

# 2020-2021

## WEST BASIN OPERATING BUDGET



**WEST BASIN MUNICIPAL WATER DISTRICT**

17140 S. AVALON BLVD. CARSON, CA 90746 WESTBASIN.ORG





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SECTION 1  
GENERAL MANAGER'S MESSAGE





# General Manager's Message

June 22, 2020

## To the Honorable Board of Directors and Customers of West Basin Municipal Water District

It is my pleasure to present West Basin Municipal Water District's (West Basin) budget and supplemental information for the Fiscal Year (FY) beginning July 1, 2020 and ending June 30, 2021 (FY 2020-21). Each year staff carefully considers key drivers in its budget development to ensure the District's mission, strategic goals, and commitments are being financially supported by appropriately setting its rates and charges. This message strives to articulate priorities and issues facing West Basin in the coming fiscal years and to describe short-term factors that influenced decisions made in the development of the FY 2020-21 budget. Further, this message will also provide a summary of FY 2020-21 revenues and expenditures, the resulting financial position, and highlight the major changes in this budget compared to current year FY 2019-20 budget.

The following objectives were considered in the development of the FY 2020-21 budget including: 1) meeting the strategic plan goals set by the Board of Directors (Board) in their Strategic Business Plan 2017-2022; 2) addressing the end of a substantial fixed revenue source; 3) striving to achieve the targeted debt service coverage ratio; 4) evaluating potential ongoing impacts from the COVID-19 pandemic; 5) implementing of cost containment measures; and 6) having sufficient net revenues and access to a low-cost line of credit to pay for Rehabilitation and Replacement (R&R) projects. The Capital Improvement Program (CIP) for FY 2020-21 is a supplement to the budget.

The budgeted total revenue for FY 2020-21 is \$224.1 million, representing a decrease of \$5.7 million (2.5%) from the prior fiscal year. The sunset of the Metropolitan Water District of Southern California's (MET) Local Resources Program (LRP) resulted in a loss of \$6.5 million annually. The ending of the LRP is the largest contributor to the reduction in budgeted revenues. For the past 25 years, the LRP provided up to a \$250/acre-foot (AF) rebate for each AF to help cover operational and capital costs of recycled water produced and sold. Recycled water represents a new drought-proof local water resource supply that decreases the reliance on imported water.

The combination of a MET Tier 1 imported water rate increase of \$26/AF, an effective increase in the MET Readiness-to-Serve Charge (RTS) of \$10/AF, and an anticipated decrease in imported water sales of 4,400 AF, results in a \$2.7 million decrease in budgeted imported water revenues.

Another significant change in budgeted operating revenue is the continued phase-in of the Fixed Service Charge. The Fixed Service Charge was introduced in FY 2018-19 as a result of a study performed to explore rate structure alternatives with the objective of maintaining revenues and promoting rate stability. The 3-year phase-in of the Fixed Revenue Charge is in the final year of its implementation. This revenue source will generate \$7.5 million in FY 2020-21, a \$3.5 million increase from FY 2019-20.

The budgeted total operating expense for FY 2020-21 is \$224.1 million, representing a decrease of \$5.7 million (2.5%) from the prior fiscal year. With a decline in revenues, finding ways to streamline



operations, creating efficiencies, and reducing costs were critical elements in decreasing the total operating expenditures by \$5.7 million. Program and activity costs were reviewed and evaluated to reduce, eliminate, or delay proposed expenditures, where possible. One of the most significant reductions in expenditures was a decrease in budgeted imported water sales. Based on reduced sales in the fourth quarter of FY 2019-20 as a result of the COVID-19 pandemic, imported water sales to retailers are estimated to decrease by 3,000 AF in FY 2020-21. A projected increase in recycled water deliveries to the West Coast Barrier result in a reduction of 1,700 AF of imported water sales to the Barrier.

We are faced with balancing the cost of R&R for aging recycled water infrastructure, maintaining its reliability for existing customers, and expanding recycled water availability to new customers. The FY 2020-21 budget includes \$13.3 million of net revenues slated to be invested back into West Basin's CIP, specifically for R&R, technology, and efforts towards the continued evaluation of Oceanwater Desalination. In addition to utilizing net revenues, West Basin intends to draw from its Commercial Paper (CP) line of credit to supplement the financing of its approximately \$44 million CIP in FY 2020-21.

## Progress Toward Our Strategic Business Plan Goals and Commitments

Updated and adopted in FY 2017-18, the Strategic Business Plan (Plan) provides for a five-year planning horizon. The update of this Plan reaffirmed the vision, mission, and value statements and the five goals that set the framework for the strategies and objectives. Highlighted below are a few of the accomplishments where we have provided value during FY 2019-20 and shaped our objectives for FY 2020-21. For a more complete listing of the accomplishments, see Section 7 of the Budget, Operating Program Expenses, and Section 8, Supplemental Information.

### Water Supply Reliability

- Adopted Resolution No. 11-19-1105 to certify the final Environmental Impact Report for the proposed Ocean Water Desalination Project, and filed the Notice of Determination on November 21, 2019
- Successfully completed 5 free Rain Barrel Distribution Events and distributed 1,600 rain barrels
- Reached the 220-billion-gallon milestone of recycled water delivered to customers since the inception of the program
- Added 52 new meter connections to the recycled water distribution system, to add approximately 160 acre-feet of demand annually

### Sound Financial and Resource Management

- Moody's annual review of West Basin's credit reaffirmed our underlying rating of Aa2
- Exceeded debt coverage ratio target of 1.75 by managing costs and higher water sales
- Received awards for Excellence in Budgeting from California Society of Municipal Finance Officers and the Government Finance Officers Association
- Implemented the second year of a three-year phase-in of the fixed revenue service charge resulting in \$3.9 million of fixed revenue
- Continued to implement the Asset Management program

