



Victor Valley Wastewater Reclamation Authority

Financial Plan

Final Draft 05/15/09



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INDEPENDENT PUBLIC FINANCE ADVISORS



VWRA Financial Plan Final Draft 05/15/09 Key Points

- Based on the revised financial projections, VWRA User Charges are projected as follows:

	Current	2009/10	2010/11
User Charge per MG	\$1,614	\$2,100	\$2,600
<i>Est. Monthly Rate / EDU (245 gpd)</i>	<i>12.03</i>	<i>15.65</i>	<i>19.38</i>
<i>Est. Monthly Rate / EDU (180 gpd)</i>	<i>8.84</i>	<i>11.50</i>	<i>14.24</i>

- The rate increases are needed to restore financial stability (current rates are below the cost of service) and enable VWRA to secure financing for the revised \$28.3 million of near-term "critical path" CIP projects needed primarily to address regulatory requirements. The rate increases are phased in over two years to help mitigate the annual impact. VWRA would need to adopt both years of rate increases since adoption of the 2010/11 rate is needed to secure financing for \$28.3 million of capital projects. The first year rate increase is more of an interim step and is still below the cost of service (in response to a strong desire by some member agencies for minimal rate increases during these difficult economic times). In fact, a substantial deficit is projected for 2009/10. This deficit could be worse if actual growth is lower than projected in the financial projections. VWRA always has the option of reevaluating its finances next year in order to determine an appropriate rate increase for 2010/11. At this stage, we are only considering rate increases needed over the next two years. Additional rate increases may be needed in subsequent years.
- The proposed VWRA User Charges translate to a rate increase ranging from \$2.70 - \$3.60 per month per typical home or EDU based on an average flow per EDU ranging from 180 gpd – 245 gpd. The actual increase per EDU is dependent on each agency's average flow per EDU. The total 2-year increase would range from roughly \$5.40 to \$7.35 per month per typical home. However, member agencies should evaluate their own sewer enterprise finances to determine an appropriate sewer rate increase for each of the next two years.
- Member agency sewer rates per single family residence or EDU currently range from a little below \$20 to \$25 per month. The proposed VWRA User Charges would increase monthly sewer rates by roughly \$6 assuming average flow of 200 gpd per EDU. This results in rates for a typical home increasing to approximately \$26 to \$31 per month in 2010/11. For comparison, the California statewide average monthly sewer rate in 2007/08 was approximately \$34 per month (based on the State Water Resources Control Board's Wastewater User Charge Survey Report dated May 2008). The statewide average rate has increased by an average of over 8% per year over the past 5 years. Accounting for a modest 4% annual increase in sewer rates from 2007/08, the statewide monthly average sewer rate would be about \$38 in 2010/11.
- In order to provide adequate repayment security to enable VWRA to issue debt, both VWRA and the member agencies should adopt rates adequate to support debt repayment prior to issuing debt. With this in mind, it is recommended that rates be adopted such that revenues from rates and other recurring revenue streams be adequate to fund operations and annual debt service, without reliance on Capital Facility Fees over the next two years.
- Whenever feasible, VWRA should maximize use of low-rate SRF Loans for eligible capital projects. SRF Loans typically have 20-year repayment terms with subsidized interest rates that are currently below 2.75%. The first payment for an SRF Loan is typically not due until one year after the loan-funded project is complete.
- Legal covenants for bonds or SRF Loans will require VWRA to increase rates and fees as needed to ensure gross annual revenues (including Capital Facility Fees) is adequate to fund operations and at least 120% of

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annual debt service. Capital Facility Fees will need to be collected from a minimum of approximately 200 new EDUs in order to meet the debt service coverage test. Any funds remaining after paying for operations, maintenance, and debt service can be used to fund repairs and replacements or any other purpose.

- The proposed VVWRA rates do not leave a lot of room for error. There are always a number of unknowns regarding future finances. While the proposed rates are expected to be adequate to enable VVWRA to issue debt to secure \$28.3 million of project funding in the upcoming year, no guarantees can be made that the proposed rates will pass muster with either the bond market or the SRF Loan Credit Review process. While municipal bond interest rates are still relatively low by historical standards, interest rates can vary widely based on underlying credit quality. With the proposed rates, there is still a significant reliance on revenues from capacity charges levied on new development in order to meet debt service coverage requirements and provide funding (after paying for operations, maintenance, and debt service) for repairs and replacements. While the projections are based on what currently seems like a low growth scenario, there is always the risk that lower-than-projected growth, reduced flows, and/or higher-than-projected expenses can drive the need for additional rate increases.
- Member agencies will need to adopt rate increases pursuant the process established by Proposition 218. These rates cannot be exceeded without going back through the Prop. 218 process. However, there is no legal requirement to actually collect the full rate increase adopted if those rate increases are not needed. In essence, agencies should adopt rates adequate to enable VVWRA to issue debt under a low-growth scenario; however, they don't have to fully implement those rates if they are not ultimately needed. I wouldn't bank on this occurring, but it remains a possibility. For example, as long as adequate rates are adopted pursuant to Prop. 218, a member agency could theoretically opt to draw down its own fund reserves thereby reducing the rate actually collected. This can help mitigate the actual first year rate increase if that is an agency's policy priority. However, this should not be construed as a recommendation.
- Near-term capital improvements have been substantially reduced with the cash flows now only accounting for \$28.3 million of "critical path" CIP projects planned for the next two years and exclude reimbursement for approximately \$6.5 million prior capital expenditures funded by cash. Prior versions of the financial projections accounted for \$170 million of capital improvements over the next four years, including a \$6.5 million reimbursement from debt proceeds for improvements previously funded by cash.
- The cash flows and rate projections do not account for any potential future flow diversion from Victorville, whose plans for a new SCLA wastewater treatment plant assume a 1.5 mgd diversion of wastewater flows from VVWRA. The main impacts on VVWRA due to the potential flow diversion would include: a) a substantial reduction in User Charge revenues due to reduced flows, b) a much smaller reduction in variable operating costs, mainly reduced utility and chemical costs (it is not anticipated that VVWRA would be able to reduce staffing, maintenance, or other fixed costs); c) potential additional revenues due to SCLA sludge disposal fees paid to VVWRA; however these new revenues might be partially offset by higher sludge disposal costs. The net impact is that flow diversion would likely result in the need for additional rate increases since VVWRA's fixed costs, which account for most of the expenditures, would need to be recovered from a lower amount of flows. Preliminary analysis estimates that a 1.5 mgd flow diversion would equate to roughly a 12% reduction in flows from current levels and would require approximately an additional 10% rate increase.
- Capacity charges are one-time fees levied to recover the costs of infrastructure and assets benefiting new development. Capacity fees are governed by Government Code Section 66013 which states that the fee "*shall not exceed the estimated reasonable cost of providing the service for which the fee or charge is imposed*" unless approved by a two-thirds vote. The Code also states that a capacity charge can recover costs for facilities in existence at the time a charge is imposed or charges for new facilities to be constructed in the future that will provide benefit to the property being charged. The Code does not specify any method for determining an appropriate fee. The Capacity Fee Update calculates a new charge of approximately \$3,750 per EDU, an increase of \$535 from the current fee of \$3,215 per EDU. The updated fee is calculated based on an average cost methodology: total value of existing infrastructure and anticipated improvements divided by total capacity with the improvements. This new fee calculation is substantially lower than prior draft calculations due primarily to the exclusion of the cost and capacity of future subregional water reclamation plants. Considering these subregional plants are an integral component of VVWRA's adopted CIP, it is recommended that some reasonable cost estimate for these facilities be included in the fee calculation, with the expectation that the capacity fee would be significantly higher accounting for both the additional costs and capacity provided by the subregional treatment plants. VVWRA can adopt the updated fee as a temporary measure until engineering cost estimates for the subregional treatment facilities are available.

