, in-house	\$0.89
Elizabeth Yin	\$180	Per binding, in-house	\$1.95
Masih Akhbari	\$200		
Bryant Alvarado	\$200	Special Postage and Express Mail:	
Alina Constantinescu	\$200	Actual expense	
Airy Krich-Brinton	\$200		
Mike Marson	\$200	Other Direct Costs:	
Steve Maricle	\$200	Actual expense	
Hope M. Taylor	\$200		
<i>Senior Staff</i>			
Kristine Comeillie	\$232	Daily Equipment Rental Rates:	
Diana Engle	\$232	Single parameter meters & equipment	\$ 30
Laura Foglia	\$232	Digital Flow Meter	\$ 60
Gorman Lau	\$232	Multi-parameter field meters & sondes	\$100
Will Lewis	\$232	Dye/tracer mapping or residence time	\$200
Shelli St. Clair	\$232	Multi-parameter continuous remote sensing	\$ 40
Amy Storm	\$232		
Rachel Warren	\$232	Subcontractors:	
<i>Associate</i>			
Denise Conners	\$258	Actual expense plus 10% fee	
Betsy Etzefon	\$258		
Paul Hartman	\$258	Note: ⁽¹⁾ Charged when overnight lodging is required.	
Sandy Mathews	\$258		
Mitch Mysliwiec	\$258		
Claus Suverkropp	\$258		
Mike Troughon	\$258		
<i>Principal</i>			
Karen Ashby	\$283		
Chris Minton	\$283		
Mack Walker	\$283		
Brian Laurenson	\$294		
Ashli Cooper Desai	\$309		
Tom Grovhoug	\$309		

Revised 11/20/18

Victor Valley Wastewater Reclamation Authority



Financial and Cash Report

November 2018

Victor Valley Wastewater Reclamation Authority
CASH AND RESERVE SUMMARY
 November 30, 2018

G/L Account	Description	Balance
1000	DCB Checking Account	\$ 1,113,000
1030	DCB Sweep Account	1,722,410
1075	Cal TRUST	6,133,276
1070	LAIF	3,048,060
	Total Cash	\$ 12,016,746

\$65 mil Max

Reserves:	Current Balance	Restricted	Assigned	Not Assigned
Targeted Capital Reserve	\$ -	\$ -	\$ -	\$ -
O&M Reserve: 10% of Prior Year Budgeted Operating Expenses	1,435,970		1,435,970	
R&R Reserve: 1% of Land Improvements/Plants/Interceptors PY CAFR	2,954,450		2,954,450	
Reserve for SRF Payments (P& I) - Operating	2,844,844	2,844,844		
Reserve for SRF Payments (P& I) - Capital	2,440,246	2,440,246		
Available for O&M	2,341,236	-		
Total Cash	\$ 12,016,746	\$ 5,285,090	\$ 4,390,420	\$ -

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	\$ 782,104	257,745	203,725	640,818	960,452	\$ 2,844,844
Reserve for SRF Payments (P& I) - Capital	1,348,576	-	67,908	409,703	614,059	2,440,246
	\$ 2,130,680	257,745	271,633	1,050,521	1,574,511	\$ 5,285,090

Victor Valley Wastewater Reclamation Authority
Statement of Net Position
November 30, 2018