## Water Quality

- Completed annual customer water quality reports for participating retailers for compliance with the Department of Drinking Water requirements for a public water
- Successfully met groundwater recharge regulations requirements and submitted monthly reports

## Customer Service

- Implemented teleworking program for staff to maintain a high-level of customer service during COVID-19 pandemic
- Represented and promoted West Basin's programs at over 100 community events in partnership with the South Bay Environmental Services Center (SBESC)
- Conducted monthly updates to our customer agencies and municipalities at the West Basin hosted MET Caucus meetings, and West Basin Water Association meetings
- Earned the District Transparency Certificate of Excellence from the Special District Leadership Foundation (SDLF)
- Reopened the renovated Water Education Center
- Hosted the Annual Water Harvest Festival at the Edward C. Little Water Recycling Facility which attracted approximately 1,100 attendees
- Developed online webinar class options for the public in response to COVID-19 pandemic



Students enjoy hands-on learning through West Basin education programs

## Environmental Stewardship

- Prevented approximately 11,760,000,000 gallons of secondary treated sewage from entering Santa Monica Bay in FY 19-20 through the implementation of West Basin's recycled water program
- Partnered with the SBESC to promote the Green Building Program to businesses
- Partnered with the South Bay Chapter of the Surfrider Foundation to provide support for its local Teach & Test Program

## Key Factors Impacting the Budget

The development of the budget incorporates a multitude of considerations, including but not limited to achieving the goals and strategies of the District, determining reasonable and realistic water sales assumptions, calculating the amount and source of funding and timing for capital projects, and weighing any future changes to revenues or financial commitments. Each consideration is carefully evaluated to ensure that we are focused on and capable of fulfilling our mission to provide a safe and reliable supply of high-quality water to the communities we serve, in a cost-effective manner.



## Water Sales Assumptions

As nearly 87% of our revenues are generated from volumetric sales (potable and recycled), careful attention is given when determining sales assumptions. Hydrologic conditions are less predictable, making forecasting more challenging. Therefore, customer agency input on their overall water management strategy from groundwater extractions, and monitoring current imported and recycled water usage has been beneficial. Further, with limited data available, the potential impact on both imported and recycled sales in FY 2020-21 due to the COVID-19 pandemic was also analyzed and discussed with the Board. Staff also reviewed its current capital improvement projects to make appropriate assumptions for recycled and desalted brackish water sales.

Imported retail water sales vary based on hydrologic conditions, water demand, competing local supplies, and the availability of imported water. Even with conditions that brought snowpack levels well above annual averages in recent years, consumption has remained relatively flat due to changes in consumer behavior. Consumer usage of imported water since the end of the most recent drought in FY 2016-17 has not returned to pre-drought levels and is not expected to increase in the near future. Projected sales for the end of FY 2019-20 are expected to be 105,950 AF, a decrease of 50 AF change from FY 2019-20 budgeted sales of 106,000 AF. However, due to the COVID-19 pandemic, West Basin is anticipating lower than average sales during the first quarter of FY 2020-21 and has factored this into its budget for retail sales of 103,000 AF in FY 2020-21.

The West Coast Barrier (Barrier) wells historically have been injected with a mix of recycled and imported water to prevent seawater intrusion. West Basin's goal is to deliver 100% recycled water to the Barrier with annual sales averaging approximately 15,500 AF, but prior years' experience has shown that about 80% is actually from recycled water and 20% from imported water. For FY 2020-21, West Basin is anticipating an increase from 12,400 AF in FY 2019-20 to a budget of 13,800 AF in FY 2020-21 of recycled water injection. The remaining 1,700 AF (15,500 less 13,800) has been budgeted as imported barrier water to meet expected demand for the Barrier.

Recycled water for the Dominguez Gap Barrier Project (Project) is produced at the City of Los Angeles' Terminal Island Treatment Plant (Harbor Recycled Water Project). In 2016 the plant was permitted by the Los Angeles Regional Water Quality Control Board to provide the barrier with 100% recycled water to reduce Water Replenishment District's (WRD) dependence on imported water. However, the City of Los Angeles has been unable to produce enough recycled water to meet total demand in FY 2019-20. The projected 3,000 AF shortfall for the Project will be made up with the sale of imported water to WRD.



Samples of recycled water produced at the Edward C. Little Water Recycling Facility in El Segundo, Calif. are offered to guests to drink during facility tours.



West Basin currently serves recycled water to more than 400 meters (connections). Compared to the FY 2019-20 budget of 36,760 AF, staff anticipates a slight decrease in recycled water sales to 36,164 AF in FY 2020-21, as a result of adjusting budget projections for the sale of Disinfected Tertiary water, and a first quarter impact on sales to the three refineries due to the COVID-19 pandemic. Expected recycled water sales are comprised of approximately 34% sales to the Barrier, 51% to local refineries, and the remaining 15% will be used in parks, golf courses, schools, and street medians.

### **Sunset of the Local Resources Program**

For the past 25 years, revenues from recycled water sales consisted of commodity charges and incentive payments from MET's LRP. The first LRP agreement West Basin entered with MET expired March 2020, and made up the majority of the LRP received. The sunset of this first LRP agreement resulted in a decline in revenues in FY 2020-21 budget of approximately \$6,500,000.

### **Funding for Capital Projects**

West Basin's CIP is designed to support the District Strategic Business Plan, and achieve its mission to provide safe and reliable supply of high-quality water. West Basin's capital projects can be divided into three major components: 1) New Infrastructure Projects that includes the planning, design, and construction of new treatment plant improvements, as well extensions to the water distribution system; 2) Rehabilitation & Replacement, sometimes also referred to as Refurbishment & Replacement (R&R) Projects; and 3) Ocean Water Desalination and Other Projects.

Over the past 10 years, West Basin has invested on average, \$27.4 million each year into its CIP, with the majority being spent on new infrastructure, followed by Ocean Water Desalination and other projects, leaving R&R spending last.

