
Operations Budget Overview

OPERATING REQUIREMENTS

The net operating budget finances the administrative, operations and maintenance, and program costs for collecting, treating, and disposing of wastewater. The net operating budget for FY 2008-09 is \$138.939 million and for FY 2009-10 is \$145.920 million.

Following are descriptions of the major factors that comprise the operating budget:

Regulatory Requirements: Stringent air pollution control requirements that are mandated or expected to be mandated by the South Coast Air Quality Management District (AQMD) for control and reduction of hydrogen sulfide (H₂S), oxides of nitrogen (NO_x) and oxides of sulfur (SO_x) emissions, result in high operational costs to remove pollutants from the digester gas produced in our treatment plants and to control emissions from our digester-gas-fired engines used for the Central Power Generation Facilities.

The Environmental Laboratory and Ocean Monitoring and Source Control divisions carry out monitoring, enforcement, outside and in-house laboratory services, and special project activities. These activities are necessary to comply with the ocean monitoring and pretreatment program provisions of our NPDES permit as well as our AQMD permit requirements.

Urban Runoff Program: The Urban Runoff program was established to protect and improve the regional water quality of Orange County's coastal watershed by accepting dry weather urban runoff into the District's sewerage system. This program addresses the public health and environmental impacts associated with the urban runoff discharge that cannot be economically or practically controlled by alternative means. The Source Control division administers the program through a permitting and monitoring program to regulate the quantity and quality of urban runoff that is discharged into the District's sewerage system.

Fats, Oil, and Grease (FOG) Control Program: This program was established to respond to the RWQCB's *General Waste Discharge Requirements* (Order No. R8-2002-0014) to control sanitary sewer overflows. The District's Source Control Division facilitated the regional efforts to develop FOG Control Programs and has a program for the District to regulate the quantity and quality of FOG-laden

wastewater that is discharged into the District's sewerage system.

Operating Chemicals: Chemicals are used for disinfection, coagulant, and odor control programs. Recently bid chemical contracts have indicated that costs will increase. The budgetary allocations for these major expenses for FY 2008-09 and FY 2009-10 have been increased accordingly.

- **Disinfection:** The District is committed to disinfecting the effluent. The largest cost related to disinfection is that used for chemicals, specifically bleach. After disinfecting the effluent with bleach, sodium bisulfite is used to ensure that no residual chlorine is discharged into the ocean. The disinfection process reduces the effluent bacteria levels at the shore to the standards required by Assembly Bill 411.
- **Coagulants:** Coagulant chemicals are used to enhance the primary treatment and solids removal processes. They are also used to control hydrogen sulfide in the digesters.
 - Ferric chloride and anionic polymer are used to enhance the primary treatment process. Ferric chloride is an iron salt which is used to increase the solids removal efficiencies in the primary treatment process and to control digester hydrogen sulfide. Ferric chloride is also used to control hydrogen sulfide levels in the digester gas as required by AQMD Rule 431.1.
 - Cationic polymer is added to digested sludge prior to dewatering in order to improve the sludge and water separation process. Cationic polymer is also added to the waste activated sludge dissolved air flotation thickeners to improve solids coagulation. As more secondary treatment processes come on-line, the usage of cationic polymer is expected to increase in order to meet the needs of the increased solids production.
- **Odor Control:** Hydrogen sulfide is naturally generated in trunk sewers when oxygen is not present. Hydrogen sulfide then converts into sulfuric acid which corrodes concrete and metal. In an effort to extend the useful life of the District's trunk line assets, the District adds chemicals to key trunk lines to control hydrogen sulfide levels and corrosion.

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- Hydrogen peroxide and sodium hydroxide (caustic soda) are used in the trunk sewers for control of sulfides and in the foul air scrubbers to control hydrogen sulfide.
- The largest cost for odor control is for ferrous chloride along with magnesium hydroxide. These costs cover chemicals, tanks, pumps, and servicing for continuous treatment for odor control within four trunk lines.

Residuals Management: These costs are for the hauling and beneficial reuse of biosolids. These costs continue to be a significant budget item as reuse options are reduced, hauling costs increase, and as biosolid production increases as a result of performing more secondary treatment. A smaller component of waste disposal is for hauling and disposal of grit and screenings. Grit and screenings waste is not able to be reused and is disposed of in a municipal landfill.

Repairs and Maintenance: Preventive maintenance and repair activities throughout the District's expanded and upgraded treatment facilities continue to keep this budgetary category at a significant amount. Outsource service agreements are included in this category.

Utilities: The cost for utilities is a significant component of the operating budget. The largest utility cost incurred by the District is the electricity that is purchased to run the plant processes. Natural gas is purchased to supplement the digester gas that is used to run the central generation facilities. The central generation facilities produce some electricity that is used for running the plants, but since FY 2005-06 the central generation production was reduced in order to meet new air emission limits.

Cooperative Projects Grant Program: To reduce inflow and infiltration to the District's sewage system, local sewers which are not owned or maintained by the District must be repaired. The Cooperative Projects Grant Program funds projects that are led by local agencies to reduce the inflow and infiltration entering the District's sewerage system. Funds are provided for an approved project on a reimbursement basis after the project has been completed.

