

Popular Annual Financial Report

Critical Infrastructure For a Sustainable Future



Monterey Regional Water Pollution Control Agency

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(831) 372-3367 or (831) 422-1001 • www.mrwPCA.org



Mission Statement

The Monterey Regional Water Pollution Control Agency is dedicated to meeting the wastewater and reclamation needs of our member agencies while protecting the environment.

Vision Statement

The Monterey Regional Water Pollution Control Agency will be a model customer service provider for the efficient, innovative utilization of wastewater.

New Goals

- ◆ Develop the use of recycled and replenishment water.
- ◆ Enhance and implement coordination/collaboration with other agencies on projects of joint interest
- ◆ Update and implement the Comprehensive Energy Plan
- ◆ Enhance internal and external outreach and communication
- ◆ Achieve sufficient pump station and conveyance capacity to meet the needs of member agencies

Board of Directors as of June 30, 2014

| Name | Title | Member Agency | Title |
|--------------------------|--------------|---|-------------------------|
| Dennis G. Allion | Chair | City of Del Rey Oaks | Council Member |
| Gloria De La Rosa | Vice-Chair | City of Salinas | Council Member |
| Ron Stefani | Director | Castroville Community Services District | Director |
| Thomas Moore | Director | Marina Coast Water District | Director |
| Elizabeth "Libby" Downey | Director | City of Monterey | Council Member |
| Louis R. Calcagno | Director | Monterey County | 2nd District Supervisor |
| Rudy Fischer | Director | City of Pacific Grove | Council Member |
| David K. Pendergrass | Director | City of Sand City | Mayor |
| Ralph Rubio | Director | City of Seaside | Mayor |
| Linda Grier | Director | Boronda County Sanitation District | Director |
| Tommy Razzeca | Director | Moss Landing County Sanitation District | Director |
| Vacant | Director | United States Army | Vacant |

Executive Staff

| | |
|-------------------|--|
| Keith Israel | General Manager |
| Robert Wellington | Legal Counsel |
| John Tiernan | Director of Administrative Services/Deputy General Manager |
| Tom Buell | Director of Finance |
| Chayito Ibarra | Executive Assistant to General Manager/Board |



Monterey Regional Water Pollution Control Agency

*"Dedicated to meeting the wastewater and reclamation needs
while protecting the environment"*

Administration Office:
5 Harris Court, Bldg. D, Monterey, CA 93940-5756
(831) 372-3367 or 422-1001, FAX: (831) 372-6178
Website: www.mrwPCA.org

October 31, 2014

Board of Directors
Monterey Regional Water Pollution Control Agency
Monterey, CA

Comprehensive Annual Financial Report
Years Ended June 30, 2014 and 2013

It is a pleasure to submit the Monterey Regional Water Pollution Control Agency's Comprehensive Annual Financial Report (CAFR) for the fiscal years ended June 30, 2014 and 2013. Responsibility for both the accuracy of presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Agency. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the Agency. All disclosures necessary to enable the reader to gain the maximum understanding of the Agency's financial activities have been included.

The CAFR is presented in accordance with Generally Accepted Accounting Principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB).

The Reporting Entity

Joint-Powers Agency

Before the establishment of the Monterey Regional Water Pollution Control Agency (MRWPCA), every community in the Monterey Bay area had its own sewage treatment plant. Most of the communities were discharging into the Monterey Bay – in some cases as little as 300 feet off shore. The Federal Clean Water Act of 1972 effectively stopped that practice and increased treatment standards. In November 1972, the Monterey Regional Water Pollution Control Agency (MRWPCA) was formed by Monterey, Pacific Grove, and Seaside Sanitation Districts. Over the years, many other northern Monterey County entities eventually became Joint Powers Authority (JPA) participants in the regional system as well.

In addition to Federal Clean Water Act requirements, it became evident during the early 1970s that the quality of northern Monterey County's groundwater supply was deteriorating because of extensive withdrawal of groundwater for agriculture. This overdraft led to an increasing problem of seawater intrusion, which threatens the multi-billion dollar agricultural industry and the drinking water supply for the City of Salinas.

In the mid-1970s, a group of community leaders began discussing the idea of recycling wastewater. The objective was to retard the advance of seawater intrusion by supplying irrigation water to farmland in the northern Salinas Valley. This would significantly reduce the draw of water from the underground aquifers.

This led to the extensive 11-year “Monterey Wastewater Reclamation for Agriculture Study” which began in 1980. The final results of this research proved that recycled water is safe for the irrigation of crops that are consumed without cooking. Today, this definitive report is used as the standard in countries all over the world.

By 1983, several phased construction projects were completed utilizing the old coastal treatment plants as pumping stations, connected to one of 3 interceptor pipelines, and a 60” outfall pipeline extending 2 miles into the Monterey Bay. Offering economies of scale and concentration of expertise, the MRWPCA proposed to operate one regional plant by replacing eight older (and some overloaded) wastewater facilities in Northern Monterey County.

By the late 1980’s all the coastal municipalities and agencies with sewage treatment responsibility were participants in MRWPCA. The participants created a successful Joint Powers Authority (JPA) with eleven members: representatives from the Monterey County Board of Supervisors, City of Salinas, Boronda County Sanitation District, Castroville Community Services District, City of Del Rey Oaks, City of Monterey, City of Pacific Grove, City of Sand City, City of Seaside, Marina Coast Water District, Moss Landing County Sanitation District, and the U.S. Army as an ex-officio member. Each entity appoints a member to the Board, who is usually an elected official of that community. The MRWPCA currently serves a population of approximately 250,000 people and treats 18.5 million gallons each day.

The Regional Treatment Plant (RTP) was constructed two miles north of the City of Marina, near the farmland experiencing the worst seawater intrusion. In February 1990, the RTP began operation with a design capacity to treat up to 29.6 Million Gallons per Day (MGD). The old treatment plants were then decommissioned. The pumping stations remained to pump sewage (rather than treated wastewater) to the new treatment plant.

