

Introductory Section



TRIUNFO
WATER & SANITATION DISTRICT

Comprehensive Annual Financial Report
For the Fiscal Years Ended
June 30, 2020 and June 30, 2019



TRIUNFO
WATER & SANITATION DISTRICT



Board of Directors

- James Wall, Chair
- Raymond Tjulander, Vice Chair
- Jane Nye, Director
- Janna Orkney, Director
- Leon Shapiro, Director

Providing Outstanding Service Since 1963

January 28, 2021

Honorable Board of Directors and Customers
Triunfo Water & Sanitation District
Ventura County, California

Members of the Board of Directors:

The Comprehensive Annual Financial Report of the Triunfo Water & Sanitation District (District) as of and for the fiscal years ended June 30, 2020 and June 30, 2019; is hereby submitted. State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Rogers, Anderson, Malody & Scott, LLP, has issued an unmodified (“clean”) opinion on the District’s financial statements for the fiscal years ended June 30, 2020 and June 30, 2019. The independent auditor’s report is located at the front of the financial section of this report.

Management’s discussion and analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

PROFILE OF TRIUNFO

A public agency, the Triunfo Water & Sanitation District was organized November 12, 1963, as a special district under the County Sanitation District Act, California Health & Safety Code Section 4700 et seq., to provide sanitation services. The District covers approximately 50 square miles of the southeastern portion of Ventura County adjacent to the Los Angeles County line, and serves a population of approximately 33,000. The District receives no tax revenue and relies on fees and charges for services provided.

On October 12, 1964, the District and Las Virgenes Municipal Water District (LVMWD) entered into a joint powers agreement establishing a Joint Venture to construct, operate, maintain, and provide for a regional sewerage system to serve the area within the two Districts' boundaries. The ancillary production and sale of recycled water as a byproduct of the wastewater treatment process has been welcomed by the District's water customers.

The District expanded its service to the community in 1993 with the purchase of the Metropolitan Water Company located within the District's boundaries in Oak Park. The new venture became known as the Oak Park Water Service (OPWS), owned and operated by Triunfo Sanitation District (TSD). On July 1, 2019, the District changed its name from Triunfo Sanitation District to Triunfo Water & Sanitation District (TWSD).

The District's five-member Board of Directors (Board) is comprised of five residents of the District elected at-large by the registered voters of the District. The District's Board meets on the fourth Monday of each month. Meetings are publicly noticed, and citizens are encouraged to attend and participate.

At the start of fiscal year 2020, District staff was provided entirely by contract with Mark Norris for the position of General Manager and the Ventura Regional Sanitation District (VRSD) for all other positions. On August 2019, the District's Board directed staff to move forward with the development of a TWSD Core Management Team which includes the General Manager, Financial Analyst, Management Analyst, and Engineering Analyst, as part of the District's plan to transition administrative and financial functions provided by VRSD in house. In fiscal year 2020, VRSD support consists of approximately seventeen (16.80) full-time equivalent positions made up of the part-time efforts of more than forty-two (42.55) individuals in ten (10) different areas of expertise.

Administration – The five directly elected Board members at-large are employees of the District. In addition, the District contracts directly with various consultants and VRSD for all of its management, financial, engineering, maintenance, and operations functions. The arrangement with VRSD, accomplished through a long-term reimbursable contract, allows the District to draw from a pool of sophisticated and technologically capable employees when needed and pay for only the services actually received. On June 4, 2015, a new ten-year contract agreement was entered into between TWSD and VRSD. This contract was amended on August 4, 2018 to address various matters pertaining to the TWSD General Manager whose services were previously engaged through VRSD. Effective on May 3, 2019, the District entered into a direct contract with the General Manager, eliminating VRSD as intermediary between the two parties.