Operations Summary

Proposed Budget Comparisons by Department

Department and Division	2007-08 Revised Budget	2007-08 Projected	2008-09 Proposed	Budget Percent Change	2009-10 Proposed	Budget Percent Change
General Management Department						
General Management Administration	\$ 1,785,560	\$ 1,107,600	\$ 2,053,360	15.00%	\$ 2,128,580	3.66%
Assistant General Manager	797,000	909,540	910,720	14.27%	974,500	7.00%
Board Services	837,290	717,170	649,250	-22.46%	686,270	5.70%
Public Information Office	959,390	947,260	1,020,960	6.42%	1,038,960	1.76%
Safety and Health	2,161,130	1,860,920	2,118,910	-1.95%	2,211,450	4.37%
Department subtotal	<u>6,540,370</u>	<u>5,542,490</u>	<u>6,753,200</u>	<u>3.25%</u>	<u>7,039,760</u>	<u>4.24%</u>
Finance Department						
Administrative Services Admin	380,850	423,360	440,210	15.59%	472,010	7.22%
Financial Management	5,342,160	5,087,800	3,874,450	-27.47%	4,224,560	9.04%
Contracts, Purch. & Materials Mgmt	3,751,150	3,382,190	3,616,590	-3.59%	3,866,190	6.90%
Human Resources	4,103,980	3,474,200	3,697,940	-9.89%	4,774,710	29.12%
Information Technology	6,580,270	6,804,840	7,329,460	11.39%	7,688,440	4.90%
Department subtotal	<u>20,158,410</u>	<u>19,172,390</u>	<u>18,958,650</u>	<u>-5.95%</u>	<u>21,025,910</u>	<u>10.90%</u>
Technical Services Department						
Technical Services Admin & Research	1,124,060	1,103,360	1,277,600	13.66%	1,325,500	3.75%
Environmental Compl & Reg Affairs	3,901,650	3,005,150	3,813,560	-2.26%	3,629,970	-4.81%
Environmental Lab & Ocean Monitoring	8,340,760	7,891,810	8,413,300	0.87%	8,711,130	3.54%
Source Control	5,265,120	5,521,800	5,740,200	9.02%	6,031,200	5.07%
Department subtotal	<u>18,631,590</u>	<u>17,522,120</u>	<u>19,244,660</u>	<u>3.29%</u>	<u>19,697,800</u>	<u>2.35%</u>
Engineering Department						
Engineering Administration	574,170	409,090	412,790	-28.11%	443,390	7.41%
Planning	4,550,080	5,018,990	3,250,440	-28.56%	5,065,550	55.84%
Project Management Office	2,692,930	2,359,300	2,613,870	-2.94%	2,777,370	6.26%
Engineering & Construction	7,950,300	7,750,320	9,260,750	16.48%	9,799,140	5.81%
Facilities Engineering	1,570,260	1,278,730	1,495,750	-4.75%	1,588,050	6.17%
Department subtotal	<u>17,337,740</u>	<u>16,816,430</u>	<u>17,033,600</u>	<u>-1.75%</u>	<u>19,673,500</u>	<u>15.50%</u>
Operations & Maintenance Dept.						
Operations and Maintenance Admin.	536,850	384,560	373,250	-30.47%	402,500	7.84%
Regional Assets & Services	1,081,790	973,440	-	-100.00%	-	0.00%
Collection Facilities O&M	9,488,390	9,538,920	8,333,200	-12.17%	8,602,600	3.23%
Facilities Maintenance & Fleet Services	4,367,810	4,313,650	7,286,430	66.82%	7,849,230	7.72%
Operations & Maint. Process Eng.	2,101,320	1,975,850	2,428,830	15.59%	2,538,160	4.50%
Plant No. 1 Operations	22,839,515	19,988,310	27,066,620	18.51%	30,768,110	13.68%
Plant No. 2 Operations	26,973,635	22,278,150	28,611,960	6.07%	29,041,730	1.50%
Mechanical & Reliability Maintenance	17,160,140	16,358,880	15,997,260	-6.78%	13,085,770	-18.20%
Instrumentation & Electrical Maint.	12,535,040	13,824,750	15,186,930	21.16%	15,843,670	4.32%
Department subtotal	<u>97,084,490</u>	<u>89,636,510</u>	<u>105,284,480</u>	<u>8.45%</u>	<u>108,131,770</u>	<u>2.70%</u>
Less: Cost Allocation	<u>(19,779,200)</u>	<u>(17,742,100)</u>	<u>(20,503,410)</u>	<u>3.66%</u>	<u>(21,530,710)</u>	<u>5.01%</u>
Less: Operating Revenues	<u>(5,099,000)</u>	<u>(7,640,520)</u>	<u>(7,836,000)</u>	<u>53.68%</u>	<u>(8,122,000)</u>	<u>3.65%</u>
Net Operating Expenses	<u>\$ 134,874,400</u>	<u>\$ 123,307,320</u>	<u>\$ 138,935,180</u>	<u>3.01%</u>	<u>\$ 145,916,030</u>	<u>5.02%</u>

