



Costa Mesa Sanitary District

Costa Mesa, CA

POPULAR ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2018



Protecting our community's health and the environment by
providing solid waste and wastewater collection services





Costa Mesa Sanitary District

Popular Annual Financial Report

The Year Ending June 30, 2018

The purpose of the Popular Annual Financial Report (PAFR) is to provide a summary of the financial position of the Costa Mesa Sanitary District (District), as reported in the Comprehensive Annual Financial Report (CAFR), along with other information of interest. The CAFR outlines the financial position and operating activities each year, presented in conformity with Generally Accepted Accounting Principles (GAAP) and includes financial statements audited by Teaman, Ramirez & Smith, Inc. Certified Public Accountants. The District received an unmodified (clean) audit opinion that the financial statements present fairly, in all material respects, the financial position of the District.

While the numbers in the PAFR come from an audited source, they are presented in a summarized, unaudited, non-GAAP format. Unlike the CAFR, the PAFR does not include detailed information by individual fund or other disclosures required by GAAP. Additionally, some of the information in the PAFR is from other sources such as the budget. Citizens who wish to review the audited, GAAP-based, full disclosure financial statements can refer to the District's CAFR available online at www.cmsdca.gov or by contacting the Finance Department at (949) 645-8400 ext. 233.

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Mission

Protecting our community's health and the environment by providing solid waste and sewer collection services.

Vision

Promoting a sustainable environment that is free from sewer and solid waste pollution.

Core Values We believe in

Transparency: We believe in an open government where information and documents are easily accessible to the public.

Teamwork: We will strive to support each other's efforts to achieve the District's objectives.

Integrity: We act with honesty and integrity, not compromising the truth.

Respect: We treat customers, employees and the general public with mutual respect and sensitivity.

Balance: We are flexible, helping employees strike a healthy work and life balance.

Dedication: Striving to ensure sewer infrastructure is maintained and rehabilitated for the long term.

Technology: Striving to utilize advanced technology in meeting our goals.

Fiduciary Responsibility: Providing the highest quality service at fair, equitable and adequate rates.

THE DISTRICT

The Costa Mesa Sanitary District is a California Special District established and incorporated in February 1944 pursuant to Division VI, Part 1 of the Health and Safety Code of the State of California (sometimes referred to as the Sanitary District Act of 1923). The District is located in the City of Costa Mesa, in the County of Orange and provides solid waste and wastewater services to the City of Costa Mesa, sections of Newport Beach and some unincorporated Orange County areas. The District serves approximately 116,700 residents.

The District throughout its history has used the combination of public and private services. The private services include a trash hauler, recycler, legal counsel, treasury, engineering and inspection services. The solid waste and wastewater charges are collected on the property tax bill as special assessments by the County of Orange Treasurer-Tax Collector.

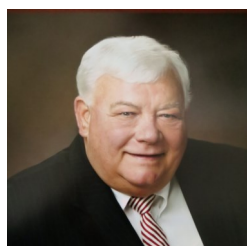
The affairs of the Costa Mesa Sanitary District are directed by a five-member Board of Directors elected at large by the registered voters residing in the District. The Directors are residents and have the same concerns as their constituents. The Board members, who serve four-year staggered terms, are responsible for establishing policy and ordinances, adopting the budget, appointing the District's General Manager, District Counsel and District Treasurer. The General Manager is responsible for carrying out the policies and ordinances of the Board and for overseeing the day-to-day operations. The District Counsel provides legal advice to the Board of Directors while the District Treasurer is responsible for ensuring the safety of District funds by making prudent investments. The District Engineer provides engineering design, plan check and inspection services for the wastewater system and the Capital Improvement Program (CIP).

BOARD OF DIRECTORS

The District is led by an elected Board of Directors.



President
Michael Scheafer
Term 2014-2018



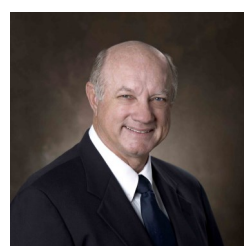
Vice President
James Ferryman
Term 2016-2020