<i>Assets and Deferred Outflows of Resources</i>	2018
Current assets:	
Cash and cash equivalents	\$ 11,680,737
Interest receivable	13,424
Accounts receivable	5,458,206
Receivable from FEMA Grants	3,679,746
Accounts receivable - Other	6,089
Allowance for Doubtful Accounts	(89,459)
Materials and supplies inventory	83,104
Prepaid expenses and other deposits	178,173
Total current assets	21,010,020
Fixed assets:	
Capital assets not being depreciated	3,109,851
Capital assets being depreciated	195,944,109
Total capital assets	199,053,960
Total assets	220,063,980
Deferred outflows of resources	
Deferred outflows of resources - pension	1,742,472
Total	\$ 221,806,452
<i>Liabilities, Deferred Inflows of Resources, and Net Position</i>	
Current liabilities:	
Accounts payable and accrued expenses	\$ 375,342
Accrued interest on long-term debt	275,043
Long-term liabilities - due within one year:	
Compensated absences	48,647
Loans payables	1,849,149
Other payables	(7,010)
Total current liabilities	2,541,171
Non-current liabilities:	
Long-term liabilities - due in more than one year:	
Compensated absences	239,372
Other post employment benefits payable	2,285,368
Loans payable	85,648,847
Net Pension Liability	5,750,574
Other payables	351,749
Total non-current liabilities:	94,275,910
Total liabilities	96,817,081
Deferred inflows of resources	
Deferred inflows of resources - pension	89,437
Net position:	
Net investment in capital assets	122,731,832
Restricted for SRF loan covenant	5,285,091
Unrestricted	(528,516)
Decrease in net position FY 19	(2,588,473)
Total net position	124,899,934
Total	\$ 221,806,452

Victor Valley Wastewater Reclamation Authority
Revenues and Expenses
Operations and Maintenance
For the Month Ended November 30, 2018

	Actual November 2018	YTD Actual FY 18-19	Approved Budget FY 18-19
REVENUES			
User Charges	\$ 1,105,373	\$ 5,611,762	\$ 13,661,700
Sludge Flow Charge	10,029	44,062	120,000
High Strength Waste Surcharges	-	8,468	20,000
ADM FOG Tipping Fee Revenue	21,343	117,441	200,000
Septage Receiving Facility Charges	44,540	250,749	550,000
Reclaimed Water Sales	-	2,327	25,000
Potable Well Water Sales	52	256	-
Leased Property Income	50	250	-
Interest	118	597	-
Pretreatment Fees	2,600	21,100	50,000
Finance Charge	-	-	-
Grant - FEMA/Cal-EMA	-	-	-
Grant - Proposition 1	-	-	-
Grant- Water Recycling	-	-	-
Grant- CEC Microgrid	-	-	-
Sale of Assets, Scrap, & Misc Income	-	456	1,200
Total REVENUES	\$ 1,184,105	\$ 6,057,468	\$ 14,627,900
EXPENSES			
Personnel	\$ 314,284	\$ 1,899,331	\$ 4,080,784
Maintenance	57,002	621,732	2,194,767
Operations	156,818	1,095,237	3,151,072
Administrative	90,157	709,063	2,183,749
Construction	-	31,083	-
Total EXPENSES	\$ 618,261	\$ 4,356,446	\$ 11,610,372
Revenues over Expenses before Depreciation, Debt Service and Transfers	\$ 565,844	\$ 1,701,022	\$ 3,017,528
Depreciation Expense	(1,035,651)	(5,196,110)	-
FEMA CalOES Retention	-	-	747,034
DEBT SERVICE			
SRF Principal	-	-	2,094,805
SRF Interest	-	-	762,842
	-	-	2,857,647
FUND TRANSFERS IN			
Salary/Benefits Charge from Capital	\$ 8,930	\$ 44,648	-
Admin Charge from Capital	3,393	16,966	-
Total FUND TRANSFERS IN	\$ 12,323	\$ 61,614	\$ -
FUND TRANSFERS OUT			
Transfer to Repairs and Replacements Fund	-	-	2,749,326
Inter-fund loan payment to Capital	-	-	-
Total FUND TRANSFERS OUT	\$ -	\$ -	\$ 2,749,326
Excess Revenues Over Expenses	\$ (457,484)	\$ (3,433,474)	\$ (1,842,411)

Victor Valley Wastewater Reclamation Authority
Revenues and Expenditures
Repairs and Replacement
For the Month Ended November 30, 2018