2008-09 & 2009-10 Budget

Proposed Budget Expense by Category

Description	2006-07 Actual	2007-08 Revised Budget	2007-08 Projected	2008-09 Proposed	2009-10 Proposed
Salaries, Wages, & Benefits	\$ 71,574,723	\$ 79,924,560	\$ 79,445,430	\$ 83,844,080	\$ 90,008,160
Administrative Expenses	1,095,519	1,520,740	1,367,090	1,325,360	1,293,520
Printing & Publication	459,051	650,730	604,050	651,020	654,610
Training & Meetings	1,124,856	1,503,140	1,313,710	1,433,710	1,440,370
Operating Materials & Supplies	16,684,653	23,058,340	17,767,630	22,368,520	23,731,840
Contractual Services	15,630,140	21,417,440	19,871,840	28,503,150	28,889,700
Professional Services	2,367,736	3,731,840	2,782,390	3,774,320	2,955,420
Research & Monitoring	1,426,408	1,572,740	1,096,440	1,426,410	1,409,860
Repairs & Maintenance	7,567,182	10,333,750	10,744,060	11,321,190	10,092,530
Utilities	8,072,262	9,883,260	8,403,370	9,719,370	10,212,260
Other Materials, Supplies, and Svc.	2,119,593	3,656,060	2,890,670	2,607,460	2,815,940
Capital Grants to Member Agencies	2,127,154	2,500,000	2,403,260	300,000	2,064,530
Cost Allocation	<u>(16,101,402)</u>	<u>(19,779,200)</u>	<u>(17,742,100)</u>	<u>(20,503,410)</u>	<u>(21,530,710)</u>
Net Operating Requirements	114,147,875	139,973,400	130,947,840	146,771,180	154,038,030
Net Operating Revenue	<u>(8,033,660)</u>	<u>(5,099,000)</u>	<u>(7,640,520)</u>	<u>(7,836,000)</u>	<u>(8,122,000)</u>
Net Operating Budget	<u>\$ 106,114,215</u>	<u>\$ 134,874,400</u>	<u>\$ 123,307,320</u>	<u>\$ 138,935,180</u>	<u>\$ 145,916,030</u>
Cost to Collect/Treat 1 Million Gallons	<u>\$ 1,268.38</u>	<u>\$ 1,478.08</u>	<u>\$ 1,516.06</u>	<u>\$ 1,654.98</u>	<u>\$ 1,738.13</u>
Flow, Million Gallons	<u>83,661</u>	<u>91,250</u>	<u>81,334</u>	<u>83,950</u>	<u>83,950</u>
Flow Per Day, MGD	<u>229.21</u>	<u>250.00</u>	<u>222.83</u>	<u>230.00</u>	<u>230.00</u>

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Proposed Budget Allocation to Individual Revenue Areas

Revenue Area No.	Total Gallonage Flows, Million Gallons per Year (MG)					
	2007-08 Projected Flow (MG)	Projected Increase (MG)	2008-09 Budgeted Flow (MG)	Percent of Total	2009-10 Budgeted Flow (MG)	Percent of Total
Consolidated	76,698.00	2,466.89	79,164.89	94.30%	79,164.89	94.30%
14	4,636.00	149.11	4,785.11	5.70%	4,785.11	5.70%
TOTALS	81,334.00	2,616.00	83,950.00	100.00%	83,950.00	100.00%

Revenue Area No.	Average Daily Gallonage Flows, Million Gallons per Day (MGD)					
	2007-08 Projected Flow (MGD)	Projected Increase (MGD)	2008-09 Budgeted Flow (MGD)	Percent of Total	2009-10 Budgeted Flow (MGD)	Percent of Total
Consolidated	210.13	6.76	216.89	94.30%	216.89	94.30%
14	12.70	0.41	13.11	5.70%	13.11	5.70%
TOTALS	222.83	7.17	230.00	100.00%	230.00	100.00%

FY 2008-09 Estimated Allocation of Net Costs to Revenue Areas

Revenue Area No.	Collection Costs	Net Treatment & Disposal Costs	Total Costs	Total Cost/MG
Consolidated	\$ 20,007,840	\$ 111,589,980	\$ 131,597,820	\$ 1,662.33
14	592,260	6,745,100	7,337,360	1,533.37
TOTALS	\$ 20,600,100	\$ 118,335,080	\$ 138,935,180	\$ 1,654.98

FY 2009-10 Estimated Allocation of Net Costs to Revenue Areas

Revenue Area No.	Collection Costs	Net Treatment & Disposal Costs	Total Costs	Total Cost/MG
Consolidated	\$ 21,112,050	\$ 117,100,820	\$ 138,212,870	\$ 1,745.89
14	624,950	7,078,210	7,703,160	1,609.82
TOTALS	\$ 21,737,000	\$ 124,179,030	\$ 145,916,030	\$ 1,738.13

