

FY 2017 -2018

Proudly Serving
Westminster & Midway City
Since 1939

MIDWAY CITY SANITARY DISTRICT ANNUAL BUDGET

Providing 79 Years of Service
1939-2018



Our Mission Statement

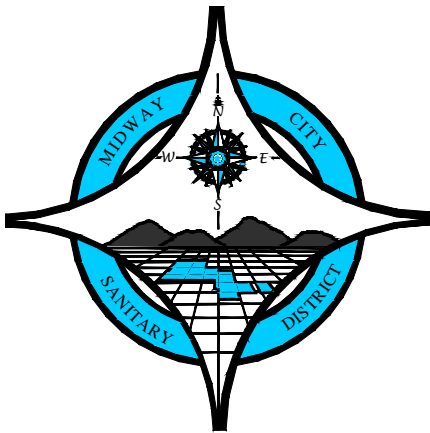
"The Board of Directors and Employees of Midway City Sanitary District work diligently to provide sewer and solid-waste services to the residents of the District.

Our top priority is to accomplish this in an ethical, efficient and cost-effective manner that will protect the health and safety of those we serve."

Midway City Sanitary District

Annual Budget

Fiscal Year July 1, 2017 - June 30, 2018



Submitted by
Kenneth J. Robbins Jr., General Manager

Prepared by the
Finance Department
Robert G. Housley Jr., Finance/HR Director

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Midway City Sanitary District Elected Officials



Tyler Diep
President
(714)893-3553



Margie L. Rice
President Pro-Tem
(714)893-1732



Al P. Krippner
Director
(714)893-3553



Frank A. Cobo
Treasurer
(714)893-3553



Chi Charlie Nguyen
Secretary
(714)893-2622

PRINCIPAL STAFF

General Manager.....
Finance/HR Director.....
Executive Secretary/Board Clerk.....
Director of Operations/Safety
Lead Sewer Maint. Worker/Construction Inspector.....
Lead Solid Waste Worker.....
Lead Fleet Maintenance Mechanic.....

Kenneth J. Robbins Jr.
Robert G. Housley Jr.
Danielle Gerardo
Nicolas Castro
Darrell Grimes
David Hernandez
Juan Salce

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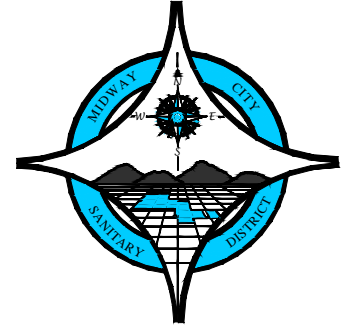
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EXECUTIVE SUMMARY



Kenneth J. Robbins Jr.
General Manager



Robert G. Housley Jr.
Finance/HR Director

Executive Summary

June 26, 2017

Honorable Board of Directors:

We are pleased to present to you a balanced budget for the Midway City Sanitary District for Fiscal Year 2017-2018. This document demonstrates how the organization will continue to implement its vision to be a sustainable organization in service to the community and continue to take Midway City Sanitary District down the path of strong fiscal health and transparency.

The 2017-2018 operating and capital budgets and reserves are presented for all District activities and these budgets are balanced with current resources matching appropriations.

This was a very successful year for our District. The Board and staff have worked hard to enhance the quality of services the District provides to its residents and the community it serves through projects that preserve, establish and enhance the overall sustainability of the District. The District continues to take on projects that will not only protect the environment and reduce greenhouse gases but will also preserve the District's long term commitment to community it serves by leaving a legacy of financial security, stability, and a clean and healthy environment for a better tomorrow.

The budget for the Midway City Sanitary District (MCSD) is a \$10,872,500 operating budget and a \$1,803,000 capital outlay and improvements budget. The size of these budgets is indicative of the breadth, depth and diversity of services, projects, and activities undertaken by the Midway City Sanitary District for public health and safety, quality of life, and infrastructure maintenance. The adopted budget reflects:

- Solar panel project for District facilities
- Roofing & Air Conditioner Replacement Project for the District Offices
- Scissor Lift
- Sewer lining projects
- Extensive public outreach and assistance programs
- A commitment to health, safety, and educational training

We are pleased that this is being achieved with no rate increases for the 11th consecutive fiscal year for residential solid waste collection and residential sewer services, while variable costs to the District continue to increase year-after-year.

The District's overall budget strategy uses a multi-pronged strategy to maintain services and update infrastructure while strengthening Midway City Sanitary District's financial position and not having to tap reserves. The strategy involved:

- Reductions in operating expenditures without jeopardizing core services
- Business process and efficiency improvements, including the use of technology, and the re-routing of solid waste routes to reduce costs

This combination of actions reduced the District's operating budget from the prior year.

This document is consistent with the Board's direction following three public meeting workshops and provides a framework for District activities during the next fiscal year. This document serves as a source of information for the MCSD Board of Directors, our employees and ratepayers.

This budget strongly supports the primary mission of the District, touching on all key areas. The FY 2017-2018 Budget was constructed by utilizing a conservative approach in projecting revenues and corresponding expenditures. This conservative approach is necessary, as the District must continue to be sensitive to potential changes in the condition of the State and local economy.

The budget as presented is well balanced and is consistent with the policy direction reflected in the Board of Directors' goals. The budget reflects the Board of Directors' commitment to long-term financial planning, cost effective services, and financial policies that recognize the need to fund future obligations.

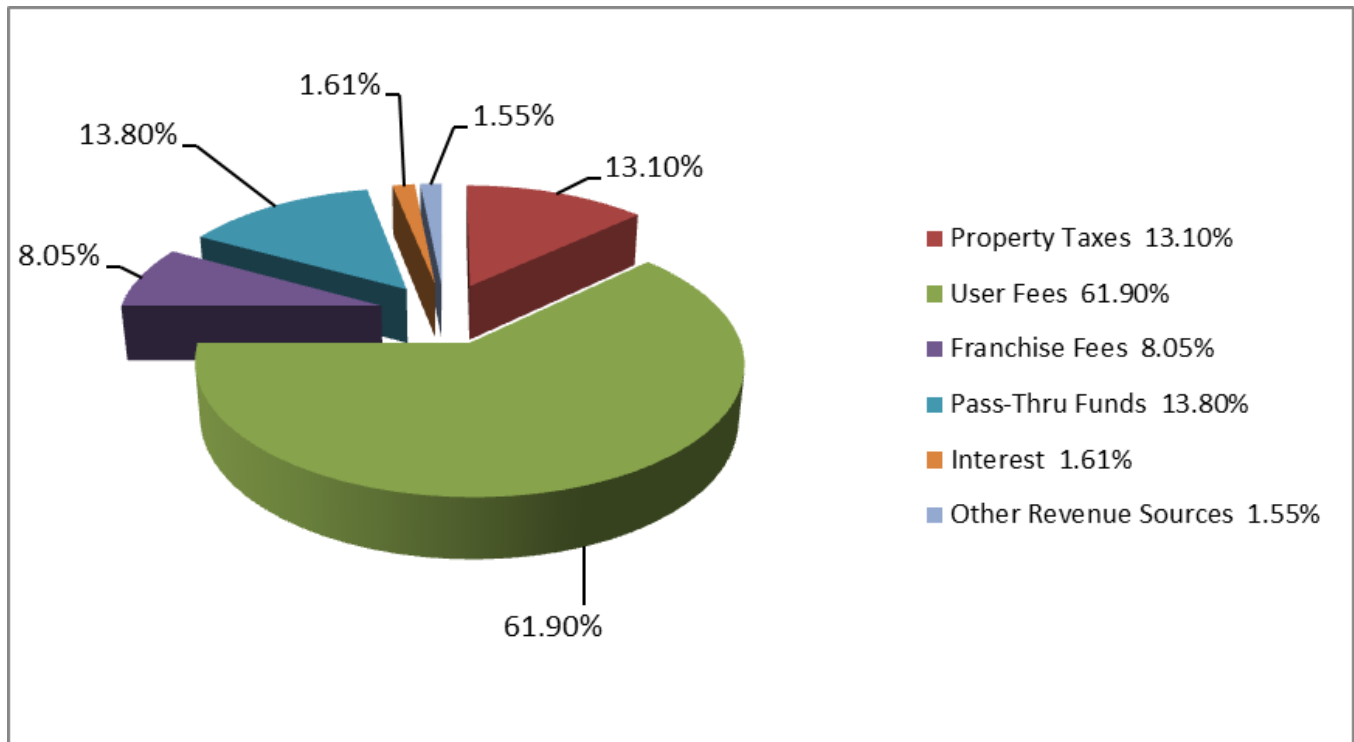
An underlying principle in preparing the budget is to establish service level efforts and funding in accordance with the priorities set by the Board of Directors in a prudent fiscal manner. The on-going challenge we face as a District is operating within fiscal resources. The budget process involves the operating departments prioritizing needs based on available resources while maintaining excellent service levels.

The Fiscal Year 2017-2018 budget is based upon an in-depth analysis of actual and projected fund balances, revenues, and expenditures. The management team reviewed individual department requests and prioritized activities based upon the Board of Directors' goals. At the conclusion of this process, the adopted budget was prepared, and it is being submitted to the Board of Directors for review and adoption.

Revenues by Source

Midway City Sanitary District (MCSD) receives its revenues from a variety of sources. The pie-chart below reflects MCSD’s primary source of funding for District activities. Predominately MCSD’s funding, 61.90% comes from User Fees assessed to users of the Sewer and Solid Waste services MCSD provides. The second highest source of funding is the portion of Ad Valorem Taxes MCSD receives from property owners of the District at 26.9%.

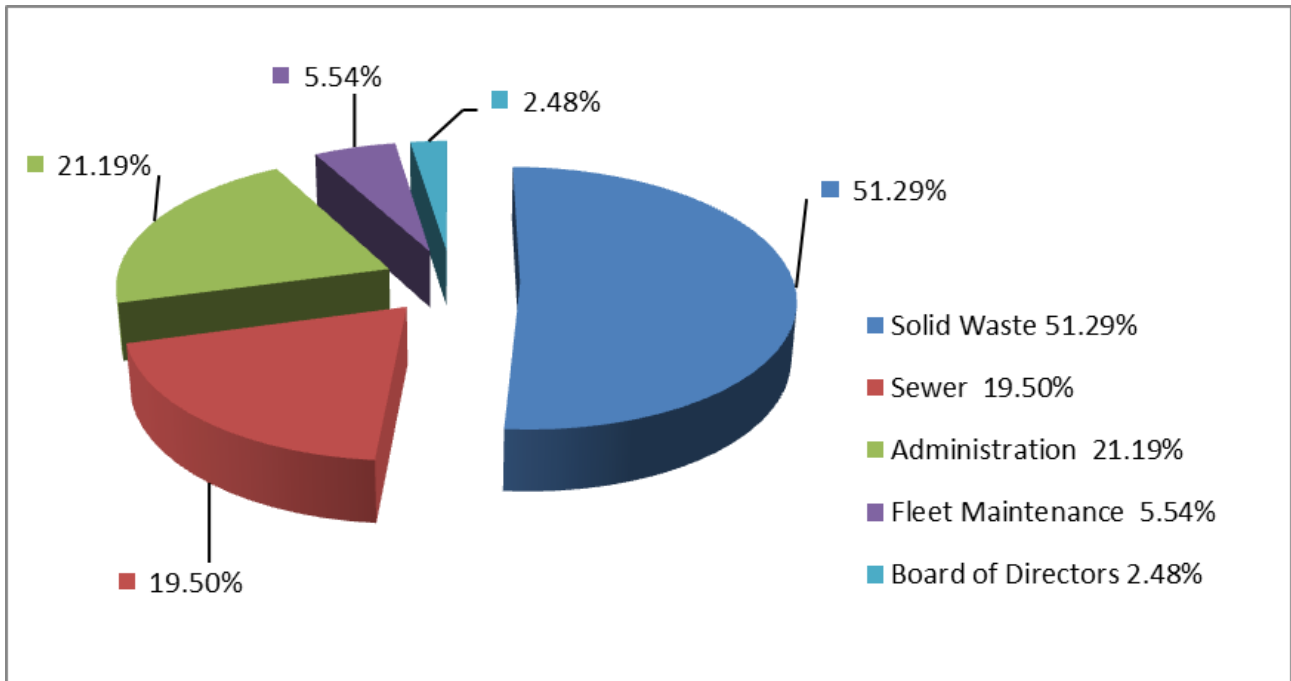
Primary Revenues by source:



Expenses by Department:

Historically the District’s budget is broken down by department. The FY 2017-2018 adopted budget document continues that practice with a detailed narrative and accounts for the District’s revenues, expenses, and capital expenditures. Refuse (Solid Waste) accounts for 51.29% of the operating budget and sewer services at 19.50% for combined total of 70.79%. The additional 29.21% are support services including the Board of Directors, fleet maintenance and administration departments.