Secretary
Arlene Schafer
Term 2014-2018



Assistant Secretary
Robert Ooten
Term 2014-2018



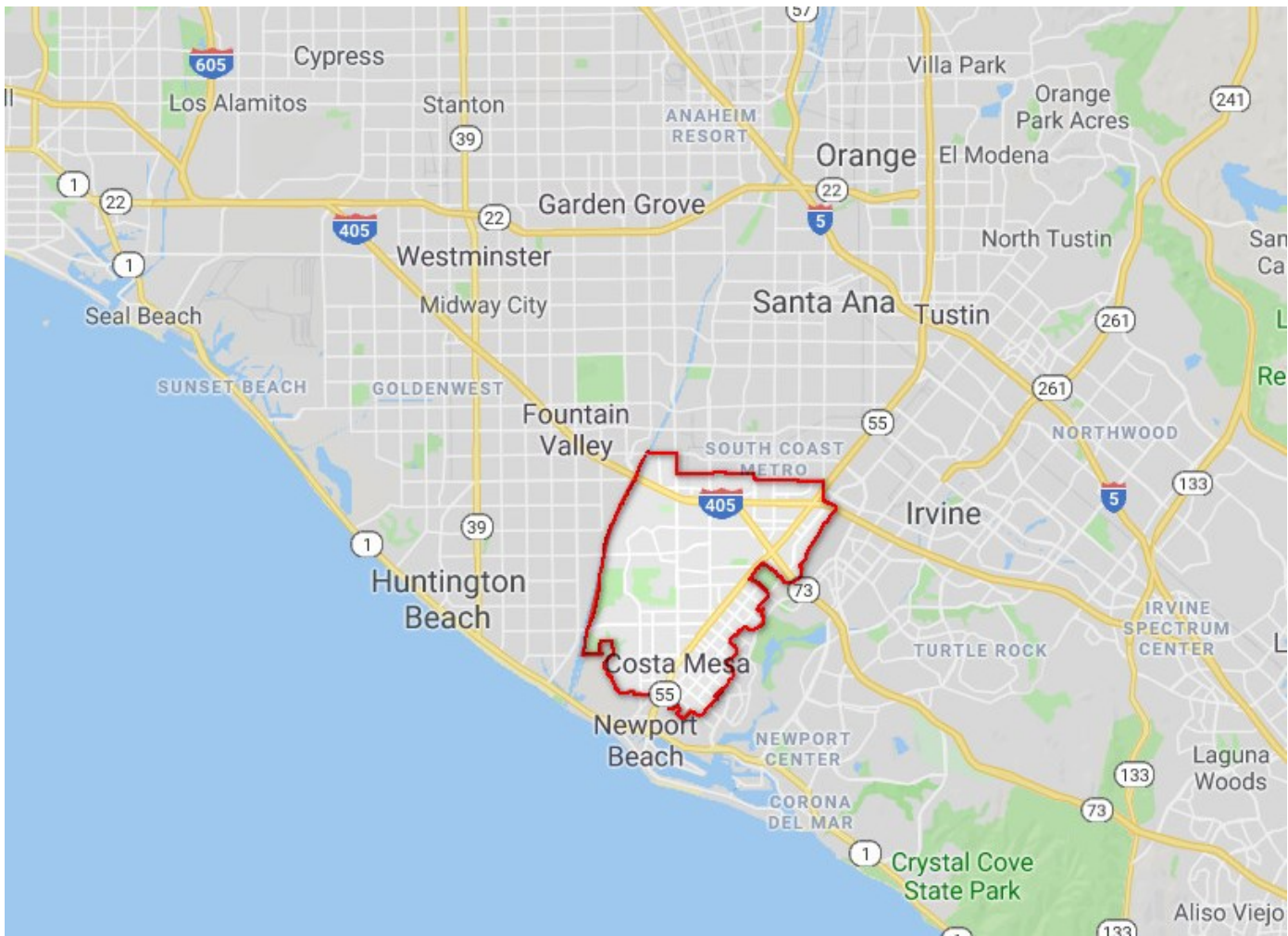
Director
Arthur Perry
Term 2016-2020

APPOINTED OFFICIALS

Scott Carroll, General Manager
Alan Burns, District Counsel
Marc Davis, District Treasurer
Robin B. Hamers, District Engineer



