



Change reaches us all



2009-10 Annual Report
Orange County Sanitation District

Our world is in a constant state of flux and as a result, our lives are complicated and complex. The ongoing global economic crisis reminds us that a pebble dropped in a pond in Europe or Asia ripples across the world and affects Orange County. Closer to home, California continues to face the constant challenge of massive deficits and a sluggish economy. Yes, there are clouds looming above us but against this backdrop, rays of sun are shining through.

Through this storm of change, I am proud to present our accomplishments of the past year. With a steady hand at the wheel, the Orange County Sanitation District Board of Directors has guided us through these turbulent times. The Board challenged our staff to make changes—big and small—and I am pleased to report that we are incorporating a culture of change at OCSD. We are always thinking of our neighbors, of protecting the public health and environment, and keeping the invisible infrastructure running smoothly.

“ Without change, something sleeps inside us, and seldom awakens.

The sleeper must awaken. ” – Frank Herbert

Award Winning Science Fiction Writer

How have we changed?

In the past year, I convened a group of staff to focus on opportunities to streamline our operations. As a result, we are better defining our budget priorities, improving our strategic planning process, and realigning organizational units to improve efficiency.

More concretely, we streamlined operations and improved our ability to serve the public and our employees with a new team focused on rehabilitation and maintenance of our assets. We also created a team of budget analysts to objectively scrutinize every budget request and another group focused on pipe corrosion and odor control. We resized and refocused so we're doing more with no staff or resource increases.

Since it is not enough to stand still and make changes to keep pace, we are setting the pace too. This past year, we established a training program

focused on managing change and looking to the future. The first class of 21 participants is rising to the challenge to drive change and efficiency and we are already planning for next year's class.

While our Board of Directors has been leading this change, it would not be possible without our great staff. On the following pages, are examples of the tremendous work our staff has done in 2010 to prepare for the future and challenges ahead, all while never forgetting OCSD's mission to protect the public health and environment.

I wish to extend my sincere thanks to our Board of Directors for their leadership, the public for their ongoing support, and OCSD's staff for never forgetting who we serve.

James D. Ruth
James D. Ruth
General Manager





We've made changes to keep Orange County's invisible backbone strong

There are 579 miles of OCSD-owned sewer pipe under Orange County that safely carry your wastewater to one of our two regional treatment plants. It is our job to keep that water flowing and maintain a healthy infrastructure for years to come. We know what we do is not pretty, but it is important, and we are proud of the accomplishments in the past year ensuring that the backbone that keeps the water flowing to us is running smoothly for years to come.

Staying focused on construction at home

Our Capital Improvement Program in the past year included 96 active construction projects. These large and small projects employ local people and help to keep Orange County's economic engine running. We are very proud to report that actual expenditures for the projects came within one percent of the estimated \$247 million budget. And change orders for the nine projects that have been completed were kept within our goal of 4.5 percent of the contract value. That means, we continue to ensure our projections and plans are accurate and construction is done within the approved budget and scheduled timeframe.

This year we also initiated our first design build project. Design build is a method of construction in which a project is delivered by a single contractor who is responsible for both design work and construction services cutting down on cost and completion time. OCSD sought special legislation in 2007 to contract design build and we are currently using this process to rehabilitate an important sewer line. This is a good example of OCSD efficiently working to keep our infrastructure operating smoothly during construction.

Safeguarding the Santa Ana River Watershed

A top priority for the District is the relocation of a segment of the Santa Ana River Interceptor (SARI) pipeline out of the bed of the Santa Ana River. The SARI carries 42 million gallons per day of commercial and industrial wastewater from Orange, Riverside,

Ddaze Phuong is a Senior Plant Operator who oversees the work of other operators and trains them on important procedures. Plant operators keep things flowing smoothly and collectively, they work 24 hours a day, seven days a week to safely treat and dispose or recycle the millions of gallons of wastewater flowing into our treatment plants. Ddaze works with his supervisor to solve plant and process problems and has made many suggestions that have improved safety and saved money.

