

**ADOPTED
JUNE 25, 2008**

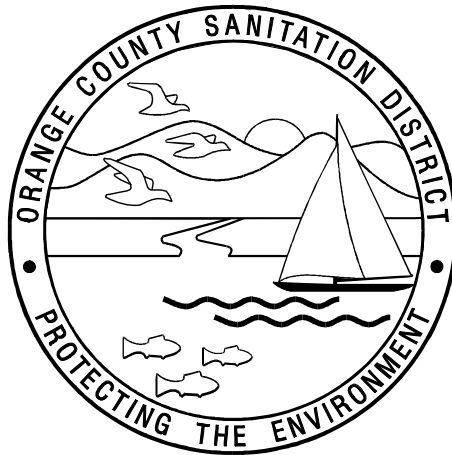
FISCAL YEARS 2008-09 AND 2009-10
Proposed Budget



Orange County Sanitation District

"We protect public health and the environment by providing effective wastewater collection, treatment, and recycling."

**Orange County Sanitation District, California
FY 2008-09 & FY 2009-10 Proposed Budget**

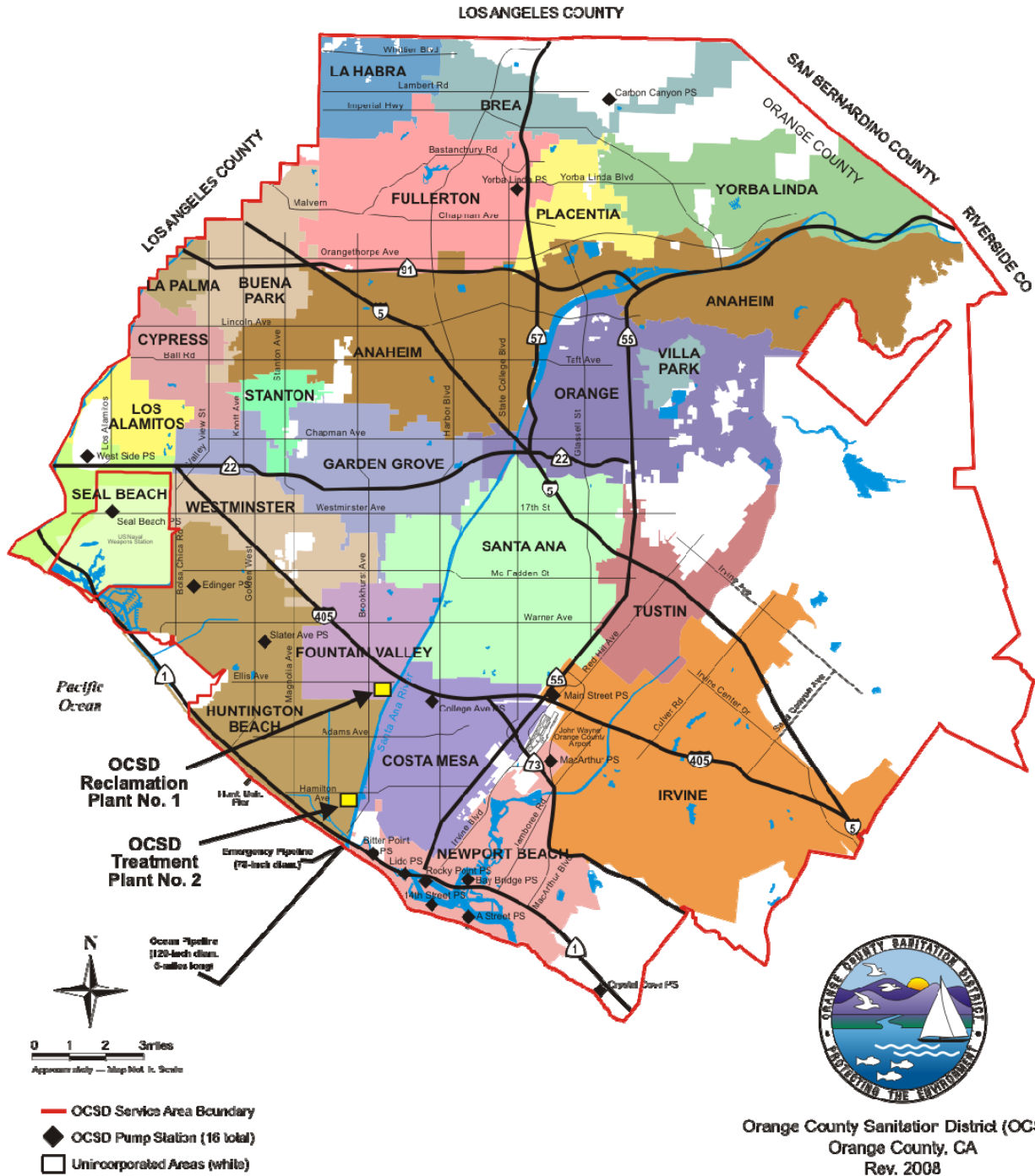


MISSION STATEMENT

“We protect public health and the environment by providing effective wastewater collection, treatment, and recycling.”

***For Fiscal Years
July 1, 2008 through June 30, 2009 and
July 1, 2009 through June 30, 2010***

2008-09 & 2009-10 Budget



GFOA Budget Presentation Award



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**Orange County Sanitation District
California**

For the Fiscal Year Beginning

July 1, 2006

A handwritten signature in cursive script, likely belonging to the President of the GFOA.

President

A handwritten signature in cursive script, likely belonging to the Executive Director of the Orange County Sanitation District.

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the Orange County Sanitation District, California, for its two-year budget for the fiscal years beginning July 1, 2006.

In order to receive this award, a government unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communication device.

The award is valid for a period of one year only. We believe our current budget continues to conform to the program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