Today, MRWPCA operates the RTP, maintains 25 pump stations, 35 pressure-vacuum stations, approximately 30 miles of pipeline from each pump station to the RTP, and the 60” outfall pipeline.

Facility construction was funded by federal and state grants. The Regional Treatment Plant represents an investment of approximately \$150 million for the pump stations, pipelines, and 60-inch diameter outfall line and \$74 million for the Regional Treatment Plant. Regional Treatment Plant operation and maintenance costs are funded by property owners through bi-monthly billings.

The Organization

Now employing approximately 72 employees, MRWPCA is made up of the following sections/units consisting of: Administration, Accounting, Customer Service, Engineering Services, Field Maintenance, Maintenance, Operations, Utilities, Laboratory, Safety, Source Control, Co-Generation, Reclamation, Distribution, and Diversion.

The Agency Mission Statement includes the following: *“The Monterey Regional Water Pollution Control Agency is dedicated to meeting the wastewater and reclamation needs of our member agencies while protecting the environment.”*

The Board of Directors adopts three year goals and objectives and then monitors staff implementation of programs and policies. This strategic planning process also provides the basis for the operating budget. The new three year goals for 2012-2015 (not in priority order) include:

- Develop the use of recycled and replenishment water.
- Achieve sufficient pump station and conveyance capacity to meet the needs of member agencies.
- Enhance and maintain our aging infrastructure
- Update and consolidate a disaster preparedness plan.

Major Initiatives

During the fiscal 2013/14 year, the Agency continued, completed or initiated a number of significant projects, which include the following:

Salinas Valley Reclamation Project (SVRP) – This is our seventeenth year of successful SVRP operations without problems, producing 15,371 acre-feet of recycled water in the 2014 calendar year – nearly equal to our all-time record of 15,485 in 2013. Since 1998, 68 billion gallons of recycled water have been produced for agricultural irrigation. Since 1998 the MRWPCA also operates the Castroville Seawater Intrusion Project (CSIP) distribution system under contract with the Monterey County Water Resources Agency. CSIP irrigates 12,000 acres of agricultural land producing various food crops. During the peak growing season, 100% of MRWPCA’s influent is recycled for growers.

Salinas River Diversion Facility (SRDF) – This project is owned by the Monterey County Water Resources Agency and operated by the MRWPCA under contract. The project is designed to provide supplemental water to the Castroville Seawater Intrusion Project during peak irrigation demand during the growing season from April – October. The project, which went online in 2010, diverts excess flows from the Salinas River using a rubber dam. Water is pumped from the river then chlorinated in the pipeline to the SVRP holding pond where it mixes with recycled water before being distributed to farmland. During 2014 no river water was diverted due to nearly empty reservoirs. Since its inception this project dramatically reduced supplemental well water use, thereby slowing the advance of seawater intrusion.

Contract Services – MRWPCA provides member entities the benefit of cost sharing and economy of scale by providing contract services to assist with regulatory requirements. This also provides an additional revenue stream for MRWPCA. Contract services include: commercial grease pretreatment inspections; City of Salinas stormwater program compliance inspections; City of Salinas industrial wastewater pond system and pretreatment program including permitting, monitoring and inspecting; grease reduction mass media campaign for the Southern Monterey Bay Dischargers Group; city pump station maintenance, entity-specific sewer spill prevention public outreach.

Carbon Footprint Reduction Activities – MRWPCA has been a leader in the wastewater industry in the production of power and reduction of energy demand. Since 1990, the MRWPCA has utilized cogeneration to provide approximately 80% of its power needs. Excess power is sent to the power grid.

In 2009, nearly 6 acres of undeveloped land was turned into a solar farm – with the installation of a 1.12 Megawatt photovoltaic panel system. The solar facility is run under a power-purchase agreement with Solar City. The resultant energy is used at the SVRP to reduce grower energy costs for recycled water production. Combined, the solar facility and co-generation provide 9,353,000 Kwh/yr



These efforts were recognized in 2011 with the first-ever Breathe California Central Coast Clean-Air Award in the Climate Change category.

In 2012, MRWPCA became an ENERGY STAR Partner and dedicated itself to reducing energy demand, monitoring efforts, and offering assistance to other publicly owned treatment works.



To enhance energy efficiency, in 2013 the neighboring Monterey Regional Waste Management District landfill installed SmartFerm’s first US anaerobic food scrap digester pilot facility where the energy produced is tied into MRWPCA’s Bioflocculation blower facility. Creation of adequate dissolved oxygen in Bioflocculation basins is one of the most energy intensive processes at treatment plants. MRWPCA anticipates these upgrades will result in substantial savings.

Monterey Peninsula Groundwater Replenishment Project (GWR)

– In FY 12/13 the MRWPCA Board of Directors approved a “Zero Discharge Goal” Resolution to fully utilize our water resources and protect the Monterey Bay National Marine Sanctuary. Each winter, approximately 8,000 Acre-feet of water is discharged into the Monterey Bay – water not used by the growers.



The proposed Monterey Peninsula Groundwater Replenishment Project (GWR) would utilize 3,700 Acre-feet of this water by purifying it to near-distilled water quality, then recharge the over drafted Seaside groundwater basin. The project could also provide an additional source of high-quality water for Salinas Valley growers.

The Project is included in California American Water’s Monterey Peninsula Water Supply Project which also includes desalination and Monterey Peninsula Water Management District’s (MPWMD) Aquifer Storage and Recovery (ASR). The GWR Project is also included in the Monterey Peninsula Integrated Regional Water Management Plan (IRWMP).

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Currently MRWPCA is working in partnership with the MPWMD to fund the feasibility studies: CEQA/EIR consultants have been performing their review; a water purification demonstration facility (advanced water treatment facility – AWT) was operated and was a popular tour site; a monitoring well was installed; a facilities planning document has been drafted; source water quality has been identified; two meetings of the Independent Advisory Panel were held; an MOU was signed by the Monterey County Water Resources Agency, Monterey Regional Water Pollution Control Agency, Monterey Peninsula Water Management District, Marina Coast Water District, and the City of Salinas. This MOU was a major collaborative accomplishment.