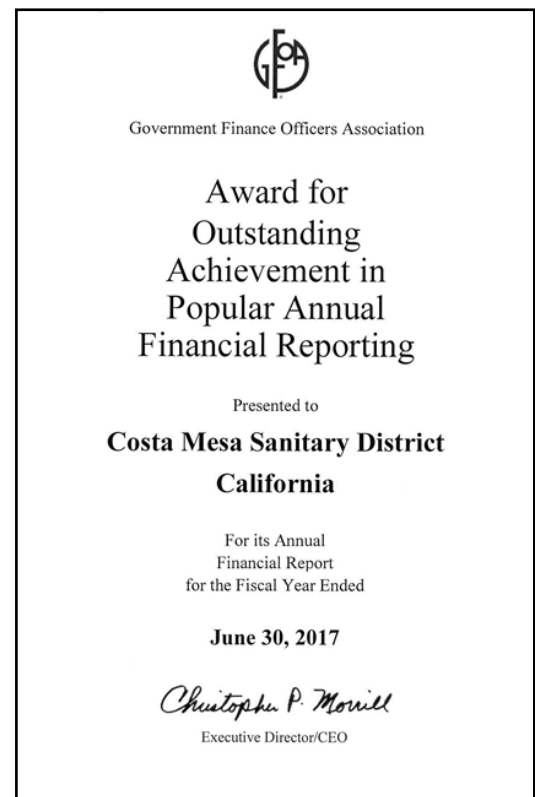
SERVICE AREA MAP



ABOUT THE DISTRICT

RECOGNITION

- ♦ Government Finance Officer Association Certificate of Achievement for Excellence in Financial Reporting for our Comprehensive Annual Financial Report for the years ended 2012 through 2017.
- ♦ Government Finance Officer Association Award for Outstanding Achievement in Popular Annual Financial Reporting for our Popular Annual Financial Report for the year ended 2015 through 2017.
- ♦ Special District Leadership Foundation Gold Recognition in Good Governance.
- ♦ Special District Leadership Foundation District of Distinction since 2009.
- ♦ Special District Leadership Foundation Certificate of Excellence in Transparency 2013-2019.



SOLID WASTE & WASTEWATER RATES

Solid Waste Rates

Customer Class
Single Family

Fiscal Year 2015-16

Per Month	Per Year
\$18.00	\$216.00

Fiscal Year 2016-17

Per Month	Per Year
\$18.00	\$216.00

Fiscal Year 2017-18

Per Month	Per Year
\$18.00	\$216.00

Wastewater Collection Rates

Customer Class
Residential (Per Dwelling Unit)
Single Family
Multi Family
Non-Residential (Per 1,000 sq. ft.)
Commercial – Ave Strength
Commercial – High Strength
Industrial

Fiscal Year 2015-16

Per Month	Per Year
\$7.40	\$88.79
\$4.34	\$52.11
\$3.29	\$39.49
\$3.59	\$43.07
\$8.45	\$101.38

Fiscal Year 2016-17

Per Month	Per Year
\$7.55	\$90.57
\$4.43	\$53.15
\$3.36	\$40.28
\$3.66	\$43.93
\$8.62	\$103.41

Fiscal Year 2017-18

Per Month	Per Year
\$7.70	\$92.38
\$4.52	\$54.21
\$3.42	\$41.09
\$3.73	\$44.81
\$8.79	\$105.48

COMMUNITY RELATIONS

- ♦ Launched a free educational series for District residents called the Citizens Environmental Protection Academy (CEPA)
- ♦ Launched a bilingual social media campaign to promote the Organics Recycling Program
- ♦ Contributed a total of \$6,000 to 8 different community foundations to promote District programs and services & \$5,600 to local schools through the Alkaline Battery Recycling Contest
- ♦ Hosted 4 District events: Spring CEPA, Goodwill Donation Event, Fall CEPA, and 2018 State of the District
- ♦ Participated in 5 community events: Imaginology, Truck Adventures for Kids, Concerts in the Park, Costa Mesa-Newport Harbor Lions Club Fish Fry, and Costa Mesa Community Run





Thank you for your interest in reading the Costa Mesa Sanitary District's (District) Popular Annual Financial Report (PAFR). The District takes pride in producing a report which concisely and transparently explains our financial position. In this report, we share with you a summary of the financial activities of District, including sources of revenues, expenditures, assets, liabilities and reserves for the fiscal year ending June 30, 2018.

In September 2017, the District acquired the property located at 2252 Fairview Road for \$1,690,000. The District Yard has insufficient parking for the large sewer trucks, as well as lacks space to store emergency equipment and generators that are currently stored at various sites including the City's Public Works Yard, Orange Coast Community College and at the Orange County Fair Grounds. The purchase of this property will allow all emergency equipment and generators to be stored in one secure location which will improve response

time in case of an emergency. Additionally, this property will provide a secondary entrance and exit from the Yard to avoid the congestion on Wilson Street. The expansion of the District Yard was completed during the fiscal year.

The District has demonstrated strong leadership towards protecting the environment by implementing new maintenance programs and capital improvement projects that will prevent sanitary sewer overflows (SSOs). For instance, the District completed its Close Circuit Televising (CCTV) Program, which consisted of video recording the entire 219.4 miles of gravity wastewater pipes to determine current condition, which ensures service reliability to the public, assists with determining life-cycle projections, and identifies any improvements needed. As a result of the CCTV, the District completed phases 9 and 10 of designing and repairing 43 short liner and 11 protruding lateral trims considered to be Grade 5 condition (imminent failure). The CCTV recordings have been integrated into the District's GIS system to document current condition.