Table 1
Victor Valley Wastewater Reclamation Authority
Rates & Fees

	2005/06	2006/07	2007/08	2008/09
User Charges (\$ per MG)	1,064.50	1,064.50	1,353.00	1,614.00
Rate Increase %	3.1%	0.0%	27.1%	19.3%
Est. Monthly Cost per EDU (at 245 gpd)	7.93	7.93	10.08	12.03
<i>Note: Actual average flows per EDU are lower</i>				
<i>Note: Some residential customers are assigned >1 EDU based on local rates</i>				
High Strength Surcharges				
BOD \$/lb for strength > 200 mg/l	0.14190	0.14190	0.14190	0.14190
TSS \$/lb for strength > 250 mg/l	0.07850	0.07850	0.07850	0.07850
NH3 \$/lb for strength > 20 mg/l	1.09630	1.09630	1.09630	1.09630
Rate Increase %		0.0%	0.0%	0.0%
Septage Receiving Fee (\$ per gallon)	?	01/01/07 0.0783	0.0783	0.0936
Rate Increase %			0.0%	19.5%
Connection Fee	increased for last 2.5 months	04/12/06		
Per Fixture Unit	\$75.00	\$160.75	\$160.75	\$160.75
Per EDU (20 FUs)	1,500	3,215	3,215	3,215

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Table 2
 Victor Valley Wastewater Reclamation Authority
 Historical Wastewater Flows by Agency (Million Gallons)

	SB County	Apple Valley	Hesperia	Victorville	Total (MG)	% of Total	Ttl (mgd)
2005/06							
Jul-Dec	145.2	386.0	284.2	1,446.4	2,261.7	50.3%	
Jan-Jun	<u>137.6</u>	<u>331.5</u>	<u>271.7</u>	<u>1,496.4</u>	<u>2,237.2</u>	<u>49.7%</u>	
Total	282.8	717.5	555.9	2,942.7	4,498.9	100.0%	12.33
% of Ttl	6.3%	15.9%	12.4%	65.4%	100.0%		
2006/07							
Jul-Dec	158.1	311.4	297.1	1,503.8	2,270.3	50.4%	
Jan-Jun	<u>168.6</u>	<u>308.4</u>	<u>324.0</u>	<u>1,429.7</u>	<u>2,230.7</u>	<u>49.6%</u>	
Total	326.6	619.8	621.1	2,933.5	4,501.0	100.0%	12.33
% of Ttl	7.3%	13.8%	13.8%	65.2%	100.0%		
2007/08							
Jul-Dec	176.1	318.4	334.5	1,475.6	2,304.5	50.6%	
Jan-Jun	<u>106.5</u>	<u>387.9</u>	<u>292.0</u>	<u>1,462.1</u>	<u>2,248.5</u>	<u>49.4%</u>	
Total	282.6	706.3	626.4	2,937.8	4,553.1	100.0%	12.47
% of Ttl	6.2%	15.5%	13.8%	64.5%	100.0%		
2008/09 (first 6 months)							
Jul-Dec	139.0	365.1	291.1	1,464.7	2,259.9		
% of Ttl	6.2%	16.2%	12.9%	64.8%	100.0%		
Est. Total	213	774	583	2,918	4,488		12.30
Est. EDUs	2,376.6	8,658.5	6,517.3	32,635.8	50,188.2		
<i>Assumes 50% flow in each half of fiscal year.</i>							

Table 3
Victor Valley Wastewater Reclamation Authority
Historical User Charges by Agency

	SB County	Apple Valley	Hesperia	Victorville	Total \$	Est. mgd	% of Total
2005/06							
Jul-Dec	\$154,524	\$411,196	\$302,537	\$1,539,633	\$2,407,890	12.29	50.3%
Jan-Jun	<u>146,841</u>	<u>354,283</u>	<u>289,193</u>	<u>1,592,868</u>	<u>2,383,185</u>	<u>12.37</u>	<u>49.7%</u>
Total	301,365	765,479	591,731	3,132,501	4,791,075	12.33	100.0%
% of Ttl	6.3%	16.0%	12.4%	65.4%	100.0%		
2006/07							
Jul-Dec	168,258	331,455	316,219	1,601,074	2,417,005	12.34	50.4%
Jan-Jun	<u>179,466</u>	<u>328,343</u>	<u>344,932</u>	<u>1,521,903</u>	<u>2,374,644</u>	<u>12.32</u>	<u>49.6%</u>
Total	347,724	659,797	661,151	3,122,977	4,791,649	12.33	100.0%
% of Ttl	7.3%	13.8%	13.8%	65.2%	100.0%		
2007/08							
Jul-Dec	238,250	430,752	452,516	1,996,581	3,118,099	12.52	50.6%
Jan-Jun	<u>142,564</u>	<u>524,857</u>	<u>395,070</u>	<u>1,978,312</u>	<u>3,040,803</u>	<u>12.42</u>	<u>49.4%</u>
Total	380,814	955,609	847,586	3,974,893	6,158,901	12.47	100.0%
% of Ttl	6.2%	15.5%	13.8%	64.5%	100.0%		
2008/09 (first 6 months)							
Jul-Dec	224,352	589,203	469,871	2,364,097	3,647,523	12.28	
% of Ttl	6.2%	16.2%	12.9%	64.8%	100.0%		
Est. Total	445,563	1,170,158	933,163	4,695,097	7,243,981	12.30	
Est. EDUs	3,086	8,106	6,464	32,524	50,180		
<i>Assumes 50% flow in each half of fiscal year.</i>							

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Table 4
 Victor Valley Wastewater Reclamation Authority
 Flow & EDU Projections

Fiscal Year Ending June 30	Wastewater Flow (mgd)				Estimated EDUs (245 gpd/EDU)			
	Actual	2006 Flow Study	2008 Flow Study	2008 Financial Plan	Actual	2006 Flow Study	2008 Flow Study	2008 Financial Plan
2001	8.43				34,408			
2002	8.85				36,122			
2003	9.40				38,367			
2004	10.63				43,388			
2005	12.19	12.19			49,755	49,755		
2006	12.32	13.39			50,286	54,653		
2007	12.43	14.70	12.43		50,735	60,000	50,735	
2008	12.26	16.00	12.63	12.26	50,041	65,306	51,551	50,041
2009		17.71	12.84	12.19		72,286	52,408	50,791
2010		19.41	13.05	12.31		79,224	53,265	51,291
2011		21.12	14.89	12.43		86,204	60,776	51,791
2012		22.82	15.79	12.55		93,143	64,449	52,291
2013		24.53	16.89	12.67		100,122	68,939	52,791
2014		26.23	17.89	12.79		107,061	73,020	53,291
2015		27.94	18.87	12.91		114,041	77,020	53,791
2016		29.64	19.86	13.03		120,980	81,061	54,291
2017		30.08	20.84	13.15		122,776	85,061	54,791
2018		30.52	21.82	13.27		124,571	89,061	55,291
2019		30.96	22.80			126,367	93,061	
2020		31.40	24.62			128,163	100,490	
2021		31.84	26.44			129,959	107,918	
2022		32.28	28.26			131,755	115,347	
2023		32.72	30.08			133,551	122,776	
2024		33.16	31.90			135,347	130,204	
2025		33.60	33.72			137,143	137,633	
2026		34.04	35.54			138,939	145,061	
2027		34.48	37.36			140,735	152,490	
2028		34.92	39.18			142,531	159,918	
2029		35.36	41.00			144,327	167,347	
2030		35.80	42.82			146,122	174,776	