Capital Improvement Program – The 15- Year Capital Improvement Program developed in 2011 continued in its third year in FY13/14. Several Capital Improvement Projects were completed or moving forward as noted below.

Digester Mixing System Upgrades

Construction continued for the installation of pump mixing systems on Digesters #2 and 3 was completed in October 2013. As a result of the reduction in energy usage associated with the completion of this project, PG&E awarded a rebate check to MRWPCA.

Bioflocculation Blowers, Diffusers, Control System

Construction was completed for the installation of two new blowers, the diffuser system, and the control system in October 2013. As a result of the reduction in energy usage associated with the completion of this project, PG&E awarded a rebate check to MRWPCA.

RTP SCADA Upgrades

The development of a SCADA Master Plan began this fiscal year with plans to implement a comprehensive program over the next five years. This program will upgrade SCADA at the Regional Treatment Plant and Agency-owned pump stations. Upgrades to IT infrastructure throughout the Agency will also be identified and programmed as part of this project.

Grit Removal Rehabilitation

Phase III of the Grit Removal Area Upgrades was completed In June 2014 with the replacement of all eight original grit pumps. The next phase of this project will replace aging piping in the grit removal area.

Sludge Thickening Rehabilitation

The air compressors and pressurization pumps for the sludge thickening have been inefficient, oversized, and in constant need of replacement. A new system was designed eliminating the need for air compressors and an air dissolution tank and replacing pumps with newer technology that will reduce energy use and overall wear and tear on the system. Construction was completed in early 2014.

Capital Program – The major capital projects over the next five years will include implementation of major SCADA system upgrades, technology upgrades, electrical system upgrades, pump station reliability and capacity improvements, and urban reuse and recycled water.

Financing Highlights – More financial information is available under Management Discussion and Analysis included in the Financial Section.

Revenue Sources – MRWPCA received nearly 90% of its operating revenue from user fees via direct billing to our customers who send wastewater to the regional treatment plant facilities. Other sources of revenue included fees received from companies that haul liquid waste to our plant. In addition, we received approximately \$3.70 million from the Monterey County Water Resources Agency to operate the SVRP water reclamation plant, CSIP distribution system, and Salinas River Diversion Facility (SRDF).

Expenses and Expenditures - All expenses and expenditures are classified into ten major categories: Wages and Benefits, Training and Administration, Office Expenses, Information Systems, Professional Services, Operating Supplies, Contract Services, Chemicals, Utilities, and Maintenance and Repairs.

Other Information

Internal Controls

Internal accounting controls are designed to provide reasonable assurance regarding the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and accounting for assets. The concept of reasonable assurance recognizes that (1) the cost of control should not exceed the benefits likely derived; and (2) the evaluation of the costs and benefits requires estimates and judgments by management.

All internal control evaluations of the Agency occur within the above framework. We believe that MRWPCA’s internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Independent Audit

California state statutes and bond covenants require an annual independent audit of the books of accounts and financial records of the Agency. The firm of Charles Z. Fedak and Company, CPAs was contracted to conduct this year’s audit. Their opinion is included in the Financial Section of this report.

Awards

In September 2014, Ocean Mist Farms and MRWPCA were honored at the One Water Innovations Gala held in New Orleans. An award was presented to both entities for their creative partnerships in demonstrating how public agencies, industries and producers can work together to promote the beneficial uses of recycled water. At the gala, attendees dined on produce grown with recycled water by Ocean Mist Farms.



The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Monterey Regional Water Pollution Control Agency for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013. This is the ninth time the Agency has received the award. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily-readable and efficiently-organized Comprehensive Annual Financial Report. 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 that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

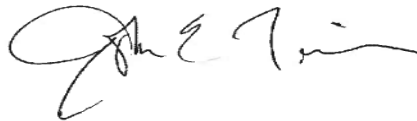
Acknowledgements

In submitting this 2013/14 Comprehensive Annual Financial Report, sincere appreciation is expressed to the Agency staff for their cooperation and assistance. Recognition is also given to the Agency management and the governing board for its continuing support of long-range fiscal planning.

Respectfully submitted,



Tom Buell
Director of Finance
MRWPCA



John Tiernan
Director of Administrative Services/
Deputy General Manager
MRWPCA

Monterey Regional Water Pollution Control Agency
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2014 and 2013

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Monterey Regional Water Pollution Control Agency (Agency) provides an introduction to the financial statements of the Agency for the fiscal years ended June 30, 2014 and 2013. The two year presentation is provided for comparative purposes. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

Financial Highlights

- In 2014, the Agency's net position increased 1.43%, or \$951,974 to \$67,390,560, as a result of this year's operations. In 2013, the Agency's net position decreased 5.73%, or \$4,037,975 to \$66,438,586, as a result of this year's operations.
- In 2014, the Agency's operating revenues increased 4.11%, or \$979,509, primarily due to an increase in residential wastewater user fees of \$889,122. In 2013, the Agency's operating revenues increased 5.21%, or \$1,004,376, primarily due to an increase in residential wastewater user fees of \$784,634.
- In 2014, the Agency's operating expenses before depreciation decreased 1.05%, or \$204,282 (including overhead absorption). In 2013, the Agency's operating expenses before depreciation increased 1.40%, or \$265,568 (including overhead absorption).
- In 2013, the Agency fully-depreciated \$3,989,154 in capital projects that the Agency determined to be unrecoverable; however, future actions may result in these project costs becoming recoverable to the Agency.

Required Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows provide information about the activities and performance of the Agency using accounting methods similar to those used by private sector companies.

The Statement of Net Position includes all of the Agency's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing a rate of return, evaluating the capital structure of the Agency and assessing the liquidity and financial flexibility of the Agency. All of the current year's revenue and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of the Agency's operations over the past year and can be used to determine if the Agency has successfully recovered all of its costs through its rates and other charges. This statement can also be used to evaluate profitability and credit worthiness. The final required financial statement is the Statement of Cash Flows, which provides information about the Agency's cash receipts and cash payments during the reporting period. The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Financial Analysis of the Agency

One of the most important questions asked about the Agency's finances is, "Is the Agency better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the Agency in a way that helps answer this question.