2008-09 & 2009-10 Budget

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OCSD Board of Directors

Orange County Sanitation District Board of Directors

<i>AGENCY / CITIES</i>	<i>ACTIVE DIRECTOR</i>
Anaheim	Harry Sidhu
Brea	Roy Moore
Buena Park	Patsy Marshall
Cypress	Phil Luebben
Fountain Valley	Larry Crandall
Fullerton	Don Bankhead
Garden Grove	Bill Dalton
Huntington Beach	Don Hansen
Irvine	Christina Shea
La Habra	Rose Espinoza
La Palma	Mark Waldman
Los Alamitos	Ken Parker
Newport Beach	Don Webb
Orange	Jon Dumitru
Placentia	Constance Underhill
Santa Ana	Sal Tinajero
Seal Beach	Charles Antos
Stanton	David Shawver
Tustin	Doug Davert
Villa Park	Richard A. Freschi
Yorba Linda	Jim Winder

Sanitary Water Districts

Costa Mesa Sanitary District	James M. Ferryman
Midway City Sanitary District	Joy L. Neugebauer
Irvine Ranch Water District	Darryl Miller

County Areas

Member of the Board of Supervisors	Chris Norby
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2008-09 & 2009-10 Budget

Board Committees

STEERING COMMITTEE

James M. Ferryman, Board Chair
Doug Davert, Board Vice Chair
Larry Crandall, Chair, Operations Committee
Mark Waldman, Chair, Administration Committee
Don Bankhead
Phil Luebben
Ken Parker

ADMINISTRATION COMMITTEE

Mark Waldman, Chair
Phil Luebben, Vice Chair
Bill Dalton
Jon Dumitru
Rich Freschi
Don Hansen
Darryl Miller
Joy L. Neugebauer
Chris Norby
Christina Shea
Sal Tinajero
Jim Winder
James M. Ferryman, Board Chair
Doug Davert, Board Vice Chair