	Actual November 2018	YTD Actual FY 18-19	Approved Budget FY 18-19
REVENUES			
R&R Revenues	\$ -	\$ -	\$ -
Total REVENUES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
OTHER FINANCING SOURCES			
SRF Loan Funding	\$ -		\$ -
CAPITAL EXPENSES			
Personnel	\$ -	-	\$ -
Maintenance	11,577	112,624	1,204,326
Operations	-	-	25,000
Administrative	-	48,503	150,000
Construction	-	42,439	1,370,000
Total CAPITAL EXPENSES	<u>\$ 11,577</u>	<u>\$ 203,567</u>	<u>\$ 2,749,326</u>
Revenues over Expenses before Debt Service and Transfers	<u>\$ (11,577)</u>	<u>\$ (203,567)</u>	<u>\$ (2,749,326)</u>
FUND TRANSFERS IN			
Transfer from Operations and Maintenance Fund	\$ -	-	\$ 2,749,326
Interfund Loan Payment from O&M	-	-	-
Total FUND TRANSFERS IN	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,749,326</u>
FUND TRANSFERS OUT			
Salary/Benefits Charge to O & M	\$ -	-	\$ -
Admin Charge to O & M	-	-	-
Total FUND TRANSFERS OUT	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Excess Revenues Over Expenses	<u>\$ (11,577)</u>	<u>\$ (203,567)</u>	<u>\$ -</u>

Accrual Basis

Victor Valley Wastewater Reclamation Authority
Revenues and Expenditures
CAPITAL
For the Month Ended November 30, 2018

	Actual November 2018	YTD Actual FY 18-19	Approved Budget FY 18-19
REVENUES			
Connection Fees	\$ 646,200	\$ 1,087,530	\$ 2,000,000
Title 16 Grant - Subregional	-	-	-
Grant- Water Recycling	-	-	-
Sale of Assets, Scrap, & Misc Income	-	-	-
Interest	18,799	67,863	35,000
Proposition 1 Grant	-	-	-
Proposition 84 Grant	-	-	-
FMV Adjustment	-	2,886	-
CEC Microgrid Grant	-	18,143	-
Grant - FEMA/Cal-EMA	-	-	3,105,375
Total REVENUES	\$ 664,999	\$ 1,176,422	\$ 5,140,375
CAPITAL EXPENSES			
Personnel	\$ -	-	\$ 378,554
Maintenance	-	-	-
Operations	-	-	170
Administrative	-	(2,054)	-
Construction	-	55,600	430,000
Total CAPITAL EXPENSES	\$ -	\$ 53,546	\$ 808,724
Revenues over Expenses before Debt Service and Transfers	\$ 664,999	\$ 1,122,876	\$ 4,331,651
DEBT SERVICE			
SRF Principal	\$ -	-	\$ 2,002,675
SRF Interest	-	12,693	437,219
	\$ -	\$ 12,693	\$ 2,439,894
FUND TRANSFERS IN			
Capital Recovery - Septage from O&M	\$ -	-	-
Interfund Loan Payment from O&M	-	-	-
Total FUND TRANSFERS IN	\$ -	\$ -	\$ -
FUND TRANSFERS OUT			
Salary/Benefits Charge to O & M	\$ 8,930	44,648	-
Admin Charge to O & M	3,393	16,966	-
Total FUND TRANSFERS OUT	\$ 12,323	\$ 61,614	\$ -
Excess Revenues Over Expenses	\$ 652,676	\$ 1,048,569	\$ 1,891,757

Accrual Basis

Victor Valley Wastewater Reclamation Authority
Flow Study
For the Month Ended October 31, 2018

Measured by ADS	Percentage of Total %	October Monthly MG
VSD 1 (less North Apple Valley)	6.0543%	20.2250
VSD 2	14.8036%	49.4528
VSD 3	26.5569%	88.7160
VSD 4	6.4806%	21.6490
VSD 5	0.6214%	2.0760
VSD 6	6.8212%	22.7870
VSD Total	61.3380%	204.9058
Apple Valley 01	6.3222%	21.1200
Apple Valley 02	6.0618%	20.2500
Apple Valley North	0.0826%	0.2760
Apple Total	12.4666%	41.6460
Hesperia	20.5688%	68.7120
CSA 64 SVL	4.9545%	16.5510
CSA 42 Oro Grande	0.6722%	2.2450
CSA Total	5.6267%	18.7960
Total Apportioned Flow	100.0000%	334.0598
Mojave Narrows Regional Park		0.1000
Total Study Flow		334.1598

