

ORDINANCE NO. 001C

**AN ORDINANCE OF THE VICTOR VALLEY
WASTEWATER RECLAMATION AUTHORITY
INCREASING SEWER USER CHARGES**

WHEREAS, Ordinance No. 001 of the Victor Valley Wastewater Authority (“VWVRA”) adopted by the Board of Commissioners (“Commission”) of VWVRA on October 8, 1980, (also known as Ordinance No. 80-19, a copy of which is attached hereto as Exhibit “A” and is incorporated herein by this reference) establishes and imposes a schedule of user fees for services provided by the collection and treatment system owned, maintained and operated by VWVRA;

WHEREAS, Article 10, Section 10-01.2 of Ordinance No. 001 and subsequent amendments provide in pertinent part that the Commission reserves the right to change the schedule of regional sewer service charges and other charges and fees from time to time as necessary for the proper operation, maintenance, repair, replacement, and expansion of the regional system;

WHEREAS, the funds collected pursuant to Ordinance No. 001 as amended are used to pay for the cost of operating and maintaining the collection and treatment systems owned, maintained and operated by VWVRA;

WHEREAS, since the last increases in sewer user charges in 1995 and 2004 provided for in Table II of Ordinance No. 001 and Resolutions 1995-14 and 2004-9, the cost of operating and maintaining VWVRA’s sewer-system has increased;

WHEREAS, absent a sewer user charge increase, VWVRA will incur a deficit due to the costs of operating and maintaining the sewer system exceeding the amount of revenue which VWVRA presently receives in sewer user charges under the existing rate;

WHEREAS, the Commission believes that it is necessary and desirable to operate the sewer system on a basis which does not require substantial subsidization from other sources of VWVRA revenues;

WHEREAS, (1) after discussing these matters with staff for its member entities, (2) considering studies conducted on behalf of the Commission by consultants; and, (3) conducting the necessary notice and public hearing process in the matter, the Commission believes that an increase of the sewer user charges set forth in Sections 2 and 4 below is necessary in light of the findings above;

NOW THEREFORE, the Board of Commissioners of the Victor Valley Wastewater Reclamation Authority hereby ordains as follows.

Section 1. Findings. The Board of Commissioners asserts and adopts the findings set forth above;

Section 2. Increase In Sewer User Charges. The current User Fee Schedule is hereby increased, in terms of volume alone and in terms of monthly charges as follows:

a. from \$7.93 (seven dollars and ninety three cents) to \$9.91 (nine dollars and ninety-one cents) per EDU (Equivalent Dwelling Unit) effective July 1, 2007, and if applicable because of addition of COLA) by an additional 3% (three percent) per year effective each July 1st thereafter. Expressed in terms of millions of gallons, the User Fee Schedule will be increased from \$1,065.00 (one thousand and sixty five dollars) per one million gallons to \$1,353.00 (one thousand three hundred and fifty three dollars) per one million gallons effective July 1, 2007.

b. The User Fee Schedule will increase to \$11.90 (eleven dollars and ninety cents) per EDU (Equivalent Dwelling Unit) in July 2008 and \$12.49 (twelve dollars and forty-nine cents) in July 2009. Expressed in terms of millions of gallons, the User Fee Schedule will be increased from \$1,614.00 (one thousand, six hundred and fourteen dollars) per one million gallons in July 2008 and \$1,687.00 (one thousand, six hundred and eighty seven dollars) per one million gallons in July 2009. The July 2008 and July 2009 increase will be subject to review and/or adjustment by the Board of Commissioners after complying with all legal requirements. Any such review and adjustment may be affected by Resolution.

Section 3. Repeal Of Section Of Ordinance No. 001 Table II of Section 10-01.1, Ordinance No. 001 is hereby repealed in its entirety.

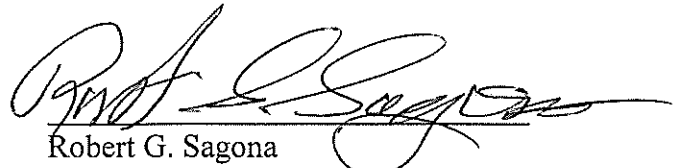
Section 4. Amendment Of Section Of Ordinance No. 001 Section 10-01.1, Table II of Ordinance No. 001 as amended by Resolutions 1995-14 and 2004-9 is hereby replaced by revised Table II, which is attached hereto as Exhibit "B" and is incorporated herein by this reference.

