



**WEST BASIN**  
MUNICIPAL WATER DISTRICT  
CALIFORNIA



OPERATING BUDGET  
FISCAL YEAR

**2008-2009**

# **West Basin Municipal Water District**

CALIFORNIA

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## **Operating Budget**

Fiscal Year 2008-2009

Adopted June 23, 2008

Prepared by:

Finance Department

Margaret Moggia

Chief Financial Officer



**WEST BASIN**  
MUNICIPAL WATER DISTRICT



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**West Basin Municipal Water District**  
Fiscal Year 2008-2009 Budget  
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June 23, 2008

**TO THE BOARD OF DIRECTORS AND CUSTOMERS OF WEST BASIN MUNICIPAL  
WATER DISTRICT:**

West Basin Municipal Water District (West Basin) staff is pleased to present its fiscal year July 1, 2008- June 30, 2009 (FY 2009) budget. It is a result of the dedication and commitment of West Basin's Board of Directors and staff to meet its mission through solid financial management. This year's budget has been challenging yet rewarding to compile. The issues that face the California water industry politically, environmentally and operationally are met by a team focused and prepared to meet those challenges both within the district's service area and to the larger water community as well.

West Basin's Board of Directors has undertaken key steps to present a long-term vision for the District and its commitment to its customers and communities. Over several months, the Board worked diligently to clearly define its mission and develop customer commitments. The mission statement provides the fundamental purpose of West Basin and in January 2008, the Board of Directors officially approved a new mission statement - "To provide a safe and reliable supply of high quality of water to the communities we serve".

In addition to the new mission statement, the Board of Directors also approved a strategic business plan that identifies the key goals and objectives to achieve success. West Basin's priorities are more focused with the strategic plan. These goals are water reliability, workforce, water quality, environmental stewardship, communications, customer/community service, infrastructure and finance. The strategic business plan provides continuous direction for each year's planning, budgeting, implementation, evaluation and reporting. As staff prepared this year's budget, they focused on achieving the goals and activities described within the plan.

As part of the process to redefine its vision, West Basin also conducted a customer survey of its water purveyors (cities, private water companies and water agencies). Results from the survey indicated that West Basin's efforts are aligned to its customers. To better focus our efforts on providing value to our customers and communities, the Board of Directors adopted five commitment statements, promises to our customers

that describe what they can expect from West Basin. The commitments are based on the Strategic Business Plan and our customer's needs derived from the recent customer survey. The commitments are:

1. Water Reliability – West Basin is committed to innovative planning and investments to provide water supply reliability and drought protection.
2. Water Quality – West Basin is committed to providing safe, high quality water by meeting current and anticipated water quality requirements.
3. Sound Financial and Resource Management – West Basin is committed to efficient business operations, financial planning and asset management.
4. Customer Service – West Basin is committed to providing value by understanding and meeting the needs of our customers and the communities we serve
5. Environmental Stewardship– West Basin is committed to sustainable and environmentally-friendly business practices.

### ***Year of Significant Water Supply Challenges***

As an agency that relies heavily on imported water, West Basin is concerned about water issues locally and on the State Water System and the Colorado River. Recently, the California Governor declared a statewide drought demonstrating the dire water conditions facing Californians. Most significantly is a federal court decision that ruled for a reduction in water supplies from Northern California aimed to protect the federally endangered delta smelt. In addition, low water hydrology over the past few years has impacted the snow pack in the high Sierras. There is also a continuation of drought conditions on the Colorado River further reducing water supply. To ensure that Metropolitan Water District of Southern California (MWD), who imports the water to southern California, meets its demands, MWD has had focused conservation messaging to ensure that water supply conditions today and in the future are sufficient to meet the demands of its constituents in southern California, including the residents and businesses within the West Basin service area. Recently, MWD declared a water supply alert in Southern California.

MWD has also approved a Water Supply Allocation Plan (Plan) to be in place should reductions be necessary. West Basin is looking into a similar plan with its customers to address the challenges of water supplies in the future. The Plan will establish price signals and other key steps to undertake should the water supply picture continue to deteriorate. MWD has had to secure water transfers from outlying areas and has invested into its operations and capital programs to protect its interests. As a result of these efforts, the cost of delivering imported water will increase 14%. Similar to prior years, West Basin must pass through this increase to its customers.

In addition to the challenges on imported water, West Basin has faced a number of issues as well. Higher operating costs for chemicals and facility maintenance on the West Basin's recycling facilities has caused a significant rise in recycling water operations costs during FY 2008 and is anticipated to continue. The district's facility is over 10 years old and has begun to age with several key original components now requiring replacement. Also, West Basin is required to address Government Accounting Standards Board (GASB) Statement #45 – Other Post Employment Benefits (OPEB). Although the total OPEB unfunded liability has been actuarially determined to be approximately \$2 million, the annual required contribution has increased from the amounts previously assumed for the pay as you go retiree health costs.

West Basin also found itself impacted by the credit market deterioration. The downgrade of monoline bond insurers and the sudden uncertainty of weekly auction security rates (ARS) resulted in a significant increase in West Basin weekly interest rates rose from 3% to a high of 12%. These ARS rates placed West Basin like other municipal agencies refunding its bonds in a tumultuous market. For West Basin, approximately \$40 Million remained in the variable rate mode and was swapped to a pre-established fixed rate. The other \$129 Million was refunded to fixed rate instead of continuing in a variable rate mode. Although the latter issuance shows higher interest rates than variable, West Basin recognizes that the overall average rate of 4.8% is at a historic low.

### ***Making West Basin's Water Supply More Reliable***

West Basin continues to improve local water reliability through a diversified water supply portfolio and more locally-controlled sources of supply. Not only has West Basin built a world renown recycling facility, this agency has been recognized by its peers for its innovative planning and programs such as the Conservation Master Plan, free educational programs for school children and investments in the research and testing of ocean-water desalination to protect against future droughts and water supply cutbacks.

In 1990, West Basin was about 80% dependent on imported water. Today, through appropriate investment in recycling and conservation, West Basin is about 66% dependent. By 2020, through a Water Reliability 2020 program, West Basin intends to reduce our dependence on importer water further to approximately 33% through the continued expansion of existing programs and adding ocean-water desalination production to its portfolio. It is imperative to our service area that West Basin continues to invest into various programs to ensure that the nearly one million West Basin constituents have a reliable and supply of water.

West Basin's programs presented in FY 2009 are similar to those shown in prior years. No new programs were added; however a change in organization structure has moved Conservation outreach programs to the Public and Governmental Affairs department



and budget; these costs were previously shown in Resource Planning. To reflect comparative budgets and actual/projected results, West Basin staff has regrouped the related costs. Staffing levels remain consistent to prior fiscal year at 33 full-time equivalent positions.

To continue our progress with local water supply reliability for this service area, West Basin will prepare two critical reports – the Local Resources Strategic Plan and the Capital Improvement Master Plan. These two reports will be completed in fiscal year 2008-2009 and will assist management in identifying key expansions and options for various levels of reliability for the Board of Directors to consider. The Master Plan will also assess the current infrastructure and identify the related costs for maintaining existing facilities. The information produced in these reports is critical to helping the organization protect against water supply reductions.

Currently, West Basin maintains a five-year outlook that focuses on anticipated water rate increases, projected operating expenditures and an assumption of capital project costs. With the emphasis on water supply reliability, West Basin will need to effectively plan for the necessary investment required to build and maintain the District's capital infrastructure. These capital efforts will be supported by the development of a long-range financial plan and dynamic financial model. This plan is intended to provide the following elements: a discussion on water supplies; financial forecast; debt management; risk factors and comprehensive financial policies. These efforts will be communicated to West Basin's customers and stakeholders through our Water Reliability 2020 program messaging to demonstrate where West Basin continues to provide value especially as the costs for supplying safe and reliable water increase.

### ***West Basin Meeting its Commitment Statements***

In addition to meeting the water reliability challenges in FY 2008, West Basin was successful in a number of other key areas. These efforts will continue in FY 2009 through West Basin meeting its commitment statements.

#### **Water Reliability**

- Expand its conservation efforts by reaching out to businesses and residents through various programs (Green Garden) or incentive rebates on hardware.
- Continue to explore advancements at the Edward C. Little Water Recycling Facility.
- Begin Water Reliability 2020 outreach program to explain the need for more local control of our water supplies to mitigate water shortages and future droughts.
- Work to develop a district-wide water supply allocation plan.
- Continue research and development in ocean water desalination moving forward to a demonstration facility.

### Water Quality

- Continue to work individually with each customer to address water quality or other operational issues.
- Conduct a comprehensive water quality study for the recycling water system.
- Perform water quality analysis for the ocean water desalination project.

### Sound Financial and Resource Management

- Continue to seek federal and state grants to offset costs for conservation or capital programs. Specifically, West Basin has been awarded over \$800,000 and anticipates more successful grant awards from local, state and federal agencies in FY 2009. Through grants and partnering, West Basin's conservation program produces \$4 worth of water efficiency measures for each \$1 invested.
- Have a leadership role and actively participate in the Integrated Regional Water Management Plan (IRWMP) to collectively work with other agencies to bring state grant monies to the region.
- Implement a new integrated financial management system to enhance business operations and be more efficient.

### Customer Service

- Procurement outreach through the "Connect to MET" event reaching out to 200 businesses and modifying existing policy to extend local business preference in the procurement of goods and services.
- Enhance West Basin's small bank program by depositing up to \$7 million into local banks such as One United, Broadway Federal and East West Bank.
- Continue to expand its education programs of school age children from tours of the water recycling facility to sponsorships of Solar Cup or other education venues.
- Host its annual Water Harvest reaching out to the community.
- Keep water purveyors informed of water reliability issues and water rates both by MWD and West Basin.
- Work with federal, state and local legislators to promote, change or introduce legislation to support the common efforts of West Basin and its customers (such as AB 640).

### Environmental Stewardship

- Continue to investigate alternative energy sources and safe withdrawal of ocean-water for desalination.
- Continue to partner with environmental organizations in our education programs.
- Continue planning for the Temporary Ocean Water Demonstration project that will test safe ways to withdraw salt water from the ocean.

More specific accomplishments for FY 2008 and a preview to FY 2009 are described in each operating program area. The capital efforts are described in the supplemental section.

### ***Success through Sound Financial and Resource Management***

#### Annual Budget and Process

Annually, West Basin approves its single enterprise fund operating budget. The executive level review describes how West Basin is performing and provides the detail on expected costs and programs for the upcoming fiscal year. This year, the budget efforts are tied to the Strategic Business Plan. A further discussion on the budget process and timeline is described in the "Budget and Timeline" section. On a quarterly basis, the Board of Directors receives an executive level comparison of budget to actual with a discussion of variances.

For FY 2009, West Basin has an operating budget of \$136,563,930 which represents an approximately 7% increase over last year's budget. This amount represents approximately \$80 million of pass-through costs for the purchase of imported water, \$23 million of debt service, \$30 million in program costs including \$20 million for the water recycling operations. Revenues equal expenditures and it is the district's policy to place the amounts required to achieve targeted, budgeted debt coverage of approximately \$4 million into Designated Funds. This amount is shown under expenditures table.

#### Credit Rating and Debt Coverage

Strong credit ratings allow an agency to obtain low cost of financing for its capital projects. As West Basin continues to meet its mission, it invests in an infrastructure that supports diversifying its local projects to achieve water reliability for customers. To achieve strong credit ratings, West Basin has internally set budgeted debt coverage goals, reviews its policies, and updates rates as appropriate. These efforts, along with demonstrating strong consistent financial performance, allow West Basin to save our customers money on water rates.

This past year's bond refunding transactions and debt portfolio restructuring reduced West Basin's variable rate exposure. With this action, Standard & Poor's (AA-) and Moody's (Aa3) affirmed the District's credit rating. Through the Strategic Plan the Board of Directors wants to maintain or seek a credit rating increase. West Basin will establish its revenues and expenses to meet targeted budget debt coverage at each lien level and total debt. In addition, the development of a long range financial plan and other key financial policies will aide West Basin in maintaining a financially sound organization.

## Funding and Rate Projections

As a single enterprise fund, West Basin's major source of funding is the commodity charge on its imported and recycled water sales, representing over 80% of total revenues. These sales enable West Basin to provide our customers with more reliable, high quality water. West Basin continues to contribute value to its customers through recycling, conservation, planning, community outreach, legislative advocacy and effective operations and investments into the future.

For FY 2009, West Basin's Board of Directors adopted a \$5 increase in its water reliability charge; a \$71 increase in recycled water; CPI adjustment in its water service charge; and passing through the 14% increase in the imported water commodity charge and the increase in the readiness-to-serve charge from MWD. In addition, the Board of Directors approved the annual standby charge collection that brings \$9.6 million to support the district's recycling facilities. A more thorough discussion of these various funding sources is located in the "Source of Revenue" section.

West Basin plans to develop a dynamic financial model and long-range financial plan to incorporate many of the decisions West Basin is contemplating to ensure our customers have safe and reliable water. As West Basin focuses on more locally controlled water, the financial model will aid in the development of future rate increases. West Basin will also develop additional financial policies that will direct West Basin's continued expansion, protection and maintenance of its assets. At present, West Basin has an investment policy and designated funds policy and looks to expand with a debt and swap policy. In addition, West Basin participates in discussion with MWD as they contemplate the fiscal impact of their operations. As new information is presented, West Basin works with its customer agencies to ensure the increases are appropriate to address water supply reliability.

West Basin is cognizant that the short-term and long-term projected rates have an impact on its customers. Even in this time of statewide drought, West Basin rate increases have been carefully considered and communicated to the Board of Directors and to its customers. However, the current challenges facing the water community will impact these rate assumptions. West Basin is committed to show the value of its efforts. West Basin will work with its customers and other stakeholders to ensure that rate increases are mitigated to the greatest extent possible, and sufficient to ensure the delivery of safe and reliable water.

Respectfully submitted,



Richard Nagel  
General Manager

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## ABOUT WEST BASIN

### West Basin Municipal Water District

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### Our Mission Statement

*To provide a safe and reliable supply of high quality water to the communities we serve.*

### Background

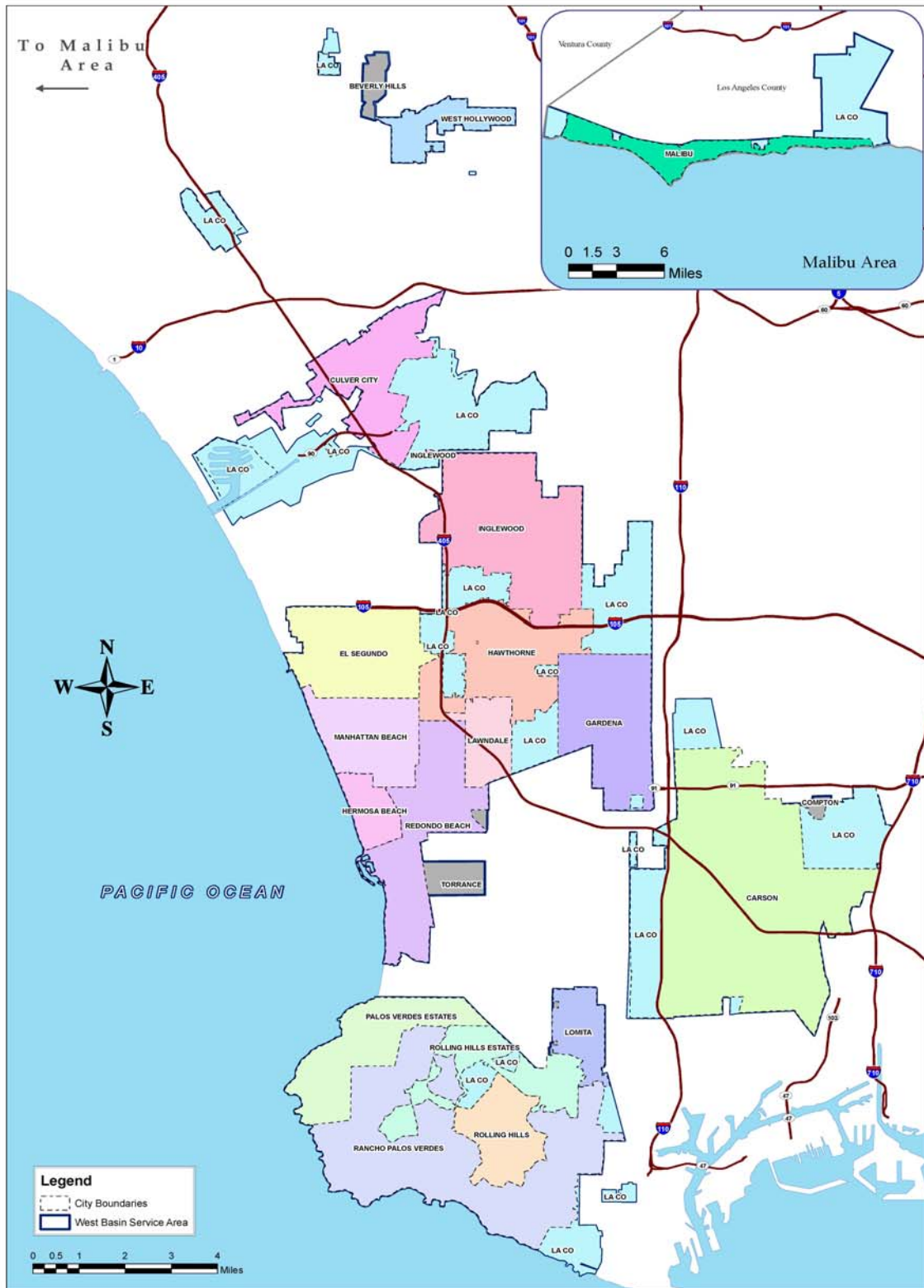
West Basin Municipal Water District (West Basin) is a special district of the State of California. West Basin is an innovative public agency that provides drinking and recycled water to its 185-square mile service area (see Service Area Map). West Basin purchases imported water from the Metropolitan Water District of Southern California (MWD) and wholesales the imported water to cities, water agencies, and private water companies in Southwest Los Angeles County. To protect our local groundwater aquifer from seawater intrusion, West Basin provides water for injection into the South Bay's seawater barriers. Consistent with expanding our portfolio of locally-produced water to ensure reliability, West Basin invests in research and testing of ocean-water desalination that will one day supplement our local water supply.

West Basin is a recognized leader in the production of recycled water, and our conservation and education programs are also fundamental to West Basin's diverse water portfolio. Our water recycling program produces 30 million gallons of high-purity water every day using various treatment levels and processes, while our water conservation program focuses on retrofitting restrooms, laundry rooms, and outdoor landscaping through rebate programs for water saving devices. West Basin's vibrant education program hosts thousands of school children each year at our water recycling facility, holds an annual art contest, and sponsors high school solar cup boat-building teams to encourage young people to be conscious of water and energy use.





# West Basin Municipal Water District Service Area



## **Our Service Area**

West Basin Municipal Water District serves a diverse population of nearly a million people living and working in 17 cities and parts of unincorporated Southwest Los Angeles County. West Basin has a 3:1 resident-to-business ratio and an average median income of \$67,000. The community diversity ranges from approximately \$23,000 in Westmont to approximately \$200,000 in Rolling Hills (Source: 2000 census). Our service area presents unique challenges in meeting a wide variety of needs.

Five publicly elected directors govern West Basin's service area. Voters in each of the five divisions elect one director to serve a four-year term. The West Basin Board appoints two representatives to serve on the 37-member MWD Board of Directors.

### **Division I: Director Ronald C. (Ron) Smith**

Representing Palos Verdes Estates, Rancho Palos Verdes, Rolling Hills Estates, Rolling Hills and Carson

### **Division II: Director Gloria D. Gray**

Representing Inglewood, South Ladera Heights, a portion of Lennox, Athens, Howard and Ross-Sexton

### **Division III: Director Carol W. Kwan**

Representing Hermosa Beach, Lomita, Manhattan Beach, Redondo Beach, and a portion of Torrance

### **Division IV: Director Edward C. Little**

Representing Culver City, El Segundo, Malibu, West Hollywood, North Ladera Heights, Del Aire, Topanga, View Park, West Hollywood, Windsor Hills, and a portion of Lennox

### **Division V: Director Donald L. Dear**

Representing Gardena, Hawthorne, Lawndale, and El Camino Village

## **History of West Basin**

In the 1940s, studies showed that our groundwater aquifer was being depleted at a much faster rate than it was being recharged. Each year, the aquifer was being over-drafted by millions of gallons. As early as 1918, the levels of the groundwater basins were dropping so low that salt water from the ocean was seeping into the basins, contaminating the water. Lawns in the South Bay were dying, and well water often wasn't drinkable.

At that time, the solution was to supply the region with imported water through Metropolitan Water District. In 1947, West Basin was formed by the vote of the people to serve as a wholesale agency to distribute water throughout its service area. A year



later, West Basin became a member agency of MWD, an agency that imports water from the Colorado River and Northern California, and for almost four decades, West Basin served its communities solely as a water wholesaler. As a result of the extreme drought of the late 1980's and early 1990's, West Basin evolved into an agency that does much more than distribute imported water and, today, is focused on water reliability for the region.

West Basin invested in new technologies, alternative energy sources, and conservation and outreach programs. Working with teachers and school children, West Basin is educating the next generations about water use, supply, local production, and careers in the water industry. West Basin began investing in the local production of water in the early 1990's by building a water recycling facility that would turn treated wastewater into high-quality recycled water suitable for irrigation, municipal, industrial and commercial uses. The benefits generated by our water recycling facility include 30 million gallons per day of conserved drinking water and the use of solar power that generates 10% of the plant's energy needs.

In 2007, West Basin's water recycling facility was renamed the Edward C. Little Water Recycling Facility (ELWRF) to honor the 5-term commitment made to West Basin and our constituents by Director Little. The ELWRF is a world-class, state-of-the-art facility that is the largest of its type in the nation. Working with customers like Toyota, Exxon-Mobil, Chevron, Goodyear, and the Home Depot Center, West Basin has built a noteworthy water recycling program with the capacity to expand throughout our service area. West Basin's five (5) types of designer recycled water are distributed for use in golf courses, professional soccer fields, street sweeping, restrooms, boilers, and various other commercial, municipal and industrial uses.

In early 2008, the West Basin Board adopted a new Strategic Business Plan, and the Board of Directors, management, and staff are now implementing a progressive vision and accompanying goals to build reliability into our local water supply. We are currently working to expand our production of locally-produced water through water recycling and ocean-water desalination, invest in our staff, operations and programs to maintain high standards within our workforce, and reach out to the community even more through conservation outreach, education, community banking, local business opportunities and other such programs focused on the needs and talents of our service area.

### **Ensuring a Safe and Reliable Water Supply**

Though the population here in Southern California has steadily increased, water usage in West Basin's service area has remained steady due to the success of our programs focused on conservation, education, public outreach, government affairs, water recycling and ocean-water desalination. Here's a summary of our efforts:

## Conservation

West Basin's water conservation program is aimed at reducing the consumption of potable water (groundwater and imported water) in homes, yards, businesses, and industry. Since 1991, West Basin has successfully offered many programs to its residential communities, saving millions of gallons of precious drinking water each year. West Basin joined a state conservation effort at that time, committing resources to urban water conservation and implementation of its "Best Management Practices" (BMPs).

West Basin's Conservation Master Plan (Plan) is a road map for implementing cost-effective conservation programs across residential and business sectors, both indoors and out. It also provides partnership and outreach opportunities to local cities, retail water agencies, nonprofit organizations and consumers. With the launch of this new Plan, West Basin is now entering the commercial, industrial and public sectors as well. By 2025, West Basin is planning on meeting over 15% of the region's retail water demand for water through conservation.

Conservation workshops for residents, community groups and city officials are held on an ongoing basis throughout the year. These often involve grant opportunities or equipment distribution workshops (low-flush toilets, "smart" landscaping controllers, and other such devices) to educate communities about water conservation and reinforce West Basin's leadership role in educating residents and businesses about what they can do to ensure a reliable water supply.