Operating Expenses shown by department:

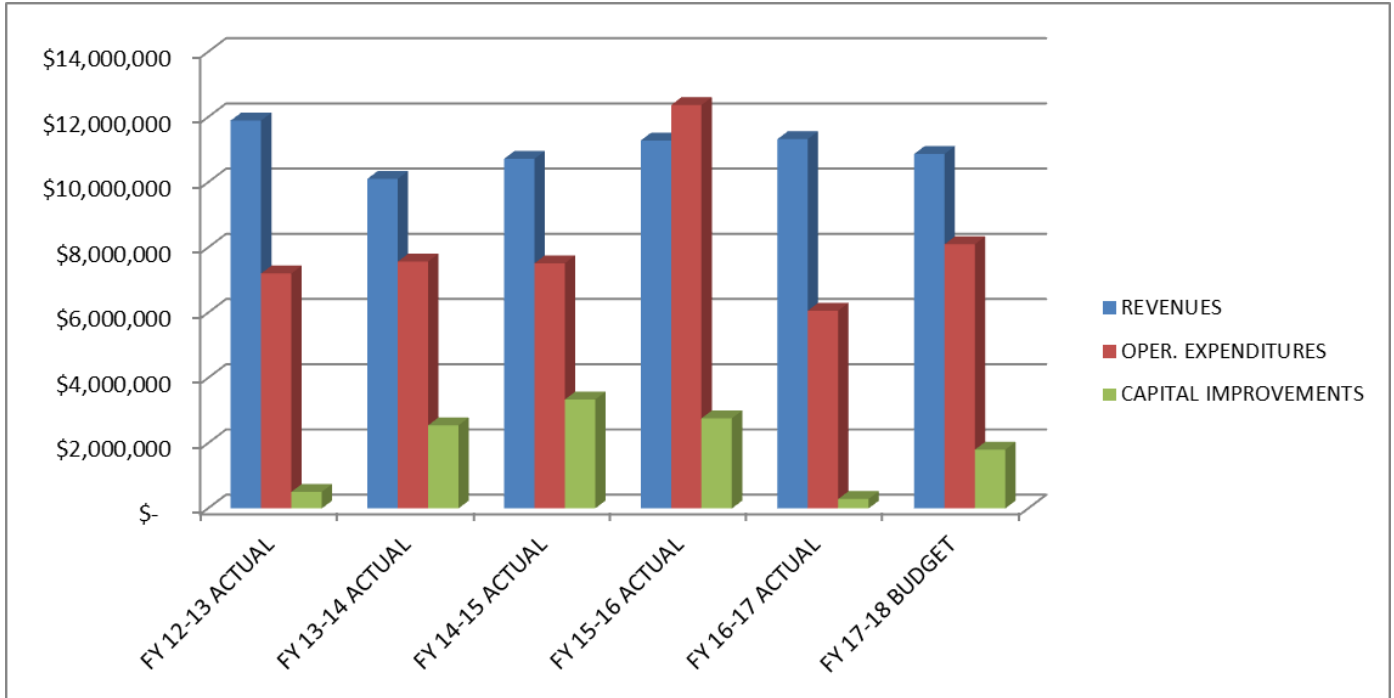


Revenues, Expenditures, and Capital Improvement Program:

MCSD’s revenues, expenditures, and capital expenditures have risen gradually as expected due to a changing economy, inflation and needed capital improvements. The adopted budget continues to account for revenues and plan for the expenses needed to continue to support the high level of services MCSD provides to the community.

Capital project spending is usually a multi-year process and the expenses are typically determined by what phase the project is in. The capital spending details in FY 2017-2018 are included in the appropriate sections of the budget.

The chart below gives a historical comparison of MCSD’s revenues, expenditures, and Capital Improvement Program (CIP) spending over a period of years as well as the adopted FY 2017-2018 budgets. Most notable are the steady state of revenues and annual increases in operating expenditures. Operating expenditures are nearing our revenue resources.



MCSD has undertaken an extensive Capital Improvement Program designed to preserve, maintain and enhance the District’s assets, accommodate the community’s needs and protect the environment. The Sewer System Master Plan (SSMP) has been reviewed and updated.

Fiscal Challenges:

The budget for Fiscal Year 2017-18 is the culmination of months of effort by the Board of Directors and District staff to balance available resources with the services desired by Midway City Sanitary District residents and businesses. It represents the Board of Director’s and staff’s best recommendations for meeting fund balance requirements and service delivery objectives, while providing tangible outcomes for programs and projects rooted in the Board of Directors’ goals. This budget will guide the Midway City Sanitary District through the next fiscal year.

As is the case for all budgets, the document before you is a fluid one. Developing and monitoring MCSD’s budget is an ongoing process, with modifications and adjustments made throughout the year to respond to unanticipated events. There are finite numbers in this budget, but there are also some unknowns, for which MCSD must be financially prepared.

The Fiscal Year 2017-2018 budget appropriately considers these economic realities and places MCSD in a position to act as needed in the coming years. Understanding that costs are rising faster than revenues, MCSD has exhibited prudent foresight and continues to find ways to limit the possibility of reducing service levels in the wake of

financial constraints. The major components of costs in our budget are those with the greatest inflationary pressures.

Conclusion:

While the budget outlook for 2017-2018 is generally positive, the District still faces some basic challenges. Growth in District costs continues to run ahead of inflation and is essentially unmatched in the growth of revenues. In this context, departments will be asked to be cognizant of spending habits and to find ways to cut costs while maintaining the District's current service levels.

We are indebted to the Board of Directors for its leadership and overall direction in the development of this budget, and moving our District forward in a positive and responsible direction.

The Budget is balanced; the Board of Directors' goals are funded; the challenges we face are manageable; and the opportunities are abundant.

With that, we are proud to commend District staff throughout the organization for their high degree of professionalism, commitment and effort. The collaborative and disciplined efforts that went into developing and producing this budget were truly a team effort.

We look forward to another dynamic and productive year with the District.

Thank you

Kenneth J. Robbins Jr.
General Manager

Robert G. Housley Jr.
Finance/HR Director

Vision of the Midway City Sanitary District

The Vision Statement supports the Mission Statement by expressing a broad philosophy of what the Midway City Sanitary 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.

Our vision for Midway City Sanitary District is to be the recognized leader for the provision of solid waste and sanitary sewer collection services.

- Our vision is to enjoy a positive reputation in the county for the provision of these services.
- Our vision is to eliminate areas within our sewer system, which require higher levels of maintenance.
- Our vision is to divert more solid waste from the landfill and increase recycling percentages.
- Our vision is to implement up-to-date technology in all operations.
- Our vision is to maintain a rate structure and rate reserves to support the infrastructure and operations.
- Our vision is to develop the best possible workforce by providing equipment, safety training and standards of operation.

Through the promotion of social responsibility and environmental stewardship, the District in partnership with the community, will continue to improve upon the preservation and decision making to produce optimum financial, environmental and societal results.

Core Values of the Midway City Sanitary District

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

Honesty, Trust and Respect

To aspire to the highest degree of integrity, honesty, trust and respect in our interaction with each other, our suppliers, our customers and our community.

Teamwork and Problem Solving

To strive to reach MCSD goals through cooperative efforts and collaboration with each other and our constituents. We will work to solve problems in a creative, cost-effective and safe manner, acknowledging team and individual efforts. We will act in a manner that protects our environment, and we will always be responsive to our customers' needs.

Leadership and Commitment

To 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 interest of our employees, our organization and our community to protect the environment in each of our operations and projects.

Learning and Teaching – Talents, Skills and Abilities

To 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.

UNDERSTANDING THE BUDGET

The Midway City Sanitary District Annual Budget is developed to give the public a general understanding of the District's revenues, expenditures, and organizational structure. The following summary gives a brief explanation of the different sections of the document:

Transmittal "Executive Summary"

General Manager's Executive Summary addressed to the Board of Directors gives a general overview of the 2017-2018 operating and capital improvements budgets, including a description of estimates and assumptions used in the preparation of the document, budget changes, budget highlights, and future issues.

General Information

This section provides the reader with additional information about the Midway City Sanitary District as well as a District map, organizational chart, and budget calendar.

Summaries

This section includes a schedule of sources and uses for MCSD, an overall financial summary schedule that includes revenues, expenditures and fund balance for all MCSD funds and operating transfers that are included in the budget.

Revenues

The revenues section includes a summary of all District revenue by type and including four prior years of history.

Expenditures

The expenditures section includes a summary of District expenditures broken into the following categories: salaries & benefits, operations & maintenance, and capital outlay.

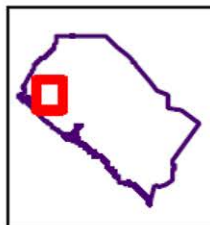
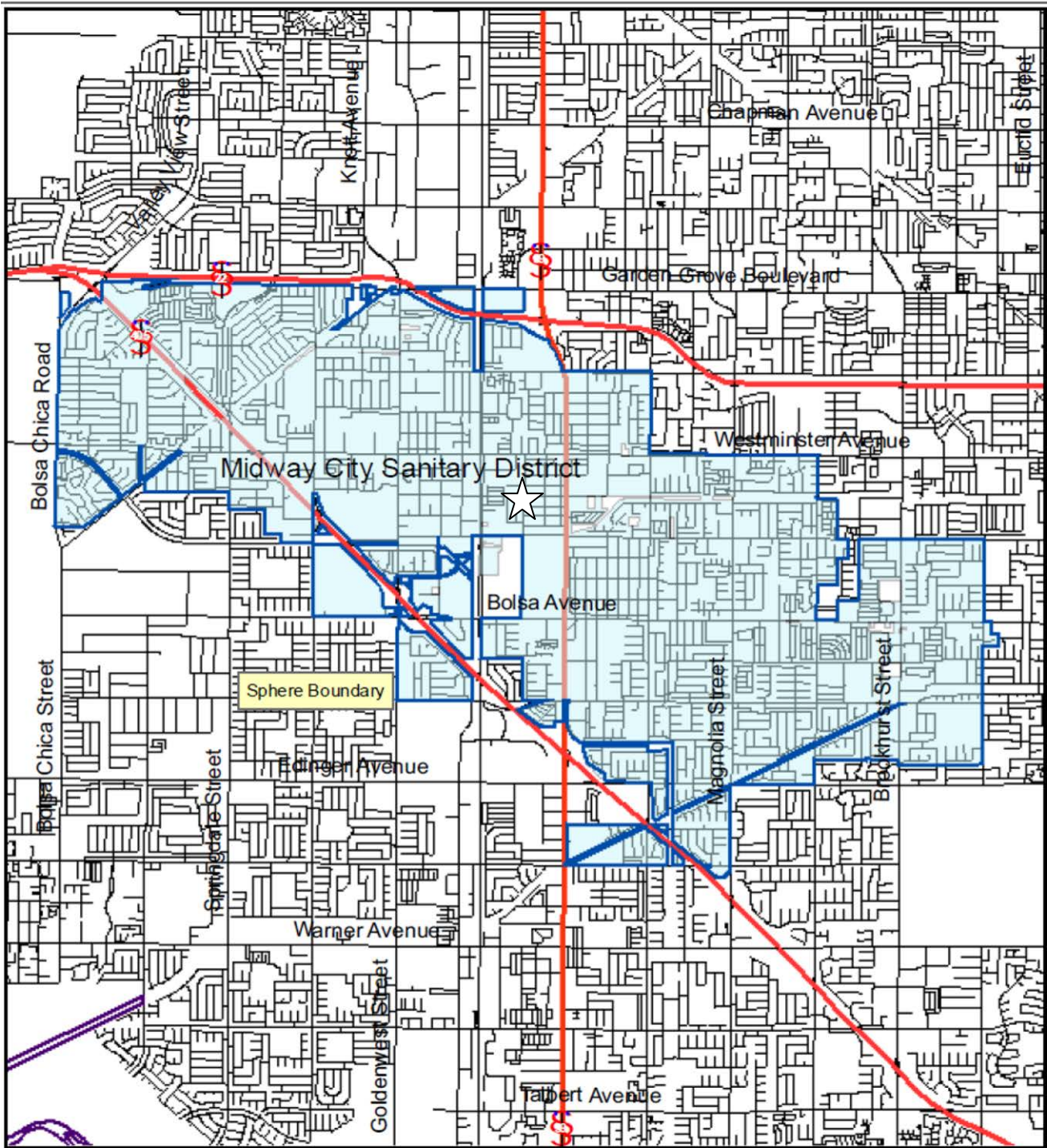
Department Sections

The program budget detail is summarized by operating department. Each department section includes a department summary and an expenditure summary.