Monterey Regional Water Pollution Control Agency
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2014 and 2013

Financial Analysis of the Agency, continued

These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting method used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the Agency's *net position* and changes in them. One can think of the Agency's net position – the difference between assets and liabilities – as one way to measure the Agency's financial health, or *financial position*. Over time, *increases or decreases* in the Agency's net position are one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning and new or changed government legislation, such as changes in Federal and State wastewater standards.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 22 through 43.

Statement of Net Position

| | Condensed Statements of Net Position | | | | |
|--|--------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2014 | 2013 | Change | 2012 | Change |
| Assets: | | | | | |
| Current assets | \$ 15,246,011 | 16,159,008 | (912,997) | 17,324,057 | (1,165,049) |
| Non-current assets | 10,211,398 | 10,255,207 | (43,809) | 10,783,863 | (528,656) |
| Capital assets, net | <u>90,191,111</u> | <u>90,838,965</u> | <u>(647,854)</u> | <u>94,623,680</u> | <u>(3,784,715)</u> |
| Total assets | <u>115,648,520</u> | <u>117,253,180</u> | <u>(1,604,660)</u> | <u>122,731,600</u> | <u>(5,478,420)</u> |
| Deferred outflows of resources | <u>662,898</u> | <u>718,140</u> | <u>(55,242)</u> | <u>121,885</u> | <u>596,255</u> |
| Total assets and deferred outflows of resources | <u>116,311,418</u> | <u>117,971,320</u> | <u>(1,659,902)</u> | <u>122,853,485</u> | <u>(4,882,165)</u> |
| Liabilities: | | | | | |
| Current liabilities | 13,071,804 | 12,768,437 | 303,367 | 11,411,592 | 1,356,845 |
| Non-current liabilities | <u>35,849,054</u> | <u>38,764,297</u> | <u>(2,915,243)</u> | <u>40,965,332</u> | <u>(2,201,035)</u> |
| Total liabilities | <u>48,920,858</u> | <u>51,532,734</u> | <u>(2,611,876)</u> | <u>52,376,924</u> | <u>(844,190)</u> |
| Net position: | | | | | |
| Net investment in capital assets | 70,960,300 | 69,133,744 | 1,826,556 | 70,642,294 | (1,508,550) |
| Restricted | 429,773 | 679,254 | (249,481) | 1,375,573 | (696,319) |
| Unrestricted | <u>(3,999,513)</u> | <u>(3,374,412)</u> | <u>(625,101)</u> | <u>(1,541,306)</u> | <u>(1,833,106)</u> |
| Total net position | <u>67,390,560</u> | <u>66,438,586</u> | <u>951,974</u> | <u>70,476,561</u> | <u>(4,037,975)</u> |
| Total liabilities and net position | <u>\$ 116,311,418</u> | <u>117,971,320</u> | <u>(1,659,902)</u> | <u>122,853,485</u> | <u>(4,882,165)</u> |

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Agency, assets of the Agency exceeded liabilities by \$67,390,560 and \$66,438,586 as of June 30, 2014 and 2013, respectively.

By far the largest portion of the Agency's net position reflects the Agency's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The Agency uses these capital assets to provide services to customers within the Agency's service area; consequently, these assets are not available for future spending.

At the end of fiscal years 2014 and 2013, the Agency showed a negative balance in its unrestricted net position of (\$3,999,513) and (\$3,374,412), respectively. See note 10 for further information.

Monterey Regional Water Pollution Control Agency
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2014 and 2013

Statement of Revenues, Expenses and Changes in Net Position

Condensed Statements of Revenues, Expenses and Changes in Net Position

| | <u>2014</u> | <u>2013</u> | <u>Change</u> | <u>2012</u> | <u>Change</u> |
|--|----------------------|-------------------|--------------------|-------------------|--------------------|
| Revenue: | | | | | |
| Operating revenue | \$ 24,811,231 | 23,831,722 | 979,509 | 22,827,346 | 1,004,376 |
| Non-operating revenue | 734,698 | 698,246 | 36,452 | 930,659 | (232,413) |
| Total revenue | <u>25,545,929</u> | <u>24,529,968</u> | <u>1,015,961</u> | <u>23,758,005</u> | <u>771,963</u> |
| Expense: | | | | | |
| Operating expense | 19,089,602 | 19,293,884 | (204,282) | 19,028,316 | 265,568 |
| Depreciation | 8,348,213 | 8,738,204 | (389,991) | 5,307,190 | 3,431,014 |
| Non-operating expense | 1,402,031 | 2,337,492 | (935,461) | 10,139,041 | (7,801,549) |
| Total expense | <u>28,839,846</u> | <u>30,369,580</u> | <u>(1,529,734)</u> | <u>34,474,547</u> | <u>(4,104,967)</u> |
| Net loss before capital contr. | (3,293,917) | (5,839,612) | 2,545,695 | (10,716,542) | 4,876,930 |
| Capital contributions: | 4,245,891 | 1,801,637 | 2,444,254 | 928,349 | 873,288 |
| Change in net position | 951,974 | (4,037,975) | 4,989,949 | (9,788,193) | 5,750,218 |
| Net position, beginning of year | 66,438,586 | 70,476,561 | (4,037,975) | 80,264,754 | (9,788,193) |
| Net position, end of year | <u>\$ 67,390,560</u> | <u>66,438,586</u> | <u>951,974</u> | <u>70,476,561</u> | <u>(4,037,975)</u> |

The statement of revenues, expenses and changes of net position shows how the Agency's net position changed during the fiscal years. In the case of the Agency, the Agency's change in net position increased \$951,974 and decreased by \$4,037,975 for the fiscal years ended June 30, 2014 and 2013, respectively.