In the FY 2020-21 budget West Basin plans to take an active approach to rehabilitate and replace critical assets of the aging infrastructure that provides recycled and desalted brackish water to our customers. By undertaking this large R&R effort, West Basin will enhance the recycled water and desalted processes, provide reliability to the customers, and achieve cost savings through a more efficient operation. To assist in this effort, the budget includes \$22.7 million for identified R&R projects.

New infrastructure in FY 2020-21 will predominantly be comprised of design and construction of pipelines and laterals to serve new customers with recycled water. Continuing to add new recycled water customers is very important as it reduces our service area's dependence on imported water. There's also an added big bonus: Recycled water is good for the environment. Without recycling, secondary treated sewage water would be discharged directly to Santa Monica Bay. By recycling, less water is discharged to the bay, improving the environmental condition of our coastal waters.

On November 18, 2019, West Basin Board of Directors adopted resolutions to certify and approve with conditions a potential Ocean Water Desalination Project and filed a Notice of Determination on November 21, 2019. The Board also approved Resolution No. 11-19-1106 which contained the following conditions to be met prior to the commencement of the construction of the Ocean Water Desalination Project:

- a. Securing the relevant permits from responsible and trustee agencies, including but not limited to City of El Segundo, California Coastal Commission, California State Lands Commission, Los Angeles Regional Water



- Quality Control Board, and California Department of Fish and Wildlife;
- b. Development of cost estimates consistent with current Engineering News-Record construction cost indices;
  - c. Development and approval of a financial evaluation and plan;
  - d. Completion of a cost and benefit analysis of implementing the Project as a drinking water supply in the West Basin service area; and
  - e. Development and approval of design and project delivery documents.

Planned capital expenditures for FY 2020-2021 are anticipated to be approximately \$43.7 million and more than \$230 million for the following four years. The Recycled Water Master Plan, currently being updated, will evaluate the projects, costs and timing to provide the District a roadmap to maintain and expand its facilities. Based on the nature of the projects, staff anticipates using all avenues to fund the construction, including the use of Pay-As-You-Go (PAYGO) funds, commercial paper line, and the utilization of a low-cost loan through the State of California's Revolving Loan Program. West Basin has also secured an \$8 million grant from the State Water Resources Control Board and \$6 million in contributions from customers towards these infrastructure projects.

At this time, West Basin does not anticipate it will need to draw upon its reserves. In addition, West Basin is active in pursuing grants and partnerships with local, state, and Federal agencies as well as with for-profit entities to collaborate on the many important studies and projects that will benefit the water industry and our service area. All of the capital improvements projects reinforce West Basin's commitment and efforts to increase water supply reliability by augmenting local water supplies, as well as increasing its drought resiliency and sustainability.

## Key Future Considerations

### Legislation

West Basin is a leader in the development of state and federal policies on water supply and water quality. As always, West Basin legislative efforts seek to protect the interests of the West Basin service area, California's water supply, and build upon our partnerships with the state and federal government to expand and enhance the programs and projects we offer our communities.

With the ongoing impacts of the COVID-19 crisis still unknown, West Basin is dedicated to maintaining progress on our Water for Tomorrow program, to ensure water use efficiency and maximize the use of recycled water. To achieve this goal, West Basin is working with a team of stakeholders, including MET, the Association of California Water Agencies, WateReuse California, and CalDesal, to negotiate a potential climate resilience bond, as proposed in SB 45 (Allen) and AB 3256 (Garcia). West Basin is currently working with both authors, and legislative leadership to advocate for increased funding for California water recycling projects and both brackish and ocean water desalination projects.

This effort will also focus on discussions in Congress, where West Basin is currently advocating for a potential federal infrastructure package, or COVID-19 relief package that will stimulate the economy through infrastructure investments. West Basin's on-going partnerships with the U.S. Army Corps of Engineers and the U.S. Bureau of Reclamation are both a model of success, as we've continued to expand the Harbor South Bay Water Recycling Project.

## Information Technology

To assist West Basin in managing its information technology (IT) infrastructure, the Board approved an IT Master Plan in September 2019 that outlines a number of projects that will be implemented over a five-year period. An IT consultant led the development of the IT Master Plan which included benchmarking staff interviews and surveys that resulted in the following six focus areas:

- Service delivery
- IT infrastructure
- Business technology applications
- Security
- Geographic Information System (GIS)
- Technology Governance

As with many industries, cybersecurity is an ongoing area of concern for the water community. West Basin has a strong and continued focus on cybersecurity as world-wide security breaches increase at an alarming rate. Significant effort will continue to be directed toward providing an operationally stable and secure network infrastructure, as well as educating employees on cybersecurity topics and how to mitigate that risk. Ongoing initiatives include performing a security penetration test by an outside



organization, building a disaster recovery plan with an off-site disaster recovery capability, increasing measures such as implementing FortiClient Endpoint Protection. These efforts are particularly important in a time when there is increased teleworking among staff, requiring remote access through FortiClient. As the industry changes and as new cybersecurity threats emerge, we will adapt and improve to strengthen our security stance to maintain an operationally stable and secure infrastructure. Over 50% of West Basin recycled water production supports three (3) large oil refineries that are critical to economic reliability and, therefore, the uninterrupted supply of their product is key.

## Rate Projections

The largest portion of West Basin's imported water rate is passed through to its customers from MET's commodity rate. The MET staff presented its original biennial budget at its February 10, 2020 workshop with an overall rate increase of 5% for both Calendar Years (CY) 2021 and 2022. In addition, the long-term rates, after CY 2023, would increase 3% and MET's target Revenue Bond Coverage ratio of 2.0 would be



met in FY 2024-25. Further, MET staff recommended total CIP expenditures for FY's 2020-21 and 2021-22 to be \$500 million, with PAYGO funding at 60%. However, when the World Health Organization declared a COVID-19 pandemic on March 11, 2020, this news also had a significant impact on the economy. In response to its Board members, member agency and public requests, MET updated its recommended rate proposal to address the concerns of the customer's ability to pay.