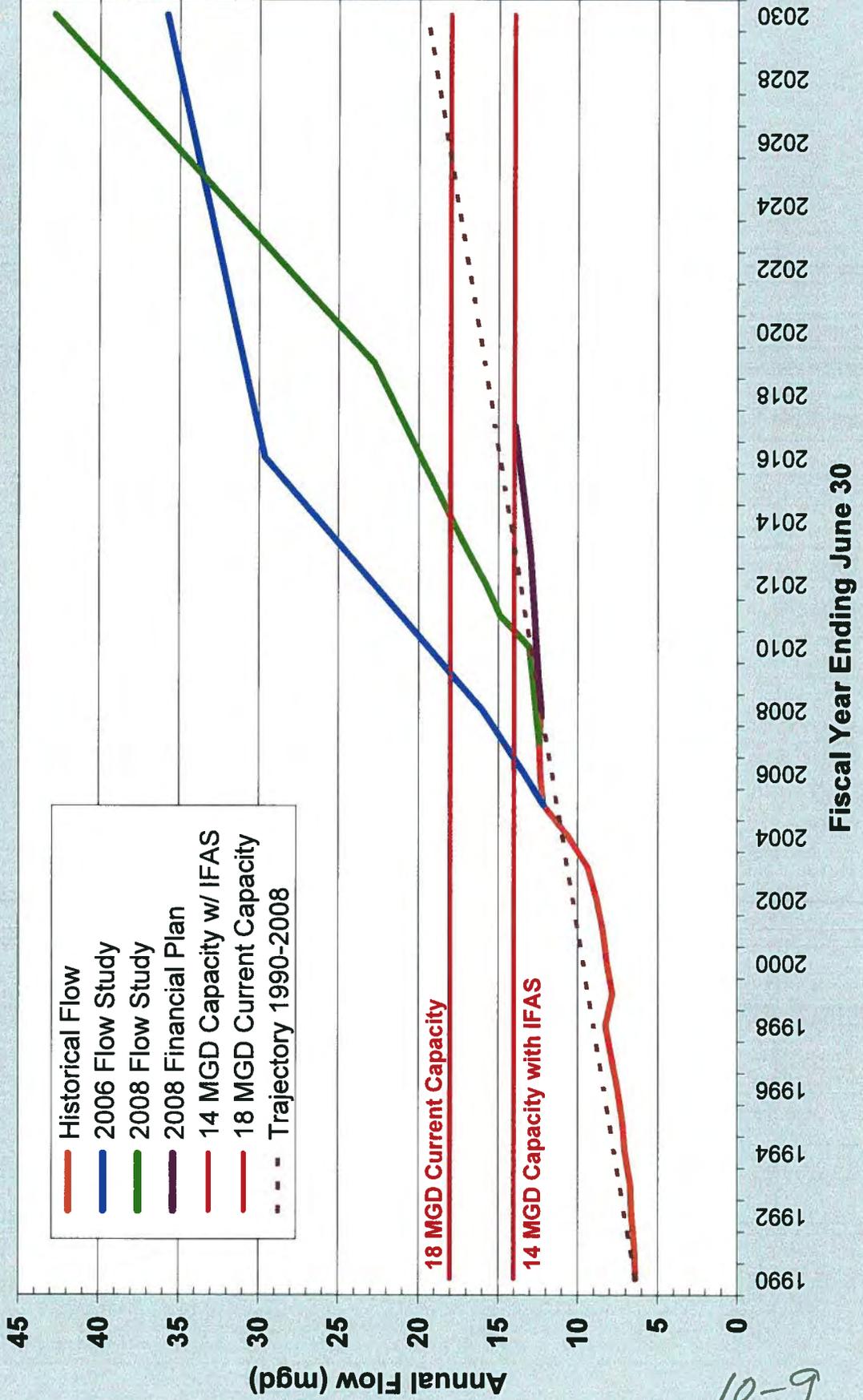
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Table 5
Victor Valley Wastewater Reclamation Authority
Projected Growth

Fiscal Year Ending June 30	Wastewater Flow (mgd)				Estimated EDUs (245 gpd/EDU)			
	Actual	2006 Flow Study	2008 Flow Study	2008 Financial Plan	Actual	2006 Flow Study	2008 Flow Study	2008 Financial Plan
2001	-				-			
2002	0.42				1,714			
2003	0.55				2,245			
2004	1.23				5,020			
2005	1.56	-			6,367	-		
2006	0.13	1.20			531	4,898		
2007	0.11	1.31	-		449	5,347	-	
2008	(0.17)	1.30	0.20	-	(694)	5,306	816	-
2009		1.71	0.21	(0.07)		6,980	857	750
2010		1.70	0.21	0.12		6,939	857	500
2011		1.71	1.84	0.12		6,980	7,510	500
2012		1.70	0.90	0.12		6,939	3,673	500
2013		1.71	1.10	0.12		6,980	4,490	500
2014		1.70	1.00	0.12		6,939	4,082	500
2015		1.71	0.98	0.12		6,980	4,000	500
2016		1.70	0.99	0.12		6,939	4,041	500
2017		0.44	0.98	0.12		1,796	4,000	500
2018		0.44	0.98	0.12		1,796	4,000	500
2019		0.44	0.98			1,796	4,000	
2020		0.44	1.82			1,796	7,429	
2021		0.44	1.82			1,796	7,429	
2022		0.44	1.82			1,796	7,429	
2023		0.44	1.82			1,796	7,429	
2024		0.44	1.82			1,796	7,429	
2025		0.44	1.82			1,796	7,429	
2026		0.44	1.82			1,796	7,429	
2027		0.44	1.82			1,796	7,429	
2028		0.44	1.82			1,796	7,429	
2029		0.44	1.82			1,796	7,429	
2030		0.44	1.82			1,796	7,429	

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Victor Valley Wastewater Reclamation Authority Historical & Projected Wastewater Flows (mgd)



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Table 6
 Victor Valley Wastewater Reclamation Authority
 Historical Connection Fee Revenues & Estimated New EDUs
 Partial year info shown for 2008/09

	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Effective Date	07/01/03		04/12/06			Jul-Nov Only
			weighted avg of \$75.00 - \$160.75			
Capacity Charge						
Per Fixture Unit	\$75.00	\$75.00	\$89.29	\$160.75	\$160.75	\$160.75
Per EDU (20 FUs)	1,500	1,500	1,786	3,215	3,215	3,215
Connection Fee Revenues						
Apple Valley	\$697,838	\$1,720,236	\$2,454,995	\$1,872,049	\$1,768,686	\$417,494
Hesperia	1,176,636	1,849,556	2,891,714	2,705,500	2,105,566	524,111
Victorville	4,987,089	4,840,563	8,145,024	7,475,183	4,213,659	569,772
County	223,504	257,400	121,650	185,993	181,005	212,990
Total	7,085,067	8,667,755	13,613,383	12,238,725	8,268,916	1,724,367
Estimated New EDUs (at 20 fixture units)						
Apple Valley	465.2	1,146.8	1,374.7	582.3	550.1	129.9
Hesperia	784.4	1,233.0	1,619.3	841.5	654.9	163.0
Victorville	3,324.7	3,227.0	4,560.9	2,325.1	1,310.6	177.2
County	149.0	171.6	68.1	57.9	56.3	66.2
Total	4,723	5,779	7,623	3,807	2,572	536

Table 7
Victor Valley Wastewater Reclamation Authority
Projected CIP Projects (Excludes Subregional WRPs)