Section 5. Continued Effect Of Remaining Provisions Of Ordinance No. 001. The remaining provisions of Ordinance No. 001 not expressly repealed or amended by this Ordinance shall remain in full force and effect.

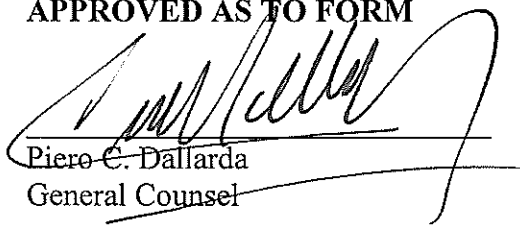
Section 6. Effective Date. This Ordinance shall take effect and be in full force thirty (30) days after its adoption. Prior to the expiration of the fifteen (15) days from its adoption, the Ordinance or a summary of it shall be published in The Daily Press, a newspaper of general circulation within the boundaries of the Victor Valley Wastewater Reclamation Authority, or a newspaper of substantially equivalent circulation.

APPROVED AND ADOPTED this 22nd day of June, 2007, by the following vote:

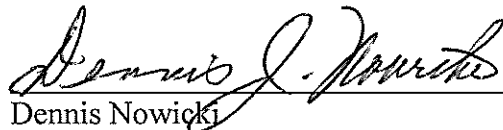
AYES: *Four (4)*
NOES: *∅*
ABSTENTIONS: *∅*
ABSENCES: *∅*


Robert G. Sagona
Chair, Board of Commissioners

APPROVED AS TO FORM


Piero C. Dallarda
General Counsel

ATTEST:


Dennis Nowicki
Secretary of the Commission

CERTIFICATION

I, Patricia J. Johnson, Secretary to the Board of Commissioners (“Commission”) of the Victor Valley Wastewater Reclamation Authority, certify that the foregoing ordinance was introduced at a regular meeting of the Board of Directors on the 15th day of June, 2007, and was adopted by the Commission at a regular meeting held on the 22nd day of June, 2007, by the following vote of the Commissioners:

AYES:	Four (4)
NOES:	None
ABSENT:	None
ABSTAINED:	None

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Victor Valley Wastewater Reclamation Authority on this 22nd day of June, 2007.


Patricia J. Johnson
Secretary to the Board of Commissioners

**Victor Valley Wastewater Reclamation Authority Total Source and Use of Funds-
Consolidated View
For Fiscal Years Ending 2007 Through 2012
TABLE II**

EXHIBIT "B"

Line		Increase in User Charges						
		0.00% 0	0.00% 1	25.00% 2	20.00% 3	5.00% 4	3.00% 5	3.00% 6
		FY 05-06	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12
5	Beginning Fund Balance	\$2,248,574	\$1,751,750	(\$873,698)	\$2,081,475	\$240,516	\$458,753	\$2,229,802
	Source of Funds							
8	User Charges	4,791,095	5,470,000	7,624,135	10,019,213	11,558,729	13,039,471	14,598,654
9	High Strength	314,272	325,000	336,700	348,821	361,379	374,388	387,866
10	Septage Receiving	436,854	450,000	466,200	482,983	500,371	518,384	537,046
11	Reclaimed Water Sales	22,824	25,000	26,000	27,040	28,122	29,246	30,416
12	Pretreatment Fees	51,875	60,000	62,160	64,398	66,716	69,118	71,606
13	Interest	161,740	70,000	21,951	30,194	58,050	17,482	121,715
14	Proceeds From Borrowing			7,000,000				-
15	Other	102,076	2,500					
16	Total Source of Funds	5,880,736	6,402,500	15,537,146	10,972,650	12,573,366	14,048,089	15,747,304
	Use of Funds							
19	Personnel	3,175,511	3,601,169	4,053,070	4,294,412	4,646,744	5,018,879	5,199,559
20	Maintenance	371,872	352,000	364,672	377,800	391,401	405,491	420,089
21	Operations	884,758	905,000	937,580	1,080,876	1,208,430	1,345,740	1,493,447
22	Energy	778,574	875,000	917,000	961,016	1,007,145	1,055,488	1,106,151
23	Administration	1,107,183	1,274,500	1,320,382	1,367,916	1,417,161	1,468,179	1,521,033
24	Repair & Replacement-Needs	59,662	\$2,317,600	3,843,974	3,989,294	2,941,952	2,040,968	2,474,451
25	Debt Service on COPs /Includes cost of Issue			\$753,000	\$350,000	\$350,000	\$350,000	\$350,000
26	Capital Fund Reimbursement (Adelanto)			\$392,296	\$392,296	\$392,296	\$392,296	\$392,296
27	Anti-degradation Policy Compliance						200,000	207,200
28	Total Use of Funds	6,377,560	9,325,269	12,581,973	12,813,609	12,355,129	12,277,041	13,164,226
30	Less Net Fund Transfers (From CIP)		297,321					
32	Net Annual Funds Available	(\$496,824)	(\$2,625,448)	\$2,955,173	(\$1,840,959)	\$218,237	\$1,771,049	\$2,583,077
34	Transfer to Rate Stabilization Fund			\$0	\$0	\$0	\$0	\$2,180,034
36	Ending Fund Balance	\$1,751,750	(\$873,698)	\$2,081,475	\$240,516	\$458,753	\$2,229,802	\$2,632,845
38	Total Coverage	0.92	0.69	1.23	0.86	1.02	1.14	1.20
39	20% Board Policy Reserve	\$1,275,512	\$1,865,054	\$2,516,395	\$2,562,722	\$2,471,026	\$2,455,408	\$2,632,845
41	User Charges		\$7.93	\$9.91	\$11.90	\$12.49	\$12.86	\$13.25
42	User Charge Per Million Gallons		\$1,065	\$1,353	\$1,614	\$1,687	\$1,740	\$1,794
43	Percent Change in User Charge			25.00%	20.00%	5.00%	3.00%	3.00%
44	Rate Stabilization Fund- Cumulative Balance			\$0	\$0	\$0	\$0	\$2,180,034