## Education

West Basin's award-winning water education programs inform teachers and students in a lively and engaging manner about the importance of water conservation and environmental sustainability. West Basin offers four primary programs to engage students:

- Planet Protector Water Explorations: This unique program showcases water recycling and environmental stewardship at a level appropriate for children in 3<sup>rd</sup> thru 12<sup>th</sup> grades. This program combines in-classroom participation, a "hands-on" tour experience, and a visit to nearby Manhattan Beach Roundhouse Marine Studies Lab and Aquarium. The tour takes place at the ELWRF in El Segundo and emphasizes water conservation, marine life protection and the production of alternative water sources such as recycled water and ocean-water desalination.
- Water Wanderings: In collaboration with the Los Angeles Conservation Corps' SEA Lab, this program takes fourth graders on a journey through California's water systems. A traveling tide-pool van constructed with touch



tanks visits schools within West Basin's service area and encourages students to interact with live marine animals at their school site.

- "Water is Life" Student Art Contest: An annual event for West Basin, this contest inspires young people to learn about the value of water and the importance of conserving it. This year, the program will include students in elementary, middle and high school. Winners are selected in anticipation of water awareness month, which is celebrated in May each year.
- Solar Cup: Led by Metropolitan Water District, this program encourages Southern California high school teams to construct and race a solar-powered boat while learning about water, engineering and science. Beginning in the fall, students spend an entire school year working together to build their boats with the final race competition taking place over a weekend in May.

### Public Outreach

West Basin's outreach programs include events, tours and initiatives to maximize individual and group participation in our programs, including personalized presentations, plant tours, special events, media briefings and other programs focused on the interests of our customers, neighborhoods, legislators, regulators, press, civic, business, and nonprofit leaders, educators, students, and the scientific and academic communities.

- [www.westbasin.org](http://www.westbasin.org) has been updated with a fresh, new look and more accessible information about our programs. With the revised site, visitors are able to access information about West Basin's rebate programs, identify and contact the Director for their division, register for information about how to do business with us, and learn about water recycling and ocean-water desalination. Additionally, there is an interactive home tour to learn about conservation measures for your home and "live" measurements of both the

amount of recycled water we're producing at our plant and how much energy we're saving with the use of solar panels. This is just a sampling of what visitors will find on our website. Visit [www.westbasin.org](http://www.westbasin.org) to discover more.

- Media outreach is a priority for West Basin as we focus on developing strong relationships with local, regional and national press, magazines, electronic media, and other public forums to encourage citizens to learn about West Basin's services, to participate in our education program, implement efficient water use practices in their homes and businesses, and support our water reliability efforts in water recycling and ocean-water desalination.
- Water Harvest is West Basin's signature event. We host it every October to meet our neighbors and inform residents about current water-related environmental issues and water conservation efforts that can be implemented in people's homes and yards. Partners in this popular fall festival include customer cities and water purveyors, local businesses and environmental organizations and others. The event takes place at the ELWRF in El Segundo.
- The ELWRF in El Segundo has received local, national and international recognition for its innovative approaches to water recycling and is a key attraction for water industry experts from around the globe. West Basin regularly hosts foreign delegations, elected officials, water industry representatives, and regional and local organizations to impart technical expertise and share "best practices" in water recycling technologies.
- Construction outreach supports West Basin's capital improvement projects, particularly when construction requires access through residential or business communities. These efforts often include community meetings and specialized outreach efforts to ensure that local communities are well informed of the nature and timeline of the construction activities impacting their neighborhoods.



## Government Affairs

West Basin implements an aggressive government affairs program to achieve favorable legislation and public policy at the local, state and federal levels with direct involvement from the Board of Directors, management, staff, and consultants. Our key objectives include efforts to:

- Enhance legislative advocacy efforts on key water-supply legislation impacting West Basin’s mission, customers, projects and programs.
- Build strong coalitions and partnerships throughout the region to educate the public and members of the California Legislature on the importance of enhancing local resources such as groundwater pumping, recycled water, and ocean-water desalination.
- Pursue government funding and regulatory support for capital projects in conjunction with agency partners such as the U.S. Army Corps of Engineers, California Department of Water Resources, and others.
- Inform local City Councils, Councils of Governments (COGs), Chambers of Commerce and other formal entities of West Basin’s legislative goals, particularly as they relate to specific cities and constituencies.
- Honor legislators who have taken an active role in water issues throughout the year by celebrating their efforts as West Basin’s “Legislator of the Year.”

## Water Recycling

In 1992, West Basin received federal funding to implement a water recycling program. Three years later, West Basin completed the construction of the West Basin Water Recycling Facility (WBWRF), a water treatment facility in the City of El Segundo complete with an educational visitor’s center. The facility has recently been renamed the Edward C. Little Water Recycling Facility (ELWRF), in honor of Director Little’s 5-term commitment to West Basin and our constituents.

The ELWRF is the largest recycled water plant of its type in the United States. It is also the only treatment facility in the country with the ability to provide five (5)



## Milestones

**1991:** West Basin and the City of Los Angeles reached agreement to deliver treated sewage water from the Los Angeles Hyperion plant to a new Water Recycling Facility in El Segundo for further treatment and delivery for commercial, municipal and industrial uses.

**1994:** West Basin Hyperion Pump Station is built to pump water to the facility.

**1995:** Water Recycling Facility construction is complete and delivers water to its first customer.

**1997:** Phase II of the Water Recycling Facility is complete, expanding production capacity of tertiary water and barrier water.

**1999:** West Basin completes construction of the Juanita Millender-McDonald Regional Water Recycling Facility in Carson, the first on-site, ultra-purification treatment plant in the nation.



different qualities of “designer” or custom-made recycled water that have undergone various advanced treatment processes to meet the specific needs of various municipal, commercial and industrial applications. All five (5) types of designer water meet the treatment and water quality requirements specified in the California Department of Public Health’s Water Recycling Criteria and permitted by the Los Angeles Regional Water Quality Control Board.

- **Tertiary Water:** Secondary treated wastewater that has been filtered and disinfected for a wide variety of industrial and irrigation uses.
- **Nitrified Water:** Tertiary water that has been nitrified to remove ammonia for industrial cooling towers.
- **Reverse Osmosis Water:** Secondary treated wastewater pretreated by micro-filtration, followed by reverse osmosis (RO) and disinfection for groundwater recharge, which is superior to state and federal drinking water standards.
- **Pure Reverse Osmosis Water:** Secondary treated wastewater that has undergone micro-filtration and RO for low-pressure boiler feed water.
- **Ultra-Pure Reverse Osmosis Water:** Secondary treated water that has undergone micro-filtration and two passes through RO for high-pressure boiler feed water.

Recycled water is used successfully for landscape irrigation, cooling towers, refineries and innovative applications such as street sweeping and toilet flushing. By using recycled water for non-potable uses, customers such as Chevron, BP, Exxon/Mobil, Home Depot National Training Center, Victoria Regional Golf Course, Toyota Motorsales USA, and Goodyear are conserving billions of gallons of drinking water for the region every year.

In addition to providing recycled water for commercial and industrial uses, high-quality recycled water produced by West Basin is blended with potable water

**2000:** Phase III of the Water Recycling Facility expands the capacity of the micro-filtration and reverse osmosis treatment facilities.

**2001:** Construction is complete on the first lateral of the Harbor/South Bay Water Recycling Project, designed to conserve more than 16 billion gallons of water.

**2004:** Construction begins on the Phase IV Expansion of the Water Recycling Facility.

**2005:** West Basin's Water Recycling Facility celebrates its 10<sup>th</sup> anniversary.

**2007:** Construction is complete on the Phase IV Expansion, which increases recycled water production at the plant by 15 million gallons per day.

**2007:** West Basin Board of Directors votes to rename the facility the Edward C. Little Water Recycling Facility in honor of Director Little's 5-term commitment to West Basin, its constituents, and the water industry.

**2007:** Planning begins on the Phase V Expansion of the Edward C. Little Water Recycling Facility to increase production capacity by at least 5 million gallons per day.

and injected into the South Bay's groundwater basin to prevent seawater intrusion into our local aquifers. The seawater barrier is a series of injection wells positioned like a dam between the ocean and the groundwater aquifer. These wells inject water along the barrier to ensure that the water level near the ocean stays high enough to keep the seawater from seeping into the aquifer. There are two seawater barriers that receive West Basin's recycled water: the West Coast Basin Seawater Barrier and the Dominguez Gap Barrier. Currently, 75% of the West Coast Basin water is high-quality recycled water, mixed with 25% potable water. Our goal is to reach 100% high-quality recycled water by 2009. The Dominguez Gap Barrier is planned to receive approximately 50% each of recycled water and potable water.

### Water Quality

Since 1989, West Basin has administered a groundwater quality-testing program for the retail water agencies within its service area. The program assists local retail water agencies in complying with state and federal drinking water regulations at the wellhead.

West Basin also ensures compliance with water quality requirements for the ELWRF and ocean-water desalination pilot project. Each year, about 25,000 water quality tests are conducted at the ELWRF. In addition, more than 500 water quality tests are conducted each month at our ocean-water desalination pilot project in El Segundo.

### **What the Future Holds**

As the population continues to increase within the West Basin service area, we continue to expand our programs to meet increasing water needs and to decrease our reliance on imported water. Meeting West Basin's long-term water supply objectives lies in managing demand through conservation and continuing to grow our supply sources such as ocean-water desalination and water recycling.

### Ocean-Water Desalination

In May 2002, West Basin initiated piloting efforts to desalinate ocean-water and evaluate the viability of desalinated water as a future water supply source for the region. Supported by various institutions and other interested parties including water agencies and agricultural associations, West Basin began a \$1.5 million desalination research pilot project in El Segundo. After five years of data collection and studies, West Basin has identified optimal operating parameters for ocean-water desalination and is expanding desalination efforts into a demonstration-scale facility to test full-scale equipment in Redondo Beach.

In August 2006, West Basin awarded a planning and design contract to construct a temporary ocean-water desalination demonstration facility that will process 550,000 gallons of seawater per day. This Project will develop a basis of design for full-scale operations, evaluate performance of alternative energy practices and technology, analyze water quality, and evaluate integration with local potable water systems.

The Project will test the viability of a future, full-scale desalination plant capable of providing 6.5 billion gallons of potable water, enough to supply 40,000 families for a year.

### Water Recycling Projects

A significant aspect of West Basin's Water Recycling Program is the development of the Harbor/South Bay Water Recycling Project, a partnership between West Basin and the U.S. Army Corps of Engineers that includes more than 16 projects with nearly 60 miles of pipeline. Overall, the Harbor/South Bay Water Recycling Project is scheduled for completion in 2012 and is expected to conserve more than 3.2 billion gallons of potable water annually. The Army Corps of Engineers has authorized a financial commitment of \$35 million or 75% of the project funding. West Basin will provide the remaining 25% of project funding.

Future scheduled laterals include the Anza Avenue Lateral within the City of Torrance, Imperial Avenue Lateral within the City of El Segundo, and the Palos Verdes Extension Lateral.

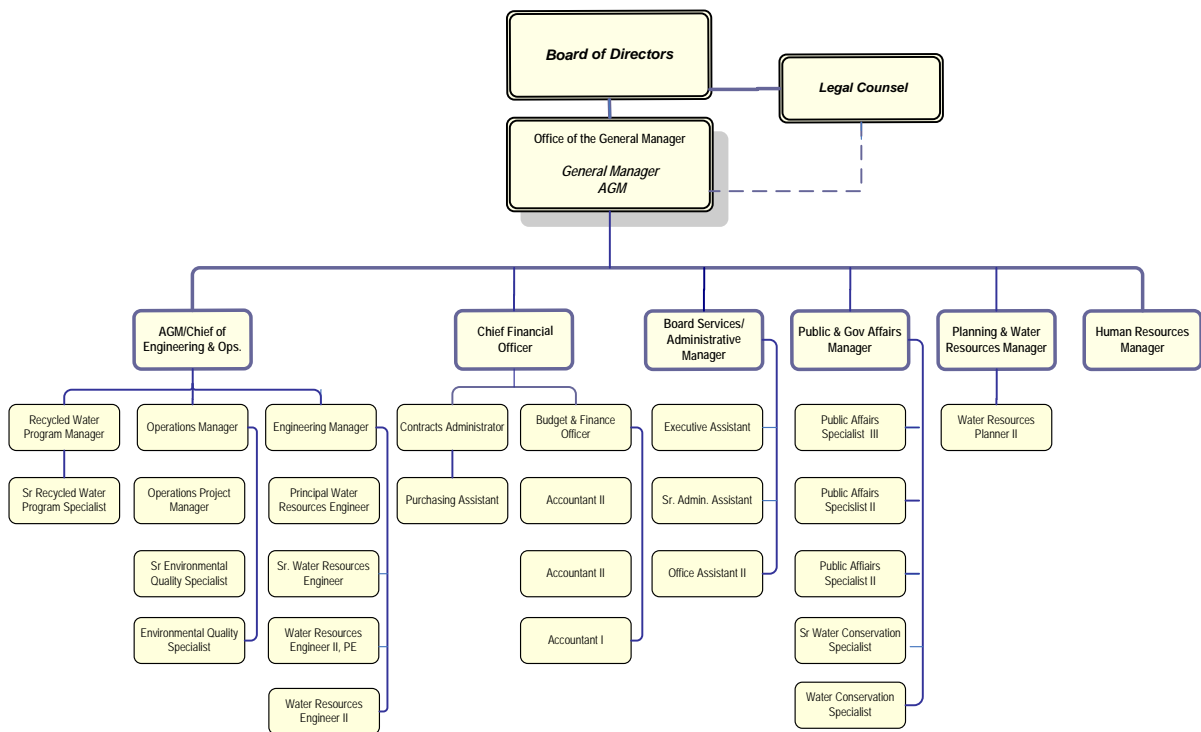
To meet the increased demand on the system brought on by the construction of the Harbor/South Bay Water Recycling Project and the Seawater Barrier Project, West Basin recently completed the \$54 million Phase IV Expansion Project at the ELWRF. The Phase V Expansion Project is in the planning and design phase. Phase V includes expansion to Chevron as well as expansion at ELWRF and the Carson facility to increase high-quality recycled water production for the Seawater Barriers.



To assist in long-term implementation of West Basin’s capital facilities, an updated Capital Improvement Program Master Plan (CIP) will be developed to address the recycled water supply objectives and provide a roadmap for future Capital facilities. The CIP Master Plan will update the hydraulic system model, evaluate recycled water service opportunities, identify potential required Capital facilities to meet West Basin’s objectives, and develop implementation schedules, costs, and priorities.

## ORGANIZATIONAL CHART

### WEST BASIN MUNICIPAL WATER DISTRICT June 2008



## BUDGET PROCESS AND TIMELINE

West Basin develops its budget based on the priorities and goals established by the Board of Directors. For FY 2009, these priorities and goals are communicated to the General Manager through the Strategic Business Plan who then works with his senior staff to ensure the budget includes the monetary requirements necessary to achieve these goals. West Basin is not required to adopt a budget and therefore does not appropriate its fund. However, as a good business practice, West Basin does prepare, track, and report budgeted information.

### Budget Basis

The budget for West Basin is kept on an accrual basis. Revenues are recognized when earned and expenses are recognized when incurred. West Basin also maintains its financial records on an accrual basis.

West Basin is a special district of the State of California and operates as a single fund, an enterprise fund. The activities of the enterprise funds closely resemble those of businesses and are substantially financed by revenue derived from user charges.

### Budget Timeline

January: Each senior manager reviews their department's personnel needs for the next fiscal year. He or she will allocate each of their department employee's time to the various programs and prepare a preliminary budget for their area of responsibility. Senior managers meet individually with the Budget and Finance Officer to review both the labor needs and preliminary budget.

February: Data is received from each senior manager and is incorporated into West Basin's proposed budget. In particular, the General Manager required staff to show where the Strategic Business Plan objectives were being funded. Water sales projections and water rate assumptions are discussed with senior management. Senior managers provide their projections for the current year's budget and provide any revisions needed to reflect changes requested by the General Manager. Senior staff and senior managers meet with the General Manager to discuss each program budget and its goals and objectives along with explanations for major variances from the prior year budget. The General Manager will make changes to the preliminary budget as needed.

March: Staff submits a proposed balanced budget to the Board of Directors in a workshop format and reviews program costs in order to ensure that the proposed budget achieves appropriate bond coverage levels for both senior and subordinate debt. During the workshop, all staff members who participated in developing the proposed budget are in attendance. The Finance staff discusses the budget

assumptions, labor needs, revenue requirements and debt coverage. Senior managers make a detailed presentation regarding their respective budget. At this time, Board members may give direction or request changes to the proposed budget. Any changes requested by the Board of Directors and/or the General Manager are incorporated into the proposed budget. Subsequent to the Board workshop, West Basin conducts a customer workshop to discuss its goals, the supporting budget and rates.

April: The Board of Directors adopts water rates and charges and the annual standby charge.

June: The Finance staff presents the revised proposed budget at the Finance committee. The recommendation for approval is then taken to the Board of Directors to adopt the proposed operating budget for the next fiscal year beginning July 1.

#### Budget Review

West Basin Municipal Water District's budget process begins shortly after the prior year's budget is adopted. Each month the senior staff receives a budget vs. actual report to review and assist them in monitoring costs. On a quarterly basis, the Finance staff presents an executive level budget versus actual report. In addition, other financial reports are presented monthly to keep the Board of Directors informed of sales, recycled water operations and general expenditures.

#### Amendments to the Budget

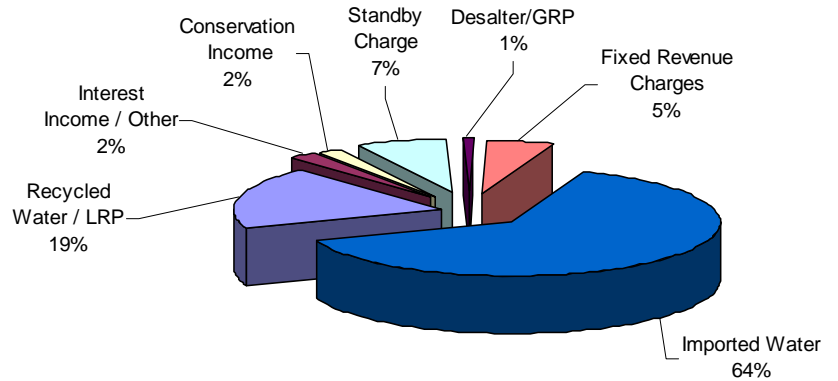
The budget is amended when expenditures are anticipated to significantly exceed estimates. Budget amendments can also occur for expenditures seen as appropriate charges but were not anticipated in the budget process. Any amendments adding to the original budget are brought forward to the Board through staff reports. The staff reports describe why, how much and to which program budget require an amendment to the original budget. These approvals are discussed at Board meetings and require a majority vote of the Board of Directors in order to be incorporated.

## FINANCIAL HIGHLIGHTS AND FORECAST

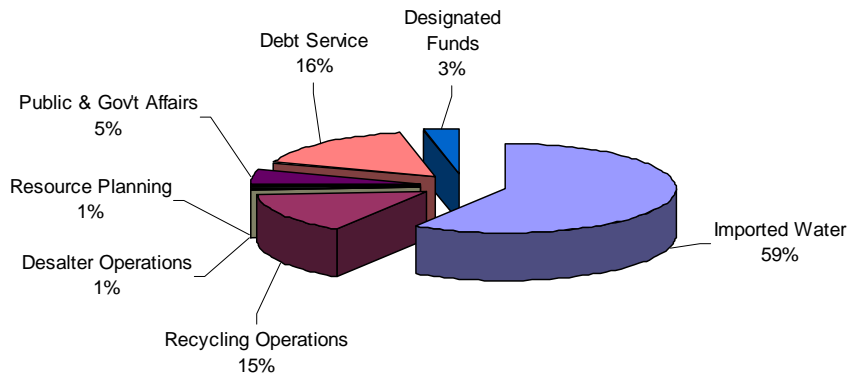
### FY 2009 Sources & Uses of Funds (Dollars in Thousands)

Source of Funds	Budget FY 2009
Imported Water	\$ 87,298
Recycled Water/LRP	25,860
Desalter Water/GRP	983
Standby Charge	9,600
Fixed Revenue Charges	7,323
Conservation Income	2,696
Interest Income/Other	2,804
<b>Total Sources of Funds</b>	<b>\$ 136,564</b>
<b>Use of Funds</b>	
Imported Water	\$ 80,242
Debt Service	22,834
Recycling Operations	20,439
Public & Gov't Affairs	6,789
Designated Funds	4,425
Resource Planning	1,224
Desalter Operations	611
<b>Total Uses of Funds</b>	<b>\$ 136,564</b>

**FY 08-09 Source of Funds**



**FY 08-09 Use of Funds**



### Summary of Personnel by Department

Position	Actual		Budgeted		Change from FY 2008
	FY 2007	FY 2008	FY 2008	FY 2009	
<i>Office of General Manager</i>					
General Manager	1	1	1	1	0
Assistant General Manager	1	1	1	1	0
<i>Board Services</i>					
Administrative Manager	1	1	1	1	0
Executive Assistant	0	1	1	1	0
Senior Administrative Asst.	0	1	1	1	0
Office Assistant II	2	1	1	1	0
<i>Human Resources</i>					
Human Resources Manager	1	1	1	1	0
<i>Public &amp; Governmental Affairs (PGA)</i>					
PGA Manager	1	1	1	1	0
Public Affairs Specialist III	1	1	1	1	0
Public Affairs Specialist II	2	2	2	2	0
Sr. Water Conservation Specialist	0	0	0	1	1
Water Conservation Specialist	0	0	0	1	1
<i>Engineering and Operations</i>					
Engineering Manager	1	1	1	1	0
Principal Water Resources Eng.	1	1	1	1	0
Sr. Water Resources Engineer	0	0	0	1	1
Water Resources Engineer II	3	2	3	2	-1
Operations Manager	1	1	1	1	0
Operations Program Manager	0	0	0	1	1
Sr. Environmental Quality Specialist	1	1	1	1	0
Environmental Quality Specialist	1	1	1	1	0
Recycled Water Program Manager	1	1	1	1	0
Sr. Recycled Water Program Specialist	1	1	1	1	0
<i>Planning And Resources</i>					
Planning and Resources Manager	1	1	1	1	0
Sr. Water Resources Planner	1	1	1	0	-1
Resource Planner	1	1	1	1	0
Sr. Water Conservation Specialist	1	1	1	0	-1
Water Conservation Specialist	1	1	1	0	-1
<i>Finance</i>					
Chief Finance Officer	1	1	1	1	0
Budget and Finance Officer	1	1	1	1	0
Accountant II	2	2	2	2	0
Accountant I	1	1	1	1	0
Contracts Administrator	1	1	1	1	0
Purchasing Assistant	1	1	1	1	0
<i>Total Budgeted Personnel</i>	32	32	33	33	0

Over the past few years, West Basin has not added or reduced personnel. The focus is to make appropriate moves between departments or reallocate positions that will best meet the needs of the organization. West Basin tracks its personal time by level of effort toward its various programs. See the table under "Use of Funds—Personnel Staffing by Program: Full Time Equivalent (FTE)", page 42.