Total Revenues

| | <u>2014</u> | <u>2013</u> | <u>Change</u> | <u>2012</u> | <u>Change</u> |
|---|----------------------|-------------------|------------------|-------------------|------------------|
| Operating revenues: | | | | | |
| Wastewater user fees – residential | \$ 14,754,280 | 13,865,158 | 889,122 | 13,080,524 | 784,634 |
| Wastewater user fees – others | 5,860,978 | 5,642,424 | 218,554 | 5,481,341 | 161,083 |
| Reclamation and diversion reimbursement | 3,633,336 | 3,855,909 | (222,573) | 3,562,168 | 293,741 |
| Other charges for services | 562,637 | 468,231 | 94,406 | 703,313 | (235,082) |
| Total operating revenues | <u>24,811,231</u> | <u>23,831,722</u> | <u>979,509</u> | <u>22,827,346</u> | <u>1,004,376</u> |
| Non-operating revenues: | | | | | |
| Investment earnings | 219,291 | 165,375 | 53,916 | 46,636 | 118,739 |
| Change in fair-value of investments | 30,058 | (316,326) | 346,384 | - | (316,326) |
| Debt service recovery – SVRP | 634,813 | 666,252 | (31,439) | 697,200 | (30,948) |
| CSRMA insurance rebates | 138,532 | 175,896 | (37,364) | 204,570 | (28,674) |
| Other non-operating revenue(expense), net | (287,996) | 7,049 | (295,045) | (17,747) | 24,796 |
| Total non-operating revenues | <u>734,698</u> | <u>698,246</u> | <u>36,452</u> | <u>930,659</u> | <u>(232,413)</u> |
| Total revenues | <u>\$ 25,545,929</u> | <u>24,529,968</u> | <u>1,015,961</u> | <u>23,758,005</u> | <u>771,963</u> |

In 2014, the Agency's operating revenues increased 4.11%, or \$979,509, primarily due to an increase in residential wastewater user fees of \$889,122. In 2013, the Agency's operating revenues increased 5.21%, or \$1,004,376, primarily due to an increase in residential wastewater user fees of \$784,634.

Total revenues increased \$1,015,961 and \$771,963 in fiscal years 2014 and 2013, respectively.

Monterey Regional Water Pollution Control Agency
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2014 and 2013

Total Expenses

| | <u>2014</u> | <u>2013</u> | <u>Change</u> | <u>2012</u> | <u>Change</u> |
|--|----------------------|-------------------|--------------------|-------------------|--------------------|
| Operating expenses: | | | | | |
| Administrative | \$ 2,063,722 | 2,021,843 | 41,879 | 1,730,489 | 291,354 |
| Finance and human resources | 1,937,848 | 1,937,783 | 65 | 1,988,289 | (50,506) |
| Environmental services | 1,323,388 | 1,291,269 | 32,119 | 1,246,466 | 44,803 |
| Field maintenance | 3,048,074 | 3,228,686 | (180,612) | 3,553,389 | (324,703) |
| Regional treatment plant – O&M | 6,991,453 | 6,782,241 | 209,212 | 6,349,988 | 432,253 |
| Regional treatment plant – administrative | 614,890 | 623,279 | (8,389) | 649,880 | (26,601) |
| Cogeneration | 992,613 | 916,021 | 76,592 | 958,029 | (42,008) |
| Major maintenance and operations projects | 433,929 | 333,544 | 100,385 | 433,990 | (100,446) |
| Reclamation – operations and maintenance | 1,837,280 | 2,011,790 | (174,510) | 1,938,526 | 73,264 |
| Reclamation distribution – O&M | 1,226,745 | 1,070,696 | 156,049 | 1,198,422 | (127,726) |
| Salinas river diversion facility – O&M | 331,347 | 479,682 | (148,335) | 425,220 | 54,462 |
| Overhead absorption – capitalized oper. exp. | (1,711,687) | (1,402,950) | (308,737) | (1,444,372) | 41,422 |
| Total operating expenses before depr. | <u>19,089,602</u> | <u>19,293,884</u> | <u>(204,282)</u> | <u>19,028,316</u> | <u>265,568</u> |
| Depreciation expense – capital recovery | 9,485,908 | 9,875,899 | (389,991) | 6,444,885 | 3,431,014 |
| Depreciation expense recovery for SVRP | (1,137,695) | (1,137,695) | - | (1,137,695) | - |
| Total depreciation expense | <u>8,348,213</u> | <u>8,738,204</u> | <u>(389,991)</u> | <u>5,307,190</u> | <u>3,431,014</u> |
| Total operating expenses | <u>27,437,815</u> | <u>28,032,088</u> | <u>(594,273)</u> | <u>24,335,506</u> | <u>3,696,582</u> |
| Non-operating expenses: | | | | | |
| Interest expense – long-term debt | 1,346,789 | 1,713,477 | (366,688) | 1,487,639 | 225,838 |
| Amortization of bond premium | - | (56,109) | 56,109 | (56,117) | 8 |
| 2013 bond refunding issuance costs | - | 154,586 | (154,586) | - | 154,586 |
| Amortization of deferred charges | - | 501,161 | (501,161) | 10,487 | 490,674 |
| Amortization of deferred resources | 55,242 | 24,377 | 30,865 | 24,377 | - |
| CalPERS side-fund redemption | - | - | - | 8,672,655 | (8,672,655) |
| Total non-operating expenses | <u>1,402,031</u> | <u>2,337,492</u> | <u>(935,461)</u> | <u>10,139,041</u> | <u>(7,801,549)</u> |
| Total expenses | <u>\$ 28,839,846</u> | <u>30,369,580</u> | <u>(1,529,734)</u> | <u>34,474,547</u> | <u>(4,104,967)</u> |

In 2014, the Agency's operating expenses before depreciation decreased 1.05%, or \$204,282 (including overhead absorption). In 2013, the Agency's operating expenses before depreciation increased 1.40%, or \$265,568 (including overhead absorption).

In 2013, the Agency fully-depreciated \$3,989,154 in capital projects that the Agency determined to be unrecoverable; however, future actions may result in these project costs becoming recoverable to the Agency.

As a result, total expenses decreased \$1,529,734 and \$4,104,967 in fiscal years 2014 and 2013, respectively.