As of June 30, 2018, the District has fully funded both its unfunded pension liability and other post-employment benefits. The Board of Directors plans to continue this practice of ensuring that both of these liabilities are fully-funded each fiscal year with existing resources. The District completed the second year of a four-year upgrade program to improve processing and security of the District's software and hardware. Improvements continue at the District Headquarters building, which will consist of planned installation of solar panels and roof repairs. A new agreement was negotiated with the District's trash hauler, which will ensure a continued high-level of service and such special programs as organic waste collection and recycling, Christmas tree recycling, curbside household hazardous waste collections, as well as continued efforts to achieve a 75% diversion rate from the landfills.

For capital improvement projects, Project #101 Westside Pump Station Abandonment has been on the books accumulating funds for over 25 years. The abandonment of six pump stations on the west side in conjunction with the Orange County Sanitation District (OCSD) companion project to construct a new sewer gravity trunk pipeline, which would reduce the risks associated with pump station failures as well as operational, maintenance and replacement costs with the elimination of six existing District pump stations. In July 2016, OCSD analyzed the construction costs for the project proposed to start in fiscal year 2018-2019 and determined that the costs were underestimated by as much as 50% and decided to scrap the project. The District re-appropriated the budgeted funds to begin rehab of the six pump stations and force mains over the next four years. The President Pump Station Force Main Project #317, with a budget of \$1,400,000, started design in the fall of 2016 with a projected completion of the fall of 2017. The President Pump Station Rehab Project #318 with a \$1,000,000 budget will begin design in fiscal year 2017-18, as well as the \$620,000 Canyon Force Main Replacement Project #319 and the \$225,000 Canyon Pump Station Rehab Project #320. The remaining four pump stations with rehabilitated over the next three years.

The District's financial management policies and fiscally conservative leadership by the Board of Directors have enabled us to provide efficient and effective solid waste and wastewater services while at the same time provide many specialized programs to our residents. I hope that you will find that our Popular Annual Financial Report for the year ended June 30, 2018 is meeting its purpose of easiness, understandable and informative reading and that District is committed to protecting our community's health and the environment.

Respectfully,

A handwritten signature in blue ink, which appears to read 'Scott Carroll'.

Scott Carroll, SDA, ICMA-CM
General Manager

LOCAL ECONOMY

The Costa Mesa Sanitary District continues to benefit from its unique geographic location, which is in the City of Costa Mesa. The local economy is primarily based on retail commercial business and light manufacturing of electronics, plastics and pharmaceuticals. The District's service area includes several major regional facilities: John Wayne Airport, Orange Coast College, Whittier Law School, Vanguard University, State of California Fairview Development Center, Orange County Fairgrounds, Segerstrom Performing Arts Center, South Coast Repertory Theater, and South Coast Plaza shopping complex. The volume of sales generated by South Coast Plaza, on the strength of over 250 stores, secures its place as the second highest sales volume shopping center in the California.



Changes in the economy do not have an impact on the District's revenues as it does on other government agencies whose major source of revenues are from sales, property and other taxes. As an independent special district having the ability to adjust service rates as required, the District's operating revenues are not impacted by the local economy. The District has a secure revenue stream collected from user fees by the County of Orange through the property tax bills.

STRATEGIC GOALS



The District's Board of Directors is aware of the need to ensure the District's financial stability. Through a coordinated strategic process, the Board has established a series of policies and plans to effectively meet the District's anticipated future needs. The cornerstone of these policies is the District's Strategic Plan for Fiscal Years 2015-20 that serves as a framework for planning and decision making over the next five years (See below). The District utilizes this information to anticipate future expense obligations and to develop and estimate service rates to ensure these expense obligations are fully funded.

SOLID WASTE GOALS

- ◆ Annual Contract Audits
- ◆ Comprehensive Education Program
- ◆ Develop Strategies for 75% Waste Diversion
- ◆ Monitor Advancements & Technology in Industry
- ◆ Apply for Waste Diversion Grants
- ◆ Continue Code Enforcement Presence

WASTEWATER GOALS

- ◆ Manhole Cover Maintenance Program
- ◆ Inflow Reduction Program
- ◆ Reduce Hot Spot Locations to less than 30
- ◆ System Wide Sewer Replacement/Repair Program
- ◆ Sewer Line Cleaning & CCTV Program
- ◆ Evaluate Force Main Conditions Regularly
- ◆ Pump Station Maintenance & Standardization Program
- ◆ Fats, Oils & Grease (FOG) Program
- ◆ Closed Circuit Television (CCTV) Program

FINANCIAL HIGHLIGHTS

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of the year's activities?" The Condensed Statement of Net Position report contains information about the District in a way that helps answer this question. This statement includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. The net position may serve over time as a useful indicator of a government's financial health. Net position of the District was \$61,827,147 and \$61,317,324 for the years ended June 30, 2018 and June 30, 2017, respectively.