Victor Valley Wastewater Reclamation Authority



Operations and Maintenance Report

November 2018

VWRA O&M Monthly Report – November 2018

Page 1 of 10

**Victor Valley Wastewater Reclamation Authority
Operations and Maintenance Report
November 2018**

TO: Logan Olds, General Manager
FROM: Operations & Maintenance Staff
SUBJECT: OPERATIONS/MAINTENANCE REPORT
DATE: December 07, 2018

The following information details the operation of the Victor Valley Wastewater Reclamation Authority Facility. Included in this report is pertinent information regarding flows, process control information, process sampling, permit requirements, operations activities, and facility maintenance activities. This report is based on O&M activities for November 2018.

	Total	Average
Effluent to Mojave	114.27	3.81
Effluent to Ponds	201.78	6.72

	Limit
Biochemical Oxygen Demand (BOD) Effluent to Mojave	10 mg/l
Percent Removal	<4.67
	>99.070

	Limit
Total Suspended Solids (TSS) Effluent to Mojave	10 mg/l
Percent Removal	<2.0
	>99.534

	Limit
Turbidity 30 Day Average	2.0 ntu
	0.49

Major Operations Activities

Headworks

The Headworks area operated as intended throughout the months with normal equipment maintenance performed on a weekly basis.

Primary Treatment

Overall removal efficiency of the primary clarifiers was 46.67% removal of influent BOD and 75.99% removal of TSS. Typical operating parameters are 25 to 35 percent removal of BOD and 50 to 60 percent removal of TSS. The primary sludge concentration averaged 2.03% total solids at 70,773 gallons per day.

Primary clarifiers: #1, #3, #5, #6, #8 are currently online and continue to treat all incoming flow. Primaries #4 remained offline for the month. With three clarifier off line, the remaining 5 primary clarifiers are capable of treating peak flows up to 20 MGD.

The digester gas conditioning system remains online. The system will prevent premature wear and tear on engines #2 & #3 by removing siloxanes by the addition of ferric chloride. The system increases fuel pressure to the blower gas system, allowing for more output from the blower engine. Digester #4 and 5 gas is mixed and sent to the gas conditioning system. This all but eliminates the use of Natural gas to run engines #2 and #3.

Staff continues to add ADM/ Grease to Daft #3 from Primaries and truck deliveries where it is then feed it to Digesters #4 and #5. This operation is assisting in additional grease removal from the primary clarifiers and increased gas production in the anaerobic digesters.

Secondary Process

Secondary Clarifiers #1 thru #6 are currently offline, not needed at this time.

Aeration basins #1 thru 12 have been retrofitted with the new Aquarius diffusers and are currently performing very well reducing the RPM's on the Piller blower. Currently basins #1-6 and 7-12 are online.

Piller #1 is supplying air to basins #1-6, mixed liquor channel and aerated grit chamber. Piller #6 is supplying air to AB's #7-12.

Staff continues to monitor the solids under aeration and SVI to compare against the SRT Master Control Program. The SRT Master program is performing well. The secondary process has been performing well as a result of the SRT Master Control Program. Weekly Nitrogen studies performed by VVWRA staff produced results below regulatory requirements.

Thioguard was not used during the month.

Secondary turbidity averaged 1.59 (NTU) during the month of November 2018
The 30 minute settleometer test averaged 124.0 mL/L.
The average "pop time" of the MLSS was >90 min.

Percolation Ponds

South percolation ponds #7, #8, #10, #11, #12 and #13 were used and rotated during the month.