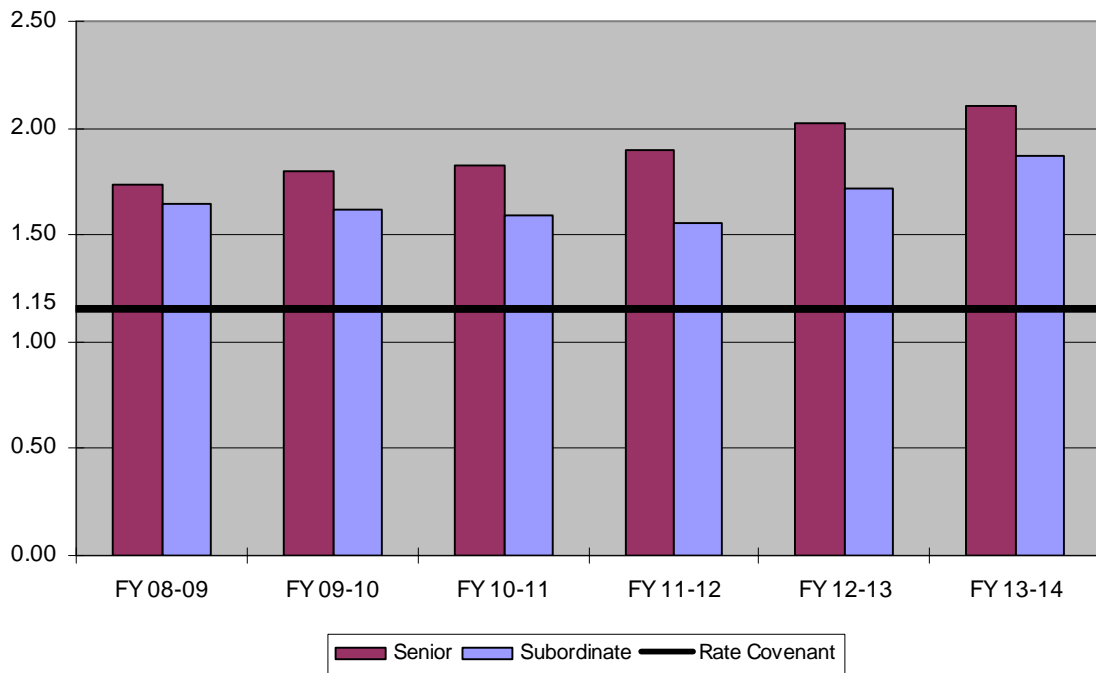
## Projected Operating Results

<b>WEST BASIN MUNICIPAL WATER DISTRICT PROJECTED OPERATING RESULTS</b>						
	FY 08-09	FY 09-10	FY 10-11	FY 11-12	FY 12-13	FY 13-14
<b>REVENUES</b>						
Water Sales	85,150,000	93,993,537	100,377,851	105,581,758	111,542,416	118,113,848
Water Service Charge	237,774	248,112	258,450	268,788	289,464	299,802
Capacity Charge	1,910,400	1,926,320	1,990,000	2,101,440	2,228,800	2,308,400
Recycled Water Project Revenues						
Recycled Water Sales	17,523,537	19,541,221	21,299,337	23,141,402	25,165,539	27,315,123
Fixed Revenue Charges	7,322,592	7,322,592	7,322,592	7,322,592	7,322,592	7,322,592
MWD LRP Rebate	8,336,177	8,548,677	8,561,177	8,592,427	8,623,677	8,623,677
Standby Charges	9,600,000	9,600,000	9,600,000	9,600,000	9,600,000	9,600,000
Other Revenues						
Desalted Water Sales	682,800	752,400	792,000	819,600	841,200	864,000
MWD GRP Rebate	300,000	300,000	300,000	300,000	225,000	0
Interest Earnings/Other	2,042,400	2,135,225	2,240,690	2,424,642	2,584,191	2,612,992
MWD Conservation Credits	2,696,383	2,696,383	2,696,383	2,696,383	2,696,383	2,696,383
<b>Total Revenues</b>	<b>\$ 135,802,063</b>	<b>\$ 147,064,467</b>	<b>\$ 155,438,481</b>	<b>\$ 162,849,032</b>	<b>\$ 171,119,262</b>	<b>\$ 179,756,816</b>
<b>EXPENSES</b>						
Water Purchases/RTS from MWD	78,361,800	86,650,549	92,268,682	96,794,559	101,817,038	107,275,851
Capacity Charge	1,880,200	1,894,025	1,963,150	2,073,750	2,198,175	2,267,300
Program Expenses						
Recycled Operations	20,420,226	21,798,237	23,681,949	24,923,928	26,230,900	27,542,445
Desalter Operations	610,605	641,135	673,192	706,852	706,852	742,194
Resources Planning	1,223,803	1,284,993	1,349,243	1,416,705	1,416,705	1,487,540
Public and Governmental Affairs	6,788,965	7,128,413	7,484,834	7,859,076	7,859,076	8,252,029
Title 22 Water Quality Monitoring	18,577	19,506	20,481	21,505	21,505	22,580
Designated Funds	4,425,388	4,697,195	4,720,018	4,919,180	6,526,113	7,840,977
Senior Debt Service						
2003 Installment Purchase Agrmt	12,487,448	12,479,272	12,480,821	12,483,340	12,480,399	12,484,982
2007 Installment Purchase Agrmt						
Reserve Fund Interest Earnings	(761,867)	(761,867)	(761,867)	(761,867)	(761,867)	(761,867)
2004A Series						
2008A Series	3,126,444	3,246,691	3,228,042	3,233,440	3,206,740	3,248,219
SWRCB Loan	361,945	361,945	361,945	361,945	361,945	361,945
Subordinate Debt Service						
2008B Series	6,858,529	7,624,373	7,967,990	8,816,619	9,055,681	8,992,621
<b>Total Expenses</b>	<b>\$135,802,063</b>	<b>\$147,064,468</b>	<b>\$155,438,480</b>	<b>\$162,849,031</b>	<b>\$171,119,261</b>	<b>\$179,756,817</b>
<b>NET REVENUES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Coverage - Senior Debt</b>	<b>1.74</b>	<b>1.80</b>	<b>1.83</b>	<b>1.90</b>	<b>2.02</b>	<b>2.10</b>
<b>Coverage - Subordinate Debt</b>	<b>1.65</b>	<b>1.62</b>	<b>1.59</b>	<b>1.56</b>	<b>1.72</b>	<b>1.87</b>
<b>Coverage - All Debt</b>	<b>1.20</b>	<b>1.20</b>	<b>1.20</b>	<b>1.20</b>	<b>1.27</b>	<b>1.32</b>

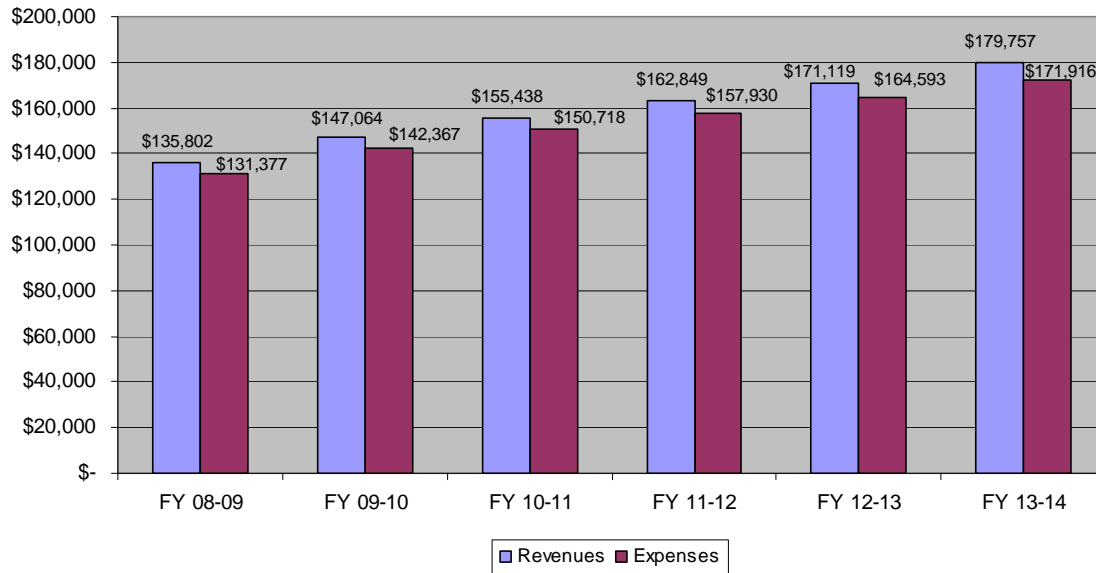
**WEST BASIN MUNICIPAL WATER DISTRICT  
ASSUMPTIONS**

	FY 08-09	FY 09-10	FY 10-11	FY 11-12	FY 12-13	FY 13-14
<b>Cost (Sales Price) of Water (\$/af)</b>						
MWD Treated NonInt - Tier 1 (Jul)	508	579	614	644	677	710
MWD Treated NonInt - Tier 2 (Jul)	606	695	730	760	793	826
MWD Treated NonInt - Tier 1 (Jan)	579	614	644	677	710	746
MWD Treated NonInt - Tier 2 (Jan)	695	730	760	793	826	862
MWD RTS Commodity Charge (Jul)	62	74	78	82	88	89
MWD RTS Commodity Charge (Jan)	69	74	78	82	88	89
MWD Seawater Barrier - Tier 1 (Jul)	508	579	614	644	677	710
MWD Seawater Barrier - Tier 2 (Jul)	606	695	730	760	793	826
MWD Seawater Barrier - Tier 1 (Jan)	579	614	644	677	710	746
MWD Seawater Barrier - Tier 2 (Jan)	695	730	760	793	826	862
Title 22 Within WB - Recycled Water	418	468	518	570	627	689
Title 22 - LADWP - Recycled Water	458	516	574	632	695	765
Title 22 - Torrance - Recycled Water	447	505	563	621	683	751
RO - Barrier - Recycled Water	458	479	501	518	538	560
RO - Industrial - Recycled Water	722	794	873	960	1,057	1,162
RO - Industrial - Ultra - Recycled Water	954	1,050	1,155	1,270	1,397	1,537
Industrial - NH3 - Recycled Water	418	476	534	592	651	716
Reliability Service Charge - Treated	41	45	50	55	61	67
MWD LRP Rebate	250	250	250	250	250	250
Desalted Water (Jul)	530	608	646	674	692	710
Desalted Water (Jan)	608	646	674	692	710	730
MWD GRP Rebate	250	250	250	250	250	250
Capacity Charge - MWD	6,800	6,800	6,900	7,300	7,700	8,200
Capacity Charge - MWD (Jan)	6,800	6,900	7,300	7,700	8,200	8,200
Capacity Charge-Cust	6,000	6,000	6,100	6,400	6,800	7,200
Capacity Charge-Cust (Jan)	6,000	6,100	6,400	6,800	7,200	7,300
<b>SALES VOLUME (afy)</b>						
Treated Non Interruptible (Jul)	61,500	61,696	62,292	62,192	62,192	62,788
Treated Non Interruptible (Jan)	61,500	61,696	62,292	62,192	62,192	62,788
Seawater Barrier (Jul)	4,000	4,000	4,000	4,000	4,000	4,000
Seawater Barrier (Jan)	4,000	4,000	4,000	4,000	4,000	4,000
Recycled Water	33,345	34,195	34,245	34,370	34,495	34,495
Title 22 Within WB	7,200	8,050	8,100	8,225	8,350	8,350
Title 22 - LADWP	350	350	350	350	350	350
Title 22 - Torrance	6,225	6,225	6,225	6,225	6,225	6,225
RO - Barrier	11,500	11,500	11,500	11,500	11,500	11,500
RO - Industrial	4,700	4,700	4,700	4,700	4,700	4,700
RO - Industrial - Ultra	2,800	2,800	2,800	2,800	2,800	2,800
Industrial - NH3	570	570	570	570	570	570
Desalted Water (Jul)	600	600	600	600	600	600
Desalted Water (Jan)	600	600	600	600	600	600
Capacity Charge-MWD	276.5	276.5	276.5	276.5	276.5	276.5
Capacity Charge-MWD (Jan)	276.5	276.5	276.5	276.5	276.5	276.5
Capacity Charge-Cust	318.4	318.4	318.4	318.4	318.4	318.4
Capacity Charge-Cust (Jan)	318.4	318.4	318.4	318.4	318.4	318.4
<b>FIXED PAYMENTS</b>						
BP	1,728,000	1,728,000	1,728,000	1,728,000	1,728,000	1,728,000
Mobil NH3	611,000	611,000	611,000	611,000	611,000	611,000
Mobil (phase 2)	1,574,460	1,574,460	1,574,460	1,574,460	1,574,460	1,574,460
Chevron Nitrification	1,009,800	1,009,800	1,009,800	1,009,800	1,009,800	1,009,800
Chevron Boiler Feed	2,192,796	2,192,796	2,192,796	2,192,796	2,192,796	2,192,796
LADWP	206,536	206,536	206,536	206,536	206,536	206,536
<b>TOTAL FIXED PAYMENTS</b>	<b>\$ 7,322,592</b>	<b>\$ 7,322,592</b>	<b>\$ 7,322,592</b>	<b>\$ 7,322,592</b>	<b>\$ 7,322,592</b>	<b>\$ 7,322,592</b>

### Debt Coverage



### West Basin MWD Current and 5 year Projection FY 08-09 thru FY 13-14 (Dollars in thousands)





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## SOURCE OF REVENUE

West Basin's primary source of revenue is imported sales, representing 64% of all sources of revenue. Recycling sales represent 19% of all revenue sources.

West Basin wholesales imported water from MWD for municipal, domestic and groundwater replenishment uses and desalted brackish groundwater. In the early 1990s, West Basin initiated efforts to drought-proof the region by constructing recycled water distribution pipelines and facilities for industrial, commercial, and landscape irrigation sites throughout Coastal Los Angeles County. This system now serves more than 200 sites. To fund these construction efforts and future expansion of the recycled water system, West Basin imposes a standby charge. This annual charge to area residents generates roughly \$9,600,000. West Basin also receives fixed revenue charges from some industrial customers to defray some debt service incurred by West Basin to expand facilities at industrial customer sites, which is a regional benefit.

Summarized below is the actual, projected and budgeted sales from imported, recycled and Desalter sales, MWD capacity charges, standby charge, interest earnings, and conservation/grant income.

<u>Revenues</u>	<i>FY 2005-06 Actual</i>	<i>FY 2006-07 Actual</i>	<i>FY 2007-08 Projected</i>	<i>FY 2007-08 Budget</i>	<i>FY 2008-09 Budget</i>
<b>Imported Water Sales</b>	\$77,327,484	\$82,917,256	\$78,092,648	\$77,480,100	\$85,150,000
<b>Water Service Charge</b>	206,760	217,098	227,436	227,436	237,774
<b>Capacity Charge</b>	1,764,330	1,843,566	1,910,400	1,910,400	1,910,400
<b>Recycled Water / LRP</b>	15,680,037	19,627,291	22,868,788	23,586,967	25,859,714
<b>Fixed Revenue Charge</b>	7,573,615	7,425,471	7,382,300	7,371,592	7,322,592
<b>Desalter Water / GRP</b>	-	64,589	450,937	919,800	982,800
<b>General Fund Interest</b>	3,186,922	3,754,489	3,170,809	3,647,000	1,836,000
<b>Bond Fund Interest</b>	1,177,725	826,504	761,867	678,536	761,867
<b>Standby Charge</b>	9,805,541	9,678,182	9,600,000	9,700,000	9,600,000
<b>Conservation Income</b>	455,408	596,906	457,350	1,843,837	2,696,383
<b>Other Income</b>	1,685,783	2,571,288	779,180	301,000	206,400
<b>Total Revenues</b>	<u>\$118,863,605</u>	<u>\$129,522,640</u>	<u>\$125,701,715</u>	<u>\$127,666,668</u>	<u>\$136,563,930</u>

Fluctuations over the past three years are the result of three major revenue sources. Imported water sales vary based on hydrologic conditions more recently on the water supply availability. These imported water sales were 144,000 in FY 2006, 148,000AF in FY 2007 and projected sales of 131,000AF in FY 2008. Because of this variability West Basin uses a 5 year assumption when budgeted for imported water sales. Recycled water sales have increased over the last three years from actual sales of 24,000AF to projected sales of 32,000 in FY 2008. Finally other income represents incentive rebates from MWD and capital contribution from outside entities. In particular in FY 2007 West Basin received \$1.8 million from Southern California Edison towards the installation of solar panels at our treatment facility in El Segundo.

## **Imported, Recycled and Desalter Water Rates and Charges**

### *Non-Interruptible and Barrier Sales*

West Basin sales are comprised of three components: MWD's commodity and readiness-to-serve charge, and West Basin's reliability service charge. West Basin anticipates that the net impact for non-interruptible and barrier sales will increase by \$83 per acre-foot (AF) by January 2009. Based on acre-foot assumptions and the rates for the fiscal year described below, West Basin has budgeted \$85,150,000 in imported water sales.

Annually, West Basin establishes rates and charges through a resolution by the Board of Directors. In FY 2003, West Basin implemented a new imported water pricing structure that incorporates MWD's new rates. The highlights of the new rate structure include:

- Two price tiers for non-interruptible service;
- Purchase agreements with purveyors for implementing tiered pricing;
- Baseline usage for determining when the higher priced second tier applies;
- Flow-based fixed charge to limit summertime peaking; and
- Uniform surcharge for all type of imported water.

MWD's commodity rate increase will be effective January 1, 2009 and is set at \$71/AF. This represents a 9.8% increase over last year's rate and a \$25 per acre-foot water supply charge. MWD's Board of Directors has also approved an increase in its readiness-to-serve charge increasing its overall collection from \$82 million to \$92 million from its 26 customer agencies effective January 1, 2009. The amount collected is allocated to each of its customers based on each agencies respective percentage to the total on the 10-year rolling average of firm sales. The 10-year rolling average is based on a calendar year (January to December). West Basin has adopted to increase the rate from \$62/AF to \$69/AF effective January 1, 2009.

In order to keep up with inflation and labor costs, West Basin has adopted an increase in its reliability service charge by \$5 based on a combination of the annual CPI from

January 1 – December 31, 2007 or 3.3% rounded up to the nearest whole dollar plus an additional consideration for West Basin's effort in reliability through a comprehensive conservation plan, ocean-water desalination and the continuation of recycled water. This increase is effective July 1, 2008.

West Basin estimates its deliveries for non-interruptible water as 95% of the average for the previous five years. This allows for fluctuations in wet and dry year scenarios. In addition, West Basin assumes a minor increase for growth. Planned increases in recycled water deliveries that will offset possible decreases in non-interruptible deliveries will also be taken into consideration. The barrier sales represent 25% of the anticipated West Coast Barrier overall water deliveries (the remaining 75% represents recycled water deliveries) and the anticipated Dominguez Gap Barrier deliveries.

#### Water Service Charge

In January 2003, MWD discontinued its fixed Meter Connection Maintenance charge and replaced it with the Capacity Charge. As one of the fixed charges within the rate structure, West Basin continued its collection of this monthly fixed charge and renamed it the "Water Service Charge". The cubic foot per second (cfs) charge on each customer's meter capacity provides a small consistent revenue stream to West Basin's budget. West Basin adopted a 3.3% or annual CPI adjustment that represents a \$1/cfs increase for FY 2009 for a rate of \$23/cfs. For FY 2009, West Basin anticipates \$237,774 from this revenue source.

#### Capacity Charge

As part of MWD's new rate structure, a Capacity Charge was developed to recover the costs in providing distribution capacity use during peak summer demands. The aim of this new charge is to encourage customer agencies to reduce peak day demands during the summer months (May 1 thru September 30) and shift usages to the winter months (October 1 thru April 30), which will result in more efficient utilization of MWD's existing infrastructure and defers capacity expansion costs. West Basin assesses this charge by multiplying each customer agency's highest daily average usage (per cfs) for the past three summer periods by the Capacity Charge Rate. West Basin's rate will remain at \$6,000/cfs and anticipates revenues of \$1,910,400 for the FY 2009.

#### Recycled Water Charges and Fixed Revenue Charges

West Basin currently serves recycled water to over 200 customers with projected sales to reach 31,891 acre-feet in FY 2008. For FY 2009, West Basin has estimated a slight increase in sales to 33,345 acre feet and is comprised of approximately 35% sales to the West Coast Barrier and approximately 52% of the recycled water sales relate to local refineries. These sales remain fairly consistent from year-to-year. Increases to the

deliveries are based on planned expansions of the facilities and generally offset non-interruptible (firm) deliveries.

West Basin adopted a 14% or \$71 per acre-foot increase, whichever is greater. In review of the water recycling system program, West Basin reviewed its operating costs to its various sources of income. Operating costs have been increasing in recent years and have had to address rising chemical costs, facility maintenance, and power. In addition, West Basin targets its recycled water rate increase to the non-interruptible rate increase in order to continue to attract new customers and expand existing customers to a more reliable source of water.

Revenues from recycled water sales consist of commodity charges and MWD's Local Resources Program (LRP) incentive payment and are estimated at \$25,859,714 for FY 2009. The LRP provides a \$250/AF rebate to West Basin for each acre-foot of recycled water sold.

In addition, West Basin receives \$7,322,592 fixed revenue charges. Fixed revenue charges are paid by BP/Amoco, Chevron, and Exxon-Mobil Oil Refineries and are designed to repay the cost of the treatment and distribution facilities that were constructed exclusively for delivery of recycled water to the refineries.

#### Desalter Water Charges

West Basin sells the water produced by the C. Marvin Brewer Desalter to California Water Service Company (CWSC) at the effective Metropolitan rate. The effective Metropolitan rate includes the base non-interruptible rate, and an acre-foot equivalent for the capacity charge. Since January 1, 2008, that rate has been set at \$530 per acre-foot increasing to \$608 per acre-foot on January 1, 2009. Based on these rates and the \$250/AF incentive payment received by MWD for the Groundwater Recovery Program (GRP), West Basin anticipates \$982,800.