One of the largest portions of the District's net position reflects the District's investment in capital assets (net of accumulated depreciation). Investments in capital assets represent \$44,564,961, or 72%, of the total \$61,827,147 net position. The District uses the capital assets to provide services to customers within the District's area; consequently, these are physical assets that cannot be spent.

Unrestricted net position represents 28% of the District's net position, which comprises assets that may be used to meet the District's ongoing obligations to citizens and creditors in accordance with the District's fiscal policies. For the year ended June 30, 2018, unrestricted net position decrease \$958,178 from \$18,220,364 to \$17,262,186. The decrease in unrestricted net position is primarily attributable to the increase in the net investment in capital assets, offset by revenues exceeding expenses for the fiscal year.

Condensed Statement of Net Position

	Fiscal Year		
	2016	2017	2018
Assets:			
Current	\$19,598,015	\$19,571,713	\$18,198,848
Noncurrent	<u>42,563,370</u>	<u>43,096,960</u>	<u>44,601,420</u>
Total assets	<u>62,161,385</u>	<u>62,668,673</u>	<u>62,800,268</u>
Deferred outflows of resources:			
Pension and OPEB related	<u>250,136</u>	<u>781,250</u>	<u>590,601</u>
Liabilities:			
Current	1,503,442	1,664,619	1,226,117
Noncurrent	<u>321,211</u>	<u>421,546</u>	<u>154,747</u>
Total liabilities	<u>1,824,653</u>	<u>2,086,165</u>	<u>1,380,864</u>
Deferred inflows of resources:			
Pension and OPEB related	<u>93,833</u>	<u>46,434</u>	<u>182,858</u>
Net position:			
Net investment in capital assets	42,348,941	43,096,960	44,564,961
Unrestricted	<u>18,144,094</u>	<u>18,220,364</u>	<u>17,262,186</u>
Total net position	<u>\$60,493,035</u>	<u>\$61,317,324</u>	<u>\$61,827,147</u>

So, is the District better off or worse off as a result of the year's activities? The District's overall financial position is better off by \$509,823 over the prior year. The following Statement of Revenues, Expenses and Changes in Net Position will show where the changes from the prior fiscal year occurred .

Condensed Statement of Revenues, Expenses and Changes in Net Position

The Condensed Statement of Revenues, Expenses and Changes in Net Position shows how the District's net position changed during the years. In the case of the District, net position increased by \$509,823 and \$824,289 for the years ended June 30, 2018 and 2017, respectively.

A closer examination of the sources of changes in net position reveals that:

- Solid Waste and Wastewater assessments increased \$193,543 due to an increase in new customers and a 2% rate increase in the Wastewater assessment.
- Non-operating revenues decreased \$332,825 due to one-time reimbursements from Caltrans and the Orange County Sanitation District received in the prior year.
- The District implemented Governmental Accounting Standards Board (GASB) 75 during the year ended June 30, 2018, which resulted in a prior period adjustment that reduced beginning net position by \$177,502.

	Fiscal Year		
	2016	2017	2018
Revenues:			
Operating	\$ 11,077,758	\$ 11,246,522	\$ 11,419,014
Non-operating	<u>574,652</u>	<u>761,791</u>	<u>416,994</u>
Total revenues	<u>11,652,410</u>	<u>12,008,313</u>	<u>11,836,008</u>
Expenses:			
Operating	<u>11,077,855</u>	<u>11,233,277</u>	<u>11,148,683</u>
Total expenses	<u>11,077,855</u>	<u>11,233,277</u>	<u>11,148,683</u>
Change in net position	574,555	775,036	687,325
Capital contributions	89,400	49,253	-
Net position at beginning of year	59,829,080	60,493,035	61,317,324
Prior period adjustment	-	-	<u>(177,502)</u>
Net position at end of year	<u>\$ 60,493,035</u>	<u>\$ 61,317,324</u>	<u>\$ 61,827,147</u>

Total District Revenues

A closer examination of the sources of changes in total revenues reveals that:

- The annual trash assessment increased \$82,855 due to an increase in the number of customers.
- The annual sewer assessment increased \$110,688 as a result of implementing year five of the five-year Sewer Rate Study adopted by the Board in December 2012 and increase in new homes.
- Permits and inspection fees decreased \$36,216 due to a reduction in development and building within the District's service area.
- Connection fees decreased \$36,777 due to the timing of payments for new construction, development and building within the District's service area.
- Investment earnings increased \$24,695 as a result of an increase in investment yield, offset by unrealized losses due to the adjustment in fair market of the District's investments.
- Other revenues decreased \$332,825 due to one-time reimbursements from Caltrans and the Orange County Sanitation District received in the prior year.