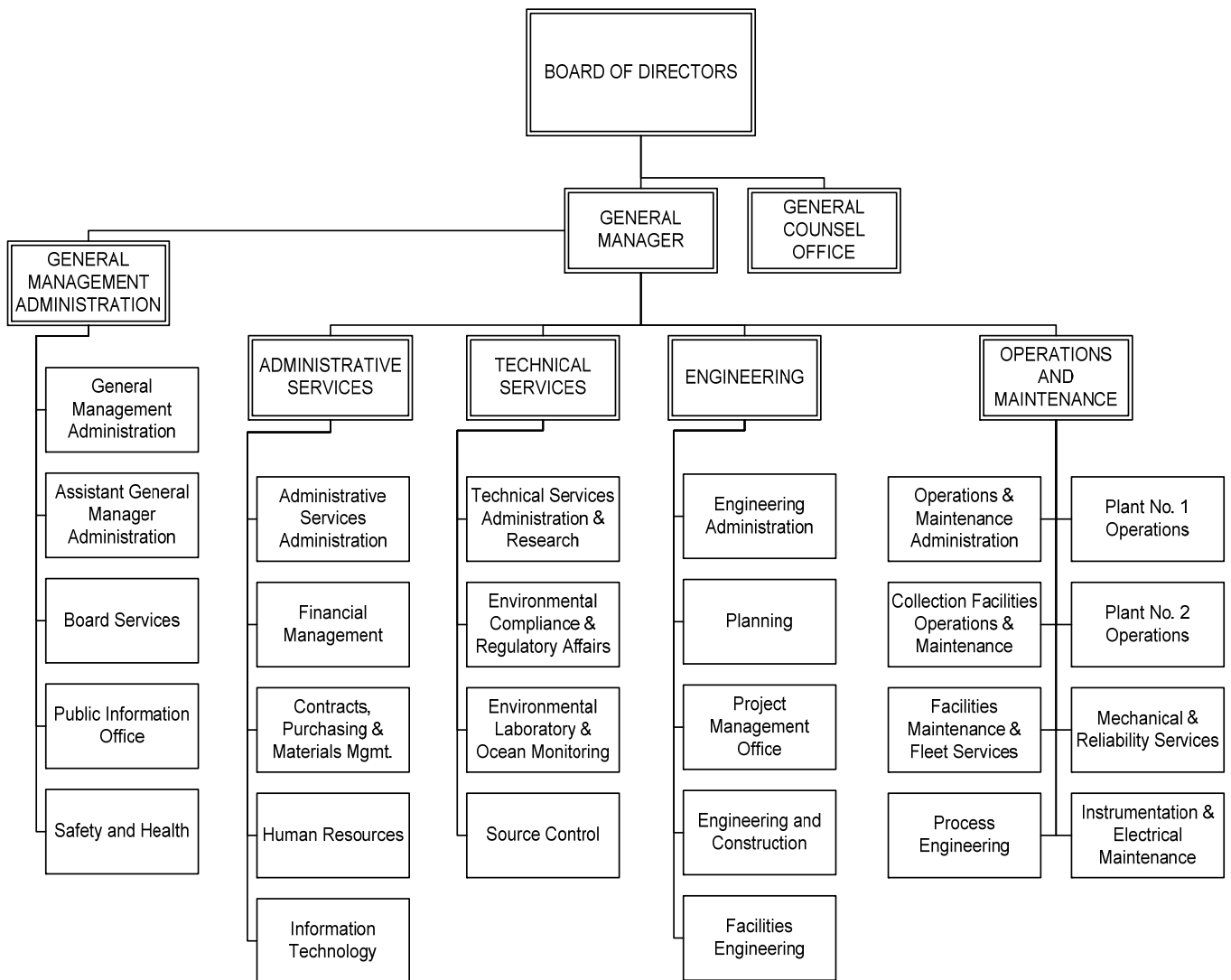
OPERATIONS COMMITTEE

Larry Crandall, Chair
Ken Parker, Vice Chair
Charles Antos
Don Bankhead
Rose Espinoza
Patsy Marshall
Roy Moore
David Shawver
Harry Sidhu
Constance Underhill
Don Webb
James M. Ferryman, Board Chair
Doug Davert, Board Vice Chair

GWRS JOINT COOPERATIVE STEERING COMMITTEE

Jim Ferryman, Board Chair
Don Bankhead
Larry Crandall
Darryl Miller (A1)
Mark Waldman (A2)
Don Webb (A3)

District's Organizational Chart



2008-09 & 2009-10 Budget

Administrative Officials

Departments

General Manager	James D. Ruth
Assistant General Manager	Robert P. Ghirelli
Director of Finance and Administrative Services	Lorenzo Tyner
Director of Technical Services	Edward M. Torres
Director of Engineering	James D. Herberg
Director of Operations & Maintenance	Nicholas J. Arhontes
General Counsel	Brad Hogin

Reader's Guide to the Budget

Reader's Guide to the Budget

This guide is intended to help the reader understand what information is available in the budget and how it is organized. This budget document is broken down into ten sections including a Budget Glossary and Index. The Administrative Services Department invites your suggestions on ways to make the budget document more understandable.