Supplemental information

The Supplemental Information Section includes the adopted budget resolution, Gann Limit resolution, investment and banking policy resolutions, as well as a glossary.

Midway City Sanitary District Sphere of Influence Map



0.75 0.375 0 Miles

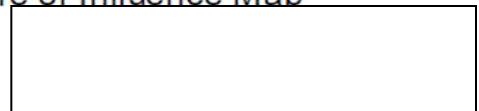


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Midway City Sanitary District Sphere of Influence Map

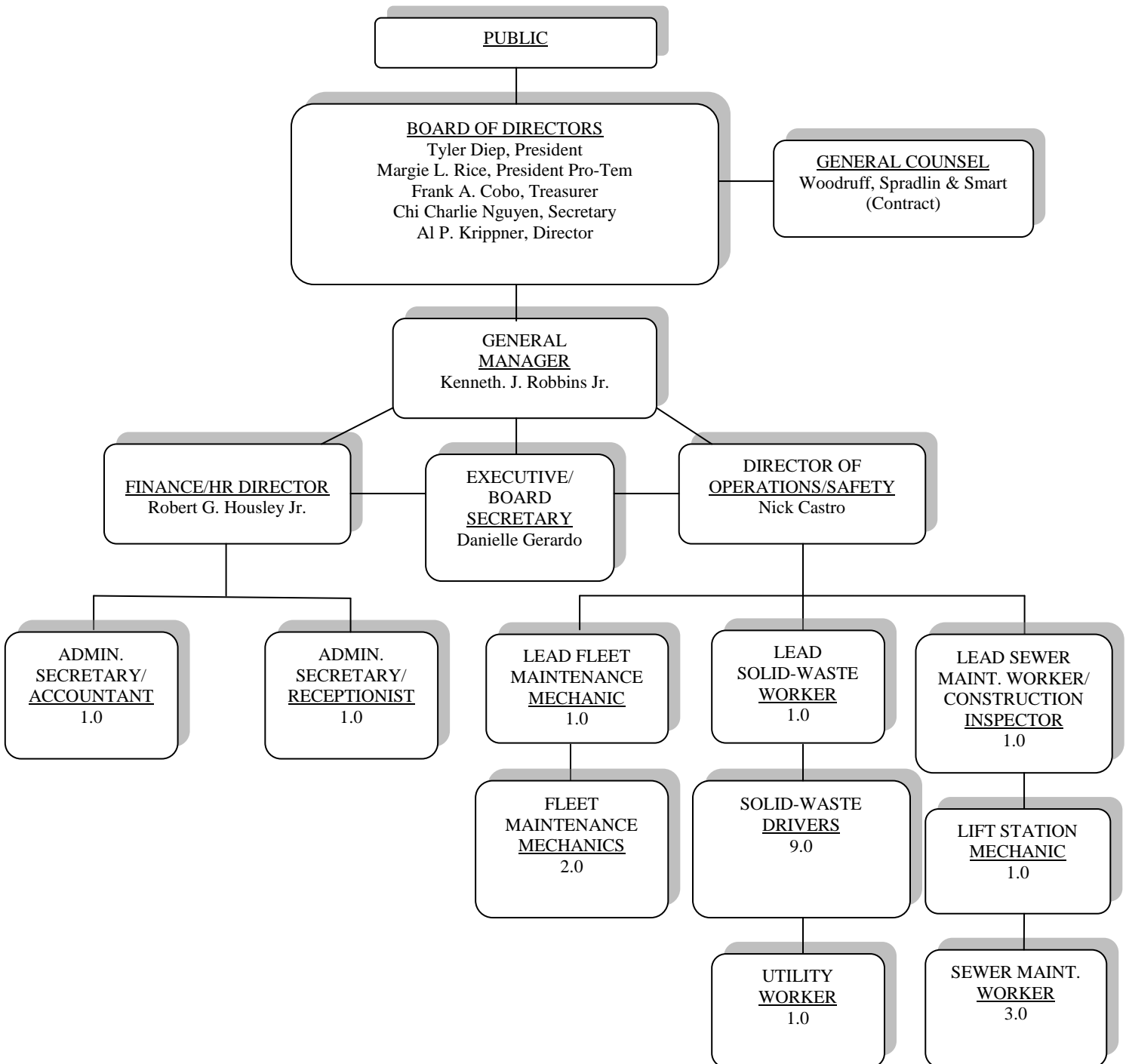
Legend

- Sphere Boundary
- District Boundary



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Midway City Sanitary District Organizational Chart



Midway City Sanitary District Information and Statistics

The Midway City Sanitary District (MCSD) was formed by a vote of the people in 1939 for the purpose of providing the community refuse and sewer services. MCSD is an independent special district of the State of California, formed in 1939 under the Sanitary District Act of 1923. The first meeting of the Midway City Sanitary District Board was held January 13, 1939 at 7:00 P.M. at the fire hall in Midway City.

The Midway City Sanitary District services more than 102,048 residents within its 10.4 square mile service area of the City of Westminster and the unincorporated area of the County of Orange known as Midway City. The Midway City Sanitary District provides solid waste to approximately 19,230 residences and sewer services to approximately 34,485 residences & businesses.

Midway City Sanitary District is operated by a Board of Directors, General Manager, administrative staff and field personnel. The Board of Directors is elected by the public and serves staggered four-year terms. The Board of Directors meets on the first and third Tuesdays of each month. The General Manager is hired by the Board of Directors. Midway City Sanitary District currently employs twenty-four (24) employees that work in one of the service categories: administration, sewer system maintenance, solid waste and fleet maintenance.

The Midway City Sanitary District provides wastewater collection, cleaning of sewage lines, approval of plans, and the inspection of the construction of sewer built within MCSD boundaries by developers, and solid waste disposal services to the residents and businesses (via a third party franchisee) of the District.

MCSD owns and operates vehicles for the above purposes and also owns property on which the MCSD office and truck facilities are located including a garage and other buildings for the purpose of servicing and maintaining trucks and sewer lines. MCSD has contracted with a third party for the collection of commercial solid waste collected in bins.

MCSD recovers the cost of its services through service rates imposed on users of the service. The current annual rates for services are \$87 per year per unit for sewer service for residential and \$177 per unit for residential curbside service.

Midway City Sanitary District's fiscal year runs for a twelve (12) month period beginning July 1 through June 30 of the following year. The District's budget consists of two separate components, operations and capital improvements.

Location

Midway City Sanitary District is located with the 22 (Garden Grove) Freeway on its northern boundary and the 405 (San Diego) Freeway on its southern boundary. It is 15 minutes from Disneyland and Knott’s Berry Farm and 10 minutes from Southern California’s beautiful beaches. The John Wayne airport is within 10 miles and Los Angeles International airport is 45 minutes away.

Business

The City of Westminster and Midway City are comprised of a variety of businesses and organizations such as: home-based; internet; small, medium, and large retail; national corporations; professionals; and various civic and service organizations.

The Westminster Mall opened in 1974 and is conveniently located off the 405 Freeway at Goldenwest. The Westminster Mall is a 40-acre site with a variety of retail and food services. Its anchors Macy’s, JCPenney, Sears and Target rank in the top percent of their companies’ regional stores. Westminster Mall also has more than 122 specialty stores.

Once home to orange and lemon groves, in the heart of Westminster, the Asian Garden Mall, a 150,000 square foot shopping place, was completed in 1987. The bustling food court, with its long row of grills, cafés, bakeries, snack shops and pho restaurants is probably the biggest draw. Families with small children browse the toy and trinket shops. Much of the mall's second level is occupied by a half-dozen large jewelry shops competing aggressively to sell you everything from engagement rings to jade baubles.

Government

The governing board is made up of five Directors elected by popular vote to serve four-year staggered terms. The Board Directors annually selects one of its members to serve as Board President.

The General Manager is appointed by the Board of Directors.

Population

Midway City Sanitary District currently serves a population of 102,687 residents, ranking among one the largest sanitary districts in California. While the population that Midway City Sanitary District serves grows each year, population growth has slowed since the 1970’s.

<u>Year</u>	<u>Westminster</u>	<u>Midway City</u>	<u>Total Residents Served</u>
2017	93,375	8,673	102,048
2016	94,073	8,614	102,687
2015	91,739	8,485	100,224
2014	91,652	8,767	100,419

Number of Housing Units

	<i>Solid Waste Pick-up</i>	<i>Residential Sewer Units</i>
2016-2017	19,230	31,303
2015-2016	19,979	31,280
2014-2015	19,904	31,156
2013-2014	19,878	31,166

Number of Commercial and Industrial Sewer Units Connected

2016-2017 3,182

Plan Checks & Inspections

2016-2017 74 permits

2015-2016 76 permits

2014-2015 54 Permits

2013-2014 62 permits

2012-2013 54 permits

Sewer Millions of Gallons a Day (MGD)

2007-2017 18 MGD Capacity

Prior to 2007 13 MGD Capacity

Solid Waste and Recycling Tonnage

	<i>Solid Waste</i>	<i>Recycling</i>	<i>Total</i>
2016	30.8 Tons	7.3 Tons	38.1 Tons
2015	31.3 Tons	6.9 Tons	38.2 Tons
2014	30.1 Tons	6.6 Tons	36.7 Tons
2013	30.7 Tons	6.7 Tons	37.4 Tons