	Fiscal Year		
	2016	2017	2018
Operating revenues:			
Trash assessments	\$ 4,787,459	\$ 4,882,785	\$ 4,965,640
Sewer assessments	5,430,408	5,552,190	5,662,878
Permits and inspection fees	231,850	265,340	229,124
Connection fees	257,323	183,352	146,575
Other services	<u>370,718</u>	<u>362,855</u>	<u>414,797</u>
Total operating revenues	<u>11,077,758</u>	<u>11,246,522</u>	<u>11,419,014</u>
Non-operating revenues:			
Investment earnings	292,524	26,139	50,834
Taxes	270,876	287,705	313,456
Other revenues	44,760	385,529	52,704
Gain on disposal of assets	<u>(33,508)</u>	<u>62,418</u>	<u>-</u>
Total non-operating revenues	<u>574,652</u>	<u>761,791</u>	<u>416,994</u>
Total revenues	<u>\$ 11,652,410</u>	<u>\$ 12,008,313</u>	<u>\$ 11,836,008</u>

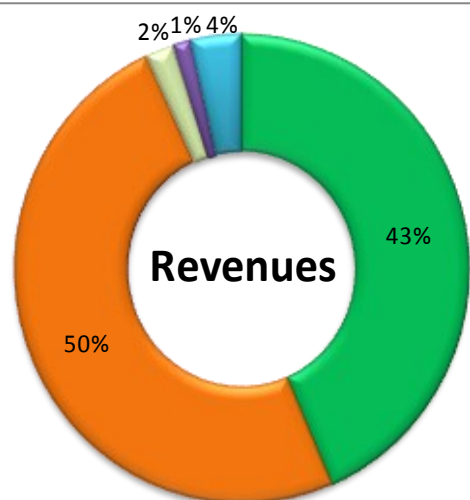
Total District Expenses

A closer examination of the sources of changes in total expenses reveals that:

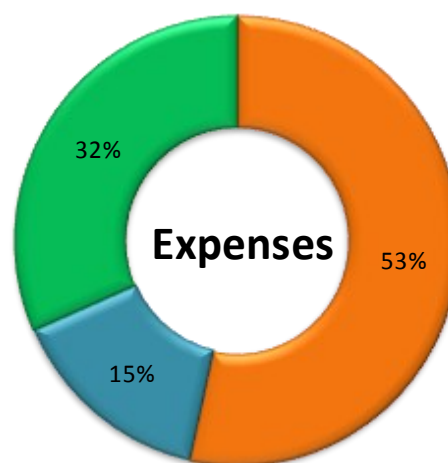
- Wastewater disposal expenses decreased by \$407,990, which primarily consists of the completion of televising of the sewer lines resulting in decreased expenses of \$341,875, and the elimination of the sewer lateral assistance program resulting in decreased expenses of \$183,517. These decreases were offset somewhat by increases of \$47,211 and \$32,458 in sewer maintenance and capital outlay, respectively.
- Administration and other expenses increased by \$157,009 as compared to the prior year. CalPERS employer contributions increased by \$202,188 resulting from normal employer contributions, plus actuarially-determined amounts for both pension and other post-employment benefits. Administration salaries increased by \$81,912 due to staffing vacancies during the prior year. This was offset somewhat by a decrease in election costs of \$60,591 as no election was held during the year, a decrease in legal costs of \$20,157, and a decrease of \$20,687 in computer licenses and maintenance.
- Repairs and maintenance increased by \$138,355, primarily due to an increase in capital outlay expenses.