On April 14, 2020 the MET Board of Directors adopted a two-year budget, setting their rate for Calendar Year 2021 to \$1,104/AF and Calendar Year 2020 to \$1,143/AF; rate increases of 3% and 4% respectively, will be effective January 1, 2021. By decreasing the CY 2021 and 2022 overall rates from the original recommendation, the long-term rate increases were adjusted from 3% in CY 2024 and for the following six years, to 5% in CY 2024, 4% in CY 2025, and then finally decreasing to 3% in CY 2026. The revised long-term rate increases will still allow MET to meet its target Revenue Bond Coverage ratio of 2.0 in FY 2024-25.

West Basin has incorporated MET's long-term rates and charges into its five-year forecast along with assumptions regarding its own future rate and charge adjustments that will be more fully evaluated upon the completion of the Recycled Water Master Plan. Additional information regarding the five-year forecast can be found in Section 3 of the budget, the Financial Overview & Summary.

Staff has been working with our financial consultants to develop a comprehensive long-range financial plan (LRFP). In February 2019, staff presented to the Board the components of the LRFP which include strategic planning, financial policies, financing and economic conditions, operating costs, capital program, demand forecast, and revenue, rates, and charges. The Board adopted financial policies and those policies are reviewed annually



to ensure they reflect regulatory requirements, best practices, and targeted financial metrics. Currently under development, the Recycled Water Master Plan will be a critical component to the LRFP. The plan, expected to be completed by end of calendar year 2020, will outline the District's capital improvement projects for the next 20 years, and provides a roadmap for the cost to construct future capital facilities. Additionally, it will identify corresponding operational expenses, and potential savings that need to be considered in the LRFP due to the impacts from future debt financing and the need for PAYGO funding. This information along with operating costs and future sales assumptions will be incorporated into the financial model that will allow staff to perform a sensitivity analysis and determine the largest drivers of future water rate adjustments.



## In Conclusion

The FY 2020-21 budget supports the long-term financial and organizational goals, and considers the future need to expand and diversify our water portfolio while maintaining our aging recycled water production facilities. West Basin will continue to work with its customers and other stakeholders to ensure that rate adjustments are mitigated to the greatest extent possible while still being able to protect and secure a safe and reliable water supply.

Through a series of workshops, West Basin's draft FY 2020-21 budget has been carefully considered by the Board of Directors and communicated to our customers before adoption. The Board understands the impact that water rates have on our customers and balances those concerns with meeting the objective of diversifying water supply sources and planning strategically for our long-term financial stability. I am confident that through sound financial management and cost containment measures included in this budget, West Basin will achieve continued success in delivering safe, high-quality, and reliable water supplies to the communities we serve in a fiscally responsible manner.

I would like to thank West Basin staff, our customers, stakeholders and the Board for their efforts and contributions to the preparation of the FY 2020-21 budget.

Respectfully,

A handwritten signature in cursive script that reads "Patrick Sheilds".

Patrick Sheilds  
General Manager





SECTION 2

ABOUT WEST BASIN MUNICIPAL  
WATER DISTRICT





## About West Basin Municipal Water District

West Basin Municipal Water District (West Basin), an innovative and award-winning public agency, is a special district of the State of California that provides imported drinking water, produces recycled water and provides water-use efficiency and water education programs to approximately 885,000 residents within a 185-square mile service area. Located in the heart of Southern California's coastal plain, its service area has a Mediterranean climate, characterized by warm, dry summers and wet, cool winters with moderate precipitation.

West Basin is governed by a board of five directors who are elected by the public in alternating four-year terms. West Basin is a member agency of the Metropolitan Water District of Southern California (MET), a cooperative of twenty-six member agencies including cities and water agencies. West Basin sells the imported water it purchases from MET to cities, water agencies and private water companies in coastal Los Angeles County.

Recycled water is the cornerstone of West Basin's efforts to increase water reliability by augmenting local supplies. The District's award-winning Edward C. Little Water Recycling Facility in El Segundo, California and its satellite plants are the only facility network in the world that produces five different types of customer-specific recycled water. The system produces quality water for: irrigation; industrial cooling towers; high and low pressure boiler feeds; and seawater barrier water for groundwater replenishment and protection. West Basin provides recycled water through more than 400 connections to industrial, commercial and public facilities in the service area.

To protect our local groundwater aquifer from seawater intrusion, West Basin currently provides highly purified recycled water to the Water Replenishment District of Southern California (WRD) for injection into the West Coast seawater barrier. While West Basin does not pump groundwater, it is another source of water for many of the communities within our service area.

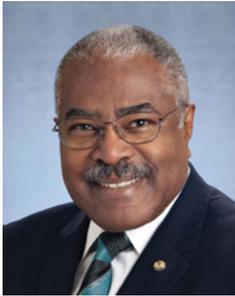
In August 2017, West Basin's Board of Directors approved an updated Strategic Business Plan. In March 2019, West Basin updated its Water Reliability Program to reflect current goals through a reinvigorated Water for Tomorrow Program. Water for Tomorrow brings new emphasis to West Basin's commitment to protecting, securing and diversifying its water supply while continuing its history of innovation and industry leadership. This includes reducing dependence while increasing reliability of our imported water supply, expanding conservation efforts, maximizing water recycling and evaluating ocean water desalination as a local, drought-resilient resource.

West Basin continues to invest in staff, operations and programs to maintain high standards within our workforce and reach out to the community through conservation programs, education, community partnerships, small and local business opportunities and other programs focused on providing value to our service area.