2008-09 & 2009-10 Budget

Proposed Budget Net Operating Expense by Line Item

Description	2006-07 Actual	Adjusted Budget 2007-08	2007-08 Projected	2008-09 Proposed	% Budget Change to 08-09	2009-10 Proposed	% Budget Change to 09-10
Salaries, Wages, & Benefits							
<u>Salaries & Wages</u>							
Salaries & Wages	\$ 53,184,653	\$ 58,708,100	\$ 58,126,100	\$ 60,541,500	3.12%	\$ 64,531,100	6.59%
<u>Employee Benefits</u>							
OCERS Retirement	12,308,342	13,972,560	13,983,000	15,241,300	9.08%	16,206,000	6.33%
Group Insurance	5,576,080	6,451,400	6,525,600	7,351,980	13.96%	8,136,160	10.67%
Tuition Reimb & Educ Devel	112,231	150,000	152,700	503,100	235.40%	503,100	0.00%
Uniform Rental	73,845	63,200	84,800	84,800	34.18%	84,800	0.00%
Workers Compensation	310,103	559,300	559,400	107,400	-80.80%	533,000	396.28%
Unemployment Insurance	9,469	20,000	13,830	14,000	-30.00%	14,000	0.00%
Salaries, Wages, & Benefits	71,574,723	79,924,560	79,445,430	83,844,080	4.90%	90,008,160	7.35%
Materials, Supplies, & Services							
<u>Administrative Expenses</u>							
Memberships	264,788	337,300	288,400	302,800	-10.23%	314,280	3.79%
Office Exp - Supplies	119,708	145,520	134,140	142,440	-2.12%	144,200	1.24%
Postage	38,971	298,300	233,020	58,450	-80.41%	58,450	0.00%
Books & Publications	40,310	48,540	45,780	59,070	21.69%	55,070	-6.77%
Forms	2,068	3,900	3,250	3,350	-14.10%	3,350	0.00%
Small Computer Items	575,294	574,100	574,100	634,400	10.50%	634,100	-0.05%
Minor Furniture & Fixtures	54,380	113,080	88,400	124,850	10.41%	84,070	-32.66%
<u>Printing & Publication</u>							
Repro-In-House	352,422	464,440	439,770	481,670	3.71%	484,220	0.53%
Printing-Outside	77,812	146,890	127,180	131,450	-10.51%	132,490	0.79%
Notices & Ads	28,083	38,250	35,500	35,500	-7.19%	35,500	0.00%
Photo Processing	734	1,150	1,600	2,400	108.70%	2,400	0.00%
<u>Training & Meetings</u>							
Meetings	255,384	389,240	259,810	348,710	-10.41%	355,370	1.91%
Training	869,472	1,113,900	1,053,900	1,085,000	-2.59%	1,085,000	0.00%
<u>Operating Materials & Supplies</u>							
Chemical Coagulants	4,446,451	5,870,260	5,004,000	6,171,300	5.13%	7,063,500	14.46%
Odor Control	4,724,834	5,914,600	5,625,240	6,673,120	12.82%	7,184,500	7.66%
Disinfection	5,180,789	9,007,300	4,935,400	7,149,900	-20.62%	7,062,700	-1.22%
Chemicals-Cogen. Ops.	33,982	21,600	21,600	22,000	1.85%	22,600	2.73%
Miscellaneous Chemicals	19,071	21,600	21,600	22,000	1.85%	22,530	2.41%
Gasoline, Diesel & Oil	566,429	653,780	620,210	648,770	-0.77%	687,160	5.92%
Tools	357,749	307,310	290,810	399,800	30.10%	380,590	-4.80%
Safety Equipment/tools	313,088	264,740	298,280	312,560	18.06%	323,170	3.39%
Solv, Paints, & Jan. Supplies	98,025	89,650	103,530	109,450	22.09%	110,670	1.11%
Lab Chemicals & Supplies	772,783	668,600	662,050	662,650	-0.89%	677,490	2.24%
Misc. Operating Supplies	140,836	203,500	157,210	161,270	-20.75%	161,230	-0.02%
Property Tax Fees	30,616	35,400	27,700	35,700	0.85%	35,700	0.00%
<u>Contractual Services</u>							
Solids Removal	11,733,832	14,302,450	14,302,450	19,890,000	39.07%	21,840,000	9.80%
Other Waste Disposal	637,589	2,700,000	1,631,150	4,330,300	60.38%	2,854,800	-34.07%
Groundskeeping	333,449	304,000	306,700	345,000	13.49%	355,000	2.90%
Janitorial	447,591	452,100	452,500	462,500	2.30%	492,500	6.49%
Outside Lab Services	140,660	132,000	129,500	150,500	14.02%	153,100	1.73%
Oxygen Plant Oper	308,768	378,500	278,500	429,000	13.34%	442,000	3.03%
County Service Fee	333,117	474,000	380,000	387,000	-18.35%	394,000	1.81%
Temporary Services	337,543	356,390	573,540	421,000	18.13%	412,800	-1.95%
Security Services	201,997	436,000	436,000	479,600	10.00%	479,600	0.00%
Other	1,155,594	1,882,000	1,381,500	1,608,250	-14.55%	1,465,900	-8.85%

Operations Summary

Proposed Budget Net Operating Expense by Line Item (Continued)