All of West Basin's adopted rates and charges are shown and are described below:

<b>Rates Effective July 1, 2008 to December 31, 2008</b>				
	<b>MWD Commodity</b>	<b>MWD RTS</b>	<b>Reliability Svc Charge</b>	<b>Total</b>
Non-Interruptible & Barrier (Tier 1)	\$508/AF	\$62/AF	\$41/AF	<b>\$611/AF</b>
Non-Interruptible & Barrier (Tier 2)	\$606/AF	\$62/AF	\$41/AF	<b>\$709/AF</b>
Seasonal Storage Long Term	\$390/AF	-	\$41/AF	<b>\$431/AF</b>

<b>Rates Effective January 1, 2009</b>				
	<b>MWD Commodity</b>	<b>MWD RTS</b>	<b>Reliability Svc Charge</b>	<b>Total</b>
Non-Interruptible & Barrier (Tier 1)	\$579/AF	\$69/AF	\$41/AF	<b>\$689/AF</b>
Non-Interruptible & Barrier (Tier 2)	\$695/AF	\$69/AF	\$41/AF	<b>\$805/AF</b>
Seasonal Storage Long Term	\$436/AF	-	\$41/AF	<b>\$477/AF</b>

<b>MWD Non-Interruptible Commodity Rate</b>		
	<i>Effective Dates</i>	
	<b>July 1-Dec 31, 2008</b>	<b>January 1, 2009</b>
Supply Rate Tier 1	\$73	\$109
Supply Rate Tier 2	\$171	\$250
System Access Rate	\$143	\$143
Water Stewardship Rate	\$25	\$25
Water Supply Surcharge	\$0	\$25
Treatment Rate	\$157	\$167
Power Rate	\$110	\$110
<b>Total Tier 1</b>	<b>\$508</b>	<b>\$579</b>
<b>Total Tier 2</b>	<b>\$606</b>	<b>\$695</b>

<b>Capacity Charge</b>	
Designated Amount <sup>1</sup>	
<i>Effective July 1, 2008 to Dec. 31, 2008</i>	<i>Effective January 1, 2009</i>
<b>\$6,000/cfs</b>	<b>\$6,000/cfs</b>

(1) Designated amount is an Agency's highest peak (per cfs) from the past three summer periods (May 1-Sept. 30)

<b>Monthly Water Service Charge</b>
<i>Effective July 1, 2008</i>
WBMWD Water Service Charge
<b>\$23/cfs<sup>2</sup></b>

(2) Per cfs as determined by agency's meter capacity

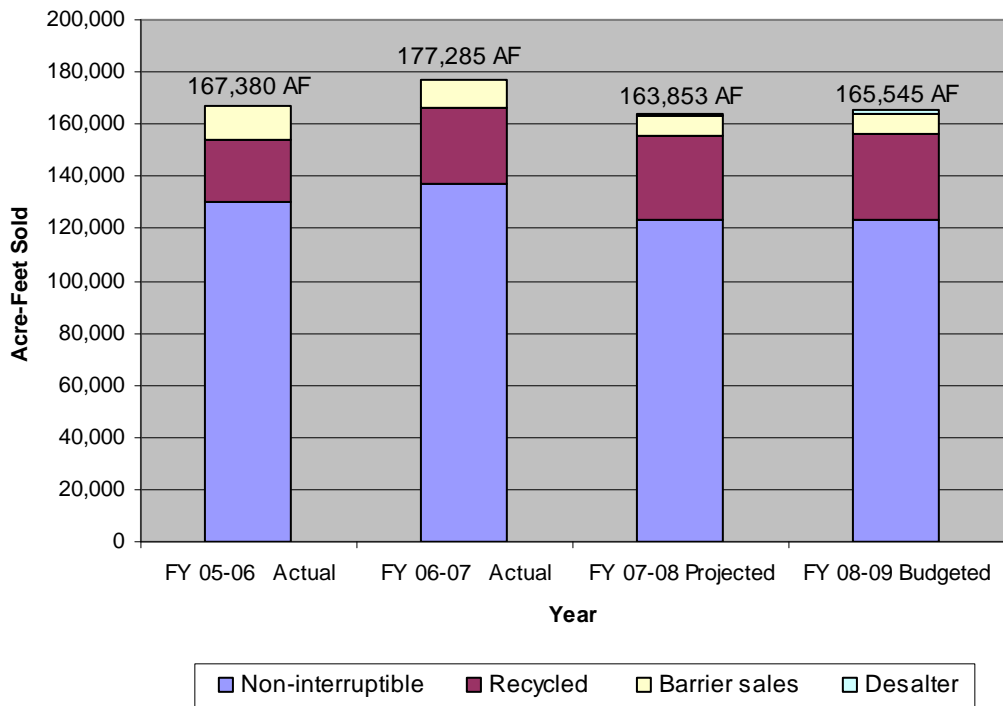
<b>WBMWD Recycled Water Rates</b>							
<i>Effective July 1, 2008</i>							
Volume (AF/Month)	WBMWD Service Area	West Coast Barrier	Industrial R/O (WB Svc Area)	Nitrified (Ind R/O usage)	Industrial R/O Ultra (WB Svc Area)	Torrance / LADWP Service Areas	Palos Verdes Zone Rate
<b>0-25</b>	<b>\$438/AF</b>	<b>\$458/AF</b>	<b>\$722/AF</b>	<b>\$418/AF</b>	<b>\$954/AF</b>	<b>\$480/AF</b>	<b>\$676/AF</b>
<b>25-50</b>	<b>\$428/AF</b>	<b>\$458/AF</b>	<b>\$722/AF</b>	<b>\$418/AF</b>	<b>\$954/AF</b>	<b>\$470/AF</b>	<b>\$666/AF</b>
<b>50-100</b>	<b>\$418/AF</b>	<b>\$458/AF</b>	<b>\$722/AF</b>	<b>\$418/AF</b>	<b>\$954/AF</b>	<b>\$460/AF</b>	<b>\$656/AF</b>
<b>100-200</b>	<b>\$408/AF</b>	<b>\$458/AF</b>	<b>\$722/AF</b>	<b>\$418/AF</b>	<b>\$954/AF</b>	<b>\$450/AF</b>	<b>\$646/AF</b>
<b>200+</b>	<b>\$398/AF</b>	<b>\$458/AF</b>	<b>\$722/AF</b>	<b>\$418/AF</b>	<b>\$954/AF</b>	<b>\$440/AF</b>	<b>\$636/AF</b>

*Historic and Projected Sales*

Listed below are the historic sales for FY 2006 and FY 2007 and anticipated sales projections for FY 2008 as well as the budgeted sales for both FY 2008 and FY 2009 as follows:

<b>Water Type</b>	<b>FY 05-06 Actual</b>	<b>FY 06-07 Actual</b>	<b>FY 07-08 Projected</b>	<b>FY 07-08 Budget</b>	<b>FY 08-09 Budget</b>
Non-interruptible	130,005	136,784	123,315	120,600	123,000
Barrier sales	13,722	11,162	8,000	10,500	8,000
Desalter	-	89	647	1,200	1,200
Recycled					
Title 22- Within WB	5,565	7,210	6,790	6,900	7,200
Title22- LADWP	250	313	350	350	350
Title22-Torrance	6,312	5,742	5,740	6,875	6,225
RO – Barrier	4,383	9,104	10,961	11,000	11,500
RO – Industrial	3,703	3,523	4,900	4,700	4,700
RO – Ultra	2,860	2,835	2,600	2,800	2,800
Industrial–NH3	580	523	550	570	570
Total Recycled	23,653	29,250	31,891	33,195	33,345
<b>Total Sales</b>	<b>167,380</b>	<b>177,285</b>	<b>163,853</b>	<b>165,495</b>	<b>165,545</b>

## Historic and Projected Sales



West Basin’s assumption for the imported non-interruptible and barrier sales remain at 95% of the 5-year average in FY 2009 even with a decline in FY 2008 sales compared to previous years. Non-interruptible sales for FY 2007 were approximately 12% greater than the budget as this year was an unusually dry year with the lowest record of rain in Southern California in over one hundred years. West Basin receives imported water through MWD and closely monitors the actions taken by MWD to address water supply. In February 2008, the MWD Board of Directors approved “The Water Supply Allocation Plan” and has stated publicly that no allocation will take place in calendar year 2008, but that a calendar year 2009 allocation is likely if hydrologic conditions next winter are similar or less than this past winter. For the balance of 2008, MWD will rely on heightened conservation, continued withdrawals from storage accounts both in-region and in the Central Valley, and water transfer purchases from agricultural districts to meet anticipated gaps between supplies and demand. West Basin will continue to monitor its sales with focused attention on water supply.

### Purchase Order Commitment

#### MWD’s Purchase Order

In the fall of 2002, West Basin agreed to sign a ten-year voluntary Purchase Order with MWD that entitled West Basin to purchase annually a set amount of non-interruptible



water (Annual Tier 1 Maximum) at the lower Tier 1 rate. It also committed West Basin to purchase a minimum amount over the ten-year term of the Purchase Order (Purchase Commitment). The table below displays West Basin's Purchase Order terms with MWD:

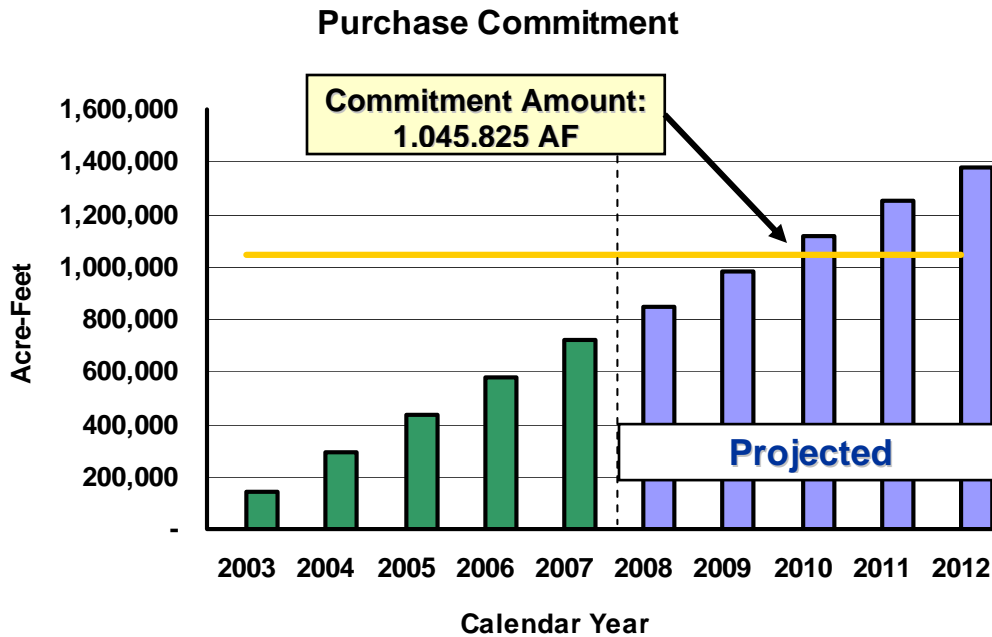
Initial Base Allocation	Annual Tier 1 Maximum (90% of Base)	Purchase Commitment (60% of Base x 10)
174,304 AF	156,874 AF	1,045,825 AF

West Basin's Purchase Agreement

In order to meet the conditions above with MWD and without solely bearing the liability of exceeding the Annual Tier 1 Maximum and/or the Purchase Commitment with MWD, West Basin established its own purchase contract policy with its customer agencies. West Basin's Imported Water Purchase Agreements mimic the MWD version in terms of an Annual Tier 1 Maximum and total Purchase Commitment, but offers more flexibility to the customer. West Basin required only a five-year commitment, as opposed to a ten-year term. Additionally, customer agencies have the option to adjust their Tier 1 and Purchase Commitment amounts annually if certain conditions are favorable, and can also reduce their commitment by offsetting imported water demand with recycled water purchased from West Basin. For purchases above the Tier 1 limit, or in the absence of a Purchase Agreement, the customer agency pays the Tier 2 rate. The Tier 2 Rate is currently \$98/AF above the Tier 1 rate but will increase to \$116/AF above effective January 1, 2009.

In 2003, every customer agency within West Basin elected to sign a 5-year voluntary purchase agreement. Each agency was allocated an annual Tier 1 maximum limit and a purchase commitment based on historical and projected demands. These agreements expired on December 31, 2007. Each of the West Basin's member agencies (customers) met their Tier 1 commitment. In FY 2008, the Board of Directors made minor revisions to the program and renewed with its customer agencies for an additional 5-years to coincide with the expiration of West Basin's purchase order with MWD at the end of 2012.

As displayed in the graph below, West Basin projects that it will be above its minimum Purchase Commitment with MWD by calendar year 2012. As of December 31, 2007, West Basin's customer agencies have purchased 717,772 acre-feet or on average 144,000 acre-feet per year.



## Other Sources of Revenue

### Interest Income

West Basin receives interest income from both its general and bond funds. With a declining interest rate environment, West Basin has assumed a more conservative portfolio return. For FY 2009, general fund interest income has been projected at approximately \$1,836,000. West Basin has adopted an investment policy in accordance with California Government Code 53600 et. seq. and internal procedures to conservatively invest its funds to ensure that the following criteria of principal, liquidity and yield are met.

In addition, West Basin receives interest earnings from bond funds as it relates to its bond financings. At present, West Basin has two debt issuances where a reserve fund has been established and is restricted by the official documents for the purpose of the bondholders. All bond fund interest earnings are applied towards West Basin's annual debt payments. For FY 2009, bond fund interest earnings are estimated to be \$761,867.

### Standby Charge

For FY 2009 the standby charge will be assessed by the same formula as in prior years. The amount assessed is \$16, \$24 or \$120 per parcel depending upon the land use on a given parcel. Based on approximately 344,000 benefiting units and previous annual collections, it is estimated that the gross revenues from the standby charge will be approximately \$9,600,000. These funds are used towards West Basin's debt service obligations on the West Basin Water Recycling Facility.

### Conservation Income

For every dollar that West Basin invests in conservation, it provides an additional \$4.00 benefit of programs to residents and businesses throughout its service area. It does this by partnering with water agencies locally and regionally, and pursuing grant funds to leverage program funding.

Through the development of the Conservation Master Plan, West Basin has enhanced its program offerings across commercial and industrial sectors, resulting in greater access to available rebates, state and federal grants, and partnerships with retail water agencies interested to invest in cost-effective programs.

For FY 2009, West Basin will continue to receive a large share of outside funding from the Metropolitan Water District (MWD). Based on the current incentive level of \$195/AF of water saved, MWD provides West Basin with the following rebates: \$80 per "smart" irrigation controller, \$165 for high-efficiency toilets, and \$110 per high-efficiency clothes washer, to name a few. Overall, West Basin anticipates approximately \$2,696,383 in conservation income for FY 2009.

### Other Income

West Basin anticipates miscellaneous income to support its efforts for the annual Water Harvest Festival and the Title 22 Water Quality Monitoring Program. In addition, West Basin receives a variety of federal and state grants. Overall, West Basin anticipates approximately \$206,400 in FY 2009 for other income.

## USE OF FUNDS

West Basin maintains a single enterprise fund and its use of funds are divided among water purchases, MWD capacity charge, debt service and operating expenses. West Basin maintains a balanced budget between sources of revenues and uses. The balance generated is placed into West Basin's designated funds.

Detailed below are the historic, anticipated and budgeted expenses:

<u>Expenditures</u>	<u>FY 2005-06 Actual</u>	<u>FY 2006-07 Actual</u>	<u>FY 2007-08 Projected</u>	<u>FY 2007-08 Budget</u>	<u>FY 2008-09 Budget</u>
<b>Imported Water Purchases / RTS</b>	\$71,317,365	\$76,002,492	\$71,492,624	\$ 71,577,700	\$ 78,361,800
<b>Debt Service</b>	23,341,031	24,710,615	22,588,207	24,722,696	22,834,366
<b>Capacity Charge</b>	1,771,402	1,825,800	1,880,200	1,880,200	1,880,200
<b>District Administration **</b>	3,260,907	3,472,767	0	931,643	0
<b>Water Recycling Operations</b>	14,899,138	16,827,306	19,753,402	18,379,522	20,420,226
<b>Desalter Operations</b>	71,755	131,224	500,769	614,807	610,605
<b>Resource Planning</b>	1,983,400	1,747,972	2,191,563	1,958,676	1,223,803
<b>Public &amp; Gov't Affairs</b>	2,432,986	2,712,923	3,342,878	4,875,963	6,788,965
<b>Water Quality Monitoring</b>	50,535	22,336	24,926	21,978	18,577
<b>Joint Financing Authority</b>	294,332	147,391	0	0	0
<b>Designated Funds</b>	(559,246)	1,921,814	3,927,146	2,703,483	4,425,388
<b>Total Expenditures</b>	\$118,863,605	\$129,522,640	\$125,701,715	\$127,666,668	\$136,563,930

*\*\* Actual District Administration includes program costs and unallocated finance and support service costs in FY 2006 and FY 2007. In FY 2008, a change in methodology was made regarding the District Administration program. The total amount will be allocated similar to Finance and Support Services as it represents additional oversight and support for West Basin's activities.*

Fluctuations over the past three years are the result of changes in imported water sales, program costs and debt service. As mentioned under sources of funds, imported water sales fluctuated due to hydrologic conditions and more recently on the water supply availability. Program costs have increased over the past three years largely due to increases in sales in our recycled water program resulting in higher operating costs. In addition West Basin has placed additional focus on conservation and communicating West Basin's message on water reliability. Lastly, debt services costs

had been increasing due to higher variable rates for which West Basin repositioned itself in FY 2008 by refunding its variable rate bonds.

### MWD Water Purchases and Charges

As described under Source of Revenue, West Basin has signed a ten-year voluntary purchase order with MWD that entitled West Basin to purchase annually a set amount of non-interruptible water (Annual Tier 1 Maximum) at the lower Tier 1 rate. It also committed West Basin to purchase a minimum amount over the ten-year term of the Purchase Order (Purchase Commitment). West Basin has determined its cost of water deliveries based on anticipated sales and MWD charges. In addition, West Basin is assessed the MWD Capacity Charge whose rate has remained consistent at \$6,800/cfs.

### Debt Service

In the early 1990s, West Basin's Board of Directors had the vision to drought-proof its service area by constructing facilities and pipelines to bring recycled water to industrial, commercial and irrigation sites. These sales reduce this areas reliance on imported water. Investment in West Basin's facilities as of June 30, 2007 is approximately \$472 million. To accomplish these construction efforts, West Basin issued approximately \$347 million in debt. The remaining funding for capital projects comes from federal and state grants and West Basin funds.

West Basin continues to expand its facilities and has taken advantage of refinancing its debt during the low interest rate environment. In July 2007, West Basin finalized the refunding of the 1997A Refunding Revenue Certificates of Participation. The refunding lowered interest rates with the move to auction rate securities from fixed rate. However, the municipal finance market has seen unprecedented times. As a result, many public agencies like West Basin found themselves in a position to quickly assess the impact of the municipal finance deterioration on its debt portfolio.

In late summer 2007, the sub prime market in the mortgage arena began to unravel the capital positions of many institutions, in particular monoline bond insurers. Over the next several months, the bond insurers found themselves exposed to market calls on its cash position that eventually led to the credit agencies (Moody's, Standard and Poor's, and Fitch) to reassess their triple AAA ratings. Beginning in calendar year 2008, several bond insurers received downgrades or negative watch/outlooks on their AAA ratings. This resulted in bondholders looking to the underlying credit ratings of the public agencies and no longer looking at the bond insurers AAA rating. In addition, the market participants began to feel uncertain about the municipal market, which triggered much higher weekly auction rates.

For West Basin, the weekly auction rate security rates began to increase higher from the mid-3% to mid-4% and recently to the maximum rate of 12% for its 2003B

Adjustable Rate Refunding Revenue Certificates of Participation. For the 2004A and 2007A Adjustable Rate Refunding Revenue Certificates of Participation, the weekly rates set at a high of 9-10%.

As a result of the significant impact of the auction rates, West Basin staff and the financial advisor met with the Board of Directors in February 2008 to describe the current market condition and receive Board direction. In April 2008, the Board of Directors approved two refunding transactions that removed West Basin's exposure to auction rate securities. The first transaction approved refunded the 2004A and 2007A Adjustable Rate Refunding Certificates of Participation to the 2008A Adjustable Rate Refunding Revenue Certificates of participation of \$39 million. This transaction closed in late May 2008. The 2008A transaction maintained a variable rate mode as a result of the two outstanding swaps described below.

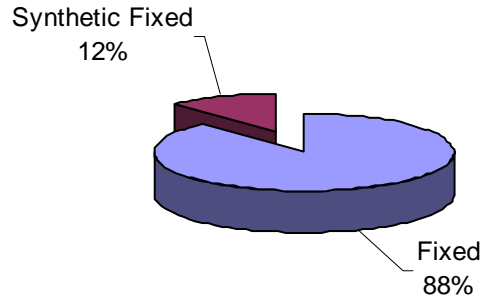
During credit review of West Basin's debt portfolio, it was noted that West Basin maintained a high rate of variable rate exposure. As a result, West Basin refunded the 2003B Adjustable Rate Refunding Certificates of Participation to a fixed rate mode. This refunding is the 2008B Refunding Revenue Certificates of Participation. With the change to fixed rate, West Basin's credit ratings were affirmed at Aa3 for Moody's and AA- for Standard & Poor's.

Described below are the three current issuances outstanding and the state loan: the 2003A Refunding Revenue Certificates of Participation, the 2008B Refunding Revenue Certificates of Participation and the 2008A Adjustable Rate Revenue Certificates of Participation. In addition, West Basin also has a loan from the State Water Resources Control Board. For FY 2009, debt service (DS) is estimated at \$22,834,366. West Basin does not have a legal debt limit.

In FY 2009, West Basin will focus on developing a long-range financial plan. Upon completion, West Basin will formalize a debt policy appropriate to address how it intends to fund a variety of projects to ensure water reliability. West Basin intends to issue new debt in the future with the execution of new customer agreements. See the supplemental section for more discussion.

<b>Series Name</b>	<b>2003A</b>	<b>2008A</b>	<b>2008B</b>	<b>State Loan</b>
<b>Amount</b>	\$156,085,000	\$39,465,000	\$128,665,000	\$5,000,000
<b>Type of Issuance</b>	Refunding / New Proceeds	Refunding	Refunding	Loan
<b>Rate</b>	Fixed	Variable	Fixed	Fixed
<b>Swap to Fix</b>	Not Applicable	Yes	Not Applicable	Not Applicable
<b>Issue Date</b>	2003	2008	2008	1995
<b>Final Maturity</b>	2030	2021 and 2027	2031	2015
<b>Annual DS Payment</b>	\$12.4 Million	\$3.3 Million	\$6.8 Million	\$361,945
<b>2009 Principal</b>	\$6.4 Million	\$1.8 Million	\$ .8 Million	\$283,104
<b>2009 Interest</b>	\$6.0 Million	\$1.5 Million	\$6.0 Million	\$ 78,841
<b>Lien</b>	Senior	Senior	Subordinate	Senior

## Debt Issuances



In April 2005, West Basin entered into a forward interest rate swap on its 1997 Refunding Revenue Certificates of Participation. This interest rate swap became effective August 2007. Prior to August 2007, West Basin issued variable debt that will be exchanged for the previously approved fixed interest swap rate. West Basin will pay a fixed rate of 3.515% with a final termination date of August 2021.

In June 2004, West Basin entered into a swap transaction to exchange the variable rate debt issued in conjunction with the 2004A Refunding Revenue Certificates of Participation. West Basin will pay a fixed rate of 3.662% with a final termination date of August 2027.

### Operating Program Expenses

West Basin organizes and tracks its operating expenses through the following functional budget categories: Finance and Support Services, District Administration, Water Recycling Operations, C. Marvin Brewer Desalter Operations, Resource Planning, Public and Governmental Affairs, and Water Quality Monitoring Program. In prior years, West Basin also paid a portion of the costs related to the Joint Financing Authority. The costs included building and other general services that are now included in the Finance and Support Services budget. Both finance and support services and the district administration costs are allocated to the other program budgets as overhead costs.

Cost accounting is defined as the process of tracking, recording and analyzing costs associated with the products or activities of an organization. As a single enterprise fund, each program budget has direct charges that represent the specific efforts for consultants, suppliers, utilities or other appropriate charges in addition to payroll and allocated costs. Each operating program is described in further detail under the Operating Program Expenses section.

### Payroll and benefits

Historically, West Basin shared a modest-sized staff with its sister agency, Central Basin Municipal Water District. Staffing represented an allocated percentage of the shared staff to the two agencies and was allocated to the various programs based on direct labor charges. However, in February 2006, the West Basin Board of Directors exercised its option to terminate the joint administrative agreement effective July 1, 2006. As such, FY 2007 was the first year where the budget reflected a stand-alone staff.

Staffing levels have remained consistent to prior years at 33 full time equivalent budgeted positions in the proposed FY 2009 budget. Each program budget demonstrates the projected level of effort for the current year for direct labor staff. As a result, the individual program labor cost may fluctuate from year-to-year. Indirect labor represents the support services and is allocated based on the percentage of direct payroll dollars allocated to each program. The method of allocation of indirect labor to the various operating and capital programs is consistent to prior years. Payroll reflects a 7% increase for salary and merit adjustments. Similar to the allocation of indirect labor, benefits are allocated to various programs (including capital) based on direct labor charges. Benefits include health costs, retirement costs, tuition reimbursement, paid holidays, vacation and sick leave.

In FY 2008, the Board of Directors was presented with the actuary report for the Other Post Retirement Benefits (OPEB). The actuary report showed an unfunded liability of approximately \$2 million. For FY 2009, an amount for funding the unfunded liability and the normal cost has been included in the benefit allocation. Other than the inclusion of pre-funding OPEB, there has not been a change in the components to the benefits.

### Personnel staffing (by program): Full Time Equivalent (FTE)

As West Basin tracks its costs by programs, West Basin allocates its personnel labor to its various programs and the table below compares FY 2006 and FY 2007 actual, to FY 2008 projected to FY2008 and FY 2009 budget. The variance of projected to budget FTE for FY 2007-2008 represents unfilled positions for a portion of the year. The Finance and Support Services and District Administration budgets represent the overhead costs of West Basin and no hours will be charged to these programs. These costs are allocated based on direct labor hours. Direct labor hours are used to represent the actual efforts by staff. For FY 2009, the time previously recorded under District Administration is reflected in the other program budgets to reflect the effort to support these programs. In FY 2009 conservation program costs will shift the Public and Governmental Affairs budget from Resource Planning. The conservation personnel efforts from previous years will not shift.