Joint Venture – The bulk of the District's sanitation and recycled water activities occur in concert with those of its Joint Venture partner, LVMWD, located in western Los Angeles County. Joint Venture facilities include the Tapia Water Reclamation Facility (Tapia), Rancho Las Virgenes Composting Facility (Rancho), a pumping station and force main that conveys biosolids from Tapia to Rancho, and the portion of the recycled water distribution system which lies within Los Angeles County. A five-year capital improvement plan is in place, and updated at least annually, to maintain these facilities and protect the District's investment in them. Capital improvements are primarily funded through sewer connection fees of \$13,875 per Dwelling Unit.

The District presently owns 29.4% of the Joint Venture wastewater treatment facilities, 44.2% of the land, and 58.4% of the trunk sewers. The District's right to use the facilities is commensurate with its ownership share (29.4%), while recycled water rights are based on actual sewage flows into Tapia. In addition, the District owns 29.4% of the Joint Venture recycled water distribution system.

Tapia Water Reclamation Facility

The Tapia Water Reclamation Facility applies state-of-the-art technology to transform wastewater into high-quality recycled water. It serves residents living across 120 square miles of southeastern Ventura and western Los Angeles Counties. While the current flow to Tapia averages 7.5 million gallons of wastewater per day (mgd), the District flow averages about 2.2 mgd, representing 30% of the total. Tapia is potentially capable of treating up to 16 mgd.

The wastewater treatment process at Tapia duplicates and accelerates natural biological methods of cleaning wastewater. Filtration and disinfection, the third phase in Tapia's tertiary treatment process, ensures the treated water meets stringent water reuse standards, and is environmentally safe for wildlife and vegetation. The beneficial reuse of this high-quality water has been an important Joint Venture focus since 1972, long before it became a common practice.

Tapia has been honored with numerous awards, including:

- American Water Resources Association (AWRA) Sandor C. Csallany Institutional Award for Exemplary Contributions to Water Resources Management (2004)
- Association of California Water Agencies Environmental Achievement Award (1990 and 1995)
- California Water Pollution Control Association Plant of the Year (1989)
- U.S. Environmental Protection Agency national & regional Award of Excellence (1988)
- Los Angeles Area Plant of the Year (6 times)
- National Environmental Awards Council Outstanding Operation, Maintenance and Total Reuse
- Water Reuse Association Certificate for Contributions to Water Reuse in California

A major challenge for the Tapia plant occurred late in fiscal year 1998 in the form of revised National Pollution Discharge Elimination System (NPDES) permit requirements. Despite significant ongoing efforts, the onerous standards of the revised permit have not been significantly reduced. Discharge of recycled water into Malibu Creek is now prohibited from April 15 through November 15 each year. With extensive water recycling, approximately 300 million gallons (900 acre-feet) of water must either be diverted from the creek to approved recycled water uses, or stored for later use. An alternative is to discharge during this period to the Los Angeles River Watershed, known as "005 discharge."

Triunfo Sanitation – The Bell Canyon portion of the District was served for many years by a pump station and force main transporting wastewater up over a hill to Tapia. With the pump station reaching the end of its life and increasing demands expected on Tapia’s capacity, a gravity trunk sewer was constructed in 1985. This allowed the transport of Bell Canyon’s wastewater to the Tillman Water Reclamation Plant operated by the City of Los Angeles within Los Angeles County.

Bond debt was issued for the sewer line construction by Bell Canyon Sewer Assessment District No. 85-1, formed for this purpose. Principal and interest payments were subsequently funded through property owner assessments, which were then paid in full two years earlier than originally scheduled.

In fiscal year 2020, the District paid \$88,961 in capacity and treatment costs to the City and County of Los Angeles. In addition, the District paid \$53,310 toward the Tillman plant expansion. Future capital improvements for this facility are primarily funded through sewer connection fees ranging from \$3,025 to \$13,875 based on parcel identification in the Bell Canyon Sewer Assessment District No. 85-1 assessment area.