Monterey Regional Water Pollution Control Agency
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2014 and 2013

Capital Asset Administration

Changes in capital asset amounts for 2014 were as follows:

| | <u>Balance 2013</u> | <u>Additions</u> | <u>Transfers/ Deletions</u> | <u>Balance 2014</u> |
|----------------------------------|-----------------------------|--------------------------|---------------------------------|--------------------------|
| Capital assets: | | | | |
| Non-depreciable assets | \$ 9,923,498 | 8,838,054 | (11,987,428) | 6,774,124 |
| Depreciable assets | 229,837,618 | 11,987,428 | (5,205,055) | 236,619,991 |
| Accumulated depreciation | <u>(148,922,151)</u> | <u>(9,485,908)</u> | <u>5,205,055</u> | <u>(153,203,004)</u> |
| Total capital assets, net | \$ <u>90,838,965</u> | <u>11,339,574</u> | <u>(11,987,428)</u> | <u>90,191,111</u> |

Changes in capital asset amounts for 2013 were as follows:

| | <u>Balance 2012</u> | <u>Additions</u> | <u>Transfers/ Deletions</u> | <u>Balance 2013</u> |
|----------------------------------|-----------------------------|-------------------------|---------------------------------|--------------------------|
| Capital assets: | | | | |
| Non-depreciable assets | \$ 11,566,352 | 5,098,680 | (6,741,534) | 9,923,498 |
| Depreciable assets | 227,992,742 | 7,734,038 | (5,889,162) | 229,837,618 |
| Accumulated depreciation | <u>(144,935,414)</u> | <u>(9,875,899)</u> | <u>5,889,162</u> | <u>(148,922,151)</u> |
| Total capital assets, net | \$ <u>94,623,680</u> | <u>2,956,819</u> | <u>(6,741,534)</u> | <u>90,838,965</u> |

At the end of fiscal year 2014 and 2013, the Agency's investment in capital assets amounted to \$90,191,111 and \$90,838,965 (net of accumulated depreciation), respectively. This investment in capital assets includes land, regional wastewater treatment plant, buildings, equipment, vehicles and construction-in-process, See note 4 for further information.

Debt Administration

Changes in long-term debt amounts for 2014 were as follows:

| | <u>Balance 2013</u> | <u>Additions</u> | <u>Transfers/ Deletions</u> | <u>Balance 2014</u> |
|---------------------------------|-----------------------------|------------------|---------------------------------|--------------------------|
| Long-term debt: | | | | |
| Bonds payable | \$ 14,241,619 | - | (1,174,080) | 13,067,539 |
| Bonds payable – pension-related | 8,560,000 | - | (380,000) | 8,180,000 |
| Loans payable | <u>18,436,949</u> | <u>-</u> | <u>(1,399,381)</u> | <u>17,037,568</u> |
| Total long-term debt | \$ <u>41,238,568</u> | <u>-</u> | <u>(2,953,461)</u> | <u>38,285,107</u> |

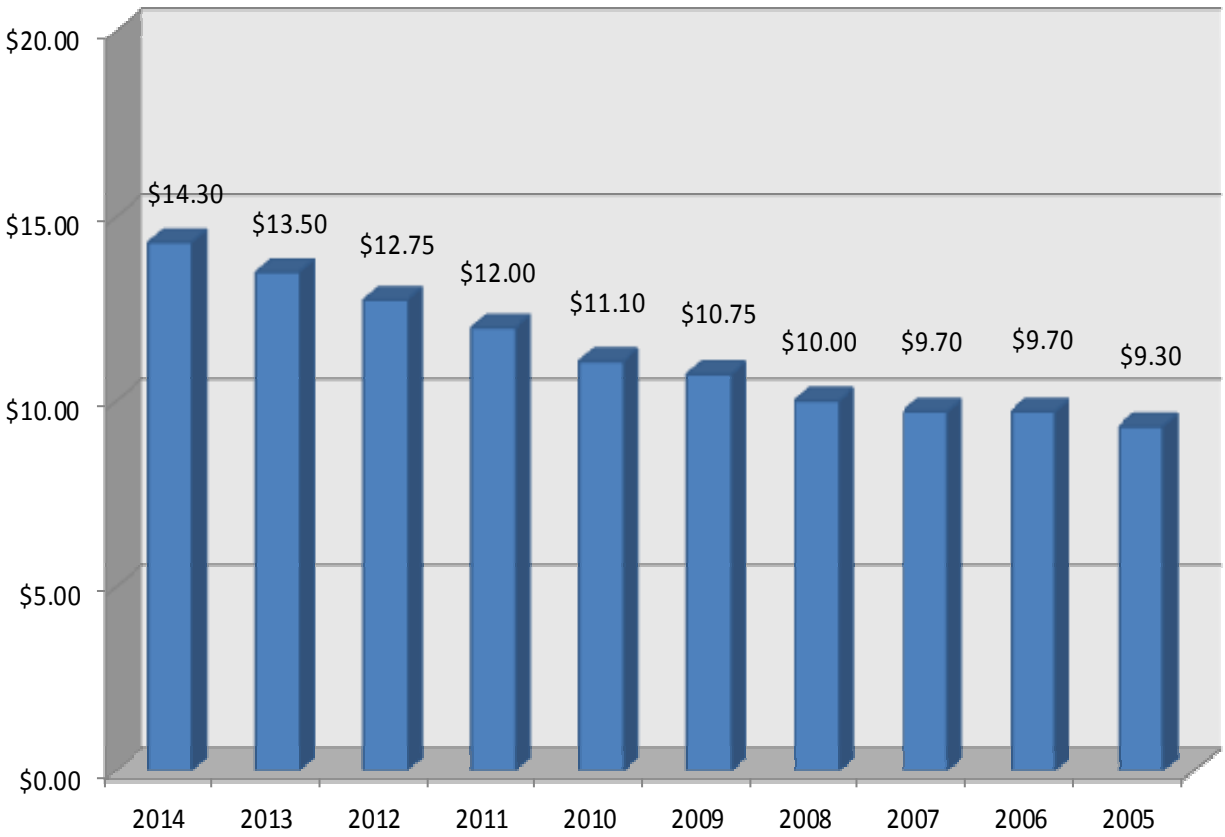
Changes in long-term debt amounts for 2013 were as follows:

| | <u>Balance 2012</u> | <u>Additions</u> | <u>Transfers/ Deletions</u> | <u>Balance 2013</u> |
|---------------------------------|-----------------------------|--------------------------|---------------------------------|--------------------------|
| Long-term debt: | | | | |
| Bonds payable | \$ 14,050,000 | 12,241,619 | (12,050,000) | 14,241,619 |
| Bonds payable – pension-related | 8,855,000 | - | (295,000) | 8,560,000 |
| Loans payable | <u>19,813,464</u> | <u>-</u> | <u>(1,376,515)</u> | <u>18,436,949</u> |
| Total long-term debt | \$ <u>42,718,464</u> | <u>12,241,619</u> | <u>(13,721,515)</u> | <u>41,238,568</u> |

See notes 7, 8 and 9 for further information.