Property Tax Assessed Valuation

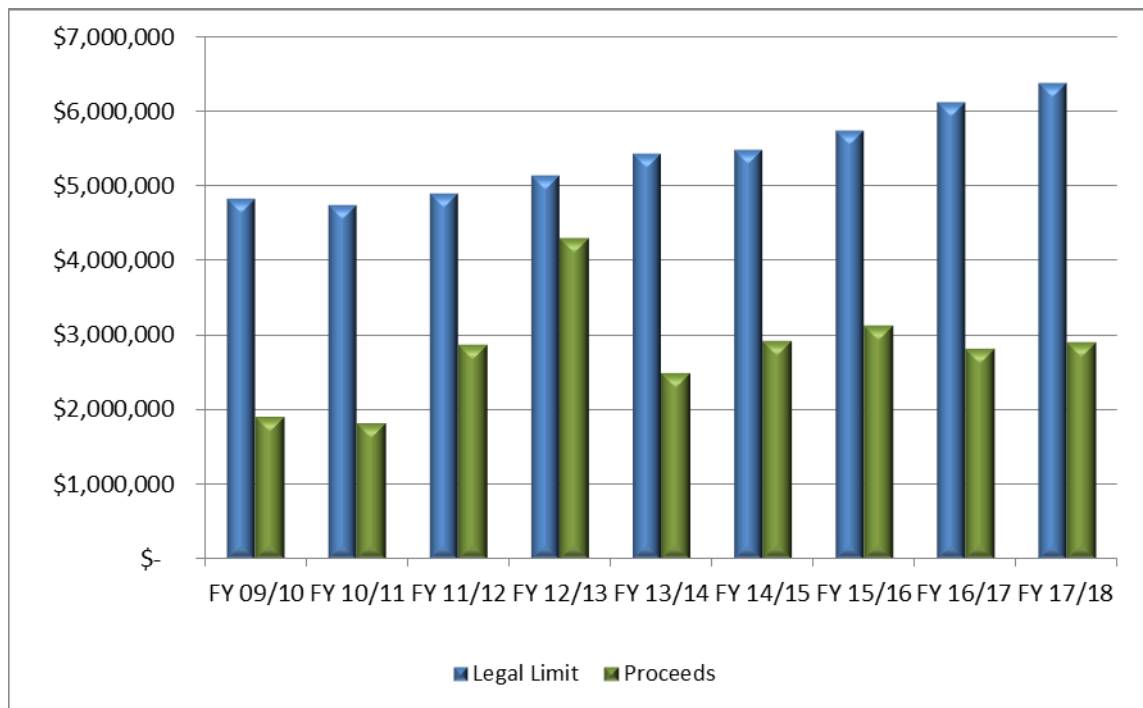
	2012 - 2013	2013 - 2014	2014-2015	2015-2016	2016-2017
Locally Assessed	7,167,401,102	7,390,884,713	7,785,340,030	8,412,428,368	8,681,000,320
State Assessed	0	234,313	234,313	234,313	234,313
Total Secured	7,167,401,102	7,391,119,026	7,785,574,343	8,412,662,681	8,681,234,633
Unsecured Values	214,506,221	168,009,443	220,511,981	277,245,756	170,252,882
Total Values	7,381,907,323	7,559,128,469	8,006,086,324	8,689,908,437	8,851,487,515
Change	98,815,052	177,221,146	446,957,855	683,822,113	161,579,078

GANN APPROPRIATIONS LIMIT

Commonly referred to as the Gann Limit, this was a ballot initiative adopted in 1980, and modified by Proposition 111, which passed in 1990, to limit the amount of tax proceeds state and local governments can spend each year. The Gann Limit now appears in the California’s State Constitution as Article XIII B.

The limit changes annually and is different for every organization. Each year’s limit is based on the amount of tax proceeds that were authorized to be spent in FY 1978-79 in each jurisdiction, and modified for changes in inflation and population in each subsequent year. By law, inflationary adjustments are based on the California Department of Finance’s official report on changes in state’s per capital income or in non-residential assessed valuation due to new construction. Population adjustments are based on the changes in the District’s population levels. Each year the Board of Directors must adopt, by resolution, an appropriations limit for the following year. Using the cost of living data provided by the State of California, and population and per capita personal income data provided by the California State Department of Finance, MCSD’s Appropriation Limit for 2017-2018 is \$6,403,793. A copy of the adopted FY 2017-2018 Gann Appropriations Limit Resolution with calculations, can be found in the Supplemental Information Section on page 69.

Additional appropriations to the budget funded by non-tax sources such as service charges, restricted revenues from other agencies, grants, or beginning fund balances are unaffected by the Appropriations Limit.



BUDGET PROCESS

The budget process is not simply an exercise in balancing one year at a time; it is strategic in nature, encompassing a multi-year financial and operating plan that allocates resources on the basis of identified goals and objectives. The Midway City Sanitary District's budget is prepared on an annual basis and is based on the priorities, goals, and objectives established by the Board of Directors. The budget document communicates how the District invests its revenues derived from user fees and fixed revenue sources to support its mission and its programs.

MCSD has divided the annual budgeting process into six separate phases to help with organizing, planning and completing the budget process.

1. Plan and Organize
2. Midyear Review
3. Revise Budget
4. Draft Budget
5. Revise Budget
6. Adopt Budget

BASIS OF THE BUDGET

The Midway City Sanitary District (MCSD) is a special district of the State of California and operates as a single fund, an enterprise fund. The activities of the enterprise funds closely resemble those of businesses and are substantially financed by revenue derived from user charges.

The basis of accounting refers to the timing of revenue and expenditure recognition for financial reporting. In preparing the budget, the District applies the same methodology. MCSD prepares its budget using the full accrual basis where revenues are recognized when earned, and expenses are recognized when they are incurred. The District's accounting and financial reporting systems are maintained in compliance with generally accepted accounting principles and standards of the Government Accounting Standards Board.

BUDGETARY CONTROLS

Budgetary controls are maintained by the District to ensure compliance with the annual budget adopted by the Board of Directors. All financial activities for the fiscal year are included in the annual budget. Budgetary control is maintained at the management level for operating budgets, and at the project level for capital improvements. The Board of Directors receives budget updates quarterly.

MCSD's budget is prepared on an annual basis and since the budget is an estimate, at times it is necessary to make adjustments to meet the priorities and needs of the District.

The first milestone in this process is the midyear budget review. During this process, the District compiles the first six months of actual financial data and projects the final six months of data to obtain a new 12-month projected budget. The Finance Department compares the 12-month projection to the original budget adopted by the Board of Directors and presents the results to the Board of Directors for review.

The budget is revised when expenditures are anticipated to exceed estimates. A report outlining the reasons for increasing the budget appropriation is prepared and submitted to the Board of Directors for consideration.

Increases in budget appropriations must be approved by the Board of Directors. Budget transfers affecting personnel and capital outlay must be approved by the General Manager. Reallocations or transfers within a department or project/program require the approval of the General Manager.

BUDGET CALENDAR

As part of the annual budget development process, the Board of Directors reviews the budget calendar and schedules a series of workshop/study sessions, ultimately resulting in a budget adoption.

The workshop/study sessions allows the Board of Directors and the public an opportunity to hear staff's preliminary outlook for the upcoming budget and more importantly to voice priorities, goals and objectives.

The goals and objectives are then translated into a final budget document that is put before the Board in June for adoption.

The following budget calendar is presented to aid in the preparation of the fiscal year 2017-2018 budget:

February 7, 2017	Proposed Budget Calendar to Board of Directors for Consideration
March 2017	General Manager/Department Head Meetings
April 2017	Revenue/Expenditure estimates due from all departments to Finance
April 2017	Finance Department prepares preliminary information for review with General Manager and Director of Operations/Safety
April 25, 2017	First Public Budget Workshop/Study Session
May 23, 2017	Second Public Budget Workshop/Study Session
June 26, 2017	Public Hearing & Adoption of Budget (FY 2017-2018)

BUDGET ASSUMPTIONS

Every budget includes a number of estimates and assumptions about what revenues will be available and what conditions will affect the District's operations during the budget year. It is important to list the key assumptions to help establish a context for review of the budget. If a revenue source is decreased or eliminated, expenditures should be reduced in response. Some of the key assumptions for Fiscal Year 2017-18 are:

CHANGES TO SERVICE LEVELS AND NUMBER OF EMPLOYEES

Currently, there are no proposed major changes to policies or service levels. This projection does include adding one full time solid waste driver.

ECONOMIC ASSUMPTIONS

1. Inflation for Orange County in 2017 is projected to be approximately 1.9% based on the 2017 Economic and Business Review report prepared by Chapman University. A 2.0% inflation factor will be used in the FY 2017-18 budget.

REVENUE ASSUMPTIONS

Per the Revenue and Taxation Code section 51, the State Board of Equalization provides to County Assessors the inflation factor to be used in preparing the annual property tax assessment roll. Proposition 13 property tax assessments will be increased in Orange County for 2017-2018, due to a positive Consumer Price Index (CPI) inflation adjustment of 2.619%.

2. Property Tax: Overall countywide assessed values are projected by the Orange County Assessor to increase approximately 2.619% for FY 2017-18. The District will apply a 1.5% increase to property tax revenues for FY 2017-18 for increases in property tax and the additional increase in assessed value to market value when property is sold at a higher value.
3. Residential User Fee revenues in FY 2017-18 are being budgeted to reflect the current annual rates for service of \$87 per unit for residential sewer service and \$177 per unit for residential curbside (solid waste) service.
4. The Commercial, Industrial, and Other Businesses Sewer User Fees are being budgeted to reflect the tiered rate schedule ratified by the Board in 2009. The

commercial sewer rates are broken down into five separate sewer use categories depending on the level of demand placed on the sewer facilities. The annual rates for service 'per unit' are:

Very High Demand	\$459.96
High Demand	\$367.97
Average Demand	\$275.98
Low Demand	\$183.98
Very Low Demand	\$119.49

5. Special Agreements for service(s) are budgeted to reflect an annual increase of 2.0% for Fiscal Year 2017-18.
6. Franchise Fees: MCSD collects franchise fees from CR&R Inc. for solid waste collection of commercial, industrial, and other businesses from MCSD's service area. MCSD's fee for 2017-18 is limited to 14 percent (effective July 1, 2014) of the franchisee's gross annual receipts from the service area.
7. Investments: the market remains low, but the District will seek investment opportunities in accordance with the Investment Policy as they arise. Earnings on the investments of the District's operating cash and reserves will be budgeted at 0.75% for the year.
8. Pass-through funds for 2017-18, are being budgeted at \$1,300,000 from the former City of Westminster RDA area and \$200,000 from the County of Orange for the unincorporated area of Midway City.
9. Orange County Waste Disposal Agreement (WDA) was amended to allow for waste importation at the County's three landfills and to extend the terms of the WDA through June 30, 2025. As part of the amendment, MCSD's allocation will be budgeted at \$114,000.

EMPLOYEE, MATERIALS, SUPPLIES AND SERVICES ASSUMPTIONS

10. Operating, maintenance, and administrative costs for FY 2017-18 are expected to increase as a result of general inflation. Increases are anticipated among personnel salaries, benefit increases, materials, supplies, and services agreements.

11. The total authorized staffing for FY 2017-18 will increase by one full time solid waste driver for a total of 25 full-time employees.
12. The current Memorandum of Understanding (MOU) for the represented employees expires June 30, 2018. A 3.0% cost of living raise and regular merit step increases are included in the budget.
13. MCSD and employees share in the contributions made in to a defined benefit retirement plan. FY 2017-18 retirement costs for employees enrolled in the CalPERS have been assessed at a rate of:

	FY 2017-18			
	=	+	+	+
	Total % of Payroll Paid by employee & the District to CalPERS	Employer Rate Paid by the District	Employee Rate Paid by the District	Employee Rate Paid by the Employee
CalPERS				
Employer Pension Annual Contribution Rates				
2% @ 62 Tier 3 (new PEPRRA tier implemented in 2013)	12.783%	6.533%	0.00%	6.25%
2% @ 55 Tier 2 (new tier implemented in 2009)	15.921%	8.921%	0.00%	7.00%
3% @ 60 Tier 1 (closed group as of 2009)	20.698%	12.698%	0.00%	8.00%

It's important to note that the District does not 'pick-up' any portion of the employees' contribution to CalPERS.

14. Other employee benefits and insurances will be budgeted to increase in FY 2017-18 by moderate but yet to be determined amounts.
15. The proposed operating budget will continue to reflect an emphasis on safety, technical, and management training. The proposed FY 2017-18 Operating Budget will include a budget for training that is equal to \$46,500.
16. Tonnage (dumping fees) fees are subject to an annual CPI increase each fiscal year. This year's CPI adjustment will increase that fee an additional 1.64% (\$0.54 per ton) for a potential annual increase of \$27,000 in additional tonnage fees for FY 2017-18. The additional tonnage fees imposed by the County and per the Exclusive Franchise Agreement have been absorbed by the District and not passed through to the District's residential customers. Additionally, there is no tonnage fee on recycled items placed in the blue carts.

Fiscal Year	Rate Per Ton	# of Tons	Budget	Actual	
FY 17-18	\$ 50.75	32.0	\$ 1,800,000	\$ 1,650,876	* estimated
FY 16-17	\$ 50.75	32.0	\$ 1,800,000	1,623,876	* estimated
FY 15-16	50.65	31.3	1,800,000	1,585,345	
FY 14-15	49.82	30.9	1,800,000	1,540,704	
FY 13-14	49.35	30.9	1,800,000	1,525,442	

CAPITAL IMPROVEMENT PROGRAM ASSUMPTIONS

17. The FY 2017-18 capital outlay and improvements budget are the amounts based on the most current validated Sewer Master/Strategic Plans and current needs based, is the target.
18. The 2017-18 the Capital Improvement Budget will not exceed \$1,803,000 dollars. The Capital Improvement budget will be funded by a variety of financing activities. Capital improvement projects will be funded from unencumbered operating revenues, pass-thru funds from the County of Orange to be used only for Midway City projects, and District capital reserves as needed.