Description	2006-07 Actual	Budget 2007-08	2007-08 Projected	2008-09 Proposed	Budget Change As A %	2009-10 Proposed	Budget Change As A %
Professional Services							
Legal	670,201	642,280	466,940	683,900	6.48%	480,900	-29.68%
Audit & Accounting	228,771	260,300	153,440	241,500	-7.22%	235,940	-2.30%
Engineering	222,991	1,111,300	850,000	1,341,500	20.71%	922,000	-31.27%
Enviro Scientific Consult	232,480	192,000	75,000	155,000	-19.27%	139,000	-10.32%
ERP Support	33,973	247,160	247,160	-	n/a	-	n/a
Software Prgm Consult	76,571	100,200	30,000	361,500	260.78%	363,000	0.41%
Advocacy Efforts	333,016	249,000	249,000	264,000	6.02%	275,250	4.26%
Industrial Hygiene Svcs	26,873	20,000	20,000	20,000	0.00%	20,000	0.00%
Labor Negotiation Svc	309	20,000	-	-	n/a	-	n/a
Other	542,551	889,600	690,850	706,920	-20.54%	519,330	-26.54%
Research & Monitoring							
Environmental Monitoring	624,180	757,300	346,000	539,150	-28.81%	478,600	-11.23%
Air Quality Monitoring	82,477	226,000	161,000	210,000	-7.08%	250,000	19.05%
Research	719,751	589,440	589,440	677,260	14.90%	681,260	0.59%
Repairs & Maintenance							
Materials & Services	6,227,160	8,849,060	9,322,090	9,685,330	9.45%	8,375,360	-13.53%
Service Maint. Agreements	1,340,022	1,484,690	1,421,970	1,635,860	10.18%	1,717,170	4.97%
Utilities							
Telephone	207,632	218,500	257,500	267,000	22.20%	267,340	0.13%
Diesel For Generators	23,022	16,640	18,000	18,500	11.18%	19,000	2.70%
Natural Gas	1,346,817	1,279,000	1,649,370	2,042,000	59.66%	2,042,000	0.00%
Electricity	5,293,057	7,016,600	5,089,200	5,935,000	-15.41%	6,261,000	5.49%
Water	1,201,734	1,352,520	1,389,300	1,456,870	7.72%	1,622,920	11.40%
Other Operating Costs							
Outside Equip Rental	1,078	7,280	-	300	-95.88%	300	0.00%
Insurance Premiums	29,819	27,000	30,270	45,000	66.67%	46,000	2.22%
In-Lieu Insurance Premium	1,466,800	1,998,200	1,998,200	912,100	-54.35%	1,082,100	18.64%
Freight	114,377	111,210	116,910	121,010	8.81%	124,130	2.58%
Misc. Operating Expense	78,364	102,860	84,040	108,600	5.58%	94,250	-13.21%
Uncollectible Accounts	8	5,000	-	-	n/a	-	n/a
Regulatory Operating Fees	396,756	518,000	432,400	445,200	-14.05%	471,500	5.91%
Contingency	-	738,500	-	413,000	-44.08%	423,600	2.57%
Prior year reappropriation	-	-	-	413,000	n/a	423,600	2.57%
Other Interest Expense	3,060	1,000	500	500	-50.00%	500	0.00%
Loss on obsolete inventory	612	104,500	191,540	103,400	-1.05%	104,600	1.16%
Other Non-Oper Expense	28,719	42,510	36,810	45,350	6.68%	45,360	0.02%
Capital Grants-Member Agencies	2,127,154	2,500,000	2,403,260	300,000	-88.00%	2,064,530	588.18%
Materials, Supplies, & Services	58,674,554	79,828,040	69,244,510	83,430,510	4.51%	85,560,580	2.55%
Total Operating Requirements	130,249,277	159,752,600	148,689,940	167,274,590	4.71%	175,568,740	4.96%
Cost Allocation	(16,101,402)	(19,779,200)	(17,742,100)	(20,503,410)	3.66%	(21,530,710)	5.01%
Net Operating Requirements	114,147,875	139,973,400	130,947,840	146,771,180	4.86%	154,038,030	4.95%
Net Operating Revenue	(8,033,660)	(5,099,000)	(7,640,520)	(7,836,000)	53.68%	(8,122,000)	3.65%
Net Operating Budget	\$ 106,114,215	\$ 134,874,400	\$ 123,307,320	\$ 138,935,180	3.01%	\$ 145,916,030	5.02%
Cost to Collect, Treat, & Dispose of 1 Million Gallons	\$ 1,268.38	\$ 1,478.08	\$ 1,516.06	\$ 1,654.98		\$ 1,738.13	
Flow, Million Gallons	83,661	91,250	81,334	83,950		83,950	
Flow Per Day, MGD	229.21	250.00	222.83	230.00		230.00	

2008-09 & 2009-10 Budget

Proposed Budget Operating Revenue by Category

<u>Description or Account Title</u>	<u>Actual 2006-07</u>	<u>Budget 2007-08</u>	<u>Projected 2007-08</u>	<u>Proposed 2008-09</u>	<u>Proposed 2009-10</u>
Inter District Sewer Use (SAWPA)	\$ 4,338,719	\$ 3,100,000	\$ 4,601,400	\$ 4,470,000	\$ 4,649,000
Wastehauler Disposal Fees	1,196,975	600,000	1,117,900	1,157,000	1,203,000
Sludge Disposal Fees	1,053,832	925,000	1,053,600	1,054,000	1,096,000
CNG Sales	343,420	300,000	537,100	440,000	458,000
Rents & Leases	34,171	34,000	33,900	34,000	7,000
General Non Operating Income	1,020,493	100,000	266,100	643,000	669,000
Power Sales	<u>46,050</u>	<u>40,000</u>	<u>30,520</u>	<u>38,000</u>	<u>40,000</u>
Total	<u>\$ 8,033,660</u>	<u>\$ 5,099,000</u>	<u>\$ 7,640,520</u>	<u>\$ 7,836,000</u>	<u>\$ 8,122,000</u>