All Percolation Pond freeboard level requirements have been met during the month. All ponds are being rotated on a daily basis. Percolation Pond #6 remains off line and drained to minimal levels. No flow seepage has been observed. The north percolation ponds were used sparingly during the month.

Tertiary Filters

Aqua Diamond Filters #1 and #2 were utilized for the month of November. Filter Effluent average Turbidity of 0.54 NTU.

Solids

Digester #1 was drained on 8/19/16 and is offline. Digester #2 and #3 remain off line, drained and clean.

VVWRA O&M Monthly Report – November 2018

Page 4 of 10

Staff has been operating Digester #4 and #5 at predetermined sludge levels which is controlled by the SCADA system.

VVWRA received 606,428 gallons of ADM (Anaerobically Digestible Material) and FOG (Fats Oil and Grease). Total is comprised of 556,562 gallons of ADM and 88,464 gallons of FOG.

A Total 20,342,304cf/day of gas was created by digesters #4 and 5 for the month of November 2018.

That is an average gas production of 678,077cf/day.

Digester #4 averaged 349,267cf/day.

Digester #5 averaged 328,810cf/day.

Digester Volatile Acid/Alkalinity averaged 0.011 for the month.

Ultra Violet Disinfection (UV)

The UV system is currently operating via one channel mode.

Monthly UV intensity probe and flow meter calibration checks were performed.

Permit Continuous Monitoring Requirements and Permit Violations

All permit required, continuous monitoring equipment was on-line, in calibration and working properly during the month.

Date of last reportable incident: March 10, 2015

Days since last reportable incident: 1,361 days

Discharge Sampling

All required samples during the month of November 2018 were collected and processed as scheduled.

Miscellaneous

Maintenance Activities

VVWRA O&M Monthly Report – November 2018

Page 5 of 10

CMMS Work Order Activity

VVWRA KPI Report

12/7/2018

8:12 AM

11/1/2018 - 11/30/2018

KPI	Count	Percent
Planned Work Total	300	
Planned Work Completed	300	100.00%
Planned Work Completed On-Time	223	74.33%
Planned Work Incomplete	0	0 %
Planned Work Completed Late	77	25.67%
Total Work Completed	622	
Reactive Work Completed	126	20.26%
PM Work Completed	447	71.86%

Safety

1. Monthly Vehicle Safety Inspections completed.
2. Monthly gas tech monitor inspections completed.
3. Monthly Eyewash safety showers inspected.
4. Monthly SCBA inspections.
5. Hazardous storage area inspection.
6. Spill kit inspections.
7. Rigging training.

Preliminary Process

1. Aqua Guard pre-treatment screen inspected and serviced.
2. Headwork's Conveyor Belt Lube & Inspect.
3. Septage receiving sump cleaning completed.
4. Septage auger brush replacement.

VVWRA O&M Monthly Report – November 2018

Page 6 of 10

5. Conveyor belt repairs competed.

Primary Process

1. All PH and conductivity probes cleaned and calibrated.
2. Influent PH and conductivity probe calibrations complete.
3. Primary #3 Shear pin replacement.

Secondary Process

1. Piller blowers 1 & 6 weekly inspections complete.
2. Service Air compressors inspection and service completed.
3. Waukesha engines inspections.
4. Waukesha engine 4&5 source testing completed.
5. Piller #1 and #6 Filters Replacement.

Tertiary

1. Monthly gear box and platform drive wheel service complete
2. Filter #1 & #2 monthly platform gear box PM's comp
3. Monthly festoon inspection.
4. Filter #1 & #2 monthly backwash wasting pumps oil checks complete
5. All PH and conductivity probes cleaned and calibrated.

Ultra Violet Disinfection (UV)

1. PH and conductivity probes cleaned and calibrated
2. UVT probe calibrated
3. UV Compliance sample pumps foot valve cleaning.
4. UV MCC filters cleaning.

Treatment Disposal

1. DAFT #1 and #2 Air Compressors 1&2 PM services complete.
2. Drying bed #4 repairs completed.
3. Burial valves replaced Digesters 1-3.
4. Digester HEX 1&2 inspections.