The 2017-18 Capital Improvement Budget includes the following items:

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET
CAPITAL OUTLAY & IMPROVEMENTS BUDGET					
1	DISTRICT OFFICES & YARD				
2				-	500,000
3				-	80,000
4		8,207			-
5		-		7,011	-
6	FLEET MAINTENANCE				
7					18,000
8				-	-
9				46,869	-
10	SOLID WASTE				
11				76,807	-
12	268,819	2,709,069	534,469		-
13		948,947	2,230,454		-
14				-	60,000
15	SEWER				
16			-	153,214	500,000
17					-
18				-	120,000
19				445,439	525,000
20			-	-	-
21		55,869	-	-	-
22		54,370	-	-	-
23	TOTAL CAPITAL OUTLAY & IMPROVEMENTS	\$ 268,819	\$ 3,776,462	\$ 2,764,923	\$ 729,341
					\$ 1,803,000

DEBT FINANCING ASSUMPTIONS

19. The Midway City Sanitary District is currently debt free and has no current plans to issue any debt to fund the Capital Improvement Program (CIP).

RESERVE ASSUMPTIONS

Tracking the District's reserves provides a measure of the overall fiscal health of the District's finances and can be used to help make projections on what capital projects the District can plan for and when.

The FY 2017-18 budget reserves is summarized as follows and includes recommendations for long-term reserve levels:

UNRESTRICTED RESERVES:**20. OPERATING FUNDS:**

An operating cash flow is established and maintained to fund the day-to-day operations, maintenance, unforeseen emergencies, unanticipated revenue shortfalls or unexpected expenditure increases.

DESIGNATED AND RESTRICTED RESERVES:**21. ORANGE COUNTY – MIDWAY CITY (DESIGNATED) RESERVE:**

These funds are received from the County of Orange to be used solely for capital infrastructure projects within the unincorporated area of Midway City. This reserve has been established to ensure funds are available for the replacement, upgrade and refurbishment of the District's sewer lines located in the unincorporated area of Midway City.

22. LIFT (PUMP) STATION & SEWER LINE RESERVE:

This reserve has been established to ensure adequate funds are available for the replacement, upgrade and refurbishment of the District's sewer lines and lift stations. The long-term target for the sewer lines reserve is for the Sewer System Master Plan to be funded from reserves and not from current revenues. The level of reserve will be established as an amount equal half of the District's sewer assets on the books.

(\$10,000,000 lift (pump) stations / \$40,000,000 sewer lines)

23. VEHICLE REPLACEMENT RESERVE:

A vehicle replacement reserve is established and maintained to ensure adequate funds are available for the systematic replacement and refurbishment of the District’s sewer, solid waste, and maintenance trucks and vehicles.

24. BUILDINGS, EQUIPMENT AND FACILITIES RESERVE:

This reserve was established to ensure that the District has adequate funds available for the acquisition, construction, replacement and repair/maintenance, for infrastructure, land, equipment and facilities.

25. COMPRESSED NATURAL GAS (CNG) FUELING FACILITIES RESERVE:

As a result of the Global Warming Solutions Act of 2006, commonly referred to AB32, the District put in its own compressed natural gas (CNG) fueling facility to support the District’s CNG fleet. The CNG fueling facility became operational in October of 2015.

This reserve was established to ensure that the District has adequate funds available for the future replacement and repair/maintenance of the CNG equipment and facility.

Table below shows the District’s Reserve goal levels and current level.

	RESERVE		CATEGORY	GOAL LEVEL	CURRENT LEVEL	OVER/(UNDER) GOAL	% FUNDED
#20	Operating Fund	LAIF & CalTRUST	Unrestricted	10,000,000	10,650,013	650,013	107%
#21	Orange County - Midway City	LAIF	Designated	1,900,000	1,414,762	(485,238)	74%
#22	Lift (Pump) Station & Sewer Line	LAIF	Designated	50,000,000	16,060,505	(33,939,495)	32%
#23	Vehicle Replacement	LAIF	Designated	3,000,000	2,178,389	(821,611)	73%
#24	Buildings, Equipment and Facilities	LAIF	Designated	3,000,000	2,268,303	(731,697)	76%
#25	CNG Fueling Facilities	LAIF	Designated	1,500,000	0	(1,500,000)	0%
	Totals			\$ 67,900,000	\$32,571,971	\$ (35,328,029)	48%

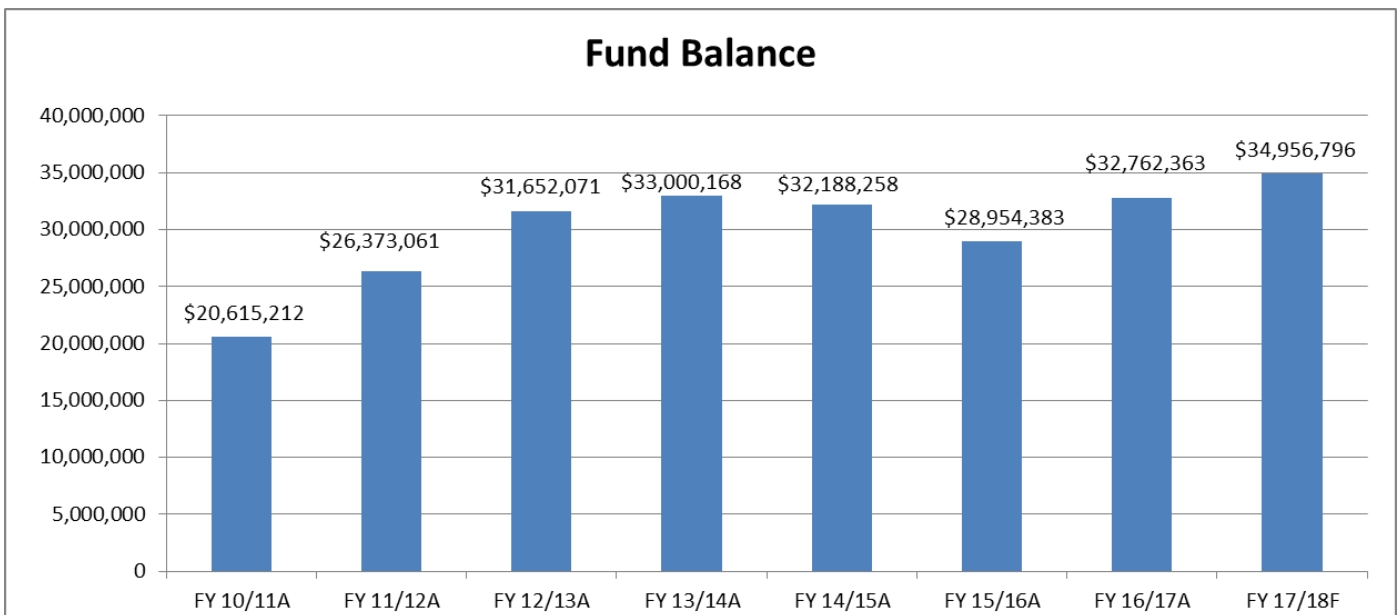
PERSONNEL SUMMARY					
	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18
Board of Directors					
Directors	5	5	5	5	5
Total Elected Board of Directors	5	5	5	5	5
Administration					
General Manager	1	1	1	1	1
Assistant General Manager	0	0	0	0	0
Finance/HR Director	1	1	1	1	1
Director of Operations/Safety	1	1	1	1	1
Administration Secretary Accountant	1	1	1	1	1
Administration Secretary Reception	1	1	1	1	1
Executive Secretary/Board Clerk	1	1	1	1	1
Part-Time Parcel Program	0	0	0	0	0
Total Administration	6	6	6	6	6
Sewer System Maintenance Department					
Lead Sewer Maintenance Worker	1	1	1	1	1
Pump Station Mechanic	1	1	1	1	1
Sewer Maintenance Worker	3	3	3	3	3
Total Sewer System	5	5	5	5	5
Solid Waste Department					
Lead Solid Waste Worker	1	1	1	1	1
Utility Worker	1	1	1	1	1
Solid Waste Drivers	9	10	8	8	9
Total Solid Waste	11	12	10	10	11
Fleet Maintenance Department					
Lead Fleet Maintenance Worker	1	1	1	1	1
Mechanics	2	2	2	2	2
Total Fleet Maintenance	3	3	3	3	3
Total District Employees (Staff)	30	31	29	29	30

GENERAL/ENTERPRISE FUND

Midway City Sanitary District (MCSD) is an enterprise district, in which operations are financed and operated in a manner similar to private business enterprises where the cost of providing goods and services is financed primarily through user charges. The majority of the revenues are derived from a special assessment (user fees) set annually by the MCSD Board of Directors and placed on the property tax roll. Other revenues are received from property taxes, plan checks and permit fees.

The General Fund is the general operating fund of MCSD. All General Fund tax revenues and all other receipts and user fees are accounted for in this fund. Expenditures of this fund include operating expenses and capital improvement costs.

	FY 10/11A	FY 11/12A	FY 12/13A	FY 13/14A	FY 14/15A	FY 15/16A	FY 16/17A	FY 17/18F
Fund Balance as of July 1	\$18,855,443	\$20,615,212	\$26,373,061	\$31,652,071	\$33,000,168	\$32,188,258	\$28,954,383	\$32,762,363
Net Increase/(Decrease) in Fund	\$ 1,759,769	\$ 5,757,849	\$ 5,279,010	\$ 1,348,097	\$ (811,910)	\$ (3,233,875)	\$ 3,807,980	\$ 2,194,433
Fund Balance as of June 30	\$20,615,212	\$26,373,061	\$31,652,071	\$33,000,168	\$32,188,258	\$28,954,383	\$32,762,363	\$34,956,796



Fiscal Year 2017-2018 are forecast numbers, actual General Fund Balance to be determined at fiscal year-end.

Fiscal Years 2014-2015 and 2015-2016 included paying off the District's debt, the purchase of a residential CNG solid waste fleet and installation of a Compressed Natural Gas (CNG) fueling facility at the District.