	<b>FY 05/06 Actual</b>	<b>FY 06/07 Actual</b>	<b>FY 07/08 Projected</b>	<b>FY 07/08 Budget</b>	<b>FY 08/09 Budget</b>
<b>District Administration</b>	2.40	1.86	1.42	0.67	0.00
<b>Recycling Operations</b>	7.09	7.36	8.27	6.50	9.11
<b>Desalter Operations</b>	0.09	0.09	0.08	0.10	0.12
<b>Resource Planning</b>	5.57	8.35	8.71	8.68	3.97
<b>Public and Govt. Affairs</b>	5.06	5.95	5.97	4.71	8.61
<b>WQ Monitoring Program</b>	0.51	0.09	0.08	0.05	0.05
<b>Joint Financing Authority</b>	0.44	0.00	0.00	0.00	0.00
<b>Capital Projects</b>	7.60	8.98	7.76	12.29	11.14
<b>Total FTE</b>	28.76	32.68	32.29	33.00	33.00

Capital Improvement Program

In addition, West Basin has identified capital improvements during FY 2009. Before any capital project is initiated, staff presents them to the Board of Directors for approval and direction. Capital projects begin with feasibility and design studies followed by construction contracts. Progress reports are presented to the Board of Directors on a periodic basis. West Basin funds its current projects through its PayGo Designated Fund and through bond proceeds.

Designated Funds / Net Assets (Fund Balance)

West Basin funds are categorized into either unrestricted or restricted. Unrestricted funds consist of an undesignated (operating) fund or designated funds. Designated and undesignated funds can be used for any lawful purpose at the discretion of the Board of Directors. The monies held within designated funds can be shifted or re-allocated at any time at the Board of Directors' discretion. At this time, West Basin has identified the following designated funds: Facility Replacement Fund (which includes Capital Asset Replacement, Emergency Repairs, and System Enhancements), the PayGo Fund, the Rate Stabilization Fund, the Swap Termination Fund and the Bond Defeasance Fund.

Restricted funds consist of funds with external restrictions imposed by creditors, grantors, contributors, or by laws or regulations of government and can only be used for a designated purpose. Currently, West Basin's only restricted funds are the Bond Reserve Funds and the Construction Fund from the 2003 Refunding Revenue Certificates of Participation where West Basin obtained additional bond proceeds for the Phase IV and Harbor/South Bay Expansion.

*Net Assets Summary*

Net Asset balance – June 30, 2008 (estimated)	\$201,212,169
Revenues	136,563,930
Expenses (excludes \$4.4M) *	<u>(132,138,542)</u>
Net Assets – June 30, 2009	\$205,637,557

\* For the purpose of the Net Asset Summary, the expense line does not include \$4,425,388 that is placed directly into the designated funds / net assets. However, for purposes of reflecting a balanced budget, this amount is included in the "Use of Funds" table. The amount placed into designated funds represents the required funds West Basin needs to meet targeted debt coverage.

Net Assets may be impacted by non-cash items such as additions from financial support from the U.S. Army Corps of Engineers. For the purpose of the budget, West Basin does not reflect capital contributions in Source of Revenue as it relates to capital projects and is a non-cash item.

For financial statement purposes at year end, Net Assets is broken down among unrestricted, invested in capital assets (net of related debt), and restricted for capital projects.

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## OPERATING PROGRAM EXPENSES

Development of the operating program budget is a result of developing strategies to meet the goals and objectives established from the Strategic Business Plan. The preview items noted under each program support the overall strategic business plan and commitment statements of West Basin.

The FY 2009 Operating Program consists of the following programs:

<u>Allocated Programs</u>	<u>Page Number</u>
Finance and Support Services	45
District Administration	47
<u>Operating Programs</u>	
Water Recycling Operations	48
C. Marvin Brewer Desalter Operations	51
Resource Planning	53
Public and Governmental Affairs	55
Water Quality Monitoring	59
Joint Financing Authority	60

In FY 2009, Conservation will move under the Public and Governmental Affairs Program. These costs had been previously shown under Resource Planning. For comparison purposes, West Basin has moved the conservation expenditures to the Public and Governmental Affairs program. The labor efforts were not moved from prior years.

## FINANCE AND SUPPORT SERVICES

### **Strategic Business Plan Goal:**

*Finance:* Manage finances to optimize the public's investment return & minimize risk.

*Workforce:* Develop and maintain a highly-qualified, motivated and productive workforce to accomplish West Basin's goals.

**Commitment Statement:** Sound Financial and Resource Management

The Finance and Support Services category represents indirect expenses to support the general operations of West Basin and also includes financial and legal services, and insurance. New in fiscal year (FY) 2008 is the assumption of building expenses such as utilities, building maintenance, and services like guard, landscape and interior plant service. These expenses are proportionally allocated to all West Basin operating and capital programs as "Finance and Administrative Overhead Expense". Direct labor hours are used as the primary basis for allocating these expenses to each program. The allocation provides management with a better understanding of the overall cost of each program.

West Basin maintains memberships to a variety of organizations and the cost is reflected in this budget. The supplemental section further describes these important partnerships.

### FY 2008 Accomplishments

- West Basin's Comprehensive Annual Financial Annual Report (CAFR) for the FY 2007 received recognition from the Government Finance Officers Association for their Excellence in Financial Reporting Award;
- Identify and recommend improvements to West Basin's procurement policies and internal procedures;
- Participate with MWD on a business-to-business outreach program to increase awareness of business opportunities;
- Modify West Basin's investment policy to allow deposits with banks through the Certificate of Deposit Account Registry System (CDARS);
- Enhance the West Basin's small bank investment program with deposits to local banks;
- Address the current municipal finance market to address the degradation of the bond insurers and auction rate securities market by completing two refunding transactions that removed West Basin's exposure to auction rate securities;
- Complete a class and compensation study that reviewed the current classification structure and pay plan and begin implementation of the recommendations;
- Received Board approval to acquire and implement a new financial management system; and

- Discussed actuarial analysis for Post-Retirement Benefits as required by GASB 45 with the Board of Directors to begin funding the unfunded actuarial accrued liability.

FY 2009 Preview

- Continue the implementation of a new integrated financial management system to improve financial processes, reporting and access to data;
- Develop a debt policy to address funding of ongoing capital projects expansions and replacements/refurbishments;
- Research a computerized bid service to assist in the issuance and tracking of the various requests for proposals and requests for bids;
- Enhanced employee training budget for succession planning and workplace retention;
- Outreach to the cities within the West Basin’s service area to obtain information about the local business in order to enhance business opportunities;
- Continue to review the designated fund policy for appropriate funds and target levels; and
- Develop a long-range financial plan to project revenue needs, capital funding and appropriate rates and charges.

	FY 05/06 Actual	FY 06/07 Actual	FY 07/08 Projected	FY 07/08 Budget	FY 08/09 Budget
General Services	\$ 941,503	\$ 1,365,146	\$ 2,147,270	\$ 1,196,300	\$ 1,327,750
Building Services	12,450	63,210	432,000	452,000	456,000
Legal Services	2,076,150	2,293,102	217,000	142,000	217,000
Employee Support	11,437	15,920	16,500	22,000	22,000
<b>Total Overhead Allocated</b>	<b>\$ 3,041,540</b>	<b>\$ 3,737,378</b>	<b>\$ 2,812,770</b>	<b>\$ 1,812,300</b>	<b>\$ 2,022,750</b>

The Finance and Support Services program costs are proportionally allocated to all West Basin operating and capital programs.

No labor allocation to Finance and Support Services as the personnel are classified as indirect labor and therefore allocated to the various program budgets as a percentage of program direct labor to the total direct labor.

In FY 2008, a determination was made to classify all memberships to Finance and Support Services. The FY 2008 operating budget was not changed. However, in FY 2009, all memberships are included within this budget. The memberships are described in the supplemental information section.

**DISTRICT ADMINISTRATION**

**Strategic Business Plan Goal:**

*Finance: Manage finances to optimize the public's investment return & minimize risk.*

**Commitment Statement:** *Sound Financial and Resource Management*

District Administration accounts for expenses directly related to the Board of Directors and the Office of the General Manager and represents their involvement with West Basin programs and external activities. A review of allocation of district expenditures determined that the District Administration budget was determined that it also represents an overhead component as the Board of Directors and General Manager have general oversight over West Basin. Similar to the Finance and Support Services budget, these costs will be allocated based on percentage of direct labor hours on the other programs and also reflected in the other program budgets as Finance and Administrative Overhead.

In addition, District Administration also includes the cost to manage the Standby Program where West Basin receives approximately \$9,600,000. West Basin hires a consultant to assist with taxpayer inquiries, keep West Basin abreast of potential legislative impacts, and provide input and oversight of West Basin's exemption and low-use agreements. Most importantly, the consultant is responsible for the annual submission of parcel information to the county.

FY 2008 Accomplishments

- Board adopted a strategic business plan that formalizes the district's mission statement and provides its top eight goals and its related objectives; and
- Board adopted five commitment statements that reinforce the Board's goals set out in the Strategic Business Plan.

FY 2009 Preview

- Retiree health costs are now included with the GASB 45 calculations;
- Perform required actuary analysis for PARS program; and
- Review of Strategic Business Plan will be conducted semi-annually.

	FY 05/06 Actual	FY 06/07 Actual	FY 07/08 Projected	FY 07/08 Budget	FY 08/09 Budget
Labor and Benefits	\$ 291,605	\$ 267,599	\$ 254,500	\$ 127,889	\$ -
Overhead	91,470	75,804	-	25,914	-
Directors Administration Costs	780,782	799,772	661,700	702,840	802,600
Retiree Health	42,423	36,791	-	55,000	-
Standby Charge Program	20,477	18,706	22,550	20,000	22,000
<b>Total District Administration</b>	<b>\$ 1,226,757</b>	<b>\$ 1,198,672</b>	<b>\$ 938,750</b>	<b>\$ 931,643</b>	<b>\$ 824,600</b>

*Personnel - Full Time Equivalents (FTE)*

FY 2005/06 Actual FTE	FY 2006/07 Actual FTE	FY 2007/08 Projected FTE	FY 2007/08 Budget FTE	FY 2008/09 Budget FTE
2.40	1.86	1.42	0.67	0.00

## **WATER RECYCLING OPERATIONS**

### **Strategic Business Plan Goal:**

Reliability: Maintain a level of local water reliability that supports the regional economy, our community and customer agency needs.

Water Quality: Provide high quality water that meets the needs of our customers.

Environmental Stewardship: Utilize environmentally sustainable and sound business practices in our projects, policies and actions.

**Commitment Statement:** Water Reliability; Water Quality; & Environmental Stewardship

West Basin started delivering recycled water in 1995. West Basin's recycled water system consists of:

- A pump station in the southwest corner of the Hyperion Wastewater Treatment Plant to pump secondary effluent to the main El Segundo plant;
- The main water recycling plant in El Segundo that treats water for use in Chevron refinery's high-pressure and low-pressure boilers, for use in the West Coast Barrier and to comply with Title 22 of the California Administrative Code for irrigation and other industrial uses;
- A Satellite Treatment Plant in El Segundo to further treat Title 22 water to provide nitrified water to Chevron refinery's cooling towers;
- A Satellite Treatment Plant in Torrance to further treat Title 22 water to provide nitrified water to ExxonMobil refinery's cooling towers and a separate Satellite Treatment Plant to provide boiler feed water to ExxonMobil;
- A Satellite Treatment Plant in Carson to further treat Title 22 water to provide recycled water to bp refinery's cooling towers;
- Two re-disinfection stations to boost the level of disinfectant within the recycled water distribution system; and
- Approximately 65 miles of pipelines to deliver recycled water to our customers.

West Basin contracts with United Water Services (UWS) to operate and maintain the main and satellite treatment facilities and with California Water Services Company (CWSC) to operate and maintain the distribution system. West Basin staff manages the program, administers the operations and maintenance agreements, and oversees compliance with the various permits West Basin holds to enable it to sell recycled water. The recycled water operations and maintenance budget includes funds to operate and maintain all of the recycled water facilities, research and development costs to evaluate new, potentially more cost-effective processes and to support



regulatory efforts, costs to administer the program, and costs to encourage and develop additional customers to use recycled water.

#### FY 2008 Accomplishments

- Replaced 756 reverse osmosis (RO) membranes in Barrier Train No. 3 at the main plant in El Segundo;
- Replaced 540 micro-filters elements and 420 RO membranes at the ExxonMobil satellite plant;
- Qualified two additional RO membrane manufacturers through a seven month qualification testing process;
- Evaluated several power demand response programs to see if there would be some benefit to West Basin and selected a program to enter;
- Formed an Independent Expert Advisory Panel to evaluate progress on the 75% Recycled Water for the Seawater Barrier Program;
- Completed a groundwater model of the West Coast Basin Barrier jointly with Los Angeles County Department of Public Works and Water Replenishment District;
- Participating in a study to assess the condition of the West Coast Barrier. The study is jointly funded by Los Angeles County Department of Public Works and Water Replenishment District and West Basin;
- Completed over 50 compliance reports to the regulatory agencies;
- Performed approximately 100 annual visual inspections;
- Performed over 35 periodic cross-connection tests of recycled water sites;
- Initiated study on Alternative Micro-filtration Cleaning Methods;
- Completed the Barrier Intrinsic Tracer Study;
- Completed Oxidation Lab Methods Study; and
- Completed brine toxicity study for the satellite plant in Carson.

#### FY 2009 Preview

- Start up of micro-filter cleaning chemicals equalization tank;
- Start up of second micro-filtration cleaning systems at the Exxon Mobil and Carson satellite plants;
- Replace Phase II micro-filter elements at the main plant in El Segundo;
- Replace RO membranes in Nos. Trains 3 and 4 at the Exxon Mobil satellite plant;
- Complete hydraulic transient analysis of the distribution system;
- Complete study on Alternative Micro-filtration Cleaning Methods;
- Disinfect and flush the distribution system as needed to reduce odors from the recycled water;
- Applied Research and Development program budget includes West Basin's participation with other prestigious funding partners to investigate emerging alternative technologies for treating recycled water; and
- Operations budget reflects repayment of \$794,000 for operations and maintenance costs from the Mobil Boiler Feed.

	FY 05/06 Actual	FY 06/07 Actual	FY 07/08 Projected	FY 07/08 Budget	FY 08/09 Budget
Labor and Benefits	\$ 772,769	\$ 968,813	\$ 1,175,550	\$ 1,015,418	\$ 1,436,588
Overhead	255,438	333,805	984,529	392,609	746,638
Operations					
Chemicals	3,262,099	3,911,592	3,880,600	3,763,600	4,106,900
Consultants	544,299	531,622	939,050	766,826	909,000
Contract Labor	228,207	271,553	300,000	290,000	300,000
Facility Maintenance	1,444,231	1,385,924	1,439,000	1,029,000	1,568,600
Laboratory Service	427,695	396,410	596,950	485,100	587,800
Office Administration	424,104	549,692	500,430	526,200	618,000
Secondary Effluent	219,178	267,115	278,125	310,500	315,000
Solids Disposal	739,248	583,195	455,000	658,100	535,000
Utilities	3,906,084	4,484,158	5,180,800	5,346,200	5,406,200
UWS Labor	3,377,070	3,879,271	4,787,000	4,575,000	4,684,500
Mobil Reimbursement	(701,284)	(735,844)	(763,632)	(779,031)	(794,000)
Total Recycling Operations	\$ 14,899,138	\$ 16,827,306	\$ 19,753,402	\$ 18,379,522	\$ 20,420,226

*Personnel - Full Time Equivalents (FTE)*

FY 2005/06 Actual FTE	FY 2006/07 Actual FTE	FY 2007/08 Projected FTE	FY 2007/08 Budget FTE	FY 2008/09 Budget FTE
7.09	7.36	8.27	6.50	9.11

## **C. MARVIN BREWER DESALTER OPERATIONS**

### ***Strategic Business Plan Goal:***

*Reliability: Maintain a level of local water reliability that supports the regional economy, our community and customer agency needs.*

*Water Quality: Provide high quality water that meets the needs of our customers.*

*Environmental Stewardship: Utilize environmentally sustainable and sound business practices in our projects, policies and actions.*

**Commitment Statement:** *Water Reliability; Water Quality; & Environmental Stewardship*

The C. Marvin Brewer Desalter began operating in July 1993. The Desalter was initially conceived as a five-year Pilot Program to see if brackish water could be economically treated to drinking water standards. The Desalter originally consisted of two wells that pump brackish water from a saline plume trapped in the West Coast Groundwater Basin. The brackish water is then treated using reverse osmosis (RO) and blended with other potable water in California Water Service Company's (CWSC) reservoir. The Desalter was successful at producing drinking water from brackish water and it was decided to continue operations after five years. A single well was constructed to replace the two wells in 2005.

The Desalter is built on a site owned by CWSC in the City of Torrance. The site includes a potable water reservoir and pump station that CWSC uses to meet demands in its service area. Under the terms of an agreement with CWSC, West Basin reimburses CWSC to operate and maintain the Desalter. The budget for the Desalter includes West Basin staff time to oversee the Desalter, operation and maintenance costs incurred by CWSC, lab fees for water quality analyses, sewer fees for brine disposal, and the replenishment assessment paid to the Water Replenishment District (WRD).

### *FY 2008 Accomplishments*

- Normal Desalter operations began in July 2007 after well construction completion in 2005 and a prolonged startup period;
- Facilities upgrades continue throughout the fiscal year to address water quality issues.

### *FY 2009 Preview*

- Includes monies for contract operations, chemicals, brine discharge and power and assumes a full operating year.

	<b>FY 05/06</b>	<b>FY 06/07</b>	<b>FY 07/08</b>	<b>FY 07/08</b>	<b>FY 08/09</b>
	<b>Actual</b>	<b>Actual</b>	<b>Projected</b>	<b>Budget</b>	<b>Budget</b>
Labor and Benefits	\$ 10,032	\$ 11,547	\$ 11,100	\$ 15,872	\$ 17,246
Overhead	3,147	3,943	10,569	5,335	8,858
Operations	58,576	103,507	314,100	385,000	392,000
Replenishment Assessment	-	12,227	165,000	208,600	192,500
<b>Total Desalter Operations</b>	<b>\$ 71,755</b>	<b>\$ 131,224</b>	<b>\$ 500,769</b>	<b>\$ 614,807</b>	<b>\$ 610,605</b>

*Personnel - Full Time Equivalents (FTE)*

<b>FY 2005/06</b>	<b>FY 2006/07</b>	<b>FY 2007/08</b>	<b>FY 2007/08</b>	<b>FY 2008/09</b>
<b>Actual FTE</b>	<b>Actual FTE</b>	<b>Projected FTE</b>	<b>Budget FTE</b>	<b>Budget FTE</b>
0.09	0.09	0.08	0.10	0.12

## **RESOURCE PLANNING**

### ***Strategic Business Plan Goal:***

*Reliability:* Maintain a level of local water reliability that supports the regional economy, our community and customer agency needs.

*Finance:* Manage finances to optimize the public's investment return & minimize risk.

**Commitment Statement:** Water Reliability and Sound Financial and Resource Management

Federal court decisions and simultaneous dry conditions locally and in all watersheds that contribute to Southern California's drinking water supply made the winter of 2007 particularly challenging for water planners. West Basin believes its approach to long-term supply diversification through conservation and development of locally produced new supplies presents the best solution to these external challenges to our water reliability.

In new supply development, planning began on the Phase V Expansion of the Edward C. Little Water Recycling Facility. Part of the expansion will serve the additional capacity needed to inject 100% high-purity recycled water into the groundwater aquifer via the West Coast Basin Seawater Barrier.

West Basin is also moving forward in ocean-water desalination as a future source of drinking water for the region. Having operated a pilot research facility since 2002, West Basin is embarking upon the next step for this resource – a research facility utilizing full-scale components to produce roughly 400,000 gallons per day of desalinated ocean-water. West Basin does not intend to permit this facility for drinking water purposes. Funded partly through a \$1.5 million grant from the California Department of Water Resources, West Basin will construct and operate a Temporary Ocean-Water Desalination Demonstration Project at the Los Angeles Conservation Corps' SEA Lab research and education facility in the City of Redondo Beach. In addition to further testing of the treatment process, the project will provide the opportunity to test alternative intake methods and process efficiency. The Demonstration Project will operate for approximately two years.

### ***FY 2008 Accomplishments***

- Participated in development of Metropolitan Water District's Water Supply Allocation Plan, adopted in February 2008 to determine how limited water supplies would be shared throughout Southern California in the event of a shortage;
- Developed West Basin's Water Allocation Plan for its customer agencies.
- Continued aggressive pursuit of grant funding that resulted in \$790,000 in support of conservation and reliability programs;
- Participated directly in planning and conducting the first Water Runoff Conference;

- Continued a leadership role in the Greater Los Angeles County Integrated Regional Water Management Program as Leadership Committee member, Chair of the South Bay sub-region, and Contract Administrator for Region’s consultant contract; and
- Provided instrumental technical support for the launch of the New Water Supply Coalition, including an analysis of the cost to develop new water supply projects in the United States through 2017

*FY 2009 Preview*

- Play an influential role in the development of Metropolitan’s next Integrated Resources Plan that will determine investments into conservation, local supply development, imported water;
- Continue pursuing grant opportunities for West Basin and its customer agencies;
- Continue leadership role in the Greater Los Angeles County Integrated Regional Water Management Program;
- Finalize West Basin’s Water Allocation Plan and communicate with customer agencies; and
- Develop a Local Resources Strategic Plan that considers several supply scenarios for West Basin and its varying levels of dependence on imported water.

	FY 05/06 Actual	FY 06/07 Actual	FY 07/08 Projected	FY 07/08 Budget	FY 08/09 Budget
Labor and Benefits	\$ 667,732	\$ 967,399	\$ 1,051,800	\$ 1,169,650	\$ 634,342
Overhead	211,269	360,466	1,074,463	474,501	364,461
Ocean Desalination	711,473	199,536	-	-	-
Planning	392,926	220,571	65,300	314,525	225,000
Total Resource Planning	\$ 1,983,400	\$ 1,747,972	\$ 2,191,563	\$ 1,958,676	\$ 1,223,803

*Personnel - Full Time Equivalent (FTE)*

FY 2005/06 Actual FTE	FY 2006/07 Actual FTE	FY 2007/08 Projected FTE	FY 2007/08 Budget FTE	FY 2008/09 Budget FTE
5.57	8.35	8.71	8.68	3.97

## **PUBLIC AND GOVERNMENTAL AFFAIRS**

### ***Strategic Business Plan Goal:***

*Customer/Community Service:* Provide for the needs of our customer agencies and the communities we serve in a way that reflects their needs.

*Communications:* Engage in effective two-way communication of West Basin's programs & policies with the customer agencies and communities we serve.

**Commitment Statement:** Customer Service

The core mission of West Basin's Public and Governmental Affairs department is to convey and enhance West Basin's reputation as a premiere water agency and to position West Basin to better utilize existing opportunities and address future challenges. With the Board of Director's adoption of the Strategic Business Plan, the department worked to establish five (5) commitment statements to convey the value of all of West Basin's programs to its customers and other stakeholders.

The department develops and implements a wide array of programs to insure that West Basin is positioned as a leader in water reliability management among key constituencies. These include legislative officials, cities, partner agencies, community and education organizations and others. The department will also oversee West Basin's conservation efforts.

West Basin's award-winning water education programs engage students about the importance of water conservation and environmental responsibility. West Basin currently offers four programs to elementary school children attending both public and private schools and is looking to expand to schools at middle and high school levels.

The department manages numerous outreach programs, including special events, tours, presentations, media briefings and others designed to inform stakeholders and critical audiences about West Basin's water reliability mission and programs. Water-themed events, construction outreach meetings, media tours and special delegation tours of West Basin's Edward C. Little Water Recycling Facility continue to enhance West Basin's reputation as a world-class agency dedicated to sustainable water resource management.