Bell Canyon homeowners not included in the assessment district began approaching District contract staff in September 1997 with requests to extend the Bell Canyon force main to serve their properties. Working together, the homeowners and Triunfo staff determined a grinder pump could be used to transport sewage solids to an extended main trunk line, and an agreement was reached relative to costs. Triunfo agreed to finance these costs over a five-year period, and the extension was in use by the end of May 1998. All of these original loans have been fully repaid. Triunfo extended itself to serve these property owners, creating a true public/private partnership. Further, the District Board developed a policy to cover future connections to the force main extension, and equalize costs for all participating homeowners over time. As a result, sewer service has been extended to over 100 additional lots in Bell Canyon, and more are expected as increasing numbers of Bell Canyon homeowners see the advantage of sewer service over aging septic systems.

Triunfo Recycled Water – The District provides recycled water treated at Tapia via the Joint Venture through two pipelines to the communities of Oak Park, Lake Sherwood and North Ranch. District recycled water sales were \$2,208,635 and \$2,176,845 in fiscal year 2020 and fiscal year 2019, respectively. The recycled water from Tapia travels through 5.4 miles of District retail recycled water lines to irrigate 7 parks, 6 schools, 1 golf course, 15 acres of landscaping and medians, and 16 homeowners associations. In hot summer months, local irrigation consumes all of the recycled water Tapia produces.

The Lake Sherwood Golf Course, a major recycled water customer, was built in 1989 expecting to use 100% recycled water for irrigation. Sherwood experienced difficulty maintaining turf quality and, in 1996, convinced the Ventura County Planning Department to approve the use of as much as 40% potable water for golf course irrigation. The District appealed based on a California law that requires recycled water be used for irrigation wherever available.

A study of Sherwood's recycled water use was conducted, with the cost split equally by Lake Sherwood Ranch, the Calleguas Municipal Water District, and Triunfo. The study concluded the golf course requires deep drainage to remove salts from irrigation, regardless of whether recycled or potable water is used. Sherwood felt the deep drainage was both excessively disruptive and expensive, and proposed a field test, which was inconclusive. In June 2000, Triunfo proposed a compromise wherein Sherwood agreed to use 250 acre feet of recycled water per year, about 60% of its typical irrigation water requirement.

In 2017, Triunfo purchased the recycled water (RW) system from Calleguas Municipal Water District (Calleguas). The purchase of the RW system (at a cost of approximately \$12 million dollars) terminated the recycled water purchase agreement between Triunfo and Calleguas which allowed Triunfo to wholesale the RW to Hidden Valley and CalWater. The RW system includes 10 miles of pipeline (ranging from 4-18 inches), a 1.8 million gallon storage reservoir (Oak Park Reservoir), and a 5 million gallon per day pump station (Oak Park Pump Station). The RW system serves the communities of Oak Park, North Ranch, Lake Sherwood, and portions of Thousand Oaks.

The District also supported the Las Virgenes–Triunfo Joint Powers Authority in an extensive stakeholder-driven process to identify the best means to maximize the beneficial reuse of treated effluent from the Tapia Water Reclamation Facility. Following two years of study and community stakeholder input that focused on how to best manage discharge from the Tapia Water Reclamation Facility to Malibu Creek, the Pure Water Project Las Virgenes-Triunfo emerged as a preferred alternative to meet the goal, while also providing a local source of potable water. The Pure Water Project will take surplus recycled water from the Tapia Water Reclamation Facility and further treat it to better than drinking water standards. The treated water will be mixed with imported water stored in Las Virgenes Reservoir until needed. At that time, the water will be treated again prior to use in the potable water system.

Triunfo Potable Water – The District provides potable water service to the community of Oak Park which is mostly residential and is located at the eastern edge of Ventura County. The 2010 United States Census Bureau data indicates Oak Park has a population of approximately 13,811 with a median household income of \$121,348.

The District receives its potable water supply from the Metropolitan Water District of Southern California which is imported from the Sacramento Delta through Calleguas Municipal Water District, the regional water wholesale agency. The District's policy is to increase the potable water and recycled water rates based on the increased rates from Calleguas Municipal Water District. The latest pass through rate increase will be effective January 1, 2021.