	Fiscal Year		
	2016	2017	2018
Solid waste disposal	\$ 2,588,577	\$ 2,651,384	\$ 2,662,441
Wastewater disposal	1,641,085	1,815,120	1,407,130
Recycling and disposal charges	2,181,635	2,340,836	2,368,457
Administration and other	2,101,358	2,322,145	2,479,154
Repairs and maintenance	811,076	354,171	492,526
Depreciation	<u>1,754,124</u>	<u>1,749,621</u>	<u>1,738,975</u>
Total operating expenses	<u>11,077,855</u>	<u>11,233,277</u>	<u>11,148,683</u>

Operating Revenues & Expenses



■ Trash assessments ■ Wastewater assessments
■ Permits and inspection fees ■ Connection fees
■ Other services and charges



■ Solid waste disposal
■ Wastewater disposal
■ General and administrative

SOLID WASTE FUND

The District is one of the few agencies in Orange County that offers a co-mingled services method of recycling which allows residents to mix their trash and recycling materials in the same standardized containers without any sorting. The trash is taken to a recycling facility where it is mechanically and hand sorted to remove the recyclables. The District reached 50% diversion prior to the year 2000 and is in full compliance with all State mandates. The District currently has approximately a 60% diversion rate with a goal of 75% by 2020.

Special programs offered to District residents include: Christmas Tree Recycling, Medication Disposal, Large Item Pickups, House Hold Hazardous Waste, Sharps, Electronic and Universal Waste Collections as well as school fundraising programs such as Alkaline Battery Recycling.



The breakdown of the Solid Waste customers is as follows:

	<u>Units</u>	<u>Assessment</u>
Single Family Residential	16,681	\$3,603,096
Multi-Family Residential	5,400	\$1,166,400
Total Estimated Assessment	22,081	\$4,769,496

<u>Solid Waste Performance Indicators:</u>	<u>Actual 2013-14</u>	<u>Actual 2014-15</u>	<u>Actual 2015-16</u>	<u>Actual 2016-17</u>	<u>Actual 2017-18</u>
Programs:					
Telephone Books Recycled	962	N/A	N/A	N/A	N/A
Large Items Tonnage Collected	297	384	509	473	572
White Goods Tonnage Collected	22	22	8	19	16
Christmas Trees Tonnage Collected	86	82	82	90	66
Sharps Pounds Collected	1,612	2,137	2,351	1,970	1,859
Pharmaceuticals Pounds Collected	1,245	1,518	1,806	1,853	1714
Materials Recovery Facility Tours Provided	5	3	3	1	2
Alkaline Batteries Pounds Recycled	4,153	5,345	4,525	6,973	8650
Zero Waste Lunch Program Field Trip*	754	821	725	714	805
Zero Waste Lunch/Traveling Scientists Visit*	472	1,474	1,616	1,351	1,595
Zero Waste Lunch/Service Learning Visit*	1,308	254	387	510	281
Plastics/recycling Presentations	480	N/A	N/A	N/A	N/A
Discovery Science Center Field Trips*	9	388	362	339	404
Discovery Science Center Field Trips Buses	486	9	4	6	11
Discovery Science Center Assemblies*	74	388	362	339	405
Composting Classes Provided	N/A	39	N/A	N/A	N/A
Kitchen Pails Distributed		870	2,535	108	31
Services:					
Residential Customers	21,603	21,816	22,398	22,518	22,602
Residential Waste Tonnage Collected	40,650	41,823	34,356	46,154	42,289
Recycled Waste Tonnage	23,328	23,761	16,873	19,545	24,979
Organic Waste Tonnage	N/A	N/A	7,699	9,448	9,010
Percent Diverted from Landfill	1	56.89%	60.00%	62.82%	60.49%

Events:

Concerts in the Park (3), Costa Mesa Community Run, Costa Mesa-Newport Harbor Lions Club Fish Fry, Imaginology, Truck Adventures for Kids, Citizens Environmental Protection Academy, CMSD's State of the District

*Number of students that participated.



WASTEWATER FUND



The purpose of our wastewater system is to collect and convey all wastewater produced within the District to the Orange County Sanitation District (OCSD) treatment plants in Fountain Valley and Huntington Beach. This is accomplished through establishing specifications for the construction of sewer lines, inspecting lines for compliance with those specifications, conducting preventive maintenance of the system, repairing and replacing defective elements of the system, and managing flow rates to stay within the capacity of the collection system. The collection system includes 224 miles of sewer mains ranging from 8-inches to 30-inches in diameter and approximately 4,716 sewer manholes within the system, which are used as access points for cleaning and inspection purposes. There are 20 sewer pumping stations located within the collection system that are necessary to convey flow from low lying areas to higher elevations where the liquid waste can again flow by gravity.