To support West Basin's water reliability mandate, a variety of legislative advocacy programs are managed by the Department. These include legislative advocacy efforts on key water-supply legislation at the local, state and federal levels, as well as efforts to seek government funding and regulatory support for capital projects and key initiatives.

In December 2007, West Basin began pursuing an institutional strategy to promoting conservation, in addition to hardware-based programs. Resolutions were sought from all local governments served by West Basin declaring "Its Time to Get Serious" about

conservation of drinking water and pledging to review and update if necessary, all water-waste ordinances. Many local cities have passed a resolution and are working with West Basin and water retailers to maximize conservation efforts. These efforts will support West Basin's Reliability 2020.

#### FY 2008 Accomplishments

- Expanded Water Explorations school tour program to serve more middle and high schools in the District's service area;
- Expanded the 'Water is Life' Student Art Contest to middle and high school students;
- Successfully sponsored two high schools in Solar Cup 2008;
- Served as event sponsor and collaborator of the South Bay Business Environmental Coalition's 16th Annual Environmental Science Fair;
- Attracted over 2,000 attendees to the 9th Annual Water Harvest educational festival;
- Hosted 60<sup>th</sup> Anniversary celebration with more than 200 guests, who also honored Edward C. Little and the renaming of our water recycling facility;
- Hosted our first-ever Legislator of the Year luncheon honoring California Assembly Members Curren D. Price, Jr. (51<sup>st</sup> District), Mervyn Dymally (52<sup>nd</sup> District), and Ted Lieu (53<sup>rd</sup> District);
- Conducted public meetings focused on West Basin's temporary ocean-water desalination demonstration project with the LA Conservation Corps and SEA Lab;
- Launched re-design of [www.westbasin.org](http://www.westbasin.org) with interactive features, "live" measurements of our recycled water production and solar power generation, and easier access to information about West Basin's programs and services;
- Developed Board-adopted legislative policy principles to clarify West Basin's policy priorities;
- Conducted a Local Government Outreach Initiative to seek resolutions and ordinances regarding water use efficiency from all 17 cities served by West Basin, as well as school districts and the appropriate County supervisors;
- In partnership with MWD, West Basin provided the Manhattan Beach Botanical Garden with funding assistance to develop an interpretive signage project at the garden that teaches visitors about the benefits of using native plants and water-efficient irrigation devices and practices; and
- Implemented Year-2 of West Basin's Conservation Master Plan, including the launch of several new programs:
  - Green Garden Exchange Program that provided residents with free landscape surveys, free "smart" sprinkler controllers and free rotating sprinkler nozzles.
  - Large Landscape Survey & Incentive Program that provided large sites such as condominium associations with free landscape surveys and increased incentives for water-efficient landscape equipment.



- Commercial / Industrial Survey & Incentive Program that provides larger commercial and manufacturing sites with free water-use surveys and increased incentives for the purchase and installation of water-efficiency measures.

FY 2009 Preview

- Develop an Education Master Plan to guide the management and growth of future education activities;
- Develop an interpretive exhibit and education program for the Temporary Ocean-Water Desalination Project;
- Collaborate with Board of Directors to implement goals and objectives of Strategic Business Plan;
- Develop new collateral materials to showcase West Basin's "new" brand;
- Host 10<sup>th</sup> Annual Water Harvest festival to reach out to the community;
- Coordinate quarterly meetings with media focused on current issues facing the water industry and West Basin;
- Conduct public education outreach program focused on ocean-water desalination as a source of reliable, local drinking water;
- Received additional appropriation of \$2.8 million for the Harbor South Bay project;
- Implement Year-3 of West Basin's Conservation Master Plan, including at least three new pilot programs and associated grant funding support:
  - Partnership with the South Bay Energy Savings Center, Southern California Edison and The Gas Company, providing apartment buildings with free water, energy and gas-efficient devices.
  - "Zero-Runoff Street Median Program" that will assist cities in developing street medians that use native plants and other low-use measures, such as drip irrigation and even synthetic turf.
  - "Food Facilities Program" that will provide incentives to replace older inefficient devices in restaurants, cafeterias and other food service facilities with high water usage;
- Pursue new indoor and outdoor conservation program targeted at schools within disadvantaged communities in the West Basin service area; and
- Held the first Conservation Partners Roundtable Meeting that provides a forum for discussion of how best to implement conservation programs and initiatives in cooperation with neighboring cities/agencies in West Basin's service area.

	FY 05/06 Actual	FY 06/07 Actual	FY 07/08 Projected	FY 07/08 Budget	FY 08/09 Budget
Labor and Benefits	\$ 534,285	\$ 719,993	\$ 846,900	\$ 657,117	\$ 1,214,558
Overhead	167,592	274,029	746,403	278,620	832,692
Education	105,460	137,225	123,250	250,575	253,350
Media	235,659	99,092	174,999	304,000	250,000
Events	94,260	169,326	143,074	155,000	130,000
Government Relations	444,923	321,671	406,000	475,000	438,000
Market Research	-	-	55,000	60,000	-
Outreach	113,488	142,881	58,000	129,000	90,000
Conservation	737,319	848,706	789,252	2,566,651	3,580,365
Total Public & Gov't Affairs	\$ 2,432,986	\$ 2,712,923	\$ 3,342,878	\$ 4,875,963	\$ 6,788,965
Conservation Credits	(455,408)	(488,461)	(457,350)	(1,843,837)	(2,696,383)
Net Program Costs	\$ 1,977,578	\$ 2,224,462	\$ 2,885,528	\$ 3,032,126	\$ 4,092,582

*Personnel - Full Time Equivalents (FTE)*

FY 2005/06 Actual FTE	FY 2006/07 Actual FTE	FY 2007/08 Projected FTE	FY 2007/08 Budget FTE	FY 2008/09 Budget FTE
5.06	5.95	5.97	4.71	8.61

**WATER QUALITY MONITORING PROGRAM**

**Strategic Business Plan Goal:**

Water Quality: Provide high quality water that meets the needs of our customers.

**Commitment Statement:** Water Quality

West Basin administers the Water Quality Monitoring Program. Program activities include compliance sample scheduling, contracting wellhead sampling and laboratory services, reviewing water quality data for compliance, maintaining water quality databases, and preparing compliance and non-compliance reports.

FY 2008 Accomplishments

- Completed laboratory services required to comply with federal Safe Drinking Water Act and California Title 22 Drinking Water regulation such as analyses of all inorganic, organic compounds, and radioactivity.

FY 2009 Preview

- Include federal Unregulated Contaminant Monitoring Rule (UCMR) sampling in the Water Quality Monitoring Program; and
- All laboratory expenses are completely reimbursed by the water agencies participating in the Title 22 program.

	FY 05/06 Actual	FY 06/07 Actual	FY 07/08 Projected	FY 07/08 Budget	FY 08/09 Budget
Labor and Benefits	\$ 35,980	\$ 13,105	\$ 10,000	\$ 6,191	\$ 6,381
Overhead	11,286	4,849	7,463	2,287	3,796
Monitoring Program	3,269	4,382	7,463	13,500	8,400
Title 22 Monitoring	\$ 50,535	\$ 22,336	\$ 24,926	\$ 21,978	\$ 18,577

*Personnel - Full Time Equivalents (FTE)*

FY 2005/06 Actual FTE	FY 2006/07 Actual FTE	FY 2007/08 Projected FTE	FY 2007/08 Budget FTE	FY 2008/09 Budget FTE
0.51	0.09	0.08	0.05	0.05

**JOINT FINANCING AUTHORITY (AUTHORITY)**

The Authority was formed in August 1992 by Central Basin Municipal Water District and West Basin Municipal Water District as a public entity in order to plan for, develop, finance, acquire, manage and control facilities. Central Basin and West Basin equally share the revenues and expenses for the administrative headquarters located in Carson, California. In February 2006, the shared management agreement was terminated effective July 2006. In May 2007, Central Basin refunded the remaining bonds on the JFA setting the stage for termination of the JFA.

*FY 2008 Accomplishments*

- The JFA Board of Directors for the Authority approved the dissolution of the Authority in August 2007. As a result, no operating costs were reflected in this budget. Building costs are now reflected in West Basin’s Finance and Support Services budget.

	<b>FY 05/06 Actual</b>	<b>FY 06/07 Actual</b>	<b>FY 07/08 Projected</b>	<b>FY 07/08 Budget</b>	<b>FY 08/09 Budget</b>
Labor and Benefits	\$ 34,433	\$ 9,196	\$ -	\$ -	\$ -
Overhead	13,445	1,578	-	-	-
Building Services	460,670	268,565	-	-	-
Professional Services	80,115	15,444	-	-	-
Total JFA	\$ 588,663	\$ 294,782	\$ -	\$ -	\$ -
Per Member District	\$ 294,332	\$ 147,391	\$ -	\$ -	\$ -

*Personnel - Full Time Equivalent (FTE)*

<b>FY 2005/06 Actual FTE</b>	<b>FY 2006/07 Actual FTE</b>	<b>FY 2007/08 Projected FTE</b>	<b>FY 2007/08 Budget FTE</b>	<b>FY 2008/09 Budget FTE</b>
0.44	0.00	0.00	0.00	0.00

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## SUPPLEMENTAL INFORMATION

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## CAPITAL IMPROVEMENT PROGRAM

### **Strategic Business Plan Goal:**

*Reliability: Maintain a level of local water reliability that supports the regional economy, our community and customer agency needs.*

*Infrastructure: Manage infrastructure to ensure reliability, manage risk, and maximize the useful life of facilities.*

**Commitment Statement:** *Water Reliability and Sound Financial and Resource Management*

The West Basin Municipal Water District Capital Improvement Program (CIP) continues to be very active. West Basin completed several projects and initiated many new projects during the year that will continue to be implemented over the next five years. For FY 2009, the following table depicts the sources of funds that will be used to pay for the anticipated CIP projects. As defined in the designated funds policy, West Basin will set aside \$14,304,763 in the construction fund (PAYGO) to fund the various reliability projects, replacement projects and other capital projects.

	Customer Funded	PAYGO
Reliability Projects	\$ 8,656,340	\$ 7,199,763
Replacement & Refurbishments Projects	-0-	4,565,000
Other Projects	100,000	2,540,000
Total	\$ 8,756,340	\$ 14,304,763

The CIP projects outlined to begin in FY 2009 will be submitted individually to the Board of Directors for authorization and funding during the fiscal year. In addition, all of the customer-funded projects scheduled to begin in FY 2009 are subject to West Basin securing an agreement with the potential recycled water customer before West Basin will begin construction. These agreements will ensure that West Basin will collect sufficient revenues, either through the commodity charge and/or through an annual fixed revenue charge, to pay the annual debt service associated with bonding these projects. The term of a typical customer agreement is consistent with the life of the bond used to fund the construction of the project.

The recycled water acre-feet and sales associated with the customer-funded reliability projects have not been included in the Projected Operating Results within this year's budget. Similarly, the additional operating costs and debt service have not been increased for the potential sales related to the customer-funded reliability projects.

Also included under the reliability projects are the Ocean-Water Desalination projects. When completed, the desalination facility will produce potable water that will enable West Basin to greatly improve local water reliability. As the acre-feet produced by the desalination facility will replace the potable water West Basin currently purchases from MWD, no change was made to the acre-feet, sales or purchases shown in the Projected

Operating Results. At the time the ocean-water desalination facility is completed, the cost to produce the desalinated water is expected to be equivalent to the cost to purchase imported water. However, the debt service associated with this project has not been accounted for in the Projected Operating Results.

FY 2008 Accomplishments

- Completed construction of the Los Angeles Southwest College Recycled Water Lateral. The Los Angeles Southwest College Lateral is a \$700,000 project that extends from West Basin's existing recycled water system near Chester Washington Golf Course and provides recycled water to Los Angeles Southwest College and Caltrans greenbelts along the Interstate 105 Freeway;
- Completed construction of the Corporate Campus El Segundo Lateral. The Corporate Campus Lateral will serve a newly constructed commercial center within the City of El Segundo and provide recycled water for landscape and industrial use;
- Initiated construction of the Ashwood Park Lateral. The Ashwood Park Lateral will serve Ashwood Park and Caltrans freeway greenbelts;
- Initiated the Phase V Expansion Project study. The Phase V Project will consist of the next major expansion at the Edward C. Little Water Recycling Facility, the Chevron Nitrification Satellite Plant, and the construction of conveyance pipelines for expanding recycled water use in the South Bay area of Southern California. Several new customers are anticipated to receive various qualities of highly treated recycled water. These include El Segundo Power Plant, Chevron Refinery, West Coast Basin Barrier and the Dominguez Gap Barrier;
- Began pre-design efforts on the Hyperion Effluent Pumping Station Secondary Electrical Feeder Project. The pump station expansion will provide a second power source to the existing Hyperion Effluent Pump Station, which is the sole source for secondary effluent from the Hyperion Treatment Plant. This electrical feed will improve reliability to West Basin's overall supply system;
- Completed design and initiated construction on the Micro-filtration (MF) System Equalization Tank. The MF Equalization Tank will serve to remove citric acid used during clean-in-place operations for micro-filtration units at the Edward C. Little Water Recycling Facility and will ultimately improve water quality throughout West Basin's distribution system;
- Completed a lease agreement with the SEA Lab Facility in Redondo Beach and initiated design and environmental permitting efforts on West Basin's Temporary Ocean-water Desalination Demonstration Plant. The Demonstration Plant will use full-scale advanced treatment processes to test and evaluate ocean desalination efforts for ultimate use in a full-scale ocean desalination facility;
- Continued with piloting efforts on Ocean-water Desalination Demonstration Pilot Facility at the El Segundo Power Plant. Piloting efforts will provide design and operational data for use as basis of design for the development of the Ocean-water Demonstration Facility;



- Continued with design efforts on Disinfection Station Facilities to improving distribution system water quality. The Disinfection Stations will increase chlorine residuals in strategic locations throughout West Basin's existing distribution system;
- Initiated implementation of upgraded Distributed Control System for West Basin's major treatment plant facility and associated satellite treatment facilities; and
- Initiated the Electrical System Verification Project that conform all existing electrical system drawings maintained for multiple plant operations into a single comprehensive electrical system plan.

*FY 2009 Preview*

- Complete construction of the Ashwood Park Lateral
- Initiate and complete design-build efforts for the Chevron Nitrification Plant Expansion;
- Complete preliminary and final design efforts on the Phase V Expansion Project, which would include 100% to the Barrier capacity, increase, increased supply to Chevron Boiler feed, and new single pass RO supply to El Segundo Power;
- Initiate design efforts for supplying the Dominguez Gap Barrier with high-quality recycled water from the Carson Regional Water Recycling Facility;
- Initiate preliminary design efforts to serve high-quality single and double pass RO water to the bp Refinery in Carson from the Carson Regional Water Recycling Facility;
- Initiate preliminary design efforts with the City of Los Angeles Department of Water and Power to supply high-quality nitrified Title 22 water for industrial uses within the Los Angeles Harbor Area;
- Continue with Ocean-water Desalination Demonstration Project piloting efforts;
- Complete permitting and design efforts on the Ocean-water Desalination Temporary Demonstration Project;
- Design and begin construction of the Hyperion Secondary Effluent Pump Station Electrical Feed;
- Complete upgrade of Distributed Control System for West Basin's major treatment plant facility and associated satellite treatment facilities;
- Complete Electrical System Verification Project;
- Complete construction of the Satellite Plant MF Clean-in-Place System Modification;
- Complete construction of the Brewer Desalter Discharge-to-Waste Improvement System;
- Design and construct multiple recycled water conveyance facilities under the Harbor/South Bay Project and miscellaneous recycled water laterals and retrofits, as specific customers are identified;
- Initiate construction efforts on several water quality facility improvements.

- Initiate Cathodic Protection improvements to overall distribution system in order to ensure integrity of recycled water facilities;
- Prepare Capital Improvement Program Implementation Master Plan to develop clear roadmap in meeting West Basin’s recycled water supply objectives; and
- Continue coordination with El Segundo Power Plant to provide recycled water for cooling tower applications.

*Personnel - Full Time Equivalent (FTE)*

FY 2005/06 Actual FTE	FY 2006/07 Actual FTE	FY 2007/08 Projected FTE	FY 2007/08 Budget FTE	FY 2008/09 Budget FTE
7.60	8.98	7.76	12.29	11.14

The following table summarizes the planned expenditures for the next five years.

Capital Improvement Project	FY 2009 - 2013				
	FY 09	FY 10	FY 11	FY 12	FY 13
	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
<b>Reliability Projects:</b>					
<b>Potential Customer Funded Projects:</b>					
ECLWRF - Phave V Expansion	1,714,417	25,716,252	6,857,667	-	-
ECLWRF - El Segundo Power Single Pass RO Service	266,769	4,001,531	1,067,075	-	-
ECLWRF - Chevron Boiler Feedwater Capacity Expansion	164,655	2,469,818	658,618	-	-
Chevron Nitrification Facility - Capacity Expansion	2,700,000	-	-	-	-
CRWRP - Dominguez Gap Barrier Supply Project	135,500	5,284,500	-	-	-
BP Refinery - Treatment Capacity Expansion Project	2,000,000	30,375,000	20,000,000	-	-
Los Angeles Harbor Area Expansion Project	1,675,000	16,750,000	48,575,000	-	-
<b>Potential Customer Funded Projects</b>	<b>8,656,340</b>	<b>84,597,101</b>	<b>77,158,360</b>	-	-
<b>Other Reliability Projects</b>					
Oceanwater Desalination Demonstration Pilot Plant	1,299,200	-	-	-	-
Oceanwater Desalination Demonstration Facility	2,532,000	6,482,000	1,852,000	1,082,000	-
Oceanwater Desalination Full-Scale Facility	800,000	5,800,000	12,700,000	48,300,000	-
Oceanwater Desalination Outreach	200,000	200,000	200,000	200,000	200,000
CRWRP - Water and Power Reliability Project	300,000				
Hyperion SE Pump Station Expansion			9,200,000	2,000,000	-
Hyperion SE Pump Station Second Electrical Feed	500,000	2,500,000	-	-	-
HARBOR-SOUTH BAY PROJECT LATERALS - A	999,563	-	19,511,438	-	-
HARBOR-SOUTH BAY PROJECT LATERALS - B	449,000	415,000	703,000	-	-
Miscellaneous Laterals	120,000	120,000	120,000	120,000	120,000
<b>Total Other Reliability Projects</b>	<b>7,199,763</b>	<b>15,517,000</b>	<b>44,286,438</b>	<b>51,702,000</b>	<b>320,000</b>
<b>Replacement &amp; Refurbishment Projects:</b>					
<b>Replacement &amp; Improvements</b>					
Misc. Facility Improvements / Repair & Replacement	2,615,000	200,000	765,000	200,000	765,000
Treatment Facility Distributed Control System Upgrade	1,750,000				
Cathodic Protection Improvements	200,000	75,000	75,000	75,000	75,000
<b>Total Replacement &amp; Improvements</b>	<b>4,565,000</b>	<b>275,000</b>	<b>840,000</b>	<b>275,000</b>	<b>840,000</b>
<b>Other Projects:</b>					
<b>Other Projects</b>					
Miscellaneous T-22 Retrofits (Customer Financing)	100,000	100,000	100,000	100,000	100,000
CIP Implementation Master Plan	850,000	-	-	150,000	
Water Quality Facility Improvements	990,000	300,000	300,000	-	-
Financial Management System	700,000				
<b>Total Other Projects</b>	<b>2,640,000</b>	<b>400,000</b>	<b>400,000</b>	<b>250,000</b>	<b>100,000</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 23,061,103</b>	<b>\$ 100,789,101</b>	<b>\$ 122,684,798</b>	<b>\$ 52,227,000</b>	<b>\$ 1,260,000</b>
<b>Total All Projects (FY 09-13)</b>					<b>\$ 300,022,001</b>

### **ECLWRF Phase V Expansion – 100% to Barrier**

With the successful recent completion of the Phase IV Expansion, the next step for West Basin's Seawater Barrier Conservation Project is to increase recycled water injection to 100%. The Phase V Expansion Project will be the ultimate expansion of the Seawater Barrier Conservation Project and will increase Barrier Water production at the ELWRF by an additional 5 million gallons per day, resulting in 100% recycled water injection into the Barrier.

### **ECLWRF - El Segundo Power Single Pass RO Service**

West Basin has entered discussions with El Segundo Power, an industrial customer near the coast, to consider conversion of its boiler feed water system to recycled water. Preliminary discussions with the customer have indicated a recycled water demand of approximately 200 to 500 gpm.

### **ECLWRF Chevron Boiler Feed water Capacity Expansion**

West Basin's primary customer for boiler feed water from the ELWRF, the Chevron El Segundo Refinery, has expressed an interest in increasing the amount of high-purity boiler feed water delivered from West Basin. The increase in recycled water demand would require construction of new facilities within the ELWRF in order to allow an increase single-pass boiler feed water production from 1,200 gallons per minute to 1,600 gpm.

### **Chevron Nitrification Facility – Capacity Expansion**

The Chevron Nitrification Facility Expansion will include expanding treatment capacity of the existing Biofor Process Train to accommodate increased nitrified water demand by the Chevron Refinery. The expansion will include a new nitrification tank and ancillary equipment to increase the plant's overall production.

### **Carson Regional Water Recycling Project (CRWRP) – Dominguez Gap Barrier Supply Project**

The Dominguez Gap Basin Barrier currently receives a blend of imported water and recycled water from the City of Los Angeles for injection into the seawater barrier. Due to capacity limitations with the City of Los Angeles' advanced treatment facility, the District would provide a portion of high-quality recycled water to supplement the City's recycled water supply for injection into the Dominguez Gap Barrier. The project would potentially provide up to 5000 acre-feet per year of high quality recycled water and would require new treatment process capacity at the Carson Regional Water Recycling Facility along with a new conveyance system to the Barrier.

## **BP Refinery – Treatment Capacity Expansion Project**

BP has coordinated with the District to evaluate supply of up to an additional 7000 acre-feet per year of high-quality single pass reverse osmosis recycled water. The proposed expanded supply would be used for cooling tower and boiler feed makeup. Recycled water will need to meet strict water quality requirements for both cooling tower and high-pressure boiler feed operations. Concept level design studies will be prepared to define all project requirements, including treatment siting and processes, pumping, conveyance alignments, and delivery methods. Environmental requirements will also be prepared. Once completed and approved by all parties, implementation of recycled water facilities would be initiated with an anticipated completion by 2012.

## **Los Angeles Harbor Area Expansion**

West Basin is coordinating with the City of Los Angeles to potentially serve recycled water from West Basin to a portion of the City's service area within the Los Angeles Harbor Area. The project would extend West Basin's recycled water system southerly into the City's Harbor Area and provide irrigation, industrial, and potentially Barrier Water to the Dominguez Gap. Up to 10 mgd of recycled water demand has been identified for this project.

## **Ocean-water Desalination Demonstration Plant**

In May 2002, West Basin initiated piloting efforts to desalinate ocean water and evaluate the potential for developing a viable future water supply source for the region. After nearly four years of research, West Basin has identified optimal operating parameters for desalination and has decided to pursue expanded desalination efforts in a step-wise manner beginning with development of a demonstration level facility, and ultimately leading to implementation of a full-scale ocean-water desalination plant.

In August 2006, West Basin awarded a planning and design contract to construct the West Basin Ocean-water Desalination Demonstration Facility (0.5 mgd). This project is aimed to develop a basis of design for full-scale operation by optimizing operation and maintenance procedures using full-scale elements, evaluate performance of potential energy recovery devices, analyze water quality, and evaluate integration with local potable water systems.

Piloting efforts will continue at the Ocean-water Desalination Pilot Facility at the El Segundo Power Plant. Piloting efforts will provide design and operational data for use as the basis of design for the development of the Ocean-water Demonstration Facility.

## **Ocean-water Desalination Full-Scale Facility**

Based on the findings of the Ocean-water Desalination Demonstration Plant, West Basin anticipates designing and constructing a 20,000 acre-foot per year ocean-water desalination facility. This facility will likely be located near the coast. Potable water would be produced and supplied to the local drinking water systems once the project is complete and all permits have been obtained. The full-scale treatment facility will be capable of providing 6.5 billion gallons annually of potable water, enough water to supply 40,000 families for a year.