Residential customers make up approximately 94% (number of metered connections) of the District's customer base and consumed approximately 88% of the potable water provided annually by the District. The remaining 12% was consumed by commercial customers.

Potable water deliveries in fiscal year 2020 were 2,034 acre-feet compared to 1,959 acre-feet in fiscal year 2019. These deliveries provided income of \$6,395,205 and \$5,790,358 respectively.

The District's water tank sites have proven useful to cellular communication companies. Five leases were in place at the end of the fiscal year. Collectively, cellular service companies provided income of \$181,378 for fiscal year 2020 and \$171,928 for fiscal year 2019.

Economic Condition and Outlook

Local Economy

Ventura County – Located directly northwest of Los Angeles County, Ventura County covers 1,843 square miles and boasts 43 miles of Pacific Ocean coastline, 7.5 miles of shoreline in public beaches, and 411 acres in state beach parks. The majority of the County's 842,886 residents live in its southern half, while the Los Padres National Forest spans the northern half. An extensive network of roadways links the County's 10 incorporated cities, with rail, harbor, and airport facilities providing access to outside markets. As a result of the COVID19 pandemic, the economic outlook for Ventura County in 2020 has shifted drastically from 2019. Initially projecting record employment highs, unemployment falling to record lows, and trade and manufacturing output continuing to grow, this optimistic outlook rapidly changed when Governor Newsom ordered a Statewide Emergency to shelter-in-place, followed by a National Emergency that was declared on March 13, 2020. After an unprecedented decline in March and April, economic growth is sluggish, only regaining 31.1% of the over 2.6 million jobs lost in March and April.

Agriculture – Ventura County farmers grow over 100 different crops and often harvest two or three crops from the same parcel of land during any given year. In 2019, the estimated gross value for all agriculture in Ventura County was \$2.0 billion decreasing by 5.2% from 2018. Strawberries, celery, lemons, raspberries, and nursery stock are among the five leading crops grown. In 2017, the most recent data available from the California Department of Food and Agriculture, ranks Ventura County 8th among all counties in the California in total crop value.

Income and Unemployment – Ventura County's unemployment as of June 2020 sits at 12.6% down from 13.9% as of April, the highest rate recorded since 2010. Prior to the state lockdown, the unemployment was 4.7%, a 1.1% increase from June 2019. The largest percentage job declines are occurring in leisure and hospitality and other services, which include dry cleaning and personal care services. These two sectors accounted for over 45% of total job losses in Southern California in July. The smallest percentage decline was in financial services, a sector that has thus far been mostly unscathed during the recession partly due to estimates that nearly 78% of employees in the industry are able to work from home.

The Census ACS 1-year survey reports that the median household income for the Ventura County California area was \$92,236 in 2019, the latest figures available. Ventura County median household income is 13% higher than the median California household income and 29% greater than the US median household income. Median family and per capita income for Ventura County in 2019 was \$40,293, 11% higher than the national average and 2% higher than the California average.

Real Estate – Based on 2019 estimates the new housing market within Ventura County will add more units, both single family and apartments. Thomas fire rebuilds will continue, principally in Ventura, for the next year. Homebuilding is anticipated to accelerate to nearly 140,000 units in 2020, the highest level of new housing permits since 2008. Existing home sales in Ventura County climbed a modest 6.6% year-on-year in August, after plunging by double-digit rates from April to June. The median home sale price was \$697,754 in 2019, a 4.2% increase over 2018. Ventura County experienced positive home price growth from a year ago with a robust 12.0% increase. Home prices in Southern California are expected to level out and only increase 1.1% in 2021 as the supply of homes increases to meet demand. Continued strong out-migration is also expected to limit home price gains in the region in 2021.