Miscellaneous Plant

1. Monthly Emergency Generator test.
2. Monthly Blower buildings AHU filter replacement.

Plant Equipment**G/CHP 1&2**

1. Monthly UREA refill completed CHP #1 & #2
2. CHP1&2 differential pressure readings taken within normal range, Gas DP pressure collected within normal range.
3. Monthly gas samples collected.
4. CHP #1 E30 service completed.

Gas Conditioning Skid

1. Monthly gas sampling collected.
2. Digester 1-3 Pressure and vacuum vales maintenance completed.

OGPS

1. Monthly Generator Test completed.
2. Pump de-ragger installation.

AVPS OTOE

VVWRA O&M Monthly Report – November 2018

Page 8 of 10

1. Wet well cleaning.
2. Monthly Emergency generator test.

OFFROAD EQUIPMENT

1. Brown Bear weekly PM's completed.
2. JCB front loader weekly PM's complete.

FLEET

1. Monthly fleet inspections completed pumps, vehicles, hose reel trailer, light towers.

Victor Valley Wastewater Reclamation Authority



Environmental Compliance Department Report

November 2018

VWRA Environmental Compliance Department
Industrial Pretreatment Program

I. Interceptors Operation and Maintenance:

1. Interceptors cleaning & CCTV:

- ✓ Otoe Pump Station Wet well was pumped on 11/16/18

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 2018-2019 Interceptor sewer maintenance amount remaining for sewer cleaning and inspection services is \$89500

6. Dig Alert Underground tickets processed:

- ✓ A total of Ninety-Six (96) USA Tickets were received and processed in November 2018.

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:**
 - ✓ Eleven (11) New Business Questionnaires were processed in the month of November 2018.
 - ✓ Zero (0) New Business Inspection was conducted in the month of November 2018.
2. **New permits issued:**
 - ✓ Zero (0) New permits were issued in the month of November 2018.
3. **Permit renewals issued:**
 - ✓ Nine (9) Class III permit renewals were issued in the month of November 2018.
4. **Work Orders:**
 - ✓ 54 Work Orders were completed in November 2018
5. **Monthly revenues collected, and invoices issued:**
 - ✓ Revenues: \$
 - ✓ Invoiced: \$2,600.00

III. Industrial Pretreatment Activities (continued)

1. Current enforcement actions:

- ✓ Two (2) Notice of Violation was issued in November 2018.

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
405	Class III	Non-Significant Industrial User
1	Class IV	Zero Discharge Industrial User
10	Class V	Sanitary Waste Haulers

- ✓ The permitted establishments include:

17	Automotive Service Facility
13	Bakery
1	Brewery/Winery
21	Car Wash/Truck Wash/Bus Wash
3	Coffee Shop
9	Dry Cleaner
297	FSE
22	Grocery Store
3	Hospital
3	Misc. Food
3	Misc. Industrial
3	Other
1	Photographic
1	Print Shop
1	Prison
3	School
4	Water Retail
10	Waste Haulers

- ✓ Permitted businesses are distributed among member entities as follows: 167 in Victorville, 113 in Apple Valley, 123 in Hesperia and 1 in Oro Grande.

Victor Valley Wastewater Reclamation Authority



Environmental Compliance Department

Septage/FOG/ADM Monthly Report

November 2018

1. Septage/FOG/ADM receiving invoices and payments monthly report:

Payments and Invoices period: November 1st thru November 30th – Septage rate per Gallon: \$ 0.0936
FOG/ADM rate per Gallon: \$ 0.04