When he is not working, Ddaze loves photography. Actually, he will tell you that he never goes anywhere without one of his cameras. By keeping the environment clean and protected in his job, Ddaze supports his love of outdoor photography by preserving the pristine areas of Orange County ensuring that places like the Santa Ana River Trail are prime photo spots.

Some of the pictures in this Annual Report were taken by Ddaze so you can see his great eye.





Operator Ddaze Phuong won the first prize photography award from the California Water Environment Association this year for this photo he took of OCSD Plant No. 2 primary clarifier basins at sunset.

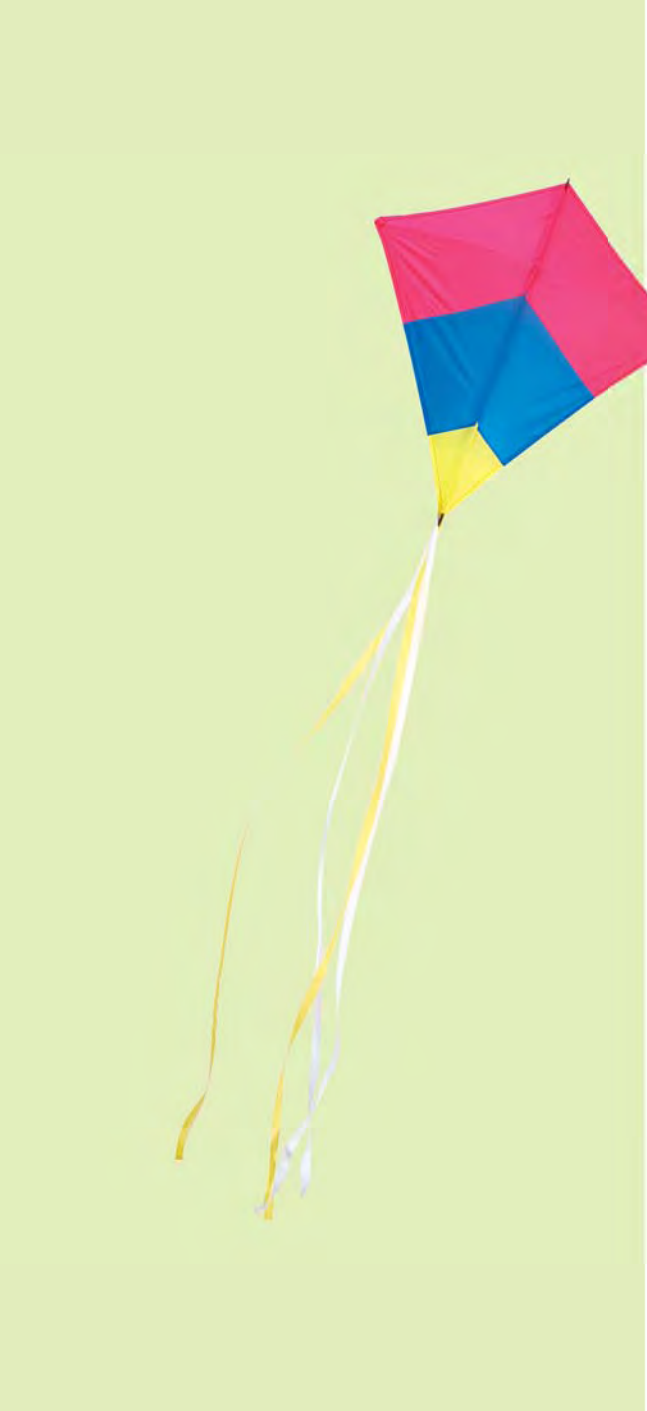
“ As a nation, a society, a family, and an individual, we must be grateful to our great ancestors who dedicated their lives to laying the infrastructure of our livelihood today. Let’s continue their path and build upon it. ” – Master Jin KWON South Korean Martial Arts Master

and San Bernardino Counties to OCSD’s Plant No. 2. As a result of severe erosion, the pipeline needs to be relocated out of the Santa Ana River bed to avoid a break. A line break would send raw sewage down the Santa Ana River and be an immediate public health threat. This past year, working with the Santa Ana Watershed Project Authority and U.S. Army Corps of Engineers, we accomplished two major project milestones towards that end. The preliminary design for the relocation work was completed and the Environmental Impact Report was certified. SAWPA and OCSD agreed to terms with the County of Orange to loan them the needed funds so relocation work can begin in 2011.