Monterey Regional Water Pollution Control Agency
Revenue Base and Revenue Rates, continued
Last Ten Fiscal Years

Monthly Residential User Fee Rates



**Monterey Regional Water Pollution Control Agency
Pledged Revenue Coverage
Last Ten Fiscal Years**

| <u>Fiscal Years</u> | <u>Available Revenue</u> | | <u>Debt Service</u> | | <u>Total</u> | <u>Coverage</u> | |
|---------------------|--|------------|---------------------|-----------------|--------------|-----------------|-------|
| | <u>User Fees & Capacity Fees</u> | | <u>Principal</u> | <u>Interest</u> | | | |
| 2014 | \$ | 21,609,330 | \$ | 1,764,171 | \$ | 2,490,598 | 8.68 |
| 2013 | | 21,160,342 | | 1,556,325 | | 2,654,921 | 7.97 |
| 2012 | | 20,017,693 | | 1,234,971 | | 1,962,193 | 10.20 |
| 2011 | | 18,776,896 | | 1,273,808 | | 2,060,943 | 9.11 |
| 2010 | | 17,666,076 | | 1,348,808 | | 2,193,443 | 8.05 |
| 2009 | | 17,563,328 | | 1,332,830 | | 2,217,643 | 7.92 |
| 2008 | | 18,182,729 | | 1,481,409 | | 2,416,643 | 7.52 |
| 2007 | | 16,382,230 | | 1,445,954 | | 2,371,109 | 6.91 |
| 2006 | | 15,420,237 | | 2,422,034 | | 3,047,908 | 5.06 |
| 2005 | | 15,207,192 | | 1,315,490 | | 1,976,978 | 7.69 |

Note: Debt Service amounts do not include loans for the reclamation project which is funded by the County of Monterey.

Source: Agency General Ledger and Audited Financial Statements

**Monterey Regional Water Pollution Control Agency
Population and Income
Last Ten Fiscal Years**

| <u>Calendar Year</u> | <u>Population (1)</u> | <u>Per Capita Income (2)</u> | <u>Median Age (3)</u> | <u>School Enrollment (4)</u> | <u>Unemployment Rate (5)</u> |
|--------------------------|-----------------------|----------------------------------|---------------------------|----------------------------------|----------------------------------|
| 2014 | * | * | * | 74,684 | 6.70% |
| 2013 | 428,826 | 44,851 | 33 | 73,460 | 9.61% |
| 2012 | 426,762 | 43,034 | 32.9 | 72,678 | 11.40% |
| 2011 | 421,612 | 41,906 | 32.8 | 71,232 | 12.50% |
| 2010 | 416,335 | 40,732 | 32.8 | 70,949 | 12.70% |
| 2009 | 410,263 | 40,786 | 32.4 | 70,523 | 11.70% |
| 2008 | 406,022 | 41,701 | 32.2 | 69,828 | 8.40% |
| 2007 | 402,376 | 42,446 | 32.2 | 69,851 | 7.10% |
| 2006 | 401,531 | 41,295 | 31.9 | 70,374 | 6.90% |
| 2005 | 405,139 | 37,921 | 36.1 | 71,971 | 7.30% |

Sources: (1) and (2) Bureau of Economic Analysis
(3) US Census Bureau American Factfinder
(4) California Department of Education, Educational Demographics Unit
(5) Employment Development Department, State of California

* Data not available at time of publication.

Continued on Next Page

Monterey Regional Water Pollution Control Agency
Number of Employees by Major Industry
Last Six Fiscal Years

| MSA and Industry | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|----------------------------|-------------|-------------|-------------|-------------|--------------|--------------|
| Salinas MSA Totals: | | | | | | |
| No. of Businesses | 11,717 | 11,195 | 12,022 | 10,668 | 11,770 | 11,883 |
| No. of Employees | 158,846 | 155,869 | 150,224 | 148,321 | 146,140 | 151,764 |
| Payroll | \$1,507,712 | \$1,450,658 | \$1,406,249 | \$1,341,043 | \$ 1,283,015 | \$ 1,350,632 |
| Agriculture | | | | | | |
| No. of Businesses | 540 | 532 | 529 | 529 | 546 | 564 |
| No. of Employees | 62,874 | 60,673 | 58,401 | 56,258 | 54,635 | 52,848 |
| Payroll | \$520,761 | \$472,663 | \$448,534 | \$416,294 | \$ 380,582 | \$ 367,621 |
| Mining | | | | | | |
| No. of Businesses | | - | - | - | - | 7 |
| No. of Employees | | - | - | - | - | 207 |
| Payroll | | \$ - | \$ - | \$ - | \$ - | \$ 4,006 |
| Utilities | | | | | | |
| No. of Businesses | 21 | 21 | 20 | 19 | 21 | 23 |
| No. of Employees | 872 | 868 | 557 | 482 | 500 | 498 |
| Payroll | \$ 21,089 | \$19,317 | \$14,754 | \$10,735 | \$ 11,086 | \$ 10,210 |
| Construction | | | | | | |
| No. of Businesses | 825 | 787 | 824 | 866 | 930 | 972 |
| No. of Employees | 4,823 | 4,673 | 3,997 | 4,314 | 4,578 | 6,032 |
| Payroll | \$62,188 | \$58,685 | \$51,117 | \$54,275 | \$ 59,777 | \$ 72,734 |
| Manufacturing | | | | | | |
| No. of Businesses | 265 | 248 | 244 | 256 | 255 | 251 |
| No. of Employees | 5,439 | 5,287 | 5,869 | 5,457 | 25,861 | 6,017 |
| Payroll | \$59,826 | \$63,429 | \$66,066 | \$57,445 | \$ 56,038 | \$ 62,193 |
| Wholesale Trade | | | | | | |
| No. of Businesses | 368 | 377 | 377 | 391 | 402 | 404 |
| No. of Employees | 5,227 | 5,480 | 5,120 | 5,281 | 4,940 | 5,313 |
| Payroll | \$92,922 | \$88,422 | \$83,299 | \$79,735 | \$ 74,947 | \$ 77,892 |
| Retail Trade | | | | | | |
| No. of Businesses | 1,175 | 1,195 | 1,200 | 1,227 | 1,221 | 1,272 |
| No. of Employees | 16,144 | 15,812 | 15,530 | 15,251 | 14,877 | 16,661 |
| Payroll | \$120,072 | \$120,195 | \$122,602 | \$111,004 | \$ 107,453 | \$ 123,527 |