OPERATING BUDGET SUMMARY

Fiscal Year July 1, 2017 through June 30, 2018

\$ 10,872,500.00

		FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
		ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET
SUMMARY						
1	REVENUES					
2	Property Taxes	1,433,179	1,433,775	1,439,275	1,442,078	1,424,500
3	User Fees	6,711,401	6,736,035	6,766,442	6,817,157	6,730,000
4	Franchise Fees	839,009	921,740	917,167	969,932	875,000
5	Pass-Thru Funds	985,355	1,424,777	1,709,618	1,894,936	1,500,000
6	Interest	82,541.49	80,343.70	121,762.68	183,782.32	175,000.00
7	Other Revenue Sources	57,689.39	125,203.58	331,808.50	281,021.68	168,000.00
8	TOTAL REVENUES	\$ 10,109,174	\$ 10,721,874	\$ 11,286,073	\$ 11,588,907	\$ 10,872,500
8	EXPENSES					
9	Salaries and Wages	1,669,086	1,746,103	1,771,921	1,839,364	2,015,588
10	Benefits	1,098,353	1,124,596	814,701	1,145,040	1,214,900
11	Tonnage Fees	1,525,442	1,540,704	1,591,543	1,656,723	1,800,000
12	Repairs and Maintenance	437,647	346,009	160,054	312,224	620,000
13	Certificates of Participation	965,521	978,980	6,035,721	-	-
14	Depreciation & Amortization Expense	710,919	706,994	1,103,084	1,094,762	1,225,000
15	Other Operating Expenses	\$ 1,192,128	\$ 1,096,292	\$ 894,665	\$ 904,466	\$ 1,224,579
16	EXPENDITURES	\$ 7,599,095	\$ 7,539,678	\$ 12,371,688	\$ 6,952,578	\$ 8,100,067
17	Unencumbered/Transfer-to/(from) Reserves	2,510,079	3,182,196	(1,085,615)	4,636,329	2,772,433
18	TOTAL EXPENDITURES	\$ 10,109,174	\$ 10,721,874	\$ 11,286,073	\$ 11,588,907	\$ 10,872,500

CAPITAL OUTLAY & IMPROVEMENTS BUDGET

Fiscal Year July 1, 2017 through June 30, 2018

\$ 1,803,000.00

		FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
		ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET
CAPITAL OUTLAY & IMPROVEMENTS BUDGET						
1	DISTRICT OFFICES & YARD					
2	Solar Panel Project for District Facilities				-	500,000
3	Roofing & Air Conditoner Project for District Offices				-	80,000
4	CB Repeater		8,207			-
5	Copy Machine Administration Office		-		7,011	-
6	FLEET MAINTENANCE					
7	Scissor Lift					18,000
8	1 New Fleet Maintenance Service Truck				-	-
9	Portable Lift Hoist to Service Trucks				46,869	-
10	SOLID WASTE					
11	1 New Solid Waste Bulky Truck				76,807	-
12	New CNG Fueling Station - District Yard	268,819	2,709,069	534,469		-
13	New CNG Solid Waste Trucks		948,947	2,230,454		-
14	1 New Sold Waste Service Truck				-	60,000
15	SEWER					
16	Sewer Lining Project			-	153,214	500,000
17	5 Sewer Line Smart Covers					-
18	2 New Sewer Service Trucks				-	120,000
19	1 New Sewer Vactor Truck				445,439	525,000
20	Siphon Project in Westminster (Oberlin)			-	-	-
21	Portable Generator		55,869	-	-	-
22	New SCADA System		54,370	-	-	-
23	TOTAL CAPITAL OUTLAY & IMPROVEMENTS	\$ 268,819	\$ 3,776,462	\$ 2,764,923	\$ 729,341	\$ 1,803,000

The increase in expenses for capital outlay and improvement projects vary year-to-year in large part due to the District's aggressive plan to ensure current and future services to the patrons of the District. Sewer improvements are scheduled according to the District's Sewer System Master Plan (SSMP), in some years the improvements are labor intensive and therefore more costly than in other years. Additionally, the District continues to update its equipment to meet certain legislative mandates resulting in larger expenses in some years compared to others to meet those deadlines.

A copy of the District's Sewer System Master Plan may be found on our website at www.mcsandst.com

REVENUES

Fiscal Year July 1, 2017 through June 30, 2018

\$10,872,500

		FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
		ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET
REVENUES						
1	NON-OPERATING REVENUES					
2	Property Tax Secured Current Year	\$ 1,290,678	\$ 1,286,849	\$ 1,295,996	\$ 1,298,252	\$ 1,290,000
3	Property Tax Unsecured Current Year	47,362	49,263	44,388	41,697	45,000
4	Property Tax Secured Prior Years	32,561	36,604	35,688	38,892	30,000
5	Property Tax Unsecured Prior Years	945	978	-	-	-
6	Interest - General Investments	82,443	80,243	121,733	183,782	175,000
7	Interest - U.S. Securities	-	-	-	-	-
8	Interest - Bank of New York	99	101	29		-
9	Interest on Undistributed Taxes	1,116	1,427	2,511	3,443	1,500
10	Homeowners Property Tax Relief	10,205	9,536	8,994	8,331	8,000
11	State-Assessed Public Utility Tax	51,258	50,096	51,699	51,464	50,000
12	Pass thru County of Orange	111,434	199,375	239,890	226,097	200,000
13	Pass thru City of Westminster	873,921	1,225,402	1,469,728	1,668,839	1,300,000
14	Other Non-Operating Revenue	7,690	22,168	38,095	21,483	10,000
15	Gain/(Loss) on Disposal of Assets	(1,272)	1,725	(90,513)	41,892	-
16	Recycling Grant	24,040	-	24,311	-	-
17	Regional Waste Diversion Grant	-	-	-		-
18	From other Gov't Agencies	-	10,645	255,647		-
19	OC Waste Disposal Agreement	-	-	-	114,893	114,000
20	Reimbursements - O.C.S.D.	-	-	-		-
21	Reimbursements - Garden Grove	-	-	-		-
22	NON-OPERATING REVENUES	\$ 2,532,478	\$ 2,974,411	\$ 3,498,196	\$ 3,699,065	\$ 3,223,500
23	OPERATING REVENUES					
24	Trash/Sewer User Fees	6,711,401	6,736,035	6,766,442	6,817,157	6,730,000
25	Sewer Plan Checks/Inspection Fees	19,946	69,856	80,272	79,511	30,000
26	Sewer Connection Fees OCSD	4,439	18,066	20,973	20,160	12,000
27	Franchise Fees	839,009	921,740	917,167	969,932	875,000
27	Additional Container Rental	2,847	2,744	3,024	3,083	2,000
28	OPERATING REVENUES	\$ 7,577,641	\$ 7,748,441	\$ 7,787,877	\$ 7,889,843	\$ 7,649,000
29	TOTAL REVENUES	\$ 10,110,119	\$ 10,722,852	\$ 11,286,073	\$ 11,588,907	\$ 10,872,500

Operating Expenses by Department FY 2017-2018 (by line item)

	SEWER	REFUSE	MECHANICS	ADMIN	BOARD	FY 2017-18 BUDGET
1 EXPENSES						
2 Salaries and Director Compensation	392,000	650,000	244,000	632,000	97,588	\$ 2,015,588
3 Vacation & Sick Leave Payout	-	-	-	-	-	\$ -
4 Employer Paid Medicare Insurance	5,900	11,000	3,000	10,000	1,500	\$ 31,400
5 CalPERS Retirement	70,000	115,000	45,000	100,000		\$ 330,000
6 Group Insurance	96,000	212,500	58,000	100,000	60,000	\$ 526,500
7 Group Insurance - Retirees	60,000	70,000	25,000	60,000		\$ 215,000
8 Workers' Compensation Insurance	28,000	60,000	15,000	8,000	1,000	\$ 112,000
9 Unemployment Benefits				10,000		\$ 10,000
10 TOTAL LABOR & BENEFITS	\$ 651,900	\$ 1,118,500	\$ 390,000	\$ 920,000	\$ 160,088	\$ 3,240,488
11						
12 Election Costs					-	\$ -
13 Gasoline	3,000	6,000		3,500		\$ 12,500
14 Diesel	5,000	-	2,000			\$ 7,000
15 Natural Gas Fuel		85,000				\$ 85,000
16 Insurance	85,000	65,000		15,000		\$ 165,000
17 COP's Interest & Fees						\$ -
18 Claims Expense				20,000		\$ 20,000
19 Memberships				16,000		\$ 16,000
20 Office Supplies				12,500		\$ 12,500
21 Operating Expenses	5,000	4,000		3,000	7,500	\$ 19,500
22 Miscellaneous Expenses				-	3,000	\$ 3,000
23 Public Outreach				20,000		\$ 20,000
24 Public Outreach - Pushing The Blues						\$ -
25 Public Outreach - 75th Anniversary						\$ -
26 Contract Services	3,500	13,000	2,000	44,000		\$ 62,500
27 Professional Services						\$ -
28 General Consulting				30,000		\$ 30,000
29 Lobbying Services				-		\$ -
30 Legal Services - Labor/MOU				25,000		\$ 25,000
31 District General Counsel				70,000		\$ 70,000
32 Independent Audit Services				20,000		\$ 20,000
33 Engineering Services	10,000					\$ 10,000
34 Physicals/DMV Exams		5,000				\$ 5,000
35 Printing & Publications				45,000		\$ 45,000
36 Tools & Equipment - Mechanics			16,000			\$ 16,000
37 Storm Waste Expense	5,000					\$ 5,000
38 Repairs & Maintenance	150,000	300,000	10,000	25,000		\$ 485,000
39 CNG Facilities				25,000		\$ 25,000
40 CCTV & Cleaning of Sewer Lines						\$ -
41 Resident Lateral Assistance Program	10,000					\$ 10,000
42 Refuse Containers		200,000				\$ 200,000
43 Safety Control Expenses						\$ -
44 Recycling Expense						\$ -
45 Hazardous Waste		18,000				\$ 18,000
46 Permits, Fees & Property Taxes				4,000		\$ 4,000
47 Employee Relations				10,000		\$ 10,000
48 Travel & Meetings				25,000	30,000	\$ 55,000
49 Utilities - Includes Lift (Pump)Stations	40,000		4,000	80,000		\$ 124,000
50 Tonnage Fees		1,800,000				\$ 1,800,000
51 Temporary Personnel						\$ -
52 Professional Computer Services/Other				30,000		\$ 30,000
53 Electronic Data Management						\$ -
54 Emergency Sewer Line Repairs	125,000					\$ 125,000
55 Fats, Oil, & Grease Program	30,000					\$ 30,000
56 LAFCO				20,079		\$ 20,079
57 Education, Training & Safety Expenses	6,000	15,000	25,000	3,500		\$ 49,500
58 AB 939 Green-Waste Pickup						\$ -
59 Depreciation & Amortization	450,000	525,000		250,000		\$ 1,225,000
60 TOTAL NON-LABOR	\$ 927,500	\$ 3,036,000	\$ 59,000	\$ 796,579	\$ 40,500	\$ 4,859,579
61 TOTAL EXPENSES	\$ 1,579,400	\$ 4,154,500	\$ 449,000	\$ 1,716,579	\$ 200,588	\$ 8,100,067

DEPARTMENTS

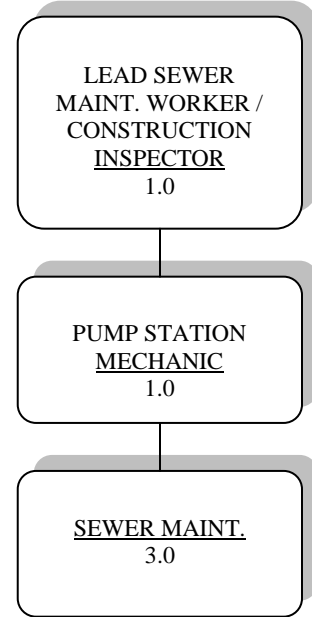


Summary of Expenses by Department

The table below gives an overview of past and current departmental budgeted expenses. The table can be used to compare the ebbs and flows year-to-year.

		FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
		ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET
1	Sewer System Department	2,510,607	2,412,003	7,169,043	1,209,610	1,579,400
2	Solid Waste Department	3,479,944	3,550,094	3,455,015	3,637,960	4,154,500
3	Fleet Maintenance Department	338,861	332,529	344,656	388,755	449,000
4	Administration Department	1,114,920	1,098,650	1,247,974	1,524,648	1,716,579
5	Board of Directors	154,762	146,403	154,999	191,605	200,588
6	TOTAL SUMMARY BY DEPT	\$ 7,599,095	\$ 7,539,678	\$12,371,688	\$ 6,952,578	\$ 8,100,067

SEWER SYSTEM DEPARTMENT



Sewer System Maintenance Department, (Employees = 5 full time)

The collection system is operated to transport wastewater collected from residential and commercial patrons of the City of Westminster and unincorporated area of Midway City to the Orange County Sanitation District for treatment. The water is then recycled for use in the Ground Water Replenishment System (GWRS) or is treated and deposited into the ocean.

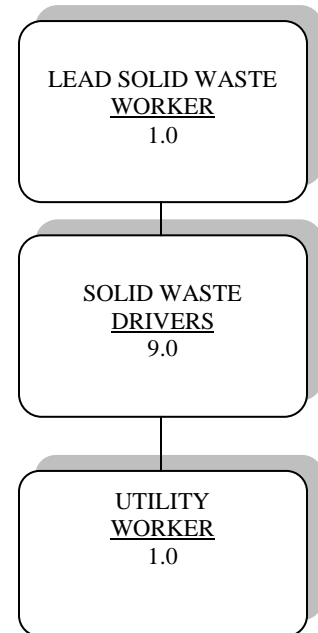
The Sewer Maintenance Department maintains and services the MCSD collection system which is capable of collecting up to 18 million gallons of sewage per day. The District Sewer Maintenance Operations crew consists of six employees (four Sewer Maintenance Workers, a Pump Mechanic, and one Supervisor/Inspector).