Planning for the next 20 years

Because our work affects the daily lives and health of 2.6 million people in our service area and the environment, every five to ten years we complete a 20-year Facilities Master Plan. This past year, this comprehensive planning document updated by staff was done completely in-house to better focus resources most effectively and efficiently. The Master Plan serves as our guiding document for planning and budgeting by prioritizing future capital improvement projects, scheduling space planning studies for future expansions, and addressing new regulatory mandates through 2030.





Our commitment to the environment never changes

Our mission is simple: we clean the water so it can be recycled back to your home or to the environment. We take pride in our mission because we live in the communities we serve, and our families play at the beach and swim in the ocean.

At OCSD, we recycle and reuse nearly everything that comes through our treatment plants and in 2010 we made significant strides to conserve precious resources and be good neighbors.

We clean water and provide energy

OCSD pipes 90 million gallons per day of treated wastewater to the Orange County Water District for the Groundwater Replenishment System to recycle into drinking water. Our world-class pretreatment program ensures that the highest quality water is sent for this advanced treatment which is now in its second year of operation. It is good to know that during a time when other parts of California are worrying about imported water supplies, Orange County has been creating a reliable local supply.

One of the byproducts of the sewage treatment process is biogas and we use that biogas to power turbines and generate electricity. Our plants create about two-thirds of the electricity we need right on site. And with our continual research for producing energy with fewer air emissions, we are hosting a site for a fuel cell demonstration project. This unique public-private partnership brings government, university, and private sector partners together converting biogas into hydrogen power. Not only will this project generate ultra clean electricity, it will have an on-site public hydrogen fueling station that will be part of California's Hydrogen Highway.



Dindo Carrillo is a Senior Environmental Specialist who helps to ensure we are complying with our state and federal permits. These are the permits that allow us to safely discharge our treated water into the ocean, so they are critical to our mission of protecting the environment.

Dindo and his wife have two young boys and they love spending time outdoors. His work with our permits keeps the beaches clean so his family can spend time flying kites or biking.

Dindo and the rest of the Environmental Compliance and Regulatory Division keep a watchful eye on both treatment plants and the collections system to spot problems before they happen. They also look for new regulations so we can minimize the cost of these rules on our operations.

We strive to be a good neighbor

Also, we've made the environment better for our neighbors with odor control improvements at the front entrance to Plant No. 1 in Fountain Valley. The Steve Anderson Lift Station, commissioned last year, brought a greater volume of water into Plant No. 1 for recycling but also brought increased odors, so we modified the odor control equipment to remove a broader range of odors. Additional odor improvements at a construction cost of \$101 million will be completed in the next ten years to further reduce odors at both the Fountain Valley and Huntington Beach treatment plants.

Rising up to meet regulatory challenges

Finally, we are pleased to report that during the past year, OCSD maintained 100 percent compliance with all local, state, and federal environmental permits including air quality, ocean discharge, underground storage tanks, greenhouse gas reporting, and biosolids management.



New odor control facilities in construction at Treatment Plant No. 2 in Huntington Beach.

“ We never know the worth of water till the well is dry. ” – Thomas Fuller English Historian





Conservative planning during economic storms of change

With the ongoing economic climate challenging everyone, we continue to focus on austerity through efficiency and solid conservative planning. OCSD has a total budget of nearly \$500 million and as a public agency, we make sure we invest and spend your tax dollars wisely. In fact, our operational costs from Fiscal Year 2009-2010 are less than projected because of our ongoing push for efficiencies.