Receiving invoices

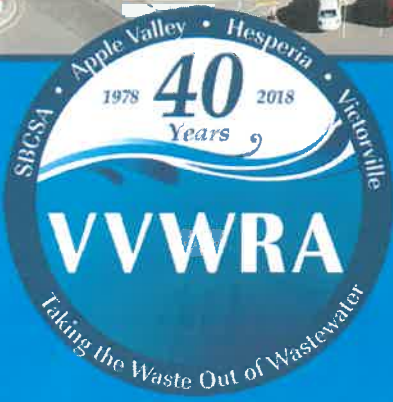
ID No	Septage Hauler	Invoice Date	Total Gallons	Invoice Amount
ABS000	Absolute Pumping	11/30/2018	33,594	\$3,144.40
ALP000	Alpha Omega Septic Service	11/30/2018	183,143	\$17,142.18
BUR000	Burns Septic	11/30/2018	84,000	\$7,862.40
HIT000	Hitt Plumbing	11/30/2018	24,045	\$2,250.62
HON001	Honest Johns Septic Service, Inc	11/30/2018	73,613	\$6,890.18
ROT001	T.R. Stewart Corp. dba Roto Rooter	11/30/2018	93,042	\$8,708.73
USA000	USA Septic	11/30/2018	73,400	\$6,870.24
ALP000	Alpha Omega Septic Service (Nutro)	11/30/2018	58,067	\$2,168.04
COW000	Co-West Commodities	11/30/2018	140,000	\$5,400.00
LIQ000	Liquid Environmental Solutions of CA	11/30/2018	0	\$0
SMC000	SMC Grease Specialist, Inc.	11/30/2018	335,500	\$12,320.00
WES004	West Valley MRF, LLC Burrtec Waste Industries, Inc.	11/30/2018	0	\$0
HIT000	Hitt Plumbing	11/30/2018	0	\$0
Grand Totals			1,098,404	\$72,756.79

Septage/FOG/ADM receiving payments:

ID No	Business Name	Payments Received
ABS000	Absolute Pumping	\$
ALP000	Alpha Omega Septic Service	\$
BUR000	Burns Septic	\$
HON001	Honest Johns Septic Service, Inc	\$
ROT001	T.R. Stewart Corp. dba Roto Rooter	\$
USA000	USA Septic	\$
ALP000	Alpha Omega Septic Service (Nutro)	\$
COW000	Co-West Commodities	\$
LIQ000	Liquid Environmental Solutions of CA	\$
SMC000	SMC Grease Specialist, Inc.	\$
WES004	West Valley MRF, LLC Burrtec Waste Industries, Inc.	\$
HIT000	Hitt Plumbing	\$
Grand Total		\$



Safety & Communications Report



November 2018



Safety

STAFF SAFETY TAILGATE/ORIENTATION

- November 1--Slips, trips and falls



- November 8--Near miss and rigging



- November 14--Forklift safety



- November 27--Carpal tunnel





Safety

SAFETY EVENTS/ TRAINING

- Safety tailgates
- DAMS Collections Day
- Rigging and signal
- Safety Committee

UNSAFE CONDITIONS REPORTED/RESOLVED

- Electrical issues in the polymer shack
- fence fixed at storage pond

DATE OF LAST REPORTABLE ACCIDENT/INJURY:
MARCH 25, 2018

DAYS SINCE LAST REPORTABLE ACCIDENT/INJURY:
250 DAYS



Safety

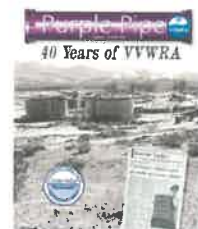
NEXT MONTH'S SCHEDULE OF STAFF TRAINING/SAFETY EVENTS :

- Safety Tailgates will be conducted at the Thursday weekly staff briefings.
- Safety Tailgates will be conducted at the monthly Administrative staff meetings.
- Rigging training and scheduling for 2019.

4

Communications

- Continued marking VWRA's 40th anniversary in social media etc.
- Released and distributed new 40th anniversary Fall edition of the Purple Pipe





Communications

ACTIVITIES

- Maintained new website and social media sites including Facebook & Twitter.



- Led tour for Cal State San Bernardino Graduate students



- Sunshine Committee
- CWEA/DAMS Collections Day