The General Manager's Budget Message and a summary of the District's Core Values follow this guide. The General Manager's budget message introduces the budget to the reader.

Following is an explanation of the major sections of this budget:

Section 1 – Executive Summary

The Executive Summary highlights critical issues and financial information regarding the District's FY 2008-09 & FY 2009-10 Budget.

Section 2 – Introduction

- **Financial Overview and Budget Issues** - This section highlights the issues impacting the FY 2008-09 & FY 2009-10 Budget.

Section 3 – Policies and Practices

- **Fiscal Policies** describe the District's financial goals along with policies addressing the operating budget; revenues and expenses; service fees; capital improvement program; long- and short-term debt; reserves; investments; and accounting, auditing and financial reporting.
- **GFOA Recommended Practices** lists all of the Accounting, Auditing, and Financial Reporting; Cash Management; Governmental Budgeting and Fiscal Policy; Debt Management; and Retirement and Benefits Administration practices that are recommended by the Government Finance Officers Association of the United States and Canada. Included within this list of best financial practices for states and local governments is the District's status as to whether we are in compliance, in progress towards compliance, or whether the practice is applicable to this agency.

- **The Budget Process** provides an overview of the budget development process and budget calendar.
- **Budget Assumptions** are decided on as a foundation for developing the budget, and they guide the District in determining the level of wastewater treatment services that will be provided to the community.
- **Accounting Systems and Budgetary Control** provides an overview of the District's accounting systems and the level at which budgetary control is maintained.

Section 4 - District Summary

This summary section is a comprehensive overview of the FY 2008-09 & FY 2009-10 Budget with a focus on all consolidated District funds. Included are tables and graphs for both revenues and expenses.

Section 5 – Operations Overview

This section is a comprehensive overview of the District's operating costs and related revenues for FY 2008-09 and FY 2009-10. The District's operations include collection, treatment, and disposal activities. Tables are included for revenues and expenses to assist the reader in interpreting the data.

Section 6 – Operating Divisions

This section includes operating programs for the District's basic organizational units which provide collection and essential wastewater treatment services to the community. Divisional budgets are presented in the following format:

- **Organization Chart** - An organization chart by position is provided for each division.
- **Authorized FTE Positions**- The total number of full-time equivalent positions assigned to each division is included in this table.
- **Staffing Trends** - A multi-year staffing trend chart is provided to show the changes that have occurred in each division over time.
- **Service Description** - A description of the services or functions provided by each division.
- **2007-08 Performance Objectives** - This section represents the objectives defined by the division for the previous fiscal year.

2008-09 & 2009-10 Budget

- **2007-08 Performance Results** - A summary of major accomplishments and objectives that were actually met during the previous fiscal year.
- **2008-09 & 2009-10 Performance Objectives** - A list of projected goals to be accomplished during the 2008-09 and 2009-10 fiscal years.
- **Performance Measures** - A listing of the measures that will be used to evaluate the success of the budgeted fiscal years.
- **Budget Overview** - This section provides an overview of changes from the FY 2007-08 Budget to the FY 2008-09 & FY 2009-10 Budget. Additionally, the significant impacts of budgetary changes are outlined along with dollar amounts.
- **Expenses by Category** - A chart comparing the FY 2006-07 actual expenses and the FY 2007-08 budgeted and projected expenses against the proposed budget for FY 2008-09 & FY 2009-10. The percent change from the FY 2007-08 Budget compared to the FY 2008-09 Budget is also included.
- **Expenditure Trends** - This graph provides a multi-year historical trend of divisional expenses.