The breakdown of the Wastewater customers is as follows:

	<u>Units</u>	<u>Assessment</u>
Single Family Residential	20,356	\$1,880,487
Multi-Family Residential	24,752	\$1,368,234
Commercial	1,582	\$1,374,633
Industrial	<u>781</u>	<u>\$999,421</u>
Total Estimated Assessment	<u>47,471</u>	<u>\$5,622,775</u>
Commercial Buildings Square Feet		31,948,003
Industrial Buildings Square Feet		<u>9,474,986</u>
Total Square Footage		<u>41,422,989</u>

<u>Wastewater:</u>	<u>Actual</u> <u>2013-14</u>	<u>Actual</u> <u>2014-15</u>	<u>Actual</u> <u>2015-16</u>	<u>Actual</u> <u>2016-17</u>	<u>Actual</u> <u>2017-18</u>
Sewer Lateral Assistance Program:	\$ 1,600	\$ 1,250	\$ 1,100	\$ 1,100	\$ 1,100
Dollars Awarded	244,324	201,475	202,182	193,531	17,160
Applicants Processed	190	182	203	201	19
Applicants Applied	184	237	242	272	0
CCTV Sewer Lateral Program	N/A	N/A	N/A	N/A	\$ 250.00
Dollars Awarded	N/A	N/A	N/A	N/A	23,900
Applicants Processed	N/A	N/A	N/A	N/A	114
Applicants Applied	N/A	N/A	N/A	N/A	163
Maintenance:					
Manholes Plugged and Sealed	163	900	408	200	N/A
Total Feet of Sewers Cleaned	848,930	910,000	1,096,701	878,095	883,900
Hotspots Locations	43	32	26	25	22
Sewer Spill Occurrence (SSO)	3	2	3	1	1
Total Sewer Spilled in Gallons	1,385	8,250	144	25	380
Total Sewer Recovered in Gallons	1,385	150	144	25	380
Total Sewer Unrecovered in Gallons	0	8,100	0	0	0

DEMOGRAPHICS & ECONOMIC STATISTICS

City of Costa Mesa (a)			County of Orange (b)		
Calendar Year	District Service Population	Unemployment Rate	Population	Personal Income* (in thousands)	Personal Income per Capita
2007	107,641	3.50%	2,957,902	\$ 153,446,641	\$ 51,877
2008	107,514	4.70%	2,989,141	155,068,367	51,877
2009	109,808	8.00%	3,026,786	148,372,628	49,020
2010	109,960	8.50%	3,010,232	150,467,328	49,985
2011	110,008	7.80%	3,055,745	154,131,535	50,440
2012	111,675	6.80%	3,090,132	161,743,827	52,342
2013	112,174	5.60%	3,114,363	169,792,810	54,519
2014	112,784	5.60%	3,145,515	173,305,650	55,096
2015	113,204	4.50%	3,169,776	183,052,341	57,749
2016	112,822	3.70%	3,172,532	196,920,661	62,071
2017	113,825	2.70%	3,190,400	208,653,019	65,400
2018	c	c	c	c	c

Notes: a) Approximate population of Costa Mesa Sanitary District is the same as the population of the City of Costa Mesa. b) The District has chosen to use County data since the District believes that the County data is representative of the conditions and experience of the District. c) Data not currently available.

* Total personal income estimates are in thousands of dollars, not adjusted for inflation.

NEXT YEAR'S BUDGETS

Due to the District's continued healthy position in its Solid Waste Fund, the Board of Directors elected to continue to utilize existing reserves as a means to stabilize trash rates and no increase in rates was adopted. For the next fiscal year, the District will undergo a solid waste rate study to ensure continued long-term health of the fund. The sewer rate increased 2%, which was the fifth and final year increase outlined in the five-year Sewer Rate Study, which increased rates 2% per year. The District is anticipating a slight increase in property tax revenue in the coming year due to continued development within the District's service area. A new Sewer Rate Study will be undertaken in the coming fiscal year to establish rates for the next five years. As of June 30, 2018, the District has fully funded both its unfunded pension liability and other post-employment benefits. The Board of Directors plans to continue this practice of ensuring that both of these liabilities are fully-funded each fiscal year with existing resources.

Improvements continue at the District Headquarters building, which will consist of planned installation of solar panels and roof repairs. A new agreement was negotiated with the District's trash hauler, which will ensure a continued high-level of service and such special programs as organic waste collection and recycling, Christmas tree recycling, curbside household hazardous waste collections, as well as continued efforts to achieve a 75% diversion rate from the landfills.

Several sewer capital improvement projects were completed including phases 9 and 10 of grade 5 pipe repairs (pipes deemed to imminently fail), 19th Street pump station electrical improvements, President pump station force main replacement and the expansion of the District Yard. During the coming fiscal year, the Board of Directors will continue to be proactive in its sewer capital improvement program.