Notes to Operations Summary

NOTES TO THE FISCAL YEAR 2008-09 and 2009-10 OPERATIONS BUDGET

Salaries, Wages & Benefits

Salaries & Wages - The proposed budget is set at 641.0 and 648.0 Full Time Equivalent (FTE) positions for FY 2008-09 and 2009-10, respectively. Provision has been made in these salary projections in order to comply with the terms of the most recently adopted MOU's.

Retirement - The District's employees are members of the Orange County Employees' Retirement System (OCERS). The employer's required contribution rate has been increased from 20.06% to 21.34%. In addition, the District pays 3.5% on behalf of each employee.

Group Insurance – This includes the District's share of employees' medical plans, dental insurance plans, and life and disability insurance premiums. This also includes the other post-employment benefits that the District is obligated to pay for retirees. The FY 2008-09 budget includes an estimated 10% increase for all plans except the dental plan which reflects no increase. The FY 2009-10 budget includes an estimated 10% increase for all plans.

Tuition & Certification Reimbursements – To encourage the self-development and training of employees, the District has a tuition and certification reimbursement program. This appropriation is set at \$200,000 each year.

Development Pay – To further promote employee efforts that increase job knowledge, skills, and abilities, the District has established this new benefit for employees obtaining educational degrees and job-related certificates/licenses. The budget of \$303,100 is based on estimated employee participation.

Uniforms - This budget projection is for uniforms provided to field and lab employees in accordance with employee MOU's.

Workers' Compensation – This item is used to maintain the level of accumulated reserves for workers' compensation self-insurance. The amount recommended is \$107,400 for FY 2008-09 and \$533,000 for FY 2009-10. The total estimated expenditures for the workers' compensation program are set forth in detail in the Self-Insurance section.

Unemployment Insurance - The District is on an actual claims paid basis, which has historically resulted in an overall lower cost because of favorable claims history. This appropriation is proposed at a level consistent with the prior year's actual costs.

Memberships – The District has memberships in agencies such as Orange County Business Council, National Association of Clean Water (NACW), California Association of Sanitation Agencies (CASA), Southern California Association of Public Owned Treatment Works (SCAP), and the Center for Demographic Research.

Administrative Expenses - These accounts include supplies, postage, technical journals and publications, forms, small office equipment, and small computer items. The small equipment and computer items cost less than \$5,000 per item and exclude items that are capitalized.

Printing and Publication – The budget provides for in-house and outside reproduction costs and reflects an expanded management information system and administrative requirements as well as a continuing demand by the public and regulatory agencies for information. This group of accounts also includes costs for photo processing, advertisements, and notices.

Training & Meetings - Expanding activities of regulatory agencies have required increased Board member and staff travel in recent years. It is expected that considerable travel will continue to be required in connection with efforts related to the renewal of our NPDES permit. This category also includes ongoing technical training and materials for staff; a program to provide supervisors with training to effectively manage their groups; training for computerized plant monitoring and control systems, Laboratory Information Management System (LIMS), Computerized Maintenance Management System (CMMS), Enterprise Resource Planning (ERP), and other "high tech" equipment, processes and systems; and training to allow for an adaptive and flexible work force. The District continues to place an emphasis on safety, technical, and management training. The training budget is approximately two percent of budgeted, regular salaries.

2008-09 & 2009-10 Budget

Operating Materials & Supplies

Chemical Coagulants – Chemical coagulants are used to enhance the primary treatment process by increasing the solids removal efficiencies and are used to control hydrogen sulfide levels in the digester gas.

Anionic polymer and cationic polymer usage is estimated to increase over FY 2008-09 due to increased solids production and in order to enhance primary clarifier performance. Ferric chloride usage, however, is anticipated to decrease. These estimated usage changes along with expected cost increases result in slightly higher budget amounts for the next two years.

Odor Control Chemicals - The District uses hydrogen peroxide and sodium hydroxide (caustic soda) as the primary odor control chemicals within the treatment plants; hydrogen peroxide, muriatic acid, magnesium hydroxide, and bleach are the primary odor control chemicals used within the collection system.

The FY 2008-09 budget for these chemicals is increased to \$6.7 million primarily as a result of higher usage and unit cost for magnesium hydroxide in the collection system trunklines as two additional treatment locations are planned. The FY 2009-10 budgeted amount increases to \$7.2 million mainly as a result of an anticipated increase in the unit cost of odor control chemicals.

Disinfection Chemicals – The disinfection process reduces the bacteria in the plant effluent discharge by using bleach (12.5% hypochlorite solution). This is followed by dechlorination using sodium bisulfite to remove chlorine by-products.

