



WEST BASIN MUNICIPAL WATER DISTRICT
17140 S. Avalon Blvd., Suite 210
Carson, CA 90746

AGENDA NO. 12

MAY 13, 2009 – Finance
Smith(Chair), Dear
MAY 26, 2009 – Board Meeting
Prepared by: Wendy Nakamura
Submitted by: Margaret Moggia
Approved by: Rich Nagel

ACTION CALENDAR

WEST BASIN MUNICIPAL WATER DISTRICT CAPITALIZATION POLICY

SUMMARY:

As West Basin Municipal Water District (West Basin) continues to expand the recycling water system, invest into ocean desalination project, and maintain its existing facilities, a large amount of the funds will be spent on each of these projects through the years. To account for these capital developments and improvements appropriately, West Basin should have a well defined capitalization policy to provide guidance for the capitalization and depreciation of capital assets that comply with the requirements of Governmental Accounting Standards Board Statement 34. In addition, upon the completion of the annual audit for Fiscal Year (FY) 2007-08, Mayer Hoffman McCann recommended West Basin adopt a formal capitalization policy.

In the development of West Basin's capitalization policy, staff took a number of key steps to define capital costs, establish capitalization thresholds and identify estimated useful lives for the various asset classes. The process began with a review of several other water district policies to assess the key features to include in a capitalization policy and survey capitalization thresholds. Next, staff analyzed capital expenditures between FY 2005-06 to FY 2009-10 to determine an appropriate capitalization threshold for West Basin and the corresponding impact on the operations budget. Establishing these parameters allows West Basin to consistently apply when an expenditure should be capitalized while others should be expensed as current period repair and maintenance cost.

Finance staff reviewed the policy with engineering, operations and senior management and incorporated their recommendations into the draft policy. In addition, the draft policy was sent to Mayer Hoffman McCann for their review and comment. A copy of the draft Capitalization Policy is attached at Exhibit "A".

STRATEGIC BUSINESS PLAN IMPLEMENTATION:

Goal 8, Finance – Manage finances to optimize the public's investment return and minimize risk.

COMMITMENT STATEMENT:

Sound Financial and Resources Management – West Basin is committed to efficient business operations, financial planning, and asset management.

FISCAL IMPACTS:

An established threshold allows for appropriate budgeting and recording of capital expenditures.

ENVIRONMENTAL COMPLIANCE:

Not applicable.

COMMITTEE STATUS:

This item was reviewed by the Finance Committee on May 13, 2009 and agendized to the May 26, 2009 Board meeting without a Committee recommendation.

RECOMMENDED MOTION:

That the Board approves the West Basin Capitalization Policy.

LIST OF EXHIBITS:

Exhibit "A" – Draft Capitalization Policy