Long-term Financial Planning

The Pure Water Project will create a new, local, sustainable and drought-proof drinking water supply through the purification of the Las Virgenes – Triunfo Joint Powers Authority (JPA) surplus recycled water. The recycled water will undergo advance treatment, after which it will be stored at the Las Virgenes Reservoir for later use as drinking water. The project would reduce the need to discharge excess recycled water to Malibu Creek and is intended to diversify the region's water supply and reduce dependence on imported water by generating up to 6 million gallons per day of drinking water. The current estimated cost for the project is \$120 million, but the cost will increase with annual inflation.

Relevant Financial Policies

The Board appointed one of the Board members to perform a monthly review of all invoices paid on their behalf by Ventura Regional Sanitation District. In addition, the Board also appointed two of the elected Board members to be on the Finance Committee to perform review and oversight in regards to financial matters such as the annual audit, proposed budget, and any other financial issues that require review, analysis, and recommendation before going to the full Board.

The District's investment policy's primary objectives are safety of principal while maintaining liquidity to meet all operating requirements, and attaining a market rate of return on its portfolio. The District's investment policy is in accordance with provisions of the California Government Code. Currently, the District's investment funds are placed in either the Ventura County Pooled investment account or the Local Agency Investment Fund (LAIF) account managed by the State Treasurer.

Staff continues to review the Five-Year Capital Improvement Plan (CIP) and makes recommendation to the District Board of any changes during the budget process. The CIP includes evaluation of the current water and wastewater systems, prioritization for acquisition, maintenance, replacement and retirement of capital assets, and recommendation on improving the operation and reliability of the existing systems.

Major Initiatives

After over 40-years of contracting for staffing services, the TWSD Board developed a business plan to transition into a more independent and self-reliant District. This transition plan consists of bringing all administrative and financial functions in house. As part of this plan, in FY 2020 the TWSD Board moved forward with the development of a TWSD Core Management Team (CMT) through direct contracts. The CMT consists of the General Manager, Director of Finance, Engineering Program Manager, and Administrative Program Manager. On October 1, 2020 the TWSD Board approved employment contracts with the Core Management Team members, making them employees of the District. The TWSD Board directed staff to enter into discussions with Ventura Regional Sanitation District (VRSD) to negotiate a transition agreement for the remaining administrative and financial services provided by VRSD. As of the date of this report those discussions are ongoing.

Significant Event – Woolsey Fire

The Woolsey Fire was a destructive wildfire that ignited on November 8, 2018, burned 96,949 acres of land, destroyed 1,643 structures, killed three people, and prompted the evacuation of more than 295,000 people within Los Angeles and Ventura Counties. At a special meeting on November 14, 2018, the TWSD Board of Directors authorized financial relief to water and sewer service customers affected by the fire that burned in and around many sections of TWSD's service area. Water customers received a credit for the amount of water they used for 5 days, during and after the fire. In addition, TWSD sewer customers who lost their homes in the fire were issued a refund for 8 months (November to June) of sewer service charges previously assessed on their property tax bills for fiscal year 2019. The District filed a \$475,961 claim with the Federal Emergency Management Agency (FEMA) for costs incurred in connection with the fire, received a total reimbursement of \$376,150 and is eligible to receive an additional \$19,270 for general administrative costs.

Significant Event – COVID 19 Pandemic

On March 4, 2020, Governor Newsom proclaimed a State of Emergency in California as a result of the threat of COVID 19. On top of the tragedy of losing over a million lives globally, the economy has been hit severely, impacting individuals, families, and businesses. In an effort to provide assistance to its customers, on March 2020, the District Board authorized suspension of penalties, late fees, and service shut-offs for non-payment of a bill. On May 6, 2020, Governor Newsom issued an executive order suspending imposition of penalties and interests until May 6, 2021, on unpaid property taxes that became delinquent after March 4, 2020.