Bleach and sodium bisulfite usage is expected to increase in FY 2008-09, essentially due to a higher number of construction shutdowns. The construction shutdowns require an increase in the chlorine residual buffer capacity to reduce the coliform spikes caused by interruptions in normal operations. This increase is more than offset by a decrease in the unit cost for bleach in FY 2008-09 as compared to the anticipated unit cost for bleach at the time of the FY 2007-08 budget. Overall, disinfection chemical costs are budgeted to decrease \$1.9 million in FY 2008-09. While the disinfection chemical usage is estimated to decrease somewhat in FY 2009-10, unit cost increases are expected to largely offset the decreased usage.

Gasoline, Oil and Fuel - This group of accounts includes gasoline, oil, and diesel fuel required to operate stationary treatment plant equipment as well as approximately 300 pieces of major mobile equipment such as trucks, cranes, etc. Also included in this group of accounts is the cost for filling the compressed natural gas tanks. Much of the cost of the compressed natural gas is recovered by selling the compressed natural gas to outside users. We are anticipating budget for this group of items to be essentially unchanged.

Other Operating Supplies – This group of accounts is for miscellaneous items such as scrubber acids, activated carbon, solvents, cleaners, hardware, janitorial supplies, tools, safety equipment, laboratory supplies, etc., that are required to operate and maintain existing and expanding facilities. This group of accounts is expected to increase by approximately \$200,000 in FY 2008-09 as a result of increased staff, technology changes driving the purchase of new tools, and increased safety consciousness causing greater use of protective equipment.

Contractual Services - The major component of this category is biosolids removal and transport costs. Contracts have been executed with firms for agricultural reuse of residual solids. Since the closure of the Coyote Canyon Landfill in 1990, no replacement site for sludge disposal has yet been approved within Orange County. A total of \$24.2 million has been budgeted for solids and other waste removal and transportation in FY 2008-09 and \$24.7 million in FY 2009-10.

This category also includes appropriations for groundskeeping services, janitorial services, security services, toxic removal services, outside laboratory services, trash pickup, plant site sweeping, temporary help to level out periodic increases in staff workload, a maintenance contract for the Plant 2 oxygen generation plant, CCTV services, and line cleaning services.

Professional Services - Includes General Counsel, special labor counsel, audit and miscellaneous accounting services, legislative advocacy, engineering, and other technical consulting services.

Research and Monitoring – Overall this category of costs is expected to decrease approximately \$150,000 in FY 2008-09 and then remain stable the following fiscal year. The costs in this category

Notes to Operations Summary

consist of contract services to carry out the extensive ocean monitoring program required by EPA Region IX under the provisions of the District's NPDES permit; air quality monitoring costs; the District's contribution to the Southern California Coastal Water Research Project (SCCWRP) being conducted under a joint powers agreement with other Southern California municipal dischargers; and also provides for operational and ocean research and evaluation to develop optimum operating parameters in the treatment plants.

Repairs and Maintenance - This item, which is for parts and services for repairing plant and collection facilities, reflects an authorization to allow for routine equipment maintenance. Out-sourced annual service contracts and maintenance agreements are also included. Both FY 2008-09 and FY 2009-10 include non-annual, routine maintenance costs totaling \$2.6 million and \$0.8 million, respectively.

The FY 2008-09 non-annual, routine maintenance includes the Ocean Outfall Booster Station (OOBS) discharge line repair budgeted at \$400,000. In addition \$800,000 is budgeted for the overhaul of two central generation system engines scheduled to be done in FY 2008-09.

Utilities – The cost for utilities is a significant component of the operating budget. The overall cost for utilities is anticipated to decrease by \$200,000 over the FY 2007-08 budget and then to increase by \$500,000 in FY 2009-10.

Natural Gas - Natural gas is purchased to supplement the digester gas that is used to run the central generation facilities. The FY 2008-09 and 2009-10 budgets reflect essentially consistent levels of natural gas used, except for a small increase at Plant 2, since central generation production has been reduced in order to meet new air emission limits.

Electricity - Electricity is the largest utility cost incurred by the District and is used to run the plant processes. The FY 2008-09 proposed budget is decreased \$1.1 million. The reduction is due to lower rate estimates for the plants as previously anticipated rate increases did not occur. This reduction is tempered by a forecast increase in energy imports due to further reductions in CenGen production and an increase in secondary treatment levels at Plant 2. The \$326,000 increase in the FY 2009-10 proposed budget is due to anticipated rate increases.

Other Materials, Supplies, and Services

Insurance Premiums - Other than approximately \$45,000 budgeted each year in the operating section to insure the District's ocean vessel, the cost for general liability and property insurance premiums is budgeted entirely within the Self-Insurance section.

In-Lieu Insurance Premium - This item is used to maintain the level of accumulated reserves for property and general liability self-insurance. The amount recommended is \$912,000 for FY 2008-09 and \$1.082 million for FY 2009-10. The total estimated expenditures for the insurance program are set forth in detail in the Self-Insurance section.

Capital Grants to Member Agencies – The payments to agencies in connection with the Cooperative Projects Grant Program are expected to total \$300,000 in FY 2008-09 and \$2.1 million in FY 2009-10.