Section 7 - Self-Insurance Program

This section presents an overview of the self-insurance program, including program descriptions and revenue and expense detail.

Section 8 - Capital Improvements

This section of the budget gives an overview of the District's Capital Improvement Program (CIP), CIP project summaries, and detailed CIP project sheets. The project sheets outline project descriptions, project location, project type, projected costs, and funding sources.

Section 9 - Debt Financing Program

This section describes the District's Debt Financing Program including a listing of the outstanding debt issues, a description of the purpose of each issue, a debt service retirement schedule, and Debt Service Requirements, including principal and interest, over the life of the outstanding debt issues.

Section 10 - Appendix

- **Staffing** - Includes charts of staffing by department and category, charts of the historical staffing by department, a historical summary and detail schedules of authorized positions and full-time equivalent employees by department and by division.
- **Appropriations Limit** - The calculation of the District's California Constitutional appropriation limit.
- **Budget Glossary**
- **Miscellaneous Statistics**
- **Service Area Population Information**
- **Index**



ORANGE COUNTY SANITATION DISTRICT

June 4, 2008

Honorable Chair and Board of Directors:

I am pleased to submit the Orange County Sanitation District (OCSD) 2008-09 and 2009-10 operating budget and capital improvement program. This document provides a framework for District activities during the next two years and serves as a source of information for the District's Board of Directors, and our employees and ratepayers.

In November 2007, after a series of Board workshops, the District approved a Five-Year Strategic Plan that updated the District's Mission and Vision statements, Levels of Service, and Business Plan. The Strategic Plan serves as the underlying basis for the development of this two-year budget and supports our mission to protect public health and the environment by providing effective wastewater collection, treatment, and recycling. It also set forth the groundwork for establishing a stable five-year revenue base, a prudent step required to support our more than two billion dollar capital improvement program.

In addition to providing resources to support the processing of nearly 230 million gallons of wastewater each day from 2.5 million residents and businesses, the Strategic Plan focused on four distinct program areas:

Biosolids

The District produces approximately 650 tons of digested and dewatered biosolids per day. By 2020, the District's biosolids production is projected to increase by 30 percent, to 310,000 tons annually. We have viable long-term strategies in place for 2/3 of our biosolids production and we will continue to pursue beneficial reuses for the remaining 1/3 of our biosolids production. Cost-effective land application reuse options will continue in Kern County and Arizona as long as possible while pursuing a biosolids-to-energy alternative.

Air Quality

The District expects amendments to existing regulations requiring significant reductions in common pollutants. As a result, OCSD will apply feasible and cost-effective controls to reduce the air toxic emissions below health risk notification levels to the surrounding community and OCSD employees.

Odor Control

This budget includes resources that will allow us to invest more than \$100 million to establish an odor-based standard on total odor. These resources will provide for the design and construction of new processes and structures at our wastewater treatment plants to significantly reduce odor impacts on our neighbors.

Groundwater Replenishment (GWR) System

Although now completed, the District will maintain its partnership with the Orange County Water District in the initial phase of the GWR System. The GWR System captures secondary treated effluent and purifies it to a level that surpasses bottled water quality. It has the capacity to reclaim nearly 70 million gallons of water daily. While the costs are

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Newport Beach

Orange

Placentia

Santa Ana

Seal Beach

Stanton

Tustin

Villa Park

Yorba Linda

Costa Mesa
Sanitary District

Midway City
Sanitary District

Irvine Ranch
Water District

County of Orange

about the same as importing water from Northern California, we are able to cut the energy necessary to do so in half while reducing our reliance on external water sources.

This budget also addresses rising treatment and chemical costs, aging infrastructure and increased regulatory requirements. As a result, the operating budget is increased by 14 percent. However, despite these increases, OCSD provides wastewater treatment, sewer and facilities maintenance, ocean monitoring and many other services with residential user fees averaging less than \$17 per month, one of the lowest rates in the state.

As a result of operational efficiencies, we are able to provide increasing activities with only a one percent increase in authorized staffing, contributing to the goal of maintaining our low user rates.

