

**WEST BASIN MUNICIPAL WATER DISTRICT****MAY 14, 2008 - Finance Meeting**

Gray (Chair), Smith

**MAY 27, 2008 - Board Meeting**

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Approved by: Rich Nagel

**INFORMATION CALENDAR****PROPOSED FISCAL YEAR (FY) 2008-09 BUDGET UPDATE****SUMMARY:**

In March 2008, staff conducted a budget workshop with the Board to review and discuss the proposed FY 2008-09 budget and the related proposed rates and charges. Since the budget workshop several events have transpired that resulted in a financial impact to the proposed budget. Outlined below are changes staff has incorporated into the final draft budget.

**Auction Rate Securities**

In response to the negative events that have occurred in the municipal credit market, West Basin experienced higher interest rates on its auction rate securities debt. To reduce West Basin's exposure, the Board approved two refunding transactions. The subordinate lien was refunded to a fixed rate debt and closed May 6, 2008. The senior debt will be refunded to a variable rate debt bond with an associated swap with an anticipated close by the end of May. In discussions with the rating agencies regarding West Basin's historic debt service coverage, staff has proactively restructured the debt portfolio to project for stronger debt service coverage for both the senior and subordinate lien, but also the all-in debt service coverage in FY 2008-09 and the outlying years.

**Conservation Grants**

In April 2008, West Basin received notification of award for four (4) conservation grants. These grants assist West Basin's efforts to expand its conservation programs reaching out to the municipalities, residential, and small commercial businesses. The new conservation programs created by these grants will generate a benefit of approximately \$600,000 while only increasing West Basin's cost share by approximately \$50,000.

**Water Supply Allocation**

In February 2008, the Metropolitan Water District (MWD) Board approved a water supply allocation plan to address potential drought conditions and its impact on water supply reliability for the region. To assess the water supply, MWD monitors the snow pack in the high Sierras or the eight-station index and the Colorado River Aqueduct and noted that these indices were below normal conditions in April 2008. In order for MWD to appropriately plan for the water availability for the region, MWD has taken measures to draw down the reservoirs and purchase water but have also increased communications to the public about water conservation to avoid potential restrictions in the future. West Basin staff is evaluating the impact the messaging could have on its water sales in its service area. Staff will continue to monitor the water supply conditions, but has not made modifications to the proposed assumptions of water sales.

Staff is currently incorporating the changes noted above and other minor modifications and finalizing the written document, and will bring the final draft FY 2008-09 budget in June for Board approval and adoption.

FISCAL IMPACTS:

With the restructuring of West Basin's debt portfolio, net revenues are anticipated to increase.

ENVIRONMENTAL COMPLIANCE:

Not applicable.

COMMITTEE STATUS:

This item was reviewed by the Finance Committee on May 14, 2008 and agendized to the May 27, 2008 Board meeting as information for discussion.

RECOMMENDED MOTION:

This item is for information only.

LIST OF EXHIBITS:

None.