Keeping our financial ducks in a row

Our Fitch Bond rating went up from AA+ to AAA in the past year. This new rating, coupled with the existing AAA rating from Standard and Poor's, will allow OCSD to issue debt at the lowest possible cost. In the past year, we also took advantage of the Build America Bonds under the American Recovery and Reinvestment Act of 2009. These construction bonds cost less than traditional municipal bonds and have allowed us to save \$15 million over the life of the bonds.

Accomplishing goals in a challenging economic environment

Since 2008, OCSD has held the line on staffing levels and continuing into the next Fiscal Year 2010-2011, we will hold staffing levels constant with no increases.

Not only are we focusing efforts on internal operations to be as efficient as possible within current resources, we also reviewed our cooperative agreements with other agencies to ensure full cost recovery. In the past year, we revised agreements with the Orange County Water District, Irvine Ranch Water District, and the County of Orange. This is our way of protecting our ratepayers and ensuring we are getting the most for the public dollar.

Keeping your costs down

Another result of our efficiencies is lowered capital facilities charges to residential customers approved by our Board of Directors in 2010. The new rate structure brings more balance between residential, commercial, and industrial users and is the result of an analysis of the rate structure. Finally, residential sewer rates remain some of the lowest in California averaging less than one dollar per day.

Marian Alter is a Principal Accountant at OCSD and works on our financial reporting and payroll. Marian keeps a close watch on the finances and works with auditors. She cares about OCSD's mission to protect the environment because she and her husband are avid avian aficionados.

Marian participates in a number of programs that count birds in Orange County. In fact, she's

been counting the ducks that swim in OCSD's clarifiers for the coastal count. According to her, we regularly have 750 ducks of nine species visit both OCSD treatment plants.

Marian is just one example of the passionate people at OCSD that love what they do because OCSD's mission is her mission.





Operator Tyler Hoang also has a hobby in photography and took this photo of the birds enjoying the water in the secondary treatment trickling filter clarifier at Plant No. 1.

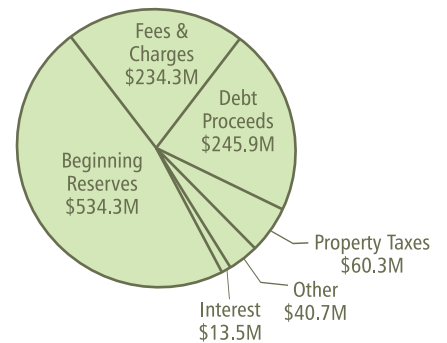
OCSD's operating expenses for FY 2009-2010 were approximately \$130 million

While OCSD has various revenue sources, the majority of our revenue (86 percent) comes from service fees and charges. The District also receives its share of County property taxes. In 2009-10, OCSD will receive approximately \$60 million, or 18 percent of total revenues, in property tax revenue which is dedicated for the payment of debt service. OCSD's requirements are primarily divided into three categories: operating expenses, capital outlays, and debt service payments. Revenues and requirements rarely match in any one year due to the major fluctuations in the capital improvement program outlays and the need to partially offset these outlays with debt financing proceeds.

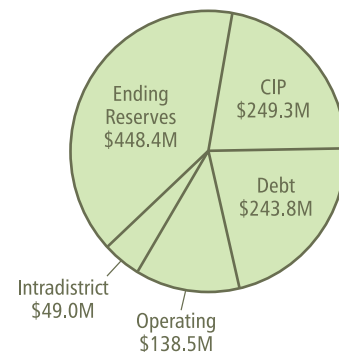
OCSD's Fiscal Year 2010-2011 budget has been approved and is available on www.ocsd.com.

Projected FY 2009-10 Total Funding = \$1,129.0 Million as of March 31, 2010

Where the money comes from



Where the money goes



“ Let our advance worrying become advance thinking and planning. ”

– Winston Churchill
Former Prime Minister of Great Britain

The Orange County Sanitation District is a public agency responsible for safely collecting, treating, and recycling wastewater for 2.6 million people in north and central Orange County, California. It is a special district governed by a 25-member Board of Directors comprised of elected representatives for each of the sewer agencies or cities within OCSD's 480 square mile service area. For more information, visit www.ocsd.com.