This budget strongly supports the primary mission of the District, touching on all key areas:

- **Strategic Planning** – OCSD has developed a new Five-Year Strategic Plan that sets the direction of the agency and serves a basis for many budget allocations. Staff will review and update this plan, periodically bringing it to the Board for approval.
- **Capital Improvement Program (CIP)** – All consent decree activities will remain on or ahead of schedule. A new management review program will be fully implemented to reduce the magnitude of change orders as a percentage of total program costs.
- **Levels of Service** – We will continue to increase the quality of effluent discharged into the ocean or provided for water reclamation in a cost effective manner.
- **Process Reviews** – To ensure our major programs are managed as efficiently as possible, we will engage independent experts to review our existing and future projects and services. In previous years, auditors reporting directly to the Board have reviewed the contract administration of our large construction projects and various financial processes.
- **Financial Positioning** – This budget reflects our commitment to fiscal responsibility as indicated by our recent upgrade to an “AAA” bond rating from Standard and Poors while maintaining “Aa” ratings from the other two rating agencies.
- **Employee Emphasis** – We continue to invest in our employees focusing on succession planning, leadership training, and the implementation of a new performance appraisal system.

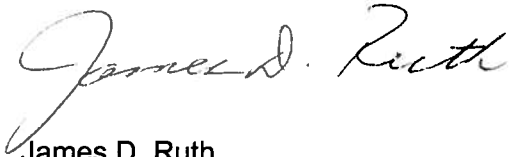
General Manager Letter

June 4, 2008

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- **Legislative Platform** – Our legislative activities have supported the Santa Ana River Interceptor (SARI) Line relocation, Homeland Security requirements, and Design-Build initiatives.
- **Information Technology** – We have completed our new Information Technology Strategic Plan that includes a comprehensive review of the District's technology needs. This budget supports that assessment as means of increasing our overall efficiency.
- **Interagency Agreements** – We are reviewing all of our agreements with other agencies to ensure alignment with our strategic goals.

I believe that this budget fully supports the goals included in the District's new Strategic Plan and positions us well to address the challenges ahead. I look forward to another dynamic and productive year of leading the organization.



James D. Ruth
General Manager

2008-09 & 2009-10 Budget

ORANGE COUNTY SANITATION DISTRICT CORE VALUES

MISSION STATEMENT

The Mission Statement is the basic foundation that defines why the Orange County Sanitation District exists.

“We protect public health and the environment by providing effective wastewater collection, treatment, and recycling.”

VISION STATEMENT

The Vision Statement supports the Mission Statement by expressing a broad philosophy of what the Orange County Sanitation District strives to achieve now and in the future in the delivery of services to our customers, vendors, other agencies, the general public and each other.

“The Orange County Sanitation District is committed to:

- Making decisions in an open and honest way to produce optimum financial, environmental and societal results.
- Cooperating with other stakeholders to protect the ocean and regional water resources for the people we serve.
- Beneficially recycling wastewater, biosolids and other resources using safe and effective processes and systems.
- Developing the best possible workforce by providing employees with opportunities to advance their careers through enhanced growth, responsibility, and professional development.”

Core Values

The Core Values support the Mission and Vision Statements by expressing the values, beliefs, and philosophy that guides our daily actions. They help form the framework of our organization and reinforce our professional work ethic.

- **HONESTY, TRUST and RESPECT**
We aspire to the highest degree of integrity, honesty, trust, and respect in our interactions with each other, our suppliers, our customers, and our community.
- **TEAMWORK and PROBLEM SOLVING**
We strive to reach OCSD goals through cooperative efforts and collaboration with each other and our constituencies. We work to solve problems in a creative, cost-effective and safe manner, and we acknowledge team and individual efforts.
- **LEADERSHIP and COMMITMENT**
We lead by example, acknowledging the value of our resources and using them wisely and safely to achieve our objectives and goals. We are committed to act in the best interests of our employees, our organization, and our community.
- **LEARNING/TEACHING - Talents, Skills and Abilities**
We continuously develop ourselves, enhancing our talents, skills, and abilities, knowing that only through personal growth and development will we continue to progress as an agency and as individuals.
- **RECOGNITION/REWARDS**
We seek to recognize, acknowledge and reward contributions to OCSD by our many talented employees.