The existing collection system has a replacement value of approximately \$414 million dollars and is comprised of approximately 174 miles of gravity flow sewer lines or 919,771 linear feet ranging in size from 6 inches to 18 inches, approximately 2 miles of force main sewer lines ranging in size from 6 inches to 12 inches, and four lift stations. All four lift stations are newly renovated in 2008 and 2009. The existing system also includes 3881 manholes and 32 inverted siphons. There are 34,485 service connections to the system.

SEWER SYSTEM DEPARTMENT

		FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
		ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET
SEWER DEPARTMENT						
1	Salaries	316,502	333,382	348,771	347,342	392,000
2	Vacation & Sick Leave Payout	11,309	8,417	9,409	9,167	-
3	Employer Medicare Insurance	4,787	4,987	5,135	5,186	5,900
4	CalPERS Retirement	59,047	60,845	48,380	125,199	70,000
5	Group Insurance	72,466	71,926	74,125	78,687	96,000
6	Group Insurance - Retirees	51,291	57,042	14,991	16,374	60,000
7	Workers' Compensation Insurance	19,853	22,946	20,324	19,442	28,000
8	Depreciation & Amortization	397,662	378,780	414,973	389,265	450,000
9	Gasoline	4,781	5,024	3,769	3,085	3,000
10	Diesel	8,712	5,262	5,075	6,126	5,000
11	Insurance	69,857	68,274	65,753	74,057	85,000
12	Operating Expenses	4,482	3,153	2,524	1,593	5,000
13	Contract Services (Uniforms)	2,083	1,885	1,965	1,580	3,500
14	Engineering Services	-	-	-	-	10,000
15	Storm Waste Expense	1,600	3,000	4,440	4,440	5,000
16	Repairs & Maintenance	81,701	101,888	59,412	55,279	150,000
17	CCTV & Cleaning of District Sewer Lines	281,203	255,085	-	-	-
18	Emergency Sewer Line Repairs	101,824	-	-	16,110	125,000
19	Resident Lateral Assistance Program	-	875	1,800	-	10,000
20	Safety Control Expenses	-	-	-	-	-
21	Utilities - Includes Lift Stations	33,460	30,496	26,365	31,017	40,000
22	COP's Interest & Fees	965,521	978,980	6,035,721	-	-
23	Fats, Oils & Grease (FOG) Program	20,987	18,651	24,981	21,211	30,000
24	Education, Training, Safety & Expenses	1,480	1,105	1,130	4,451	6,000
25	TOTAL SEWER	\$ 2,510,607	\$ 2,412,003	\$ 7,169,043	\$ 1,209,610	\$ 1,579,400

SOLID WASTE DEPARTMENT



Solid Waste Department, (Employees = 11 full-time)

The Solid Waste Department provides solid waste collection averaging 146 tons of refuse per day from approximately 102,048 residents within the collection service area. The commercial accounts are serviced by a private refuse collection hauler that contracts with Midway City Sanitary District and pays a franchisee fee to the District to operate within its boundaries.

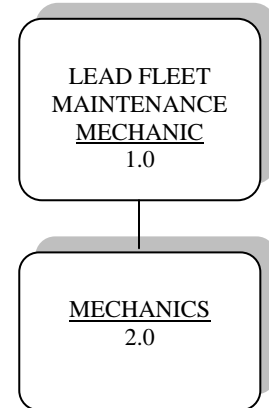
A field crew of 11 employees (nine drivers, one utility worker, and a lead person) provides residential solid waste collection. MCSD services approximately 19,230 residences per week, 53 of which are special service patrons.

The special services program is designed for our patrons who are unable to move the solid waste carts to the curb for pick-up. The solid waste foreman or driver moves the cart to the curb and returns the empty cart to where it is stored.

SOLID WASTE DEPARTMENT

		FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
		ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET
SOLID WASTE						
1	Salaries	614,234	661,753	640,232	560,410	650,000
2	Vacation & Sick Leave Payout	19,723	16,607	21,535	14,984	-
3	Employer Medicare Insurance	9,105	9,695	9,597	8,396	11,000
4	CalPERS Retirement	104,566	103,538	74,459	192,136	115,000
5	Group Insurance	178,178	183,009	177,412	163,190	212,500
6	Group Insurance - Retirees	121,681	133,391	27,214	24,688	70,000
7	Workers' Compensation Insurance	51,470	58,265	52,924	50,615	60,000
8	Gasoline	12,342	8,221	8,379	4,131	6,000
9	Diesel	199,403	142,271	12,763	121	-
10	Natural Gas Fuel	-	26,692	39,584	56,024	85,000
11	Insurance	37,607	38,665	54,104	56,227	65,000
12	Operating Expenses	1,747	2,084	1,530	3,563	4,000
13	Contract Services (Uniform & GPS Tracking)	7,981	9,949	11,350	9,697	13,000
14	Physicals, Testing & DMV Exams	2,860	1,654	3,058	2,808	5,000
15	Repairs & Maintenance	244,494	235,927	63,712	211,436	300,000
16	Refuse Containers	103,764	113,106	147,883	128,649	200,000
17	Hazardous Waste	13,596	14,762	15,197	17,868	18,000
18	Tonnage Fees	1,525,442	1,540,704	1,591,543	1,656,723	1,800,000
19	Education, Training, Safety & Expenses	9,885	6,689	11,092	13,484	15,000
20	Depreciation	221,866	243,113	491,451	462,813	525,000
21	TOTAL SOLID WASTE	\$ 3,479,944	\$ 3,550,094	\$ 3,455,015	\$ 3,637,960	\$ 4,154,500

FLEET MAINTENANCE DEPARTMENT



Fleet Maintenance Department, (Employees = 3 full time)

The Fleet Maintenance Department provides pre-maintenance and urgent repair services for all of MCSD's vehicles in order to ensure an efficient, economic and safe fleet for the District.

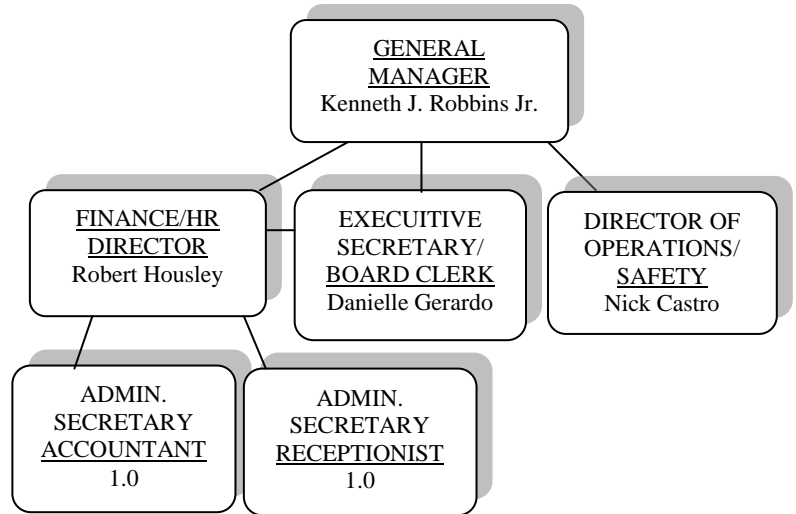
The Fleet Maintenance Operations department consists of three employees (two mechanics and one supervisor). The maintenance department maintains the District's CNG fleet and class C vehicles and records all repairs in the Fleet Maintenance Program (Dossier) for the Biennial Inspection of Terminals (BIT) performed by the California Highway Patrol (CHP).

The Fleet Maintenance Departments main function is to ensure that the District's fleet is kept fully operable on a daily basis in order to assure that the solid waste pickup is being completed in a timely manner.

FLEET MAINTENANCE DEPARTMENT

		FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
		ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET
FLEET MAINTENANCE						
1	Salaries	197,690	199,630	206,349	219,884	244,000
2	Vacation & Sick Leave Payout	10,621	3,336	4,155	2,488	-
3	Employer Medicare Insurance	1,905	1,792	1,849	1,985	3,000
4	CalPERS Retirement	37,812	38,728	30,234	79,312	45,000
5	Group Insurance	46,530	43,512	44,503	45,394	58,000
6	Group Insurance - Retirees	21,810	20,254	2,083	885	25,000
7	Workers' Compensation Insurance	10,011	11,520	10,763	10,571	15,000
8	Gasoline	-	-	-	-	-
9	Diesel	1,811	1,660	550	634	2,000
10	Contract Services (Uniforms)	1,251	1,131	1,179	1,699	2,000
11	Tools & Equipment	3,637	2,113	2,657	7,825	16,000
12	Repair & Maintenance	1,460	3,136	10,006	1,672	10,000
13	Utilities	4,323	4,523	2,153	950	4,000
14	Education, Training, Safety & Expenses	-	1,195	28,175	15,456	25,000
		\$ 338,861	\$ 332,529	\$ 344,656	\$ 388,755	\$ 449,000

ADMINISTRATION DEPARTMENT & BOARD OF DIRECTORS



Administration, (Employees = 6 full time)

The strong service oriented administrative staff provides the essentials for all operations within the District. Administrative staff assures the timely presentation of formal communications from the public, with other agencies, and to the Board of Directors. The administrative staff maintains the official District records, which reflect the actions of the Governing Body, administers the District financial information and maintains record of the District’s fixed assets. The administrative staff manages employee training and development programs; administers the District’s position classifications, compensation, and benefits. Also, the administrative staff provides management of District construction projects, inspections and connections to District’s sewer mains.

The Administrative Staff consists of six full-time employees including a General Manager, Finance/HR Director, Director of Operations/Safety, Executive Secretary/Board Clerk and two Administrative Secretaries.

District Building Structures

The District Building Structures have an estimated replacement value of \$6 million dollars. The Districts Building Facilities consist of six structures, three of which are made of wood (main office, supervisors’ offices / lunch room and archive building) and three made of steel (mechanic shop / fleet parking, parking garage and wash rack / pump room, and a CNG station). The main office was constructed and the supervisor’s office / lunch room was reconstructed in 1998. The archive building was renovated in 2001. The remaining steel structures were constructed in 1965 with some renovations in 2013. A Compressed Natural Gas Station was constructed onsite to service the District’s fleet in 2015.