## Board of Directors



**Harold C. Williams**  
Vice President

**Division 1:** Cities of Carson, Palos Verdes Estates, Rancho Palos Verdes, Rolling Hills Estates, Rolling Hills and the unincorporated Los Angeles County area of Rancho Dominguez



**Gloria D. Gray**  
President

**Division 2:** City of Inglewood and unincorporated Los Angeles County areas of South Ladera Heights, Lennox, Athens and Westmont



**Carol W. Kwan**  
Treasurer

**Division 3:** Cities of Hermosa Beach, Lomita, Manhattan Beach, Redondo Beach and a portion of Torrance



**Scott Houston**  
Immediate Past President

**Division 4:** Cities of Culver City, El Segundo, Malibu, West Hollywood and unincorporated Los Angeles County areas of Lennox, North Ladera Heights, Del Aire, Marina del Rey, Topanga, View Park, Wiseburn and Windsor Hills

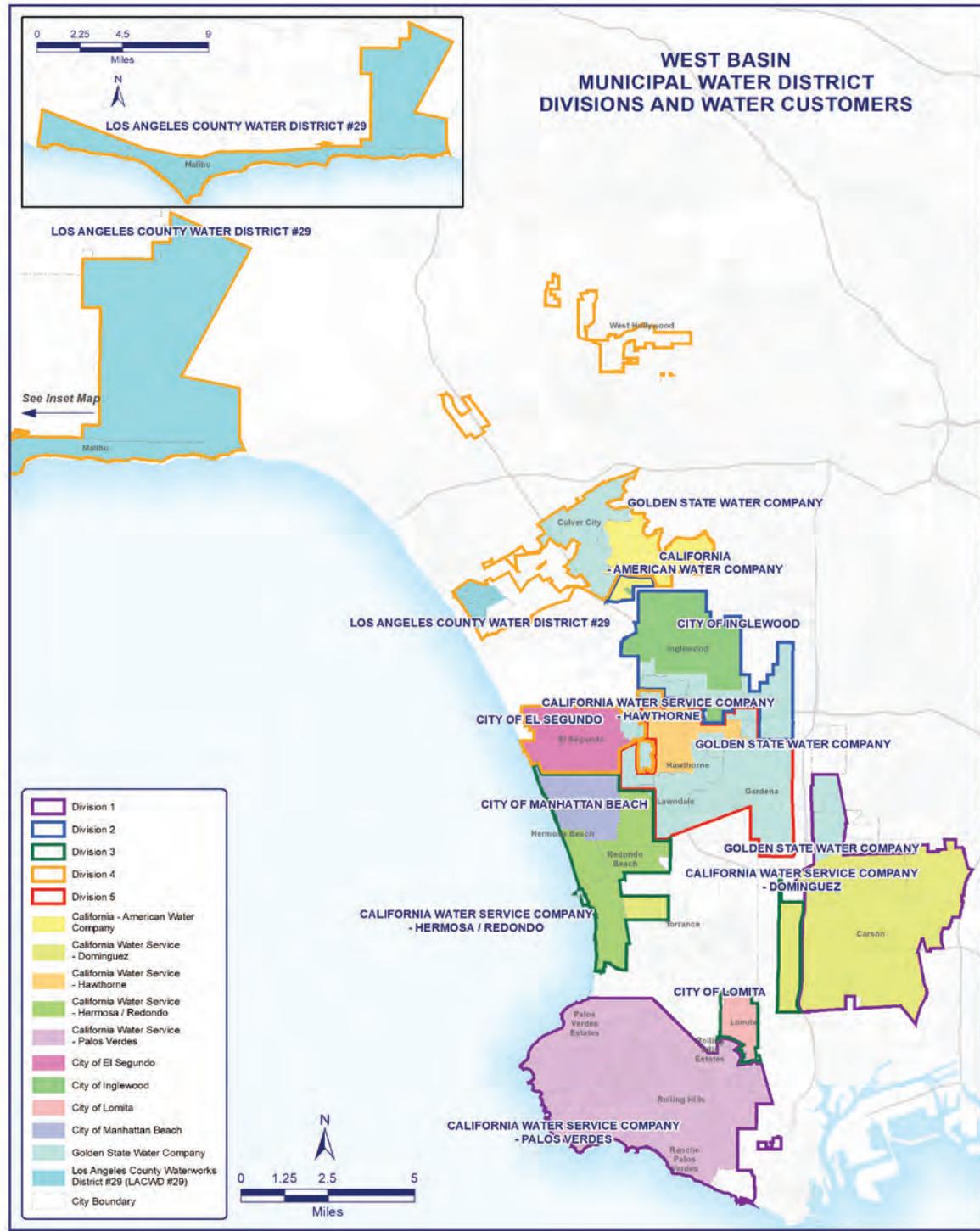


**Donald L. Dear**  
Secretary

**Division 5:** Cities of Gardena, Hawthorne, Lawndale and the unincorporated Los Angeles County area of El Camino Village

## Service Area

West Basin Municipal Water District serves a diverse population in 17 cities and parts of unincorporated coastal Los Angeles County.