	Estimated Project Cost (Future \$)	% Allocation		\$ Allocation	
		Capacity Fees	User Charges	Capacity Fees	User Charges
NEAR-TERM CRITICAL PATH CIP PROJECTS					
<u>Regulatory Compliance</u>					
UV Disinfect, Filtration, & Gas Scrubber System	\$19,000,000	12.1%	87.9%	2,307,000	16,693,000
Helical Skimmers	1,300,000	12.1%	87.9%	158,000	1,142,000
Recirculation Pumps	<u>300,000</u>	<u>12.1%</u>	<u>87.9%</u>	<u>36,000</u>	<u>264,000</u>
<i>Subtotal</i>	<i>20,600,000</i>	12.1%	87.9%	2,501,000	18,099,000
<u>Other Improvements</u>					
Rebuild 4 Primary Clarifiers	1,200,000	0.0%	100.0%	0	1,200,000
Design HI & AV Subregional WRPs	3,500,000	100.0%	0.0%	3,500,000	0
Santa Fe Interceptor Sewer	<u>3,000,000</u>	<u>90.0%</u>	<u>10.0%</u>	<u>2,700,000</u>	<u>300,000</u>
<i>Subtotal</i>	<i>7,700,000</i>	80.5%	19.5%	6,200,000	1,500,000
Total Near-Term CIP Projects	28,300,000	30.7%	69.3%	8,701,000	19,599,000
FUTURE CIP PROJECTS					
<u>Regulatory Compliance</u>					
Civil Site	1,860,000	12.1%	87.9%	226,000	1,634,000
IFAS System	11,800,000	12.1%	87.9%	1,433,000	10,367,000
Electrical Service & Backup Power	1,480,000	12.1%	87.9%	180,000	1,300,000
Plant Utility Water System	1,464,000	12.1%	87.9%	178,000	1,286,000
Sludge Dewatering	6,970,000	12.1%	87.9%	846,000	6,124,000
Emergency Storage Pond Lining	1,100,000	12.1%	87.9%	134,000	966,000
Secondary Effluent Pump Station Modifications	<u>210,000</u>	<u>12.1%</u>	<u>87.9%</u>	<u>26,000</u>	<u>185,000</u>
<i>Subtotal</i>	<i>24,884,000</i>	12.1%	87.9%	3,023,000	21,862,000
<u>Other Improvements</u>					
Digester Upgrades	2,658,000	12.1%	87.9%	323,000	2,335,000
Grease Receiving Station	1,055,000	100.0%	0.0%	1,055,000	0
Waste Activated Solids (WAS) Thickening	1,405,000	12.1%	87.9%	171,000	1,234,000
Apple Valley Trunk Line Design & Construction	5,875,000	100.0%	0.0%	5,875,000	0
Hesperia - Spring Valley Lake Interceptor	4,973,000	89.6%	10.4%	4,455,000	518,000
Other Miscellaneous Improvements	<u>1,862,000</u>	<u>61.4%</u>	<u>38.6%</u>	<u>1,143,000</u>	<u>719,000</u>
<i>Subtotal</i>	<i>17,828,000</i>	73.0%	27.0%	13,022,000	4,806,000
<u>Subregional WRPs</u>					
Hesperia WRP & Related Facilities	<i>tbd</i>				
Apple Valley WRP & Related Facilities	<i>tbd</i>				
East Side WRP & Related Facilities	<i>tbd</i>				
Reclaimed Water Distribution Systems	<i>tbd</i>				
Total Future CIP Projects	42,712,000	37.6%	62.4%	16,045,000	26,668,000
Total	71,012,000	34.8%	65.2%	24,746,000	46,267,000

Source: Based on VVWRA Capital Budget - Version 5C with 05/12/09 HDR revisions of engineering cost estimates for UV Disinfection Filtration, and Gas Scrubber System as of 05/12/09.

Table 8
 Victor Valley Wastewater Reclamation Authority
 Bond/COP Debt Service Estimates
 Per \$10 Million of Project Funding

Term (Years)		30 Years	25 Years
Funding Target		\$10,000,000	\$10,000,000
Total Debt Issue		\$11,385,000	\$11,400,000
Proceeds		\$10,000,000	\$10,000,000
Issuance Costs & Reserve Requirement			
Underwriter Discount	1.00%	\$113,900	\$114,000
Bond Insurance	0.75%	196,200	171,200
Debt Service Reserve Fund		871,800	913,100
Issuance Costs		200,000	200,000
Rounding		<u>3,100</u>	<u>1,700</u>
Total		1,385,000	1,400,000
Financing Terms			
Term (Years)		30	25
Avg Interest Rate	Estimated	6.50%	6.25%
DEBT SERVICE			
Annual Debt Service		871,800	913,100
Less Interest on Rsrv Fund	3.0%	<u>(26,200)</u>	<u>(27,400)</u>
Net Annual Debt Service		\$845,600	\$885,700

*Financing costs and interest rates estimated for financial planning purposes.
 Assumes bond term does not exceed the useful life of projects funded.*

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Table 8B
 Victor Valley Wastewater Reclamation Authority
 2009 Bond/COP Debt Service Estimates

Term (Years)		30 Years	25 Years
Funding Target		\$28,300,000	\$28,300,000
Total Debt Issue		\$31,810,000	\$31,850,000
Proceeds		\$28,300,000	\$28,300,000
Issuance Costs & Reserve Requirement			
Underwriter Discount	1.00%	\$318,100	\$318,500
Bond Insurance	0.75%	548,100	478,300
Debt Service Reserve Fund		2,435,900	2,551,000
Issuance Costs		200,000	200,000
Rounding		<u>7,900</u>	<u>2,200</u>
Total		3,510,000	3,550,000
Financing Terms			
Term (Years)		30	25
Avg Interest Rate	Estimated	6.50%	6.25%
DEBT SERVICE			
Annual Debt Service		2,435,900	2,551,000
Less Interest on Rsrv Fund	3.0%	<u>(73,100)</u>	<u>(76,500)</u>
Net Annual Debt Service		\$2,362,800	\$2,474,500

*Financing costs and interest rates estimated for financial planning purposes.
 Assumes bond term does not exceed the useful life of projects funded.*

Table 9
 Victor Valley Wastewater Reclamation Authority
 SRF Loan Debt Service Estimates
 Per \$10 Million of Project Funding

	Standard SRF Loan	0% Matching SRF Loan
SRF Loan Proceeds	\$10,000,000	\$10,000,000
ESTIMATED ANNUAL SRF LOAN PAYMENT		
SRF Loan Amount		
SRF Project Funding ¹	10,000,000	8,333,333
District Match (1/6th of Total)	n/a	1,666,667
Accrued Interest During Construction ²	140,000	0
Accrued Interest for One Year After Project Completion ³	<u>284,000</u>	<u>0</u>
Total SRF Loan Amount	10,424,000	10,000,000
Loan Terms		
Term (years)	20	20
Interest Rate ^{4,5}	2.80%	1.80%
Annual SRF Loan Payment	688,000	500,000
20-YEAR BANK LOAN FOR SRF MATCH		
District Match (1/6th of Total)	-	1,666,667
Est. Issuance Costs	-	<u>40,000</u>
Total Loan Amount	-	1,706,667
Loan Terms		
Term (Years)	-	20
Est. Future Interest Rate	-	6.00%
Annual Loan Payment	-	148,800
COMBINED LOAN PAYMENTS		
Total Payments for Both Loans	688,000	648,800

1 Some costs may not be eligible for SRF Loan funding & would require another funding source.

2 Assumes steady gradual drawdown of loan funds over one year.

3 Assumes first debt service payment due exactly one year following project completion.

4 Interest rate estimated for financial planning purposes; actual rate may vary.

5 Current standard SRF Loan rate is approximately 2.60% as of October 2008.

Note: SRF Loans would likely require a debt service reserve fund equal to annual debt service.

