



Victor Valley Wastewater Reclamation Authority

Collaboration, Dedication, and Integrity

AB1600

For the Fiscal Year Ended June 30, 2020



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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 February 27, 2020.

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 \$4,679 per Equivalent Dwelling Unit (245 gallons per day or 20 fixture units) per Ordinance 002 that was adopted on February 27, 2020, effective on December 1, 2019.

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.

| 2020 | 9.5 MGD Capital Improvements | 11 MGD Expansion | North Apple Valley Interceptor | Phase IIIA Regulatory Upgrades | Upper Narrows Replacement Project | Nanticoke Bypass Project | Apple Valley Sub-Regional Project | Hesperia Sub-Regional Project | 2020 Total |
|------------------------|------------------------------|-------------------|--------------------------------|--------------------------------|-----------------------------------|--------------------------|-----------------------------------|-------------------------------|---------------------|
| SRF Loan Amount | \$ 4,069,859 | \$ 11,430,726 | \$ 4,084,688 | \$ 15,717,668 | \$ 4,286,380 | \$ 4,459,190 | \$ 26,455,229 | \$ 37,758,385 | \$ 108,262,125 |
| Annual Payment | \$ 265,050 | \$ 579,870 | \$ 258,151 | \$ 1,027,610 | \$ 257,745 | \$ 271,633 | \$ 1,024,951 | \$ 1,462,850 | \$ 5,147,860 |
| 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 | \$ 16,137,690 | \$ 23,032,615 | |
| Principal | \$ 11,108 | \$ - | \$ - | \$ 545,097 | \$ 200,921 | \$ 145,181 | \$ 468,504 | \$ 668,668 | \$ 2,039,479 |
| Interest | \$ 289 | \$ - | \$ - | \$ 225,611 | \$ 56,824 | \$ 58,544 | \$ 156,716 | \$ 223,672 | \$ 721,656 |
| Annual Payment | \$ 11,397 | \$ - | \$ - | \$ 770,708 | \$ 257,745 | \$ 203,725 | \$ 625,220 | \$ 892,340 | \$ 2,761,135 |
| 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 | \$ 10,317,539 | \$ 14,725,770 | |
| Principal | \$ 247,225 | \$ 548,803 | \$ 228,168 | \$ 181,699 | \$ - | \$ 48,394 | \$ 299,535 | \$ 427,507 | \$ 1,981,331 |
| Interest | \$ 6,427 | \$ 31,067 | \$ 29,983 | \$ 75,204 | \$ - | \$ 19,515 | \$ 100,196 | \$ 143,003 | \$ 405,395 |
| Annual Payment | \$ 253,652 | \$ 579,870 | \$ 258,151 | \$ 256,903 | \$ - | \$ 67,909 | \$ 399,731 | \$ 570,510 | \$ 2,386,726 |
| Total Principal | \$ 258,333 | \$ 548,803 | \$ 228,168 | \$ 726,796 | \$ 200,921 | \$ 193,574 | \$ 768,039 | \$ 1,096,175 | \$ 4,020,809 |
| Total Interest | \$ 6,716 | \$ 31,067 | \$ 29,983 | \$ 300,814 | \$ 56,824 | \$ 78,059 | \$ 256,912 | \$ 366,675 | \$ 1,127,051 |
| Annual Payment | \$ 265,049 | \$ 579,870 | \$ 258,151 | \$ 1,027,610 | \$ 257,745 | \$ 271,633 | \$ 1,024,951 | \$ 1,462,850 | \$ 5,147,860 |

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 2020

| Project Code | Project Description | Additions during YE 6/30/20 | Funding Sources | | | | | | | | | | |
|--------------|--------------------------------|-----------------------------|-----------------|--------|---------|---------|----------|--------------|-----|---------------------------|---------------------------|---------|-----------|
| | | | SRF | Prop 1 | Prop 13 | Prop 84 | Title 16 | FEMA/Cal OES | CEC | Operating Revenue/Reserve | Connection (Capacity) Fee | Total | |
| C126 | Oro Grande Interceptor Project | 3,199 | | | | | | | | 3,199 | | 3,199 | |
| C131 | Micro-grid/Battery Storage | 332,519 | | | | | | | | 332,519 | | 332,519 | |
| C130 | Storm Containment System | 29,388 | | | | | | | | | 29,388 | 29,388 | |
| R134 | Digester Repairs | 88,162 | | | | | | | | 88,162 | | 88,162 | |
| R138 | PLC Replacement Project | 704,550 | | | | | | | | 352,275 | 352,275 | 704,550 | |
| | | 1,157,818 | - | - | - | - | - | - | - | 332,519 | 443,636 | 381,662 | 1,157,818 |

| | FY 2020 |
|---|------------------|
| Operating Revenues | 15,457,755 |
| Operating Expenses excluding Depreciation | (13,451,693) |
| Operating Surplus | <u>2,006,062</u> |
| Connection (Capacity) Fee Accrued | <u>2,302,221</u> |

| Debt Service Payment | | Connection (Capacity) Fee Accrued | | Capital Fund Balance | |
|---------------------------|------------------|-----------------------------------|------------------|------------------------------------|------------------|
| Operating Revenue/Reserve | 2,761,134 | Apple Valley | 518,438 | Beginning Balance | 9,822,191 |
| Connection (Capacity) Fee | 2,386,726 | SB County | 212,425 | Connection (Capacity) Fee Received | 1,890,980 |
| | <u>5,147,860</u> | Hesperia | 750,000 | Interest and Misc Income | 271,102 |
| | | Victorville | 821,359 | Capital Acquisitions | (381,662) |
| | | | <u>2,302,221</u> | Capacity Loan Repayments | (2,386,726) |
| | | | | | <u>9,215,885</u> |

Project Description

Oro Grande Interceptor Project (C126)

This project will replace the existing pipeline located in a critical environmental area within the Mojave River and be upsized to increase capacity for future development in the Oro Grande Area.

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 that will increase the capacity of flows captured by the stormwater system that is sent back to the headworks for treatment prior to discharge.

Digester Repairs (R134)

This project will re-commission anaerobic digesters 1, 2, & 3, which have been out of commission for a number of years since digesters 4 & 5 were put into service. Once on-line these rehabilitated digesters will increase the solids capacity of the regional facility.

Project Description (Continued)

PLC Replacement Project (R138)

The Regional Plant uses PLCs to control the treatment equipment and to monitor process controls. The existing PLC's vary in age, capacity, and manufacturer types. Many of them have no replacement parts available due to their age and the fact that the manufacturer no longer makes or supports these parts. This replacement project will replace antiquated PLC's to newer more readily available controllers that will update control systems and add additional capacity for future growth.