## **CRWRP - Water and Power Reliability Project**

To address potential long-term reliability issues at the Carson Regional Water Recycling Facility, a potable water backup supply and power project is underway. The project will consider available options for expediting switchover of the existing potable water backup supply and adding new backup power supply to the facility in the event of emergency outages.

## **Hyperion Secondary Effluent Pump Station Expansion**

West Basin's Hyperion Secondary Effluent Pump Station is the source of water supply for the Edward Little Water Recycling Facility. As West Basin recycled water production continues to increase, secondary effluent demand will exceed the capacity of the existing Hyperion Secondary Effluent Pump Station. The Hyperion Secondary Effluent Pump Station Expansion Project will potentially provide a capacity of up to 100 MGD.

## **Hyperion Secondary Effluent Pump Station and Electrical Feed Expansion**

West Basin's Hyperion Secondary Effluent Pump Station is the source of water supply for the West Basin Water Recycling Facility. As West Basin recycled water production continues to increase, secondary effluent demand will exceed the capacity of the existing Hyperion Secondary Effluent Pump Station. The Hyperion Secondary Effluent Pump Station Expansion Project will potentially provide a capacity of up to 100 mgd.

This pump station must not only have adequate capacity to supply the Water Recycling Plant with effluent, but it must also supply the effluent at a level of reliability to meet the needs of West Basin's industrial customers. A backup power source feed is needed to provide reliability and redundancy in the event the current power source is damaged or lost in a power outage. West Basin will be working with Los Angeles Department of Water & Power, the provider of electrical power to the pump station, to construct a second electrical feeder to the pump station to increase the reliability of the pumping facilities.

## **Harbor/South Bay Recycled Water Expansion Project**

The Harbor/South Bay Recycled Water Expansion Project is a partnership between West Basin and the Army Corps of Engineers. This project includes the design and construction of recycled water pipelines and pumping facilities throughout various cities such as Carson, Torrance, Palos Verdes, Gardena, and unincorporated areas of Los Angeles County. Over sixteen Project Laterals are planned for construction under the current federal funding authorization of \$35 million, of which over \$29 million has been appropriated. Three major pipeline laterals have been constructed to date totaling over \$15 million. Overall, the Harbor/South Bay Water Recycling Project is scheduled for completion in 2012 and is expected to conserve more than 3.2 billion gallons of potable water annually. The Army Corps of Engineers has authorized a financial commitment of \$35 million or 75% of the project funding. West Basin will provide the remaining 25% funding. Additional Project Laterals have been identified that will potentially be designed by West Basin and constructed by the Army Corps. Design and construction of future projects under this Project is dependant on federal funding.

### **Miscellaneous Laterals**

The customer development effort continues to identify potential recycled water customers. Customer retrofit costs have been estimated and used to evaluate the financial feasibility of each site. Potential customers have been prioritized based on cost-effectiveness, difficulty of retrofit, customer interest, institutional issues and other factors.

Expansion of the recycled water distribution system is continuing through the construction of laterals. Laterals, typically, are pipelines with a diameter of 12-inches or less serving customers that are in close proximity to existing portions of the distribution system.

### **Miscellaneous Facility Improvements**

Multiple facility improvements are under consideration for West Basin's treatment and conveyance system facilities. These improvements will enhance the safety, operability and efficiency of both the distribution system and treatment facilities. Some improvements are made to comply with safety, water quality or other regulatory requirements and may not result in an actual cost savings. Other improvements are identified that will result in lower operating costs or improved equipment life.

### **Treatment Facility Distributed Control System Upgrade**

The Distributed Control System Project will upgrade the Edward C. Little Water Recycling Facility's and all three District Satellite Treatment facility control systems in

order to meet future operational support and capacity expansions. The upgraded Distributed Control System will provide a more robust operating system and that allows future expansion capability without system limitations and provides an open architecture database design.

### **Cathodic Protection Improvements**

A pipeline corrosion control survey was performed in 2006 to establish conditions of West Basin's distribution system. Various cathodic protection improvements were identified as being necessary to ensure the integrity of West Basin's recycled water facilities.

### **Capital Improvement Program Implementation Master Plan**

To assist in long-term implementation of the District's capital facilities, a Capital Improvement Program Implementation Master Plan will be developed to address the recycled water supply objectives of the District and provide a clear roadmap of how implementation of future Capital facilities will be achieved. The Master Plan will also address necessary future repair, replacement, and refurbishment requirements of the District's entire recycled water system. The Master Plan will re-develop the District's hydraulic system model, evaluate recycled water service opportunities, identify potential required Capital facilities to meet District objectives, and develop implementation schedules, life-cycle costs, and priorities over the next 20 years.

### **Water Quality Facility Improvements**

Design efforts have been initiated to implement several water quality facility improvements, such as disinfection booster station facilities, throughout West Basin's distribution system. Extended water travel times within the existing distribution system can potentially result in low chlorine residuals, which can lead to odor and operational concerns. The water quality improvements will typically include installation of permanent disinfection facilities strategically located to optimize water quality conditions.

### **Integrated Financial Management System**

West Basin's current software programs and processes need to be updated in order to be more efficient and to provide access to financial data to employees outside the finance department. Advancements in technology and the demands of its users have created a variety of software packages that can provide the efficiency and access to data through an integrated financial management system.



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## **ORGANIZATION MEMBERSHIPS**

## ORGANIZATION MEMBERSHIPS

Membership	FY 07-08 Amount	FY 08-09 Amount
Affordable Desalination Collaboration	10,000	10,000
Alliance for Water Efficiency	-	3,000
American Membrane Technology Association	325	350
American Water Works Assn Research Foundation	33,000	38,000
Association of Metropolitan Water Agencies	7,000	-
Association of California Water Agencies	15,500	15,800
California Association of Sanitation Agencies	700	765
California Climate Action Registry	-	425
California Special Districts Association	2,400	3,500
California Urban Water Conservation Council	3,500	3,500
California Water Awareness Campaign	1,150	1,800
Climate Action Registry	-	425
<u>Chambers of Commerce</u>		
- Carson	400	400
- Chinese	500	500
- Culver City	150	150
- El Segundo	600	600
- Gardena	300	300
- Greater Los Angeles African-American	500	500
- Harbor City / Harbor Gateway	125	175
- Hawthorne	300	300
- Hermosa Beach	350	350
- Inglewood / Airport Area	300	300
- Lawndale	500	500
- Lomita	350	350
- Los Angeles	1,500	1,500
- Malibu	365	365
- Manhattan Beach	450	550
- Palos Verdes Peninsula	400	500
- Redondo Beach	200	250
- South Bay Chinese-American	150	150
- South Bay Latino	300	300
- Torrance	425	425
Colorado River Water Users Association	120	120
L. A. & San Gabriel River Watershed Council	2,500	2,500
National Water Research Institute	50,000	50,000
National Water Resources Association	350	350
New Water Supply Coalition	35,000	35,000
Public Officials For Water & Environ. Reform	1,500	1,500
So CA Alliance of Pub. Owned Treatment Works	7,500	8,000
Southern California Salinity Coalition	5,000	10,000
Southwest Membrane Operators Association	600	600
Think Earth	3,500	-
Urban Water Institute, Inc.	1,250	1,250
Utility Branding Network	-	5,000
Water Education Foundation	1,500	2,700
WaterReuse Association	5,000	5,000
WaterReuse Foundation	25,000	25,000
West Basin Water Association	200	200
<b>Totals</b>	<b>\$ 220,760</b>	<b>\$ 233,250</b>

Provided below is a summary description of the organizations that West Basin supports and the association fees that are paid.

### **AFFORDABLE DESALINATION COLLABORATION (ADC)**

Orientation: Technical

Description: The Affordable Desalination Collaboration (ADC) is a non-profit organization comprised of a group of industry leading companies, federal and state government agencies, and water districts that combine their efforts and share their expertise in seawater desalination.

West Basin Involvement: West Basin was a founding member of the collaboration.

Value: West Basin will benefit from the collaboration's research on advances made in membrane and energy recovery technologies that will ultimately result in lowering the cost of ocean-water desalination implemented on a full-scale level as part of West Basin's water supply portfolio.

Association Fee: \$10,000

### **ALLIANCE FOR WATER EFFICIENCY**

Orientation: Policy/Technical

Description: The Alliance for Water Efficiency (AWE) is a national stakeholder-based non-profit organization dedicated to the efficient and sustainable use of water. Stakeholders include water agencies, non-profits, environmental organizations, and private companies.

West Basin Involvement: The Board and staff will represent West Basin at AWE.

Value: AWE provides access to information and resources drawn from agencies nationwide. AWE also provides direct technical support to members interested in water efficiency matters.

Association Fee: \$3,000

## **AMERICAN MEMBRANE TECHNOLOGY ASSOCIATION**

Orientation: Technical

Description: The American Membrane Technology Association is dedicated to developing and promoting the use of desalination and desalination technology, encouraging cooperation and communication with governmental, institutional and private agencies in matters relating to desalination.

West Basin Involvement: Staff has presented papers on West Basin projects at past conferences.

Value: Involvement in American Membrane Technology Association provides staff an opportunity to interact with other agencies involved in desalination and learn about the latest desalination technologies.

Association Fee: \$350

## **AMERICAN WATER WORKS ASSOCIATION RESEARCH FOUNDATION (AWWARF)**

Orientation: Technical

Description: AWWARF manages more than \$30 million per year of drinking water research in the areas of water quality, treatment, management, resources and health effects.

West Basin Involvement: Staff serves on two Project Advisory Committees (PAC); one for the correlation of arsenic levels in drinking water to cancer incidences and the other one on determining microbial growth in water distribution systems.

Value: West Basin and its customers receive continuing research benefits in water quality issues such as arsenic and radon, both of which occur naturally in the central groundwater basin at concentrations potentially higher than the anticipated new standards.

Association Fee: \$38,000

## **ASSOCIATION OF CALIFORNIA WATER AGENCIES (ACWA)**

Organization: Policy Development and Legislation

Description: ACWA is the largest and oldest association of public water agencies in California, functioning as an effective forum for developing consensus on statewide policy issues.

West Basin Involvement: Staff is involved in various advisory committees and attend two semiannual conferences.

Value: Directors and staff participate in ACWA forums that provide information on key statewide and industry issues that could impact West Basin.

Association Fee: \$15,800

### **CALIFORNIA ASSOCIATION OF SANITATION AGENCIES (CASA)**

Orientation: Policy/Technical

Description: CASA provides its members with current technical information as well as state and federal legislative advocacy and representation before the State Water Resources Control Board and other State entities on issues affecting sanitation agencies.

West Basin Involvement: West Basin receives timely and informative publications on legislation and regulatory matters from CASA.

Value: West Basin is able to stay on top of crucial issues affecting sanitation agencies.

Association Fee: \$765

### **CALIFORNIA CLIMATE ACTION REGISTRY**

Orientation: Technical

Description: The California Climate Action Registry is a private non-profit organization originally formed by the State of California. The California Registry serves as a voluntary greenhouse gas (GHG) registry to protect and promote early actions to reduce GHG emissions by organizations. The California Registry provides leadership on climate change by developing and promoting credible, accurate, and consistent GHG reporting standards and tools for organizations to measure, monitor, third-party verify and reduce their GHG emissions consistently across industry sectors and geographical borders.

West Basin Involvement: West Basin became a member of the California Registry in 2008.

Value: West Basin will benefit from participation in the California Registry through its recognition as an environmental leader by identifying and managing our indirect and direct greenhouse gas emissions.

Association Fee: \$425

### **CALIFORNIA SPECIAL DISTRICTS ASSOCIATION (CSDA)**

Orientation: Special District Governance Advocacy

Description: CSDA is the only statewide association representing all types of independent special districts including irrigation, water, park and recreation, cemetery, fire, police protection, library, utility, harbor healthcare and community services districts with a membership of more than 1,000 organizations. Provides a wide range of high-quality services and resources to member districts.

West Basin Involvement: West Basin receives informative publications on training, legislation, and seminars.

Value: West Basin receives the benefit of education and training, insurance programs, legal advice, industry-wide litigation and public relations support, legislative advocacy, capital improvement and equipment funding, collateral design services, and, most importantly, current information that is crucial to a special district's management and operational effectiveness.

Association Fee: \$3,500

### **CALIFORNIA URBAN WATER CONSERVATION COUNCIL (CUWCC)**

Orientation: Policy/Technical

Description: CUWCC consists of urban water agencies, environmental organizations with an interest in water and other interested parties such as non-profit and private companies that oversee the implementation of the 14 best management practices within those agencies responsible for water management and develop firm conservation savings from these practices.

West Basin Involvement: Staff represents West Basin at CUWCC.

Value: Participation in CUWCC provides West Basin with direct input into conservation strategies impacting statewide water policy.

Association Fee: \$3,500

## **CALIFORNIA WATER AWARENESS CAMPAIGN**

Orientation: Outreach

Description: California Water Awareness Campaign is an organization created to promote water awareness throughout the State of California using innovative and creative marketing methods that focus on "May is Water Awareness Month."

West Basin Involvement: Staff has been involved with the campaign.

Value: The campaign allows West Basin to promote water awareness and efficiency through educational materials to schools, high school/college student scholarships and promotion of water efficiency statewide.

Association Fee: \$1,800

## **CLIMATE ACTION REGISTRY**

Orientation: Technical

Description: The Climate Action Registry is the premier voluntary greenhouse gas registry in North America. The Registry is a non-profit partnership developing an accurate, complete, consistent and transparent greenhouse gas emissions measurement protocol that is capable of supporting voluntary and mandatory greenhouse gas emission reporting policies for its members and reporters. It provides a verified set of greenhouse gas emissions data from its reporters supported by robust accounting and verification infrastructure.

West Basin Involvement: West Basin is a founding Reporter of the Registry.

Value: West Basin will benefit from participation in the Registry through its recognition as an environmental leader by identifying and managing our indirect and direct greenhouse gas emissions.

Association Fee: \$425



## **COLORADO RIVER WATER USERS ASSOCIATION (CRWUA)**

Orientation: Policy

Description: The purpose of CRWUA is to protect and safeguard the interests of those who benefit from the use of the Colorado River system.

West Basin Involvement: Directors and staff attend the annual CRWUA conference.

Value: The membership of the CRWUA provides a strong, unified voice for the preservation of Southern California's imported water supplies.

Association Fee: \$120

## **LOS ANGELES AND SAN GABRIEL RIVER WATERSHED COUNCIL (LASGRWC)**

Orientation: Environmental

Description: LASGRWC is a 501(c)(3) non-profit organization working cooperatively to facilitate a comprehensive, multi-purpose, stakeholder driven consensus process to preserve, restore and enhance the many beneficial uses of the Los Angeles River and San Gabriel River watersheds eco-system.

West Basin Involvement: Staff attends monthly stakeholder meetings during which the LASGRWC conducts business and holds workshops on subjects of interest in the watershed.

Value: West Basin has the freedom to present or discuss its projects to the LASGRWC and garner support.

Association Fee: \$2,500

## **NATIONAL WATER RESEARCH INSTITUTE (NWRI)**

Orientation: Research

Description: The NWRI is a public-private partnership that promotes the protection, maintenance and restoration of water supplies through the development of cooperative research.

West Basin Involvement: A West Basin Board member is assigned to NWRI as a voting member. Staff presents research projects to the NWRI, receives funding and attends applicable meetings.

Value: NWRI provides funding for West Basin research projects.

Association Fee: \$50,000

## **NATIONAL WATER RESOURCES ASSOCIATION (NWRA)**

Orientation: Policy Development and Legislation

Description: NWRA is a non-profit organization comprised of companies, associations and individuals concerned with the appropriate management, conservation and use of national water resources.

West Basin Involvement: Directors attend the NWRA Federal Water Seminar in Washington D.C., which provides water district board members and general managers with an opportunity to interact with members of Congress, key congressional staff and federal agency representatives to promote West Basin's needs and objectives.

Value: NWRA allows West Basin access to its broad-based information and action efforts.

Association Fee: \$350

## **NEW WATER SUPPLY COALITION (FORMERLY U.S. DESALINATION COALITION)**

Orientation: Policy Development and Legislation

Description: The New Water Supply Coalition is comprised of 14 water agencies across the United States in the unified pursuit of federal funding to supplement the cost of development of coastal seawater and inland brackish desalination plants through energy subsidies.

West Basin Involvement: West Basin was a founding member of the coalition formerly named the U.S. Desalination Coalition and is involved in policy formulation, lobbying efforts and attends bi-annual leadership meetings.

Value: West Basin benefits from legislation introduced to Congress through the New Water Supply Coalition.

Association Fee: \$35,000

## **PUBLIC OFFICIALS FOR WATER AND ENVIRONMENTAL REFORM (POWER)**

Orientation: Outreach and Policy

Description: POWER organizes an annual conference on Southern California water policy issues that is gaining in prominence among elected officials and environmentalists.

West Basin Involvement: West Basin contributes to the annual conference.

Value: POWER provides West Basin with another advocate for water recycling.

Association Fee: \$1,500

## **SOUTHERN CALIFORNIA ALLIANCE OF PUBLICLY OWNED TREATMENT WORKS (SCAP)**

Orientation: Policy

Description: SCAP was created in July 1992. It is an association of cities, special districts, and other public agencies formed to concentrate their resources to ensure the passage of reasonable local, state and federal regulations and legislation impacting publicly owned treatment facilities.

West Basin Involvement: West Basin receives SCAP publications and occasionally staff attends its conferences.

Value: As an organization, SCAP serves as a watchdog for legislation which could negatively impact publicly owned treatment facilities, such as the Hyperion Waste Treatment Plant and the West Basin Recycled Water Treatment Plant.

Association Fee: \$8,000

## **SOUTHERN CALIFORNIA SALINITY COALITION**

Orientation: Policy/Technical

Description: The Coalition's purpose is to coordinate salinity management strategies, including legislative and regular issues, with water and waste agencies throughout Southern California.

West Basin Involvement: West Basin supports the organization's goals and objectives.

Value: West Basin and its customer agencies benefits from both the improved use of local groundwater and recycled water and reduced costs caused by the Coalition's commitment to keeping salinity levels low.

Association Fee: \$10,000

### **SOUTHWEST MEMBRANE OPERATORS ASSOCIATION (SWMOA)**

Orientation: Technical

Description: The SWMOA is a non-profit organization comprised of operators and engineers from other agencies, private water companies, consultants, private industrial membrane users, and equipment manufacturers. Its goal is to provide training and education to membrane operators.

West Basin Involvement: West Basin staff sits on the Board of Directors.

Value: West Basin benefits by encouraging more membrane system training for operators thereby enlarging the pool of operators familiar with membrane operations, by exchange of operating experience at other facilities, and by being kept abreast of state of the art in membrane technology.

Association Fee: \$600

### **THE URBAN WATER INSTITUTE (UWI)**

Orientation: Outreach

Description: The mission of the UWI is to provide a non-partisan exchange of information regarding emerging technology and policy issues to the water resource industry in the Western United States.

West Basin Involvement: West Basin was a founding agency of UWI and attends conferences as presenters and attendees.

Value: West Basin benefits from information on emerging technology and public policy for water resources through a monthly newsletter and conferences that address water issues.

Association Fee: \$1,250

## **UTILITY BRANDING NETWORK (UBN)**

Orientation: Outreach

Description: UBN is a national organization administered by the National Water Research Institute to help water and wastewater utilities develop positive brands that clearly communicate the value they provide.

West Basin Involvement: West Basin participates in branding efforts in order to identify ways of improving its image and that of the water industry to increase public trust and attract greater investment in infrastructure.

Value: UBN provides access to information and resources drawn from agencies nationwide. UBN can also provide direct support to members interested in evaluating their own brands.

Association Fee: \$5,000

## **WATER EDUCATION FOUNDATION (WEF)**

Orientation: Outreach

Description: The mission of WEF is to develop and implement education programs leading to a broader understanding of water issues and the resolution of water problems.

West Basin Involvement: Directors and staff attend the briefings and tours conducted by WEF.

Value: WEF assists West Basin in making information on water issues available to students, residents, Directors and staff through the informational materials available to its members.

Association Fee: \$5,000

## **WATEREUSE ASSOCIATION (WATEREUSE)**

Orientation: Technical/Policy/Education

Description: WaterReuse promotes recycled water as a supplemental water supply for the state and works for the adoption of legislation and regulations that increase the safe use for recycled water through conferences, workshops and publications that exchange information and ideas between members and others involved in water recycling.

West Basin Involvement: Staff actively participates in WateReuse committees and conference often has its projects highlighted.

Value: WateReuse is actively involved in local, state and federal level regulatory issues and legislation critical to West Basin's efforts to encourage and expand the use of recycled water locally.

Association Fee: \$5,000

### **WATEREUSE FOUNDATION (WATEREUSE)**

Orientation: Research

Description: The WateReuse Foundation is an educational, nonprofit corporation that serves as a centralized organization for the water and wastewater community to advance the science of water reuse, recycling, reclamation and desalination.

West Basin Involvement: Staff is on the Board of Directors and also attends research conferences.

Value: The WateReuse Foundation has funded research for West Basin, furthering the knowledge and use of recycled water.

Association Fee: \$25,000

### **WEST BASIN WATER ASSOCIATION (WBWA)**

Orientation: Outreach

Description: WBWA is composed of water rights holders in the West Coast Basin and provides a forum to members to discuss current water rights issues and policies.

West Basin Involvement: West Basin participates in forums to better understand local water issues and rate structures.

Value: WBWA provides West Basin with valuable insight on current water rates established by West Basin, proposed legislation and water industry news that affect the way in which West Basin makes policy decisions.

Association Fee: \$200

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## FINANCIAL POLICIES

West Basin's Board of Director's has approved a number of policies to effectively manage the agency. Included in this budget, is the investment policy and designated fund policy. Certain modifications to the investment policy were made during FY 2008 to allow for the investment in certificate of deposits through a registry system. Other non-financial policies are maintained by West Basin through its administrative code and are reviewed periodically to ensure compliance with legal statutes and incorporate other considerations.

Based on the completion of the capital improvement master plan and the development of a long-range financial plan in FY 2009, West Basin intends to develop a debt policy and formalize its capitalization policy. In addition, West Basin staff plans on developing a swap policy and reviewing its Designated Fund policy to determine that the various funds, method of allocation and criteria are still appropriate. These recommendations for new or revised policies will be brought to the Board of Directors for adoption.

As an issuer of revenue certificates of participation, West Basin is required to maintain certain bond covenants. One covenant, bond service coverage, directs the decision-making for West Basin's rate setting and budget development. Internally West Basin has set targeted bond coverage to ensure that West Basin submits a balanced budget. Net revenues above debt service meet this objective as these funds are placed in the designated funds.

<u>Current Board Adopted Financial Policies</u>	<u>Page Number</u>
Investment Policy	86
Designated Funds Policy	94



## **INVESTMENT POLICY**

This investment policy is intended to outline the guidelines and practices to be used in effectively managing the District's available cash and investment portfolio. District monies not required for immediate cash requirements will be invested in compliance with the California Government Code Section 53600, *et seq.*

The authority to invest public funds is expressly delegated to the Board of Directors. The Board re-delegates the investment function to an appointed Treasurer and Deputy Treasurer. The appointed Treasurer shall be a board member and the Deputy Treasurer shall be a District staff member.

The investment of the District's monies is annually delegated by the Board of Directors to an appointed Treasurer and Deputy Treasurer (District Finance staff) who shall thereafter assume full responsibility for those transactions until the delegation is revoked or expires. The appointed Treasurer shall delegate the day-to-day operations of investing to the Deputy Treasurer, but not the responsibility for the overall investment program. All transactions will be reviewed by the appointed Treasurer on a monthly basis to assure compliance with the Investment Policy. (California Government Code Section 53607.)