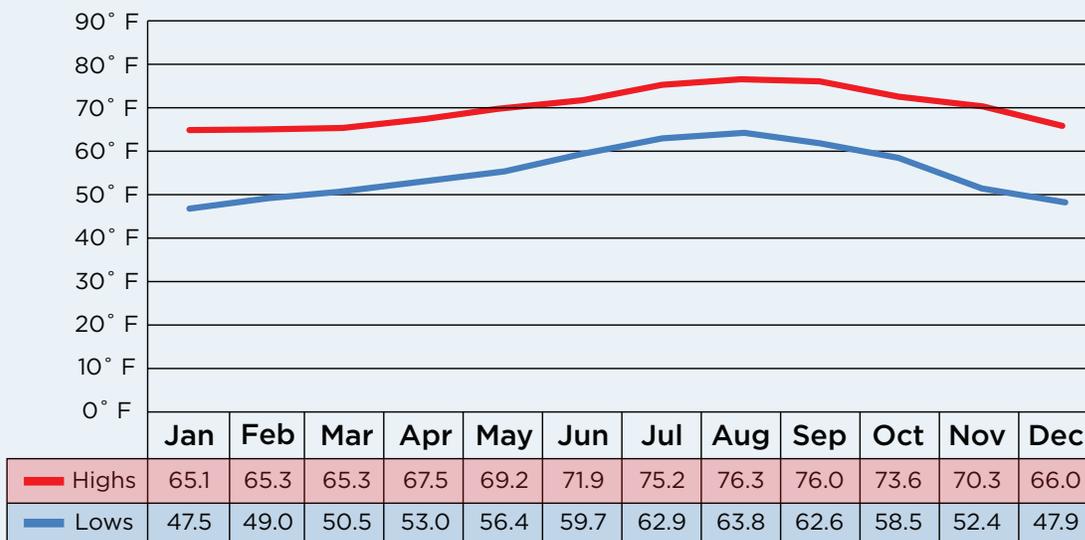


## District Statistics

Formed	<b>December 17, 1947</b>
Estimated Population	<b>885,000</b>
Area Served	<b>185 square miles</b>
Water Portfolio	<b>Potable, Recycled &amp; Desalted</b>
Average Residential Parcel Size	<b>9,240 square feet</b>
Lowest Median Income	<b>\$14,685 - Westmont</b>
Highest Median Income	<b>Over \$250,000 - Manhattan Beach Palos Verdes</b>

Los Angeles County's average daily temperatures range from mid-40's in December and January to high-70's in August and September. The average annual precipitation is approximately 12 inches, although the region is subject to significant variations in monthly precipitation. The average evapotranspiration (ETo) is almost 43 inches per year which is three and a half times the annual average rainfall.

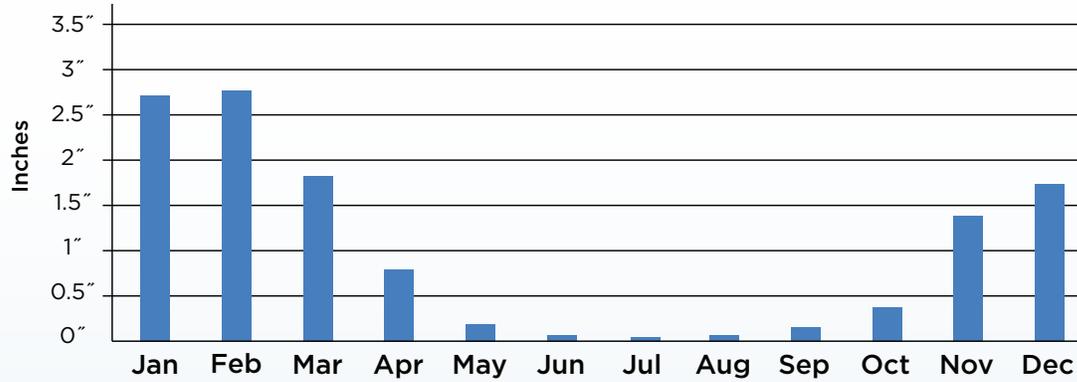
### Southern California Average Temperature