Other Operating & Non-Operating Expenses - Expenses not chargeable elsewhere, such as freight and miscellaneous items, and annual regulatory fees assessed by the SCAQMD, are recorded within these groups of accounts.

Cost Allocation – This represents direct labor and benefit charge outs and materials, supplies and services cost allocation to the capital project where the related work was performed.

Net Operating Requirements - This line item represents the net salary, wages, benefits, materials, supplies, and services related to operating costs for collection, treatment, and disposal activities, after charge backs to CIP.

Net Operating Revenue – This budget amount is for revenues from the wastehauler disposal facilities at Plant No. 1, charges to other agencies, surplus power sales to Edison, sales of compressed natural gas, and other miscellaneous items.

Net Operating Budget - This line item represents the Net Operating Requirements after reductions for revenues generated from the sale of by-products, charges to other agencies, and other miscellaneous operating revenues.

2008-09 & 2009-10 Budget

Listing of Proposed Purchases Over \$100,000

Resolution 07-04, "Establishing Policies and Procedures For: The Award of Purchase Orders and Contracts; Public Works Project Contracts; Professional Services Contracts; and Delegation of Authority to Implement Said Policies and Procedure," was adopted by the Board on February 28, 2007. Article IV, Section 4.03(B) of the Resolution provides that, "Purchases of supplies, materials, equipment or services, including Professional Service Consultants...as outlined in each Fiscal Year's annual budget, to include capital equipment, shall be bid and awarded directly by the Contracts/Purchasing Manager." The annual authorization amount for a multi-year contract is determined in the year the contract is bid/let. Therefore, the contract authorization amount indicated herein is valid only when the contract is bid/let in FY 2008-09.

Following are services or supply items identified in the budget process with a cost greater than \$100,000. Staff requests the Board approve the purchase of these items and those listed in the Proposed CORF Equipment Detail listing, found in Section 8 – Page 120 through 121, without further Board action in accordance with the referenced policy.

<u>Description of Services or Supplies</u>	<u>Division</u>	<u>Contract Authorization</u>	<u>Change Order Contingency (1)</u>
<u>Chemical Contracts</u>			
Anionic polymers for solids removal	420/820/830/840	\$ 324,000	0% (2)
Cationic polymers for solids removal	420/820/830/840	2,233,000	0% (2)
Ferric chloride	420/820/830/840	3,614,300	0% (2)
Caustic soda for disinfection and odor control	420/830/840	623,900	0% (2)
Hydrogen peroxide for disinfection and odor control	830/840	1,630,000	0% (2)
Bleach for disinfection and odor control	830/840	7,001,900	0% (2)
Magnesium hydroxide for odor control	420/830/840	1,926,820	0% (2)
Ferrous chloride for odor control	420/830/840	2,128,000	0% (2)
Sodium bisulfite for dechlorination	830/840	427,000	0% (2)
<u>Other Contracts</u>			
Security services contract	153	479,600	10%
Hazardous waste services	153	117,000	10%
Uniform contract	230	300,000	10%
Printshop managed service program	250	300,000	10%
Local Sewer Line Cleaning	420	350,000	10%
CCTV Services for sewers	420	300,000	10%
Replacing/raising manhole frames & covers	420	325,000	10%
Easement/right-of-way maintenance	420	200,000	10%
Sewer repair / relining	420	100,000	10%
Sewer spot repair	420	100,000	10%
Manhole structural repair and coating services	420	100,000	10%
Dig Alert program contract	420	176,800	10%
Field Inspection of manholes services	420	110,000	10%
Groundskeeping services contract	420/430	345,000	10%
Custodial services contract	430	460,000	10%
Process area preventive maintenance/painting program	430	725,000	10%
Gasoline and lubricants - cardlock fuel contract	430	235,000	10%
Compressed natural gas	430	230,000	10%
CEQA compliance for Kern County litigation - court order	620	200,000	10%
Soil clean-up for autoshop contamination	620	150,000	10%
Air quality compliance testing	620	210,000	10%
Air quality emissions and permit fees	620	215,000	10%
NPDES permit fees	620	178,000	10%
Outside laboratory services	630	112,000	10%
Core OMP benthic infauna taxonomy	630	175,000	10%
Physical oceanographic data analysis	630	175,000	10%
Thomas Bros. map production (150)	740	110,000	10%
Solids removal	830/840	19,890,000	10%
Grit and screenings hauling and disposal	830/840	553,500	10%
Natural gas	830/840/860	2,042,000	10%
Oxygen plant services	840	429,000	10%
Digester cleaning and disposal	850	3,600,000	10%
P2 gas holder bladder replacement	850	250,000	10%
Engine overhauls	850	800,000	10%
Electric arc flash study (OSHA requirement)	860	150,000	10%
GAP water	860	956,500	10%
Total		<u>\$ 55,058,320</u>	

Note 1: The change order contingency is for the lifetime of the contract and is based on the annual authorized amount in the year the contract is bid/let. [For example, a three-year contract which is authorized for an annual contract amount of \$300,000 with a 10% change order contingency must be initially bid/let for less than or equal to \$300,000; over the life of the contract, the total change orders may not exceed 10% of \$300,000, or \$30,000.]

Note 2: Once a chemical contract is bid/let, there is no increase in unit cost allowed without Board approval.