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Table 10
Victor Valley Wastewater Reclamation Authority
Outstanding Debt

	1998 SRF Loan	2000 SRF Loan	2004 SRF Loan	Total
Type of Loan	Standard SRF	Standard SRF	0% Matching Loan	
Loan Amount	\$4,069,859	\$11,430,726	\$4,151,207	\$19,651,792
Term	20 Years	20 Years	20 Years	
Interest Rate	2.60%	1.80% (imputed)	2.50%	
Pymt Frequency	Annual	Annual	Annual	
Annual Payment	\$264,089	\$571,536	\$262,884	\$1,098,509
Issuance Date	08/28/98	09/05/00	05/04/04	
Final Payment	10/01/19	06/01/22	02/13/24	
Purpose	Treatment plant expn to 9.5 mgd	Treatment plant expn to 11 mgd	North Valley Interceptor	
<u>Cost Allocation</u>				
Capacity Fees	100%	100%	100%	100%
User Charges	0%	0%	0%	0%

Annual Debt Service
(FYE June 30)

2005	264,089	571,536	262,884	1,098,509
2006	264,089	571,536	262,884	1,098,509
2007	264,089	571,536	262,884	1,098,509
2008	264,089	571,536	262,884	1,098,509
2009	264,089	571,536	262,884	1,098,509
2010	264,089	571,536	262,884	1,098,509
2011	264,089	571,536	262,884	1,098,509
2012	264,089	571,536	262,884	1,098,509
2013	264,089	571,536	262,884	1,098,509
2014	264,089	571,536	262,884	1,098,509
2015	264,089	571,536	262,884	1,098,509
2016	264,089	571,536	262,884	1,098,509
2017	264,089	571,536	262,884	1,098,509
2018	264,089	571,536	262,884	1,098,509
2019	264,089	571,536	262,884	1,098,509
2020	264,089	571,536	262,884	1,098,509
2021	-	571,536	262,884	834,420
2022	-	571,536	262,884	834,420
2023	-	-	262,884	262,884
2024	-	-	262,884	262,884

Table 11
Victor Valley Wastewater Reclamation Authority
Projected Debt Service

Yr Ending Jun-30	1998 SRF Loan	2000 SRF Loan	2004 SRF Loan	Est. 2009 Bonds	Total Debt Svc
2009	264,000	572,000	263,000	-	1,099,000
2010	264,000	572,000	263,000	1,200,000	2,299,000
2011	264,000	572,000	263,000	2,400,000	3,499,000
2012	264,000	572,000	263,000	2,400,000	3,499,000
2013	264,000	572,000	263,000	2,400,000	3,499,000
2014	264,000	572,000	263,000	2,400,000	3,499,000
2015	264,000	572,000	263,000	2,400,000	3,499,000
2016	264,000	572,000	263,000	2,400,000	3,499,000
2017	264,000	572,000	263,000	2,400,000	3,499,000
2018	264,000	572,000	263,000	2,400,000	3,499,000
2019	264,000	572,000	263,000	2,400,000	3,499,000
2020	264,000	572,000	263,000	2,400,000	3,499,000
2021	-	572,000	263,000	2,400,000	3,235,000
2022	-	572,000	263,000	2,400,000	3,235,000
2023	-	-	263,000	2,400,000	2,663,000
2024	-	-	263,000	2,400,000	2,663,000
2025	-	-	-	2,400,000	2,400,000
2026	-	-	-	2,400,000	2,400,000
2027	-	-	-	2,400,000	2,400,000
2028	-	-	-	2,400,000	2,400,000
2029	-	-	-	2,400,000	2,400,000
2030	-	-	-	2,400,000	2,400,000
2031	-	-	-	2,400,000	2,400,000
2032	-	-	-	2,400,000	2,400,000
2033	-	-	-	2,400,000	2,400,000
2034	-	-	-	2,400,000	2,400,000
2035	-	-	-	2,400,000	2,400,000
2036	-	-	-	2,400,000	2,400,000
2037	-	-	-	2,400,000	2,400,000
2038	-	-	-	2,400,000	2,400,000
2039	-	-	-	2,400,000	2,400,000
2040	-	-	-	-	0
2041	-	-	-	-	0
2042	-	-	-	-	0
2043	-	-	-	-	0

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Table 12
 Victor Valley Wastewater Reclamation Authority
 Interfund Loans or Transfers from O&M to Capital

Description	Amount 06/30/08
INTERFUND LOAN AMOUNTS FROM FY2008 CAFR	
<u>Cash & Investments Overdraft from page 32 of FY2008 CAFR</u>	
Operations & Maintenance Fund Overdraft	\$1,341,387
Repairs & Replacements Fund Overdraft	<u>2,381,894</u>
Subtotal	3,723,281
<u>Interfund Receivables from page 40 of FY2008 CAFR</u>	
Due to Capital Fund from combined the O&M and R&R Funds	4,628,793
Total	8,352,074
RECORDED LOANS	
Resolution No. 2006-16* Adopted 11/20/06	2,767,677
<i>Purpose: For Adelanto Separation Fund misallocation to O&M</i>	
Resolution No. 2007-7 Adopted 04/20/07	307,848
<i>Purpose: To account for budgeted O&M deficit in 2006/07</i>	
<i>Interest Rate: 5%</i>	
Resolution No. 2008-7 Adopted 12/21/07	259,473
<i>Purpose: To account for budgeted O&M deficit in 2007/08</i>	
<i>Interest Rate: 5%</i>	
Total Recorded Loans	3,334,998

Table 13
 Victor Valley Wastewater Reclamation Authority
 Fund Balance

	06/30/04	06/30/05	06/30/06	06/30/07	06/30/08
Estimated Fund Balance					
Cash & Equivalents	\$16,872,616	\$24,878,667	\$25,659,038	\$17,610,685	\$15,050,414
Investments	12,837,904	15,862,962	9,722,280	7,910,780	1,971,680
Accounts Receivable	2,218,033	1,782,025	2,305,889	1,828,605	1,782,560
Interest Receivable	137,648	241,040	276,676	257,915	94,174
Less Accounts Payable	(374,905)	(1,403,406)	(3,221,556)	(1,778,993)	(3,297,954)
Less Accrued Liabilities	(227,083)	(135,340)	(83,665)	(91,165)	0
Less Retention Payable	-	-	-	(1,734,511)	(2,245,011)
Less Accrued Interest*	<u>not included</u>				
Total	31,464,213	41,225,948	34,658,662	24,003,316	13,355,863

* Cash flows include interest payable on debt as an expense, not as a reduction in fund balance.
 Source: VVWRA Audited Financial Statements.

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Table 14
 Victor Valley Wastewater Reclamation Authority
 Estimated O&M Expenses for Subregional WRPs

	Annual Expenses (2008 \$)
Hesperia Subregional Wastewater Reclamation Plant^{1,2}	
Power, Chemicals and Membrane (for 1 mgd)	\$76,000
Additional Staffing (0.5 FTEs & Benefits)	50,000
Permitting & Other	<u>24,000</u>
Subtotal	150,000
<i>With \$25,000 Annual Contingency</i>	<i>175,000</i>
Apple Valley Subregional Wastewater Reclamation Plant^{1,2}	
Power, Chemicals and Membrane (for 1 mgd)	76,000
Additional Staffing (0.5 FTEs & Benefits)	50,000
Permitting & Other	<u>24,000</u>
Subtotal	150,000
<i>With \$25,000 Annual Contingency</i>	<i>175,000</i>
Total	300,000
<i>With Contingency</i>	<i>350,000</i>

Source: VVWRA cost estimates for operating and maintaining new WRPs.

1 Excludes general repair and replacement costs, which are expected to be extremely low over the next 10 years but subsequently will likely increase.