Source: Western Regional Climate Center



## Southern California Average Precipitation

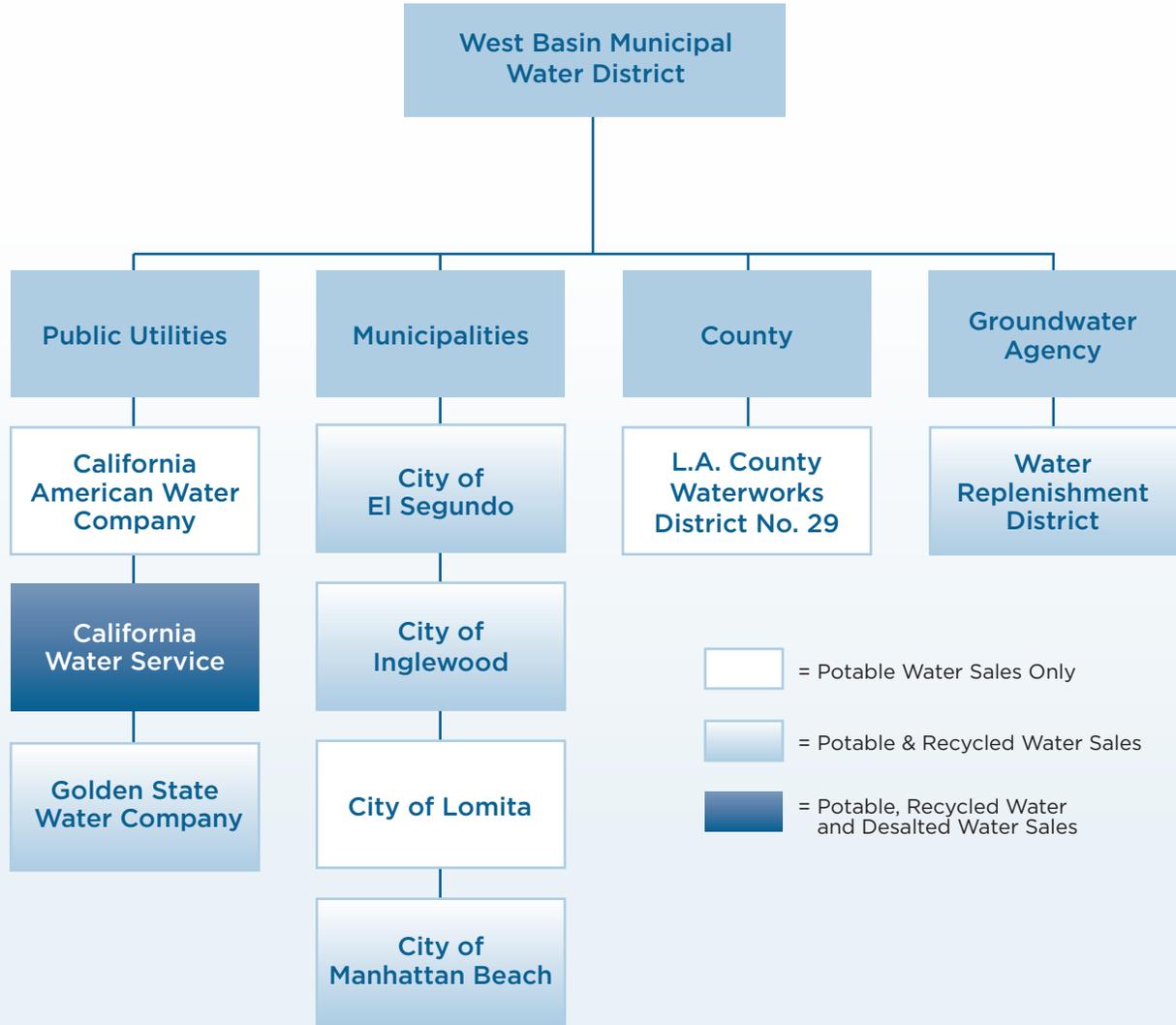


Source: Western Regional Climate Center

## Ten Largest Employers Within West Basin Service Area

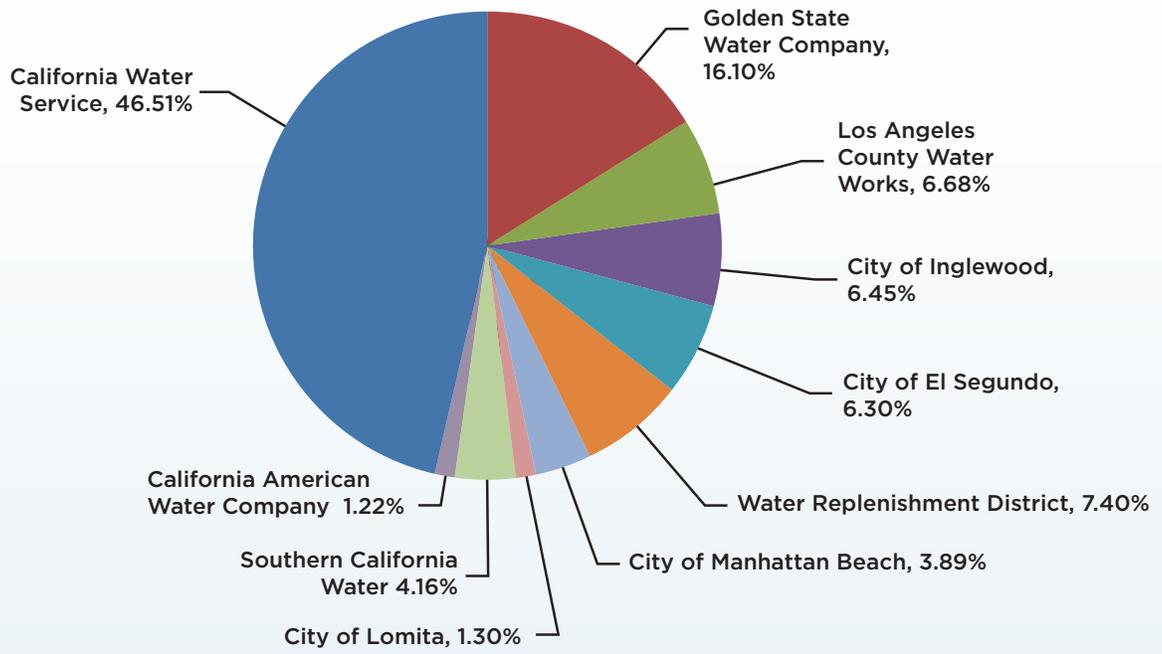
Employer	Number of Employees
Northrop Grumman Corporation	11,283
Space Exploration Technologies	4,718
Raytheon Company	5,189
Sony Pictures Entertainment	6,000
Boeing Satellite Systems Inc.	2,959
Aerospace Corporation	2,711
Accenture	1,685
Mattel, Inc.	1,674
PV Unified School District	1,175
Tesoro Refining & Marketing Co, LLC	1,164

Source: Finance Department



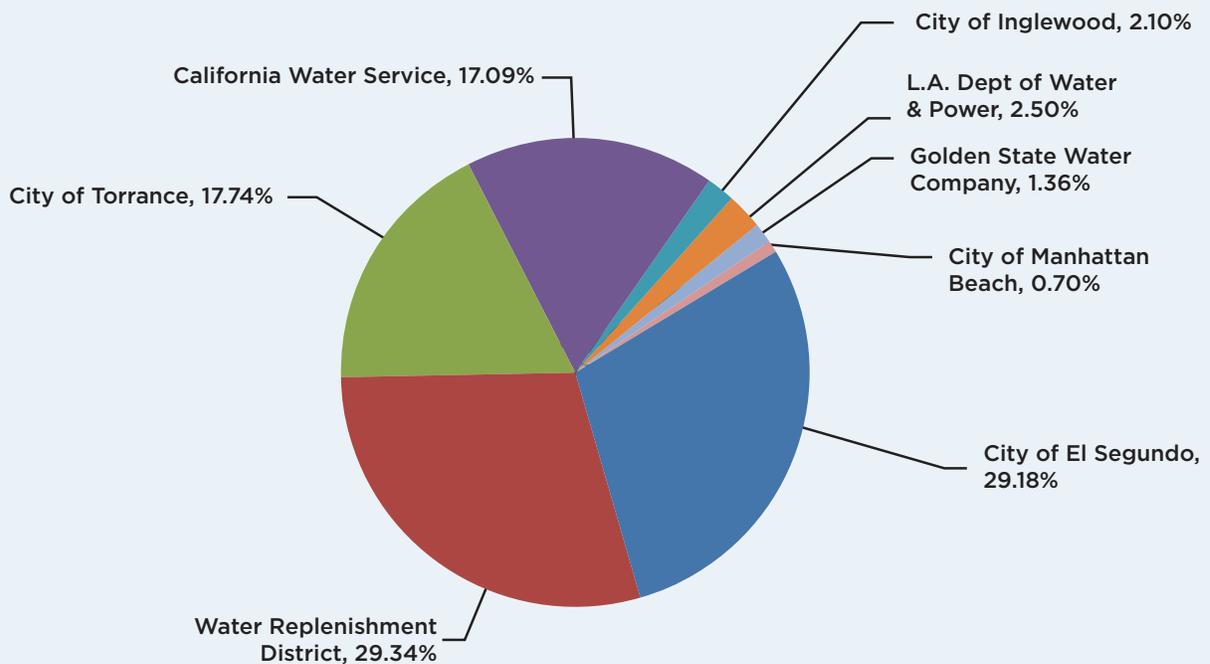
## Potable Water Customer Sales Distribution