Awards & Acknowledgements

Excellence in Financial Reporting – The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Triunfo Water & Sanitation District for its Comprehensive Annual Financial Report (CAFR) for the Fiscal Year ended June 30, 2019. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe this current report continues to meet the Certificate of Achievement program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements – The preparation of this report was possible because of the dedicated services of the contract Finance & Administration Department staff, each of whom has our sincere appreciation. We also express our appreciation to our independent auditors, Rogers, Anderson, Malody & Scott, LLP, for their contribution and assistance in preparing this report. Finally, we thank the District Board of Directors for their interest and support in planning and conducting the financial operations of the District in a responsive and effective manner.



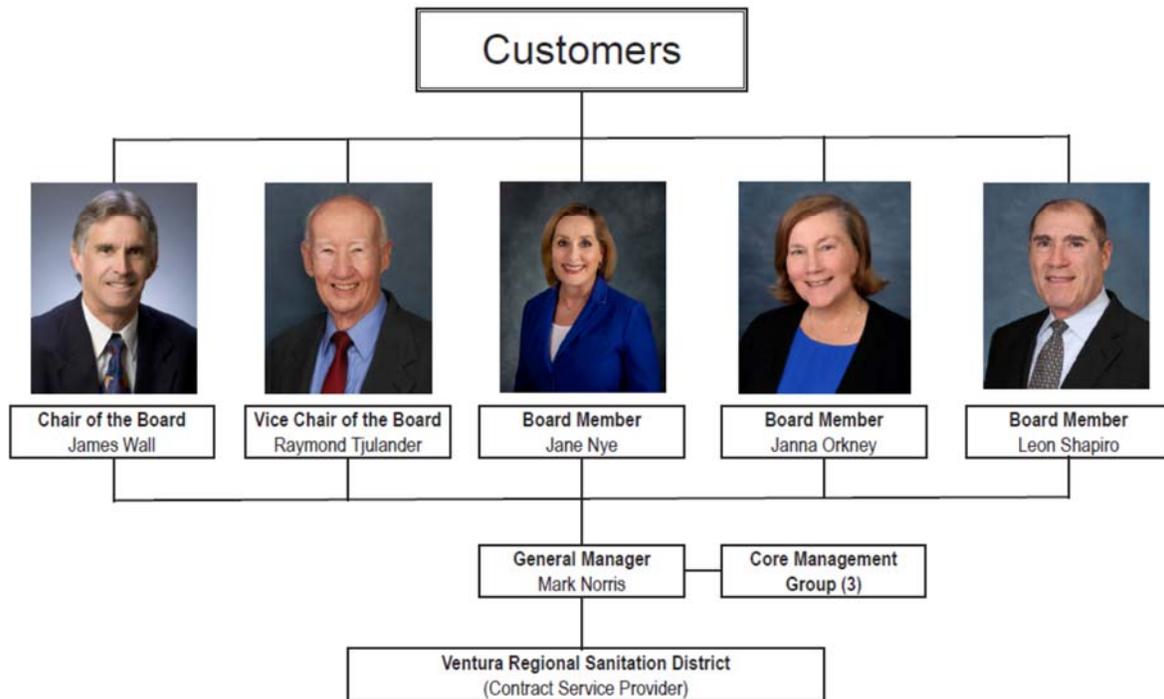
MARK NORRIS
General Manager



ALVERTINA RIVERA
Director of Finance

TRIUNFO WATER & SANITATION DISTRICT

Organization Chart





TRIUNFO

WATER & SANITATION DISTRICT

Ventura County, California

2020 Board of Directors

James Wall	Chair
Raymond Tjulander	Vice-Chair
Jane Nye	Member
Janna Orkney	Member
Leon Shapiro	Member

Contract Staff

Mark Norris	General Manager	(805) 658-4621
Alvertina Rivera	Director of Finance	(805) 658-4646
Matt Baumgardner	Director of Operations	(805) 658-4675
Juliet Rodriguez	Clerk of the Board	(805) 658-4642
John Mathews	Legal Counsel	(805) 988-9886



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**Triunfo Sanitation District
California**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO

VENTURA COUNTY



CALIFORNIA



TRIUNFO SANITATION DISTRICT