ADMINISTRATION DEPARTMENT & BOARD OF DIRECTORS

		FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
		ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET
ADMINISTRATION						
1	Salaries	418,824	445,616	456,052	589,660	632,000
2	Vacation & Sick Leave Payout	12,457	15,761	15,315	15,002	-
3	Employer Medicare Insurance	6,849	6,938	6,779	8,540	10,000
4	CalPERS Retirement	77,056	73,001	60,027	160,568	100,000
5	Group Insurance	58,900	57,200	71,686	84,478	100,000
6	Group Insurance - Retirees	102,621	106,112	22,009	23,846	60,000
7	Worker's Compensation Insurance	8,457	4,327	3,477	3,361	8,000
8	Unemployment Benefits	-	-	-	-	10,000
9	Gasoline/Diesel Fuel	2,226	1,672	1,484	2,518	3,500
10	Claims Expense	4,709	5,179	2,873	3,071	20,000
11	Insurance	7,551	8,807	9,837	11,249	15,000
12	Memberships	15,031	14,875	11,223	9,550	16,000
13	Office Supplies	9,553	7,866	8,150	9,931	12,500
14	Operating Expenses	599	1,110	1,508	1,401	3,000
15	Contract Services	21,951	21,372	26,633	36,184	44,000
16	Public Outreach	3,394	8,952	29,889	12,062	20,000
17	Public Outreach - Pushing The Blues	750	-	-	-	-
18	Public Outreach - 75th Anniversary	5,272	-	-	-	-
19	Professional Services					
20	General Consulting (facilities/gen.)	5,000	2,825	9,850	1,950	30,000
21	Lobbying Services	-	-	36,250	-	-
22	Legal Services - Personnel	18,575	15,005	15,335	7,439	25,000
23	District General Counsel	66,999	37,265	43,080	60,958	70,000
24	Independent Audit Services	16,336	16,825	31,435	19,040	20,000
25	Printing & Publications	31,729	29,948	33,645	33,914	45,000
26	Repairs & Maintenance	8,169	4,183	25,125	27,727	25,000
27	CNG Facilities	-	-	-	16,961	25,000
28	Safety/Emergency Preparedness Exp.	969	-	4,406	65	-
29	Permits, Fees & Property Taxes	2,031	1,366	3,161	1,578	4,000
30	Employee Relations	8,237	7,998	7,664	9,746	10,000
31	Travel & Meetings	49,490	47,804	18,132	14,060	25,000
32	Miscellaneous Expenses	779	-	60	-	-
33	Utilities	23,530	20,274	66,391	76,841	80,000
34	Professional Computer Services/Other	13,711	28,307	12,251	20,737	30,000
35	Electronic Data Management (Project)	-	-	-	-	-
36	Temporary Personnel	7,711	5,374	-	-	-
37	LAFCO	13,590	17,587	17,587	19,077	20,079
38	Education, Training, Safety & Expenses	475	-	-	453	3,500
39	Depreciation	91,391	85,101	196,659	242,683	250,000
40	TOTAL ADMINISTRATION	\$ 1,114,920	\$ 1,098,650	\$ 1,247,974	\$ 1,524,648	\$ 1,716,579

		FY 2013-14	FY 2014-15	FY 2015-16	FY 2015-16	FY 2017-18
		ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET
BOARD OF DIRECTORS						
1	Directors' Fees	67,725	61,601	70,104	80,428	97,588
2	Employer Medicare Insurance	988	899	1,022	1,172	1,500
3	Group Insurance	52,971	54,671	55,392	40,603	60,000
4	Worker's Compensation Insurance	-	-	317	414	1,000
5	Board Election Costs	-	-	-	38,526	-
6	Operating Expenses	-	-	-	-	7,500
7	Education, Travel & Board Meeting Expenses	33,079	29,232	28,164	30,462	30,000
8	Miscellaneous Expenses	-	-	-	-	3,000
9	TOTAL BOARD OF DIRECTORS	\$ 154,762	\$ 146,403	\$ 154,999	\$ 191,605	\$ 200,588

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Resolutions & Policies

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RESOLUTION NO. 2017-02

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE MIDWAY CITY SANITARY DISTRICT OF ORANGE COUNTY, CALIFORNIA, ADOPTING AN UPDATED OFFICIAL DISTRICT TRAVEL AND EXPENSE REIMBURSEMENT POLICY

WHEREAS, it is the policy of the Midway City Sanitary District (“District”) to reimburse District Board members and employees for actual and necessary expenses related to travel, transportation, lodging, and meals incurred while on official District business; and

WHEREAS, in 2013, the Board of Directors adopted Resolution No. 2013-21 approving an updated Official District Travel Policy; and

WHEREAS, the Board desires to update the District’s policy regarding travel and expense reimbursement; and

WHEREAS, the Official District Travel and Expense Reimbursement Policy attached hereto satisfies the requirements of AB 1234, including in particular the requirements of Government Code sections 53232.2 and 53232.3.


NOW, THEREFORE, the Board of Directors of the Midway City Sanitary District resolves as follows:

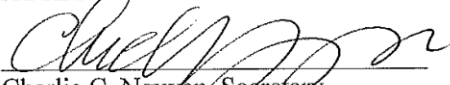
Section 1: The attached Official District Travel and Expense Reimbursement Policy is hereby approved.

Section 2: Resolution No. 2013-21 is hereby rescinded. In addition, any prior resolutions and/or policies established by the Board of Directors that are in direct conflict with the policy set forth herein shall be deemed rescinded to the extent of such conflict.

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1 **PASSED AND ADOPTED**, at a regular meeting of the Board of Directors of
2 Midway City Sanitary District of Orange County, California, held this 17th day of January,
3 2017.

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5 _____
6 Tyler M. Diep, President

7 **ATTEST:**
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9 _____
10 Charlie C. Nguyen, Secretary

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GLOSSARY

Accounting System: The set of records and procedures which are used to record, classify, and report information on the financial status and operations of an entity.

Accrual Basis

Accounting: Under this accounting method, transactions are recognized when they occur, regardless of the timing of related cash receipts and disbursements.

Administrative and

Clerical: An employee group that provides administrative and clerical support.

Ad Valorem Taxes:

(which means "according to its value") a government tax based on the value of real property as determined by the County Tax Assessor. In the State of California, Proposition 13 limits property tax to 1 percent of the assessed valuation of the property.

Adjusted Budget: The adjusted budget represents the adopted budget including changes made during the fiscal year.

Adopted Budget: The official budget as approved by the Board of Directors at the start of each fiscal year.

Annual Budget: A budget applicable to a single fiscal year.

Appropriation: An authorization by the District's Board of Directors which permits District staff to incur obligations against and to make expenditures for a specific purpose within a specific time.

Assessed Valuation: The estimated value of real and personal property used by the Orange County Assessor as the basis for levying property taxes.

Assets: Physical items owned by the District for which a value has been attached.

Balanced Budget: A balanced financial budget in which planned revenues equal expenditures.

Bank of New York:

Bank and Trustee for 2005 Certificate of Participation bonds issued for sewer related projects.

Beginning/Ending (Unappropriated) Fund Balance:

Unencumbered resources available in a fund from the prior/current fiscal year after payment of the prior/current fiscal year's expenditures. It is essentially the amount of money still available for future purposes.

Budget Calendar: The schedule of key dates which the District follows in preparing and adopting the budget.

Budget Document: The official financial spending and resource plan submitted by the General Manager, adopted by the Board of Directors, and made available to the public

and other interested parties.

Budget Message: A written explanation by the General Manager of the proposed budget. The budget message explains principal budget and policy issues and presents an overview of the General Manager's budget recommendations.

Budget Preparation: Process by which the annual fiscal spending plan is prepared by District staff for presentation and recommendation to the Board of Directors.

CalPERS: An acronym used to denote the California Public Employees Retirement System.

COLA: An acronym for Cost of Living Adjustment.

CPI: A statistical description of price levels provided by the US Department of Labor. The change in this index from year-to-year is used to measure the cost of living and economic inflation.

Capital Improvement Program: A financial plan of proposed capital improvement projects with a single and multiple year plans, setting forth each capital project, the amount to be expended in each year, and the method of financing capital expenditures.

Capital Projects: A major construction, acquisition, or renovation of activity which adds value to fixed assets or which increases its useful life of one year or more. Capital Projects are \$5,000 or more and can also be called a capital improvement.

Certificates of Participations (COPs): A type of debt financing in which certificates are issued which represent an investor's participation in the stream of lease payments paid by the issuer. COPs are secured by the lease payments. Voter approval is not required prior to issuance.

Contingency: A budgetary reserve set

aside for emergencies or unforeseen expenditures not otherwise budgeted.

Contractual Services: Personal services provided to the District from the private sector or other public agencies.

Debt Service: Payment of interest and repayment of principal to holders of the District's debt instruments.

Deficit: An excess of expenditures/expenses over revenues.

Department: A major organization group of the District with overall responsibility of an operation or a group within a function area.

Encumbrance: An amount of money committed for the payment of goods and services not yet received or paid for.

Enterprise Fund: In governmental accounting, a fund that provides goods or services to the public for a fee that makes the entity self-supporting.

Expenditures/Expenses: Expenses are recognized when goods are received or services rendered.

Fiscal Year: A 12-month period to which the annual operating budget applies. MCSD's fiscal year runs from July 1 – June 30.

Full-Time Equivalent (FTE): The amount of time a regular, full-time employee normally works in a year. For example, a full-time employee (1 FTE) is budgeted to work 2,080 hours per year, while a .5 FTE is budgeted to work 1,040 hours per year.

Fund: An independent fiscal and accounting entity with a self-balancing set of accounts recording cash and/or other resources together with all related liabilities, obligations, reserves, and equities.

Fund Balance: The amount of financial resources available for use. Generally, this represents the detail of all the annual operating surpluses and deficits

since the funds inception.

Gann Appropriations Limit: Article XIII-B of the California State Constitution provides limits regarding the total amount of appropriations in any fiscal year from tax proceeds.

General Fund: The primary fund of the District used to account for all revenues and expenditures of the District not legally restricted as to use. This fund is used to offset the cost of the District's general operations.

General Obligation Bonds: Bonds for which the full faith and credit of the insuring government are pledged for payment. Ad valorem property taxes are pledged to pay the bonds. A two-thirds voter approval is required prior to bond issuance.

Generally Accepted Accounting Principles (GAAP): Uniform standards for financial accounting and reporting. They govern the form and content of

the basic financial statements of an entity.

GFOA's Recommended Practices: A listing of the Accounting, Auditing, and Financial Reporting practices recommended by the Government Finance Officers Association of the United States and Canada.

Grant: Contributions, gifts of cash, or other assets from another governmental or private entity to be used or expended for a specific purpose, activity, or facility.

Improvements: Buildings, structures, or attachments to land such as sidewalks, trees, drives, drains and sewers.

Interest: Revenue derived from the prudent investment of idle cash. The types of investments are controlled by the District's investment policy in accordance with the California Government Code.

Intergovernmental Services: Purchases from other governments of

those specialized services typically performed by local governments.

Intergovernmental Revenue:

Revenue received from other governmental agencies and municipalities.

Levy: To impose taxes, special assessments, or service charges for the support of governmental activities.

Line Item: The description of a detailed expenditure such as salaries, office supplies, contract services, and other operational costs separately along with the amount budgeted for each specific category.

Long-Term Debt or Long-Term Liabilities: Debt borrowed from a source outside the District with a maturity of more than one year after the date of issuance.

Operating, Office Supplies, and Services: Expenditures which are ordinarily consumed within a fiscal year. Examples include office and operating supplies,

fuel, power, water, gas inventory, or small tools and equipment.

Operating Budget: The operating budget is the primary means by which most of the financing of acquisition, spending and service delivery activities of a government are controlled.

Other Revenues: Revenues from sources, other than those specifically identified, that are immaterial in amount and do not justify reporting as separate line items.

Other Charges: Expenditures that do not fit in other categories are immaterial in amount, and do not justify reporting as separate line items.

Permits: Revenues earned by the issuance of permits levied in accordance with the benefits conferred by the permit.

Personnel: Salaries and benefits paid to the District's employees. Included are items such as special duty pay,

insurance, and retirement.

Personnel Benefits: Those benefits paid by the District as conditions of employment. Examples include insurance and retirement benefits.

Property Tax: A tax levied on real estate and personal property.

Proposed Budget: The draft financial budget document detailing the General Manager's recommended spending plan for the next fiscal year. The Proposed Budget is reviewed and modified by the Board of Directors before formal adoption as the Adopted Operating Budget.

Reimbursement: Payment of an amount remitted on behalf of another party, department, or fund.

Reserve: A term used to indicate that a portion of fund balance is restricted for a specific purpose.

Resources: Total dollars available for appropriations including

estimated revenues and beginning fund balance.

Revenue Estimate: A formal estimate of how much revenue will be earned from specific revenue source for some future period, typically a fiscal year.

Revenue: Income received by the District to support sewer and solid waste services. This income may be in the form of property taxes,

fees, user charges, grants, and interest.

Service Charges: Charges for specific services rendered.

Service Description: A description of the services or functions provided by each department or division.

Supplemental Roll Property Taxes: Assessed on property that changes ownership during the year and is

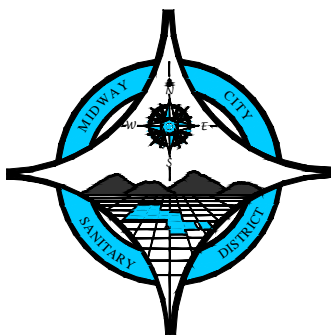
based on the difference between new and old assessed values.

Transmittal Letter: A general discussion of the budget. The letter contains an explanation of principal budget items and summaries.

User Fee: The current annual rate levied by the District on the County tax roll to assess users for the District provided solid waste and sewer service.

MIDWAY CITY SANITARY DISTRICT

Providing 79 Years of Service 1939-2018



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