

WEST BASIN MUNICIPAL WATER DISTRICT**JUNE 11, 2008 - Finance Meeting**

Gray (Chair), Smith

JUNE 23, 2008 - Board Meeting

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Approved by: Rich Nagel

ACTION CALENDAR

DRAFT FISCAL YEAR (FY) 2008-09 BUDGET ADOPTIONSUMMARY:

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. In April 2008, the Board approved the FY 2008-09 rates and charges as well as the annual Standby Charge. At the May 2008 Finance Committee meeting, staff reviewed several events that transpired since the March 2008 workshop, which 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 the West Basin's exposure to auction rates securities, the Board approved two refunding transactions. Overall, the refunding was structured to defer a portion of the principal payment and lowered the annual debt service payments for FY 2008-09 by approximately \$1.8 million, to \$22.1 million.

Conservation Grants

In April 2008, West Basin received notification of award for four (4) conservation grants. These grants continue West Basin's efforts to expand its conservation efforts 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.

Other Adjustments

- Staff added \$10,000 funding to reproduce the winning artwork from the "Water is Life" poster contest for promotional items;
- Staff included an additional \$10,000 for sponsorships to continue its efforts to outreach within its service area; and
- Additional \$75,000 was included for customer development and local governmental affairs consulting services for Board approved contracts.

At the May 2008 Finance Committee meeting, a question as to the methodology was raised regarding the FY 2008-09 Budget sales assumptions. Historically, the Budget has included sales at 95% of the 5-year average for imported non-interruptible and barrier sales. Staff calculated the effect of lowering to 90% of the 5-year average and determined that the revenue would decrease by \$671,000. The reduction in revenue could be recaptured by increasing the reliability service charge by an additional \$5.75/AF, or by decreasing operating costs, or a combination thereof. The methodology for the FY 2008-09 Budget remains at the 95% of the 5-year average.

Based on the above changes, West Basin's projected net revenues of \$4.4 million will be placed in designated funds and result in debt service coverage of 1.74 for senior lien, 1.64 for subordinate lien and 1.20 for all debt.

FISCAL IMPACTS:

The Draft FY 2008-09 Budget anticipates net revenues will be applied towards Designated Funds and that the desired debt service coverage is achieved.

ENVIRONMENTAL COMPLIANCE:

Not applicable.

COMMITTEE STATUS:

This item was reviewed by the Finance Committee on June 11, 2008 and recommended for approval at the June 23, 2008 Board meeting.

RECOMMENDED MOTION:

That the Board of Directors adopts the Draft FY 2008-09 Budget.

LIST OF EXHIBITS:

Exhibit "A" - Draft FY 2008-09 Budget.