### **1. STATEMENT OF OBJECTIVES.**

In accordance with California Government Code Section 53600.5, and in order of importance, the Treasurer shall adhere to the following three criteria:

- (a) Safety of Principal – Investments shall be undertaken which first seek to ensure the preservation of principal in the portfolio. The Treasurer shall ensure each investment transaction is evaluated or cause to have evaluated each potential investment, seeking both quality in issuer and in underlying security or collateral, and shall diversify the portfolio to reduce exposure to loss. Diversification of the portfolio will be used in order to reduce exposure to principal loss.

- (b) Liquidity – Investments shall be made whose maturity date is compatible with cash flow requirements and which will permit easy and rapid conversion into cash without substantial loss of value.
- (c) Return on Investment – Investments shall be undertaken to produce an acceptable rate of return after first considering safety of principal and liquidity and the prudent investor standard.

## **2. PRUDENT INVESTOR STANDARD.**

The Board of Directors and Treasurer adhere to the guidance provided by the “prudent investor rule,” California Government Code Section 53600.3, which obligates a fiduciary to ensure that “when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law.”

## **3. AUTHORIZED FINANCIAL INSTITUTIONS AND SECURITIES DEALERS.**

For brokers/dealers of government securities and other investments, the Treasurer shall select only brokers/dealers who are licensed and in good standing with the California Department of Securities, the Securities and Exchange Commission, the National Association of Securities Dealers or other applicable self-regulatory organizations. Before engaging in investment transactions with a broker/dealer, the Treasurer shall obtain a signed verification form that attests the individual has reviewed the District’s Investment Policy, and intends to present only those investment recommendations and transactions to the District that is appropriate under the terms and conditions of the Investment Policy.

The Board of Directors may engage the services of one or more external managers to assist in the management of the District's investment portfolio. Such external managers may be granted discretion to purchase and sell investment securities in accordance with this Investment Policy. Such managers must be registered under the Investment Advisers Act of 1940.

#### **4. PORTFOLIO.**

Any reference to the portfolio shall mean the total of the District's cash and securities under management by the Treasurer. The Treasurer may invest in any security authorized for investment under state law, subject to the limitations described herein:

- (a) Maturity Limitations – The Treasurer is authorized to invest District funds for terms set forth below. For certain instruments, the term of the investment is limited by market convention or as otherwise prescribed herein. No investments may be acquired that exceed five (5) years.
- (b) Investment Transactions – Information concerning investment opportunities and market developments will be gained by maintaining contact with the financial community. Confirmations of all investment transactions will be maintained by the Finance Department for the annual audit. When practical, the Treasurer shall solicit more than one quotation on each trade.
- (c) Exchange of Securities – An exchange of securities is a shift of assets from one instrument to another and may be done for a variety of reasons, such as to increase yield, lengthen or shorten maturities, to take a profit, or to increase investment quality. In no instance shall an exchange be used for speculative purposes. Any such exchange shall be simultaneous (same day execution of sale and purchase), and shall require the approval of the Treasurer.

- (d) Safekeeping – All securities purchased may be delivered versus payment (“DVP”) basis, and held in safekeeping pursuant to a safekeeping agreement.
- (e) Prohibited Investments – Under the provisions of California Government Code Sections 53601.6 and 53631.5, the District shall not invest any funds covered by this Investment Policy in inverse floaters, range notes, mortgage-derived, interest-only strips or any investment that may result in a zero interest accrual if held to maturity.

## **5. AUTHORIZED INVESTMENTS.**

The District is governed by the California Government Code, Sections 53600, *et seq.* Within the context of these limitations, the investments listed below are authorized. Those investments not identified in Section 5 are considered to be ineligible. Credit criteria and maximum percentages listed in this section are calculated at the time the security is purchased.

- (a) Time Deposits – The Treasurer may invest in certificates of deposit issued by bank or savings and loans chartered by the United States or California. The maximum term for time deposits or bank certificates of deposit shall be one year. The combined amount invested in time certificates of deposit and negotiable certificates of deposit shall not exceed 30% of the portfolio. Time certificates of deposit shall meet the conditions in either paragraph (1) or paragraph (2):
  - (1) Time certificates of deposit shall meet the requirements for deposit under Government Code Section 53635 *et. seq.* The Treasurer, for deposits up to \$100,000, may waive collateral requirements if the institution insures its deposits with the Federal Deposit Insurance Corporation (FDIC).

- (2) Fully insured time certificates of deposit placed through a deposit placement service shall meet the requirements under Government Code Section 53601.8.
- (b) Local Agency Investment Fund ("LAIF") Deposits – Deposits for the purpose of investment in the Local Agency Investment Fund of the State Treasury may be made up to the maximum amount permitted by State Treasury policy.
- (c) Negotiable Certificates of Deposit – The Treasurer may invest in negotiable certificates of deposit as follows:
  - (1) To be eligible, a certificate of deposit must be issued by a nationally, or California-chartered bank, a California savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a California licensed branch of a foreign bank. (Government Code Sections 53601(h).)
  - (2) Eligibility for deposits shall be limited to those financial institutions which maintain a rating equivalent to "A" or higher by one of the nationally recognized statistical rating organizations (NRSRO).
  - (3) The amount invested shall be subject to the capital limitations of Government Code Section 53638.
  - (4) The combined amount invested in time certificates of deposit and negotiable certificates of deposit shall not exceed 30% of the total portfolio.
  - (5) The maximum maturity shall be limited to one (1) year.
- (d) Bankers' Acceptances – The Treasurer may invest in bankers' acceptances as follows:

- (1) Investment in a prime banker's acceptance shall not exceed 15% of the portfolio in effect immediately after any such investment is made.
  - (2) Eligibility shall be limited to those securities issued by domestic or foreign banks, which are eligible for purchase by the Federal Reserve System, the short-term paper of which is rated in the highest category by one or more of the NRSRO.
  - (3) No more than 15% of this category of investments may be invested in any one commercial bank's acceptances.
  - (4) The maximum maturity shall be limited to 180 days. (Government Code Sections 53601(f).)
- (e) Commercial Paper – The Treasurer may invest in commercial paper as follows:
- (1) Only commercial paper of prime quality of the highest ranking or of the highest letter and numerical rating as provided for by a NRSRO. (Government Code Sections 53601(g).)
  - (2) Eligible paper is further limited to issuing corporations that are organized and operating within the United States as a general corporation and having total assets in excess of \$500,000,000.
  - (3) Eligible issuer's debt other than commercial paper, if any, that is rated "A" or higher by a NRSRO.
  - (4) Investments in commercial paper shall not exceed 25% of the portfolio.
  - (5) No more than 10% of the outstanding commercial paper of an issuing corporation may be purchased.
  - (6) The term shall not exceed 270 days.
- (f) United States Treasuries.
- The Treasurer may invest in United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the full faith and credit

of the United States are pledged for the payment of principal and interest. (Government Code 53601 (b)).

(g) Federal Agencies.

The Treasurer may invest in Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises. (Government Code 53601 (e))

(h) Money Market Funds.

The Treasurer may invest in shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (Government Code Section 53601(k).)

The following criteria will be used in evaluating companies:

- (1) Attain the highest ranking letter and numerical rating provided by not less than two nationally recognized rating services; or
- (2) Have an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five (5) years' experience managing money market mutual funds and with assets under management in excess of \$500,000,000.
- (3) The maximum purchase price of shares shall not exceed 20% of the portfolio.

**6. BOND FUNDS.**

Investment of bond proceeds shall be subject to the conditions and restrictions of bond documents and are not governed by this policy.

**7. REPORTING REQUIREMENTS.**

In accordance with Government Code Section 53646, the Treasurer shall submit a monthly report to the Executive Secretary of the Board of Directors via the General Manager indicating the types of investment by fund, institution, date of maturity, and amount of deposit, and shall provide the current market value of all securities with a maturity of more than twelve (12) months, rates of interest, and expected yield to maturity.

The Treasurer shall also submit a monthly summary report to the Board of Directors via the General Manager showing investment activity and the status of cash by depository.

**8. INVESTMENT POLICY ADMINISTRATION**

The Treasurer may, at any time, further restrict the securities approved for investment as deemed appropriate. The Board of Directors shall review this policy at least annually.

Additionally, the Treasurer shall annually send a copy of the current Investment Policy to all approved dealers. Each dealer is required to return a signed.



## DESIGNATED FUNDS POLICY

Reserves are categorized into either unrestricted or restricted. Unrestricted reserves consist of undesignated funds, such as the Operating fund, or designated funds, such as the Facility Replacement fund. Designated and undesignated funds can be used for any lawful purpose at the discretion of the Board of Directors. The monies held within designated funds can be shifted or re-allocated at any time at the Board's discretion. Restricted reserves consist of funds with external restrictions imposed by creditors, grantors, contributors, or by laws or regulations of government and can only be used for a designated purpose.

### Operating Fund

Purpose:

The Operating fund is an unrestricted fund and serves as a short-term or immediate purpose. Monies held in the Operating fund meet a variety of potentially competing purposes including paying operating expenses during temporary revenue shortfalls. This fund would also be used to cover timing differences for periodic expenses paid in advance of revenues collected and to pay for expenses for special events not budgeted.

In developing the annual operating budget, staff expends a tremendous amount of effort to identify its program expenses and prudent spending levels. However, unforeseen developments can occur which cause the actual program expenses to exceed the budgeted expenses. In addition, opportunities not budgeted for may arise during the fiscal year that require the District to expend monies which will not be reimbursed. Other times the District will pay expenses that will be reimbursed only after the event is complete. The Operating fund would cover these types of situations.

Target Criteria:

To meet WBMWD cash flow needs and unbudgeted expenses, the Operating fund will be equal to approximately three months of the annual budgeted operating expenses.

### Facility Replacement Fund

Purpose:

The Facility Replacement fund is an unrestricted fund with both short-term and long-term purposes. The objective of the Facility Replacement fund is to provide monies for the current and future replacement of existing assets as they reach the end of their useful lives.

There are three sub-funds within the Facility Replacement fund:

- ◆ **Capital Asset Replacement** – As the Districts’ recycled water system continues to age, there will be increasing demands on this fund to replace or repair these facilities. As a general rule, maintenance costs for an asset becomes more expensive as that asset ages, and eventually the economic decision is made to replace that asset.
- ◆ **Emergency Repairs** - Although the preventive maintenance program is intended to increase the predictability of equipment replacement, unanticipated equipment failure is unavoidable. As a result, these funds would be used to cover periodic short-term replacements made necessary by unplanned failures. In addition, the District does not maintain earthquake insurance. In the event a natural disaster would occur, the District would need sufficient funds to cover the necessary expenditures until funding is available to properly repair the damaged assets.
- ◆ **System Enhancements** – With the rapid changes in technology, assets are becoming obsolete at a faster rate than originally planned. If these improvements increase productivity, reduce operating cost, or extend the useful life of the Districts’ facilities, then expenditures will be made from this fund. Improvements made using this designated fund will show that the benefit/savings must exceed the cost of the enhancement.

The District recognizes that the Facility Replacement fund will only be sufficient to pay a portion of the full cost of future asset replacements and other sources of replacement funding will be needed, such as a bond issuance. This fund will also help reduce the impact of the capital replacements on water rates for future recycled water users.

Target Criteria:

Staff recommends funding levels based on the projected replacement cost of the District’s treatment facilities and distribution systems. The projected capital asset replacement cost for these facilities was determined by first establishing an equipment life cycle and then adjusting estimated replacement cost based on the historical consumer price index. Staff recommends using 5% of the projected capital asset replacement cost to determine the target level for the Capital Asset Replacement Fund and approximately three months funding for critical plant equipment replacement and major pipeline segment repair for the Emergency Repairs Fund. In order to set a target for the System Enhancement Fund, Staff reviewed the historical cost of minor facility projects and considered the cost of future projects to determine a reasonable target level.

## Construction Fund

### Purpose:

The Construction fund is made up of three parts: bond proceeds, grant funds, and PAYGO. Since it is not feasible for the District to fund construction of new capital facilities entirely with current assets, it has been the District's practice to fund a large percentage of such facilities through the issuance of long-term debt. These bond proceeds are restricted solely for the construction of facilities for which they were issued and cannot be used for any other purpose. The second portion of the Construction fund is from grants received from outside contributors such as the United States Bureau of Reclamation. Grant monies enable the District to reduce the amount of their issuance of long-term debt and thereby reduce the annual debt service. These funds are restricted and can only be used for its intended purpose. Lastly, the District budgets annually for its CIP needs, which includes projections for minor facility improvements, retrofits and laterals, and feasibility work on major capital projects. Historically these types of expenditures are relatively inexpensive and have been funded through PAYGO.

### Target Criteria:

As funds in this account fluctuate with each expenditure made for construction, monies received from bond issuances and grants, it is not prudent to set a target amount.

## Rate Stabilization Fund

### Purpose:

The Rate Stabilization fund operates as a buffer to water rates during any period where there are unexpected increases in operating costs or decreases in revenues. For example, in the event an unexpected rate increase from MWD is approved and the District chooses not to pass the increase on to its purveyors immediately, this fund could cover the shortfall in revenue. In the current energy crisis we have seen electricity costs increase significantly during the last year, and they possibly will remain high for several years. Also, in a severe drought or extremely wet conditions, it is reasonable to expect that water sales could fluctuate significantly. As such, the Rate Stabilization fund will absorb these types of fluctuations in operations and help stabilize rates.

### Target Criteria:

As discussed above, potable and recycled water rates can fluctuate for many different reasons. Staff recommends a target level to be sufficient to cover 5% of the budgeted expenditures for two consecutive years.

### Swap Termination Fund

#### Purpose:

As a part of the District's decision to enter into an agreement for a reduced variance enhanced swap it considered many issues including but not limited to the significant short-term and long-term risk to the District. As a means to reduce the monetary risk, the Board established this fund. The Swap Termination Fund was established for the sole purpose of setting aside monies to pay for the termination fee for the reduced variance enhanced swap.

#### Target Criteria:

This account will be funded each year by allocating 100% of the accumulated annual savings earned from the swap for the first 7.5 years.

### Bond Defeasance Fund

#### Purpose:

The Bond Defeasance Fund will be established as part of an accelerated bond retirement strategy; whereas net revenues are set aside in order to meet the 2005 and/or 2009 call dates. If the District is able to retire some or all of its current long-term debt early, then the Board would have the option to incrementally ramp down the Standby Charge or eventually eliminate it.

#### Target Criteria:

Funds in this account will be allocated from net revenues only after all other designated funds have been funded at their target levels.

### Bond Reserve Fund

#### Purpose:

The Bond Reserve Fund consists of bond proceeds that provide additional security for the payment of annual debt service if Standby Charges and other funds are insufficient or not available. The bonding institution establishes the restricted account at the time the debt is issued. The funds cannot be used for any other purpose.

#### Target Criteria:

The Bond Reserve Funds are typically established equal to one year's debt payment on each issuance and would be used to make the last debt service payment.

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## GLOSSARY

**Accrual Basis** – The basis of accounting under which transactions are recognized when they occur, regardless of timing of cash receipts and disbursements.

**Acre-Foot (AF)** – A unit of measure equivalent to 325,900 gallons of water which meets the need of two average families, in and around the home, for one year.

**Acre-Foot per Year - AFY**

**Adjustable Rate Revenue Certificates of Participation** – Tax-exempt government variable rate securities used to finance capital costs.

**Annual Tier 1 Maximum** – An annual set amount of non-interruptible water an agency may purchase at a preferred rate.

**Arbitrage** - A simultaneous buys and sells of the same commodity or investment in two different markets at two different prices, which results in a riskless profit.

**Barrier Water** – Imported or recycled water that is injected into wells to prevent the intrusion of seawater into the groundwater.

**Best Management Practice (BMP)** – An engineered structure or management activity, or combination of these, that eliminates or reduces adverse environmental effects.

**Bond Fund** – Restricted funds used to pay for capital expenditures.

**Brackish Water** - A mixture of seawater and freshwater.

**Budget** – A balanced financial plan for a specified period of time.

**California Water Service Company (CWSC)** - Is the largest investor-owned American water utility west of the Mississippi River and the second largest in the country. Formed in 1926, the San Jose-based company serves 500,000 customers through 28 Customer and Operations Centers throughout the state.

**California Environmental Quality Act (CEQA)**

**Capacity Charge** – A charge to recover the cost of providing peak capacity within the distribution system.

**Capital Expenditure** – Costs incurred that will derive a future benefit and include the acquisition or upgrade of land, equipment or facilities.

**Capital Improvement Program** – A multi-year plan identifying capital projects to be funded during the planning period.

**Cubic feet per second (cfs)**

**Colorado River Aqueduct (CRA)** – The 242 mile-long water conveyance system built by Metropolitan Water District to carry water from the Colorado River to its Southern California services area.

**Comprehensive Annual Financial Report (CAFR)** – An annual report intended to provide interested parties a broad financial outlook of West Basin.

**Consumer-Price-Index (CPI)** - A measurement of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.

**Desalting (or Desalination)** – Removing of salts from salt water by evaporation or distillation. Specific treatment processes, such as reverse osmosis or multi-stage flash distillation, to de-mineralize seawater or brackish (saline) waters for reuse.

**Debt Coverage** – The ratio of annual net income to annual debt service.

**Debt Service** - Principal and interest payments on bonds or other debt instruments used to finance capital facilities.

**Department of Water Resources (DWR)** – DWR operates and maintains the State Water Project, including the California Aqueduct. The department also provides dam safety and flood control services, assists local water districts in water management and conservation activities, promotes recreational opportunities, and plans for future statewide water needs.

**Designated Funds** – Unrestricted funds that can be used for any lawful purpose at the discretion of the Board of Directors.

**Edward C. Little Water Recycling Facility (ECLWRF)** – The main water recycling plant in El Segundo, California which began operations in 1995 which was recently renamed the Edward C. Little Water Recycling Facility.

**Effluent** – Wastewater or other liquid, partially or completely treated or in its natural state, flowing from a treatment plant.

**Enterprise Fund** – An entity with a self-balancing set of accounts established to record the financial position and results that pertain to a specific governmental activity.

**Exemption Agreement** – An agreement that allows a property owner, that is able to demonstrate that his property cannot be developed, to be exempt from the Standby Charge.

**Finance and Administrative Overhead** - Indirect expenses to support the general operations of the West Basin.

**Financial Policies** – A document approved by the Board of Directors that identify parameters in which West Basin can operate and provide a standard in which fiscal performance can be reviewed.

**Fiscal Year** – The time frame in which the budget applies. This is the period of July 1 through June 30.

**Full-Time Equivalent (FTE)** – An employee that normally works 40 hours per week and receives full benefits.

**Fund Balance** – See Net Assets

**Gallons Per Minute (GPM)**

**General Fund** – Unrestricted funds used to pay for general or operating expenditures.

**Government Accounting Standards Board (GASB)** – the source of generally accepted accounting principles used by State and Local governments in the United States of America.

**Groundwater** – Water that has percolated into natural, underground aquifers; water in the ground, not water puddle on the ground.

**Groundwater Resources Program (GRP)** – A program offered by MWD to provide financial assistance to member agencies and local water purveyors to recover and make beneficial use of contaminated groundwater.

**Imported Water** – Water imported by MWD through the CRA system and from Northern California.

**Integrated Regional Water Management Plan (IRWMP)** – A plan prepared by a water purveyor to ensure the appropriate level of reliability of water service sufficient to meet the needs of its various categories of customers during normal, single dry or multiple dry years.



**Interest Rate Swap** - Contracts that require an exchange of cash flows based on a notional principal amount. Generally a fixed interest rate payment is exchanged against a floating rate payment.

**Irrigation** – Applying water to crops, lawns, or other plants using pumps, pipes, hoses, sprinklers, etc.

**Joint Financing Authority (Authority)** – An entity formed in August 1992 between Central Basin Municipal Water District and West Basin Municipal Water District to develop, finance, acquire, manage, and control facilities. The JFA was dissolved by resolution in August 2007.

**Local Resources Program (LRP)** - A program offered by MWD to provide financial assistance to member agencies and local water purveyors to make beneficial use of treated wastewater.

**Low-use Water Agreement** – An agreement allowing a 50% reduction to the annual Standby Charge. The property owner must certify each year that the water usage is less-than 500 cubic feet per month per dwelling unit.

**Metropolitan Water District of Southern California (MWD)** – MWD is one of the world's largest water agencies. It imports almost 60% of the water used by more than 15 million people in Southern California, including San Diego County. This water is wholesaled to Metropolitan's 26 member agencies. A 37 member Board of Directors representing its member agencies governs MWD.

**MWD's Tier 1 Supply Rate** – Recovers the cost of maintaining a reliable amount of supply.

**MWD's Tier 2 Supply Rate** – Set at MWD's cost of developing additional supply to encourage efficient use of local resources.

**MWD's Treatment Surcharge** – Recovers the costs of treating imported water.

**MWD's System Access Rate** – Recovers a portion of the costs associated with the delivery of supplies.

**MWD's System Power Rate** – Recovers MWD's power costs for pumping supplies to Southern California.

**MWD's Water Stewardship Rate** – Recovers the costs of MWD's financial commitment to conservation, water recycling, groundwater clean-up and other local resource management programs.

## **Million Gallons Per Day (MGD)**

**Moody's** – One of the nationally recognized statistical-rating organizations.

**Net Assets** – Represents the difference between assets and liabilities

**Pay-As-You-Go (PAYGO)** – The practice of funding construction expenditures from current operating revenues in-lieu of using debt proceeds.

**Proposition 50** - The Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002, Water Code Section 79500, *et seq.*, was passed by California voters in the November 2002 general election.

**Public Agency Retirement System (PARS)** – A retirement plan established to provide benefits to Board of Directors that meets certain minimum requirements.

**Purchase Commitment** – An agreement to purchase non-interruptible water.

**Readiness-To-Serve (RTS) Charge** – A charge designed to provide firm revenue for Capital Investment Plan debt service to meet the reliability and quality needs of existing users.

**Recycled Water** – Tertiary treated water that cannot be used for domestic purposes and must meet appropriate federal, state, and local laws and regulations.

**Restricted Funds** – Funds restricted by a third party, by law, regulation or contractual obligation.

**Revenue Certificates of Participation** – Tax-exempt government securities used to finance capital costs related to construction or acquisition and may not be used to finance ongoing operating costs.

**Reverse Osmosis (RO)** - a filtration process that forces water through membranes that contain microscopic holes, removing microorganisms, organic chemicals and inorganic chemicals, producing very pure water.

**Seawater Intrusion** – The movement of salt water into a body of fresh water. It can occur in either surface water or groundwater basins.

**Standby Charges** – An annual charge paid by property owners to fund West Basin's debt service obligation on the West Basin Water Recycling Facilities.

**Standards & Poor's** - One of the nationally recognized statistical-rating organizations.

**State Water Project (SWP)** – An aqueduct system that delivers water from Northern California to Central or Southern California.

**Title 22** - A section of California Code of Regulations pertaining to various aspects of drinking water and recycled water standards.

**Ultra-Low-Flush Toilet (ULFT)** – A toilet that uses only 1.6 gallons per flush.

**United Water Service (UWS)** - United Water provides water and wastewater services to seven million people in the United States. In addition to owning and operating regulated utilities, United Water operates municipal systems through public-private partnerships and contract agreements.

**Unrestricted Funds** – Funds not restricted by a third party, by law, regulation or by contractual obligation.

**Urban Water Management Plan (UWMP)** – A report prepared by a water purveyor to ensure the appropriate level of reliability of water service sufficient to meet the needs of its various categories of customers during normal, single dry or multiple dry years. The California Water Management Planning Act of 1983, as amended, requires urban water suppliers to develop an UWMP every five years in the years ending in zero and five.

**Water Reclamation** – The treatment of wastewater to make it suitable for a beneficial reuse, such as landscape irrigation. Also called water recycling.

**Water Replenishment District (WRD)** - WRD manages groundwater for nearly four million residents in 43 cities of Southern Los Angeles County. The 420 square mile service area uses about 250,000 acre-feet of groundwater per year, which equates to nearly 40% of the total demand for water. The WRD ensures that a reliable supply of high-quality groundwater is available through its clean water projects, water supply programs, and effective management principles.

## NOTES