Continued on Next Page

Monterey Regional Water Pollution Control Agency
Number of Employees by Major Industry, continued
Last Six Fiscal Years

| MSA and Industry | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
| Transportation and Warehousing | | | | | | |
| No. of Businesses | 239 | 230 | 227 | 239 | 241 | 250 |
| No. of Employees | 3,309 | 3,085 | 2,715 | 2,942 | 3,032 | 3,152 |
| Payroll | \$40,049 | \$37,895 | \$36,164 | \$36,081 | \$ 34,856 | \$ 36,686 |
| Information | | | | | | |
| No. of Businesses | 102 | 102 | 99 | 106 | 98 | 107 |
| No. of Employees | 1,517 | 1,525 | 1,532 | 1,619 | 1,671 | 2,052 |
| Payroll | \$23,947 | \$23,229 | \$24,061 | \$23,894 | \$ 47,648 | \$ 31,165 |
| Finance and Insurance | | | | | | |
| No. of Businesses | 333 | 345 | 363 | 367 | 363 | 393 |
| No. of Employees | 2,235 | 2,480 | 2,528 | 2,630 | 2,857 | 3,548 |
| Payroll | \$43,238 | \$46,190 | \$43,452 | \$46,824 | \$ 47,648 | \$ 68,173 |
| Real Estate, Rental and Leasing | | | | | | |
| No. of Businesses | 380 | 369 | 360 | 386 | 393 | 407 |
| No. of Employees | 1,639 | 1,753 | 1,654 | 1,745 | 1,730 | 1,940 |
| Payroll | \$18,071 | \$17,891 | \$17,044 | \$15,752 | \$ 15,087 | \$ 17,372 |
| Services | | | | | | |
| No. of Businesses | 7,469 | 6,989 | 7,779 | 7,509 | 7,300 | 7,233 |
| No. of Employees | 54,767 | 54,233 | 52,321 | 52,342 | 51,459 | 53,496 |
| Payroll | \$505,549 | \$502,741 | \$499,157 | \$489,004 | \$ 470,805 | \$ 479,053 |

Source: Employment Development Department, Labor Market Information and Monterey County

Notes:

Figures are as of third quarter of calendar year

Data does not include totals for governmental employment

Data is confidential and suppressed if there are fewer than 3 businesses in a category employment or 1 employee makes up 80% of category.

Rules instituted by the Federal Bureau of Labor Statistics after September 11, 2001 prohibit state departments of labor or economic security from publicly identifying the names of individual employers. MRWPCA has removed the Major Employer data from the statistical section. GASB Statement No. 44 allows for employment by industry data to be published instead.

Monterey Regional Water Pollution Control Agency
Agency Employees by Function
Last Ten Fiscal Years

| FUNCTION | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
|---------------------------|--------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Administrative | 5.75 | 6.75 | 7.0 | 6.0 | 6.0 | 6.0 | 6.0 | 5.5 | 6.3 | 6.0 |
| Finance | 12.0 | 14.0 | 13.0 | 13.0 | 16.0 | 15.5 | 15.0 | 15.5 | 15.5 | 14.0 |
| Environmental Services | 6.0 | 6.0 | 6.0 | 6.0 | 8.5 | 9.0 | 9.0 | 10.0 | 9.0 | 10.5 |
| RTP - Administrative | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 2.0 | 3.0 | 3.0 | 3.0 |
| Field Maintenance | 6.0 | 6.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.3 | 8.0 | 7.0 | 7.0 |
| Cogeneration | 2.0 | 2.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 2.0 | 2.0 | 2.0 |
| RTP - Maint. & Operations | 35.0 | 34.0 | 33.0 | 34.0 | 31.5 | 34.0 | 35.0 | 32.5 | 32.0 | 31.0 |
| TOTALS: | 69.75 | 71.75 | 70.0 | 70.0 | 73.0 | 75.5 | 75.3 | 76.5 | 74.8 | 73.5 |

**Monterey Regional Water Pollution Control Agency
Operating Indicators
Last Ten Fiscal Years**

OPERATING INDICATORS, LAST TEN YEARS

| Year (Calendar) | Average Daily Influent Flow (MGD) | Biosolid (Sludge) Production (Dry Tons) |
|----------------------------|--|--|
| 2013 | 17.9 | 5,366 |
| 2012 | 19.7 | 4,754 |
| 2011 | 19.4 | 4,528 |
| 2010 | 19.8 | 4,291 |
| 2009 | 19.9 | 4,324 |
| 2008 | 19.3 | 5,923 |
| 2007 | 19.8 | 5,440 |
| 2006 | 21.1 | 4,522 |
| 2005 | 20.7 | 5,673 |
| 2004 | 20.7 | 6,543 |
| 2003 | 21.1 | 5,237 |

Source: Agency Annual Report