Mission of the Orange County Sanitation District

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

Core values form the framework of our organization and reinforce our work ethic

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

Teamwork and problem solving – We strive to reach OCSD goals through cooperative efforts and collaboration with each other and our constituencies. We work to solve problems in a creative, cost-effective and safe manner, and we acknowledge team and individual efforts.

Leadership and commitment – We lead by example, acknowledging the value of our resources and using them wisely and safely to achieve our objectives and goals. We are committed to act in the best interest of our employees, our organization, and our community.

Learning/teaching (talents, skills, and abilities) – We continuously develop ourselves, enhancing our talents, skills, and abilities, knowing that only through personal growth and development will we continue to progress as an agency and as individuals.

Recognition/rewards – We seek to recognize, acknowledge, and reward contributions to OCSD by our many talented employees.

“ The world is changing and the Orange County Sanitation District is changing with it—we’re not only keeping pace, we’re setting the pace. ”

–James D. Ruth
OCSD General Manager

General Information

Formed in 1948
25-member Board of Directors
480 square miles service area
21 cities, 3 special districts, unincorporated areas of Orange County
2.6 million service population
2 treatment plants
15 offsite pump stations
2 onsite pump stations
579 miles of sewer pipelines
207 million gallons per day of wastewater treated
641 employees

Fiscal Year 2009-10 Awards

NACWA Excellence in Management Recognition Award
SAWPA Santa Ana River Watershed 2010 Innovative Vision Award

Operations and Maintenance

ASCE Government Engineer of Merit Award (Nick Arhontes, Director of O&M)
CWEA Medium Size (250-500 miles) Collection System of the Year
SARBS Medium Size Collection System of the Year
SARBS Operator of the Year Award (Ernie Castro, Sr. Plant Operator)
SARBS Supervisor of the Year Award (Joseph Park, Maintenance Supervisor)
Select Society of Sanitary Sludge Shovelers Golden Shovel Award (Simon Watson, Maintenance Manager)

Engineering

CWEA Engineering Achievement Award for the Steve Anderson Lift Station
SARBS Engineering Achievement Award for the Steve Anderson Lift Station

Groundwater Replenishment System (GWRS)

U.S. EPA Clean Water State Revolving Fund "PISCES" Award
ASCE Outstanding Civil Engineering Achievement Award
ACEC "Golden State" Award of Excellence
Green California Leadership Award, Water Management
ACEC Grand Conceptor Award
World Federation of Engineering Said Khoury Award, Construction Excellence

FY 2010-11 Board of Directors

Cities

Anaheim, *Harry Sidhu*
Brea, *Roy Moore*
Buena Park, *Patsy Marshall*
Cypress, *Phil Luebben*
Fountain Valley, *Larry Crandall, Board Chair*
Fullerton, *Sharon Quirk-Silva*
Garden Grove, *Bill Dalton*
Huntington Beach, *Cathy Green*
Irvine, *Christina Shea*
La Habra, *Tom Beamish*
La Palma, *Mark Waldman*
Los Alamitos, *Troy Edgar, Vice Chair*
Newport Beach, *Don Webb*
Orange, *Jon Dumitru*
Placentia, *Constance Underhill*
Santa Ana, *Sal Tinajero*
Seal Beach, *Charles Antos*
Stanton, *David Shawver*
Tustin, *Doug Davert*
Villa Park, *Brad Reese*
Yorba Linda, *John Anderson*

Special Districts

Costa Mesa Sanitary District, *James M. Ferryman*
Midway City Sanitary District, *Joy L. Neugebauer*
Irvine Ranch Water District, *John Withers*

County of Orange

Board of Supervisors, *Janet Nguyen*

Orange County Sanitation District
www.ocsd.com

Reclamation Plant No. 1 (Administration Offices)
10844 Ellis Avenue
Fountain Valley, California 92708

Treatment Plant No. 2
22212 Brookhurst Street
Huntington Beach, CA 92646

Proudly protecting the environment since 1954.

For more information, contact the
Public Affairs Division
(714) 962-2411

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