2 Excludes costs of recycled water distribution, which will be funded by the member agencies.

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Table 15 - VVWRA Cash Flow History

	2004/05	2005/06	2006/07	2007/08	2008/09
Rate per MG	\$1,033	\$1,065	\$1,065	\$1,353	\$1,614
Est. Monthly Rate / EDU (245 gpd)	\$7.69	\$7.93	\$7.93	\$10.08	\$12.03
User Charge Rate Increase	0.0%	3.1%	0.0%	27.1%	19.3%
Est. Growth EDUs	5,779	7,623	3,807	2,572	750
Est. Growth in Flow %	14.7%	1.1%	0.9%	-1.4%	0.0%
Capital Facility Fee per EDU	\$1,500	\$1,500	\$3,215	\$3,215	\$3,215
Est. Interest Earnings Rate	2.3%	3.9%	5.1%	4.3%	2.5%
Beginning Fund Reserves	\$31,464,213	\$41,225,948	\$34,658,662	\$24,003,316	\$13,356,000
REVENUES					
Operating Revenues					
User Charges	4,517,949	4,791,094	4,791,749	6,165,096	7,244,000
High Str/Septage/Pretreat/Other	<u>540,031</u>	<u>905,077</u>	<u>692,473</u>	<u>447,156</u>	<u>330,000</u>
Subtotal	5,057,980	5,696,171	5,484,222	6,612,252	7,574,000
Other Revenues					
Interest Earnings (All Funds)	1,097,235	1,617,405	1,571,494	86,091	334,000
Capital Facility Fees	<u>8,663,218</u>	<u>13,622,486</u>	<u>12,220,994</u>	<u>8,120,414</u>	<u>2,411,000</u>
Subtotal Other Revenues	9,760,453	15,239,891	13,792,488	8,206,505	2,745,000
Total Revenues	14,818,433	20,936,062	19,276,710	14,818,757	10,319,000
EXPENSES					
Operating & Maintenance					
Personnel	2,724,695	3,175,511	3,918,181	4,419,337	4,400,000
Operations	262,797	369,264	682,183	656,015	700,000
Utilities & Chemicals	827,649	1,294,068	1,678,797	1,524,484	1,200,000
Maintenance	398,195	371,872	790,971	784,284	550,000
Administration	552,415	803,672	952,586	1,014,648	875,000
Professional Services & Fees	50,633	303,511	507,109	345,043	550,000
Operating Contingency 3%	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>248,000</u>
Subtotal	4,816,384	6,317,898	8,529,827	8,743,811	8,523,000
Debt Service					
Outst SRF Loans (100% Cap Fees)	1,098,509	1,098,509	1,098,509	1,098,509	1,099,000
Capital & Other					
CIP Projects	3,632,417	17,736,428	20,393,864	16,232,335	2,500,000
Repairs & Repls, Cash Funded	668,609	509,715	1,613,555	2,147,361	650,000
New NPDES Studies/Other	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>300,000</u>
Subtotal	4,301,026	18,246,143	22,007,419	18,379,696	3,450,000
Total Expenses	10,215,919	25,662,550	31,635,755	28,222,016	13,072,000
Revenues Less Expenses	4,602,514	(4,726,488)	(12,359,045)	(13,403,259)	(2,753,000)
Est. Ending Fund Reserves	36,066,727	36,499,460	22,299,617	10,600,057	10,603,000
Oper Revs - (O&M+R&R/Other)	(427,013)	(1,131,442)	(4,659,160)	(4,278,920)	(1,899,000)
Non-Oper Revs - (Debt+CIP)	5,029,527	(3,595,046)	(7,699,885)	(9,124,339)	(854,000)
Revs (excl Cap Fees) - Expenses	(4,060,704)	(18,348,974)	(24,580,039)	(21,523,673)	(5,164,000)

Revenues and Operating Expenses based on audited financial statements supplemented by additional detail from prior year actuals shown in budgets. Capital and R&R Expenses based on Financial Board Reports from prior years and include an estimate of actual expenditures made during each fiscal year prior to year end adjustments.

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Table 16 - VVWRA Historical Expense Detail

EXPENSES	2004/05	2005/06	2006/07	2007/08	2008/09
<u>Operating & Maintenance</u>	Actual	Actual	Actual	Projected	Budgeted/ Projected
Personnel Expense					
<i>Number of Employees</i>	37	44	44	44?	44
Regular Salaries	1,868,533	2,161,261	2,703,739	3,063,127	3,372,775
Overtime	79,920	146,967	156,546	201,096	100,000
PERS Health Insurance	240,049	270,670	325,384	340,031	370,008
PERS Retirement (2.5% at 55)	239,492	374,755	530,802	580,551	655,769
Other/Miscellaneous	<u>296,706</u>	<u>240,106</u>	<u>201,710</u>	<u>193,374</u>	<u>407,016</u>
Subtotal Personnel	2,724,700	3,193,759	3,918,181	4,378,179	4,905,568
<i>From Audits</i>	2,724,695	3,175,511	3,918,181	4,419,337	4,400,000
Operations					
Process Chemicals	228,568	451,898	595,829	500,043	361,300
Utilities	599,081	842,170	1,082,968	810,661	840,000
Trash & Sludge Disposal	38,084	45,709	135,675	98,148	82,200
Fuel & Lubricants	47,933	73,757	57,489	88,432	90,000
Permit Fees, Easements	-	-	-	122,091	131,050
Lab Supplies & Services	106,685	52,023	76,526	80,215	110,000
Outside Lab Services	incl above	73,593	70,574	122,427	154,000
Other/Miscellaneous	<u>70,095</u>	<u>73,428</u>	<u>325,736</u>	<u>186,590</u>	<u>712,926</u>
Subtotal Operations	1,090,446	1,612,578	2,344,797	2,008,607	2,481,476
<i>From Audits</i>	1,090,446	1,663,332	2,360,980	2,180,499	1,900,000
Maintenance					
Interceptor Sewer Maintenance	223,371	167,879	49,881	194,300	351,000
Other/Miscellaneous	<u>174,824</u>	<u>131,075</u>	<u>352,572</u>	<u>257,956</u>	<u>343,000</u>
Subtotal Maintenance	398,195	298,954	402,453	452,256	694,000
<i>From Audits</i>	398,195	371,872	790,971	784,284	550,000
Administration					
Professional Services & Fees	50,633	303,511	507,109	354,028	556,993
Legal Services & Fees	125,909	158,717	98,257	106,283	137,096
Temporary Labor	44,177	113,300	152,888	112,125	34,000
Bond & Liability Insurance	85,595	124,098	109,062	340,873	239,325
Travel, Meeting, Training	67,848	76,210	114,385	95,887	96,605
Telephone & Communication	30,777	32,015	65,895	84,225	80,617
Memberships, Fees, Licenses	33,992	35,887	32,249	38,707	52,545
Office & Computer Supplies	23,127	29,939	117,187	120,071	83,000
Permit Fees, Easements	73,792	73,633	91,500	-	-
Other/Miscellaneous	<u>67,198</u>	<u>159,873</u>	<u>171,163</u>	<u>186,242</u>	<u>114,775</u>
Subtotal Administration	603,048	1,107,183	1,459,695	1,438,441	1,394,956
<i>From Audits</i>	603,048	1,107,183	1,459,695	1,359,691	1,425,000
Subtotal O&M	4,816,389	6,212,474	8,125,126	8,277,483	9,476,000
<i>From Audits</i>	4,816,384	6,317,898	8,529,827	8,743,811	8,275,000
Debt Service					
Outstanding SRF Loans	1,098,509	1,098,509	1,098,509	1,098,509	1,098,509
Capital & Other					
CIP Projects	3,632,417	17,736,428	20,393,864	16,232,335	2,500,000
Repairs & Repls, Cash Funded	668,609	509,715	1,613,555	2,147,361	650,000
New NPDES Studies/Other	0	0	0	0	300,000
Subtotal	4,301,026	18,246,143	22,007,419	18,379,696	3,450,000
Total Expenses	10,215,924	25,557,126	31,231,054	27,755,688	14,024,509
Audited + Debt/Capital/Other	10,215,919	25,662,550	31,635,755	28,222,016	12,823,509

Operating & maintenance expenses based on historical data provided in Adopted Budgets.