Notes: The following notes refer to individual line numbers above

8 The projected User Charge revenue is based on the growth provided by RBF engineers Nov. 3 2006 and the rate increased as noted on line 1

9 High Strength is inflated at 3.6% LA Region CPI last 5 years

10 Septage Receiving inflated at 3.6% LA Region CPI Last 5 years

11 Reclaimed Water Sales inflated at an estimated 4% per year

12 Pretreatment Fees inflated at 3.6% LA Region CPI Last 5 years

13 Interest is based on the average Fund balance at 5.0% using a combination of LAIF and CDs

14 \$7,000,000 note for a maximum of 5 years at 5%-Interest only to be taken out by permanent financing

19 Personnel Expense is based on the average cost per employee times the number of employees FY 06-07(43), 3.6%-For the following FYs Employees are as follows: FY 07-08 (43) Emp. FY 08-09 (45) Emp., FY 09-10 (47) Emp.,FY 10-11 (49) Emp., FY 11-12 (49), FY 13-14 (51emp.)

20 Maintenance is inflated 3.6% per year

21 Operations Cost inflated as result of growth and 3.6% inflation

22 Energy is inflated at 4.8% Los-Angeles-Riverside CPI

23 Administration inflated 3.6% per year

24 Repair and Replacement Budget Based on General Managers Assessment of Facilities inflated at 3.8%

25 Debt service on a \$7M Borrowing for 5 years-Interest only (5%) -assumes take out with permanent financing -Cost of Issuance includes legal and professional services as well as past costs in preparation for borrowing

26 Capital Fund Reimbursement (ASF) -This is to reimburse the capital fund for use of those funds for R & R

27 Anti-Degradation Policy is based on \$200,000 beginning in FY 10-11-based on management's best estimate at this time

28 Total Use of Funds=Rows 19 through 27

30 Fund Transfers account for any reimbursements to the general fund for capital or bond funded work done by VVWRA staff

32 Net Operating Income/(Loss)-is the annual difference between operating revenue and operating expenses-(Line)6-Line28+Line 30)

34 Transfer to Rate Stabilization Fund is Lines 5+8+9+10+11+12+13+15-28-39

36 Ending Fund Balance-is the result of beginning fund balance plus Funds Source less Funds Use-Lines 5+32-34

38 Total Coverage-line 16/line 28

39 Minimum Operating Balance- the Board of Directors adopted a policy of maintaining a 20% operating reserve-this is the target line.

41 User Charges-are based on the increase as noted in line 1

42 User Charge Per Million Gallons-is based on annual user charge revenue divided by the total total annual volume of sewage treated

43 Percent Change in User Charge is the annual increase in the monthly charge (Check line)

44 Rate stabilization fund is funded after the minimum reserve and R & R needs are met. Minimum target is 6 months of O & M and a maximum of 18 months.

41 Note: The Proposed Charges Include the CPI Increase