Capital and R&R Expenses based on Financial Board Reports from prior years and include an estimate of actual expenditures made during each fiscal year prior to year-end adjustments.

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Base Case

\$28.3 Million of CIP Projects Over Next 2 Years Primarily to Address Regulatory Requirements with No Reimbursements

Low Growth: 500 EDUs Per Year for Next 3 Years

Capital Facility Charge Increased to \$3,750 per EDU

No Flow Diversion

10-22

Table 17 - VVWRA Cash Flow Projections, Base Case

	2008/09	2009/10	2010/11	2011/12
User Charge per MG	\$1,614	\$2,100	\$2,600	\$2,600
<i>Est. Monthly Rate / EDU (245 gpd)</i>	\$12.03	\$15.65	\$19.38	\$19.38
<i>Est. Monthly Rate / EDU (180 gpd)</i>	\$8.84	\$11.50	\$14.24	\$14.24
User Charge Rate Increase	19.3%	30.1%	23.8%	0.0%
Est. Growth EDUs	750	500	500	500
Est. Growth in Flow %	0.0%	0.0%	0.0%	0.0%
Capacity Fee per EDU	\$3,215	\$3,750	\$3,750	\$3,750
Projected Cost Escalation		2.5%	2.5%	2.5%
Interest Earnings Rate	2.5%	1.5%	2.0%	2.5%
Beginning Fund Reserves	\$13,356,000	\$10,957,000	\$9,270,000	\$9,546,000
REVENUES				
<u>Operating Revenues</u>				
User Charges	7,250,000	9,433,000	11,679,000	11,679,000
High Str/Septage/Pretreat/Other	330,000	330,000	330,000	330,000
Est. SCLA Sludge Disposal Fees	0	0	0	150,000
Subtotal	7,580,000	9,763,000	12,009,000	12,159,000
<u>Other Revenues</u>				
Interest Earnings (All Funds)	334,000	164,000	185,000	239,000
Capacity Fees	2,411,000	1,875,000	1,875,000	1,875,000
Subtotal	2,745,000	2,039,000	2,060,000	2,114,000
Total Revenues	10,325,000	11,802,000	14,069,000	14,273,000
Debt Proceeds		28,300,000		
		<i>Aug-2009</i>		
EXPENSES				
<u>Operating & Maintenance</u>				
Personnel	4,400,000	4,575,000	4,689,000	4,806,000
Operations	700,000	718,000	736,000	754,000
Utilities & Chemicals	1,200,000	1,650,000	1,691,000	1,433,000
Maintenance	550,000	350,000	359,000	368,000
Administration	875,000	897,000	919,000	942,000
Professional Services	550,000	300,000	300,000	125,000
Add'l O&M for Future WRPs	0	0	0	0
Subtotal	8,275,000	8,490,000	8,694,000	8,428,000
<u>Debt Service</u>				
Outst SRF Loans	1,099,000	1,099,000	1,099,000	1,099,000
2009 Bonds	0	1,200,000	2,400,000	2,400,000
Future Debt	0	0	0	0
Subtotal	1,099,000	2,299,000	3,499,000	3,499,000
<u>Capital & Other</u>				
CIP Projects	2,500,000	28,300,000	0	0
Repairs & Repls, Cash Funded	650,000	2,500,000	1,400,000	1,000,000
Regulatory Studies/Other	200,000	200,000	200,000	200,000
Subtotal	3,350,000	31,000,000	1,600,000	1,200,000
Total Expenses	12,724,000	41,789,000	13,793,000	13,127,000
Revenues Less Expenses	(2,399,000)	(1,687,000)	276,000	1,146,000
<i>Excluding Capital Facility Fees</i>	(4,810,000)	(3,562,000)	(1,599,000)	(729,000)
Ending Fund Reserves	10,957,000	9,270,000	9,546,000	10,692,000
Fund Reserve Targets				
Min Operating Rsrv: 20% of O&M	1,660,000	1,700,000	1,740,000	1,690,000
Rate Stabilization Fund	-	8,000,000	8,000,000	8,000,000
Debt Service Coverage	1.87	1.44	1.54	1.67
<i>Covg on MADS w/o Capacity Fees</i>			1.00	

Table 18
Victor Valley Wastewater Reclamation Authority
User Charge Components

	2008/09	2009/10	2010/11
Operating & Maintenance Expenses			
Personnel	4,400,000	4,575,000	4,689,000
Operations	700,000	718,000	736,000
Utilities & Chemicals	1,200,000	1,650,000	1,691,000
Maintenance	550,000	350,000	359,000
Administration	875,000	897,000	919,000
Professional Services	550,000	300,000	300,000
New O&M for WRPs	0	0	0
Subtotal	8,275,000	8,490,000	8,694,000
Repairs/Replacements/Other			
Repairs & Replacements	650,000	2,500,000	1,400,000
NPDES Studies/Other	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>
Subtotal	850,000	2,700,000	1,600,000
Less Other Operating Revenues			
High Str/Septage/Pretreat/Other	(330,000)	(330,000)	(330,000)
<i>Note: Interest earnings not included since they are mostly earned on capital expansion funds</i>			
Debt Service, Existing Customer Allocation			
Outstanding SRF Loans	0.0%	0	0
2009 Bonds	69.3%	<u>0</u>	<u>1,662,000</u>
Subtotal		831,000	1,662,000
Debt Service, Expansion Allocation			
Outstanding SRF Loans	100.0%	1,099,000	1,099,000
2009 Bonds	30.7%	<u>0</u>	<u>738,000</u>
Subtotal		1,468,000	1,837,000
Annual Flow (mgd)			
	12.3	12.3	12.3
Breakdown of Cost per MG			
Operating & Maintenance	1,843	1,891	1,937
Repairs/Replacements/Other	<u>189</u>	<u>601</u>	<u>356</u>
Subtotal	2,033	2,492	2,293
Less Other Operating Revenues	(74)	(74)	(74)
Debt Svc, Existing Cust Alloc	0	185	370
Debt Svc Covg Requirement (+20%)	<u>0</u>	<u>37</u>	<u>74</u>
Cumulative Subtotal	1,959	2,641	2,664
Debt Svc, Expansion Allocation	245	327	409
Debt Svc Covg Requirement (+20%)	<u>49</u>	<u>65</u>	<u>82</u>
Subtotal	294	392	491
Breakdown of Monthly Cost per EDU (245 gpd)			
Operating & Maintenance	13.74	14.09	14.43
Repairs/Replacements/Other	<u>1.41</u>	<u>4.48</u>	<u>2.66</u>
Subtotal	15.15	18.57	17.09
Less Other Operating Revenues	(0.55)	(0.55)	(0.55)
Debt Svc, Existing Cust Alloc	0.00	1.38	2.76
Debt Svc Covg Requirement (+20%)	<u>0.00</u>	<u>0.28</u>	<u>0.55</u>
Subtotal	14.60	19.68	19.85
Debt Svc, Expansion Allocation	1.82	2.44	3.05
Debt Svc Covg Requirement (+20%)	<u>0.36</u>	<u>0.49</u>	<u>0.61</u>
Subtotal	16.79	22.88	24.06
Minimum Rate Recommendation from Cash Flows			
Cost per MG		2,100	2,600
Monthly Cost per EDU (245 gpd)		15.65	19.38

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Table 19
Victor Valley Wastewater Reclamation Authority
Projected Rates & Fees

	2008/09	2009/10	2010/11
Projected User Charges (\$ per MG)	\$1,614	\$2,100	\$2,600
Rate Increase %		30.1%	23.8%
Est. Charge per EDU (245 gpd)	\$12.03	\$15.65	\$19.38
Est. Charge per EDU (180 gpd)	\$8.84	\$11.50	\$14.24

If VVWRA ever collects excess revenues in a given year, options include:

- a) fund add'l CIP projects on a pay-as-you-go cash basis and reduce future financing needs*
- b) build cash reserves*
- c) provide credit to member agencies to offset their payment requirement in the current or following year*

Table 20
 Victor Valley Wastewater Reclamation Authority
 Projected User Charges by Member Agency

Based on 2008/09 Estimated Flow

	2008/09	2009/10	2010/11
Projected User Charges (\$ per MG)	\$1,614	\$2,100	\$2,600
Wastewater Flow (MG)			
<i>Based on 2008/09 Estimated Flow, Assumes No Growth</i>			
Apple Valley	774	774	774
Hesperia	583	583	583
Victorville	2,918	2,918	2,918
SB County	<u>213</u>	<u>213</u>	<u>213</u>
Total	4,488	4,488	4,488
<i>Total (mgd)</i>	<i>12.30</i>	<i>12.30</i>	<i>12.30</i>
Projected User Charges¹			
Apple Valley	\$1,250,000	\$1,625,000	\$2,012,000
Hesperia	941,000	1,224,000	1,516,000
Victorville	4,710,000	6,128,000	7,587,000
SB County	<u>343,000</u>	<u>447,000</u>	<u>554,000</u>
Total	7,244,000	9,424,000	11,669,000

1 Excludes High-Strength Surcharges and other fees or charges.

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Table 21
 Victor Valley Wastewater Reclamation Authority
 Member Agency Rates 2008/09

	<u>Monthly Sewer Rate</u>
Apple Valley	\$19.96 Per single family residence
Hesperia	18.76 Per each 20 plumbing fixture units
Victorville	19.95 Per single family residence
CSA 42 - Oro Grande	22.48 Per single family residence
CSA 64 - Spring Valley Lake	24.87 Per single family residence

	<u>Local Sewer Capacity Charge</u>	
	<u>Per Plumbing Fixture Unit</u>	<u>Per SFR or 20 PFUs</u>
Apple Valley	\$28.61	\$572.20
Hesperia	70.45	1,409.00
Victorville		350.00
CSA 42 - Oro Grande		387.06
CSA 64 - Spring Valley Lake		1,495.25

VWRA Capacity Fee Update

Draft 05/13/09

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Table 1
Victor Valley Wastewater Reclamation Authority
Projected CIP Projects (Excludes Subregional WRPs)

	Estimated Project Cost (Future \$)	% Allocation		\$ Allocation	
		Capacity Fees	User Charges	Capacity Fees	User Charges
NEAR-TERM CRITICAL PATH CIP PROJECTS					
<u>Regulatory Compliance</u>					
UV Disinfect, Filtration, & Gas Scrubber System	\$19,000,000	12.1%	87.9%	2,307,000	16,693,000
Helical Skimmers	1,300,000	12.1%	87.9%	158,000	1,142,000
Recirculation Pumps	<u>300,000</u>	<u>12.1%</u>	<u>87.9%</u>	<u>36,000</u>	<u>264,000</u>
<i>Subtotal</i>	<i>20,600,000</i>	<i>12.1%</i>	<i>87.9%</i>	<i>2,501,000</i>	<i>18,099,000</i>
<u>Other Improvements</u>					
Rebuild 4 Primary Clarifiers	1,200,000	0.0%	100.0%	0	1,200,000
Design HI & AV Subregional WRPs	3,500,000	100.0%	0.0%	3,500,000	0
Santa Fe Interceptor Sewer	<u>3,000,000</u>	<u>90.0%</u>	<u>10.0%</u>	<u>2,700,000</u>	<u>300,000</u>
<i>Subtotal</i>	<i>7,700,000</i>	<i>80.5%</i>	<i>19.5%</i>	<i>6,200,000</i>	<i>1,500,000</i>
Total Near-Term CIP Projects	28,300,000	30.7%	69.3%	8,701,000	19,599,000
FUTURE CIP PROJECTS					
<u>Regulatory Compliance</u>					
Civil Site	1,860,000	12.1%	87.9%	226,000	1,634,000
IFAS System	11,800,000	12.1%	87.9%	1,433,000	10,367,000
Electrical Service & Backup Power	1,480,000	12.1%	87.9%	180,000	1,300,000
Plant Utility Water System	1,464,000	12.1%	87.9%	178,000	1,286,000
Sludge Dewatering	6,970,000	12.1%	87.9%	846,000	6,124,000
Emergency Storage Pond Lining	1,100,000	12.1%	87.9%	134,000	966,000
Secondary Effluent Pump Station Modifications	<u>210,000</u>	<u>12.1%</u>	<u>87.9%</u>	<u>26,000</u>	<u>185,000</u>
<i>Subtotal</i>	<i>24,884,000</i>	<i>12.1%</i>	<i>87.9%</i>	<i>3,023,000</i>	<i>21,862,000</i>
<u>Other Improvements</u>					
Digester Upgrades	2,658,000	12.1%	87.9%	323,000	2,335,000
Grease Receiving Station	1,055,000	100.0%	0.0%	1,055,000	0
Waste Activated Solids (WAS) Thickening	1,405,000	12.1%	87.9%	171,000	1,234,000
Apple Valley Trunk Line Design & Construction	5,875,000	100.0%	0.0%	5,875,000	0
Hesperia - Spring Valley Lake Interceptor	4,973,000	89.6%	10.4%	4,455,000	518,000
Other Miscellaneous Improvements	<u>1,862,000</u>	<u>61.4%</u>	<u>38.6%</u>	<u>1,143,000</u>	<u>719,000</u>
<i>Subtotal</i>	<i>17,828,000</i>	<i>73.0%</i>	<i>27.0%</i>	<i>13,022,000</i>	<i>4,806,000</i>
<u>Subregional WRPs</u>					
Hesperia WRP & Related Facilities	<i>tbd</i>				
Apple Valley WRP & Related Facilities	<i>tbd</i>				
East Side WRP & Related Facilities	<i>tbd</i>				
Reclaimed Water Distribution Systems	<i>tbd</i>				
Total Future CIP Projects	42,712,000	37.6%	62.4%	16,045,000	26,668,000
Total	71,012,000	34.8%	65.2%	24,746,000	46,267,000

Source: Based on VVWRA Capital Budget - Version 5C with 05/12/09 HDR revisions of engineering cost estimates for UV Disin Filtration, and Gas Scrubber System as of 05/12/09.

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Table 2
VWVRA Capacity Charge Update
Fixed Asset Value Summary

Acquisition Value	Accumulated Depreciation 06/30/08	Acquired Value Less Depreciation	ENR-Adjusted Acquisition Cost	Excluding Assets Valued at Less Than \$50,000	ENR-Adjusted Depreciated Value	Excluding Assets Valued at Less Than \$50,000
87,112,644	34,171,939	52,940,705	146,951,089	143,035,117	81,581,415	79,753,885

Note: ENR Adjustment based on change in Engineering News-Record Construction Cost Index (20-Cities, Average Annual Index) from year in service to 2008.

Table 3
VWRA Capacity Charge Update
Capacity Fee Calculation

Total Infrastructure Cost	
Value of Existing VWRA Fixed Assets as of 06/30/08 ¹	\$143,035,117
New Capital Improvement Projects ²	<u>71,012,000</u>
Total	214,047,117
Capacity (mgd)	
Capacity with Derating Due to IFAS	14.00
Average Cost per Unit of Capacity	
Cost per mgd	15,289,080
Cost per gpd	15.29
Cost per EDU	
Wastewater Flow per EDU (gpd) ³	245
Expansion Cost per EDU	3,746

1 Asset value based on VWRA Fixed Asset List as of 06/30/08;
excludes assets valued at less than \$50,000.

2 From Table 1.

3 Engineering estimate of wastewater flow per EDU for purposes of facility design;
adopted pursuant to Ordinance 001-C.