FY 2018-2019



## Recycled Water Customer Sales Distribution

FY 2018-2019





## History

As early as 1918, the levels in local groundwater basins were dropping so low that salt water from the ocean was seeping in and contaminating groundwater. Lawns in coastal Los Angeles were dying from salty water, and well water was so salty it was often undrinkable. In the 1940s, studies showed that the local groundwater aquifer was being depleted at a much faster rate than it was being recharged or refilled.



At that time, one solution was to supply the region with imported water through MET. In 1947, West Basin was formed by a vote of the people to serve as a wholesale agency to distribute imported water throughout its service area. In 1948, West Basin became a member agency of MET, an agency that imports water from the Colorado River, and later would also import water from Northern California. For the next several decades, West Basin served its customer agencies and communities solely as a wholesale provider of imported water.

As a result of the extreme drought of the late 1980s and early 1990s, West Basin leaders decided to diversify the agency's water portfolio to include conservation and water reuse to provide a more reliable supply of water for future generations. Early efforts included building the world's only water recycling facility that would convert treated sewer water into five different types of high-quality recycled water suitable for groundwater recharge, irrigation, municipal, industrial and commercial uses.





Recycled Water Pipes

The benefits generated by the water recycling program include more affordable water rates for customers, a reliable, locally-controlled supply of recycled water, reduced energy use by importing less water from hundreds of miles away, reduced wastewater and biosolids discharged to the ocean, and use of recycled water as a sustainable resource. The drought of the early 1990s also increased awareness about water conservation and resulted in West Basin's addition of conservation as a new water supply alternative. West Basin currently offers free programs, classes, and events for residents and businesses to reduce their consumption of water and maximize water use efficiency indoors and outdoors.



Today, West Basin is an international water industry leader who hosts visitors from around the globe. West Basin is focused on providing value to its customers and achieving water reliability for the region through a diverse supply of water that includes imported, recycled, desalted and conserved water. All West Basin departments contribute to the agency's efforts to meet the goals and objectives of the Board of Directors' Strategic Business Plan.





SECTION 3  
FINANCIAL OVERVIEW & SUMMARY





# Financial Overview & Summary

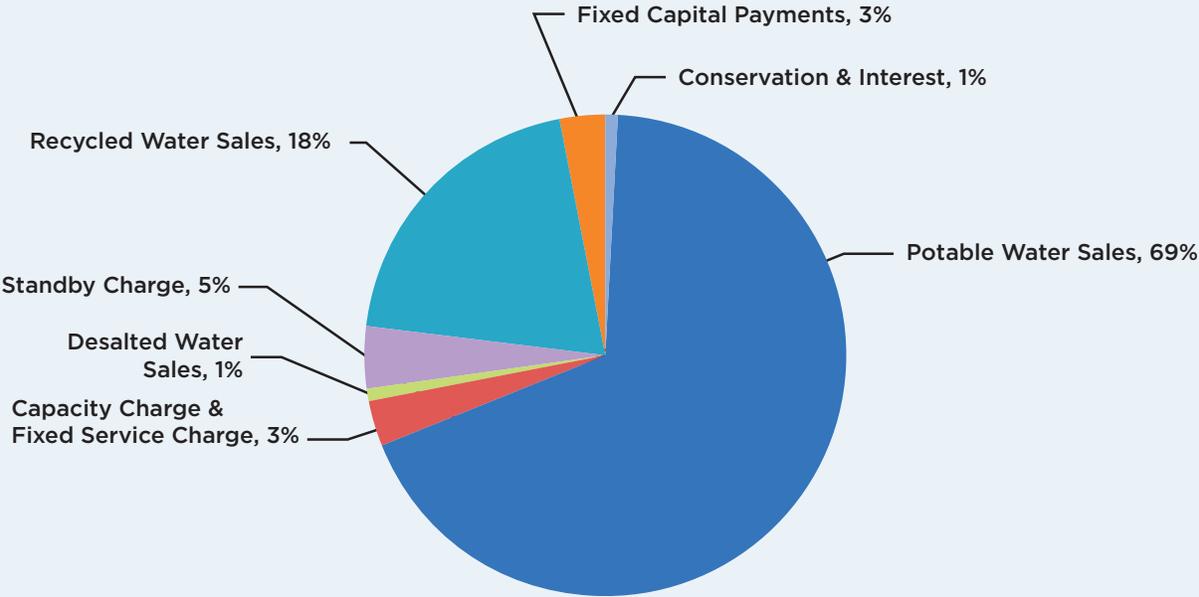
Each fiscal year West Basin prepares a budget based on the priorities, goals, and objectives set by its Board of Directors. When preparing the budget, staff considers many factors including water sales assumptions, rates and charges, salaries and benefits, debt service, program expenses, and capital expenditures. All of these factors are considered in the FY 2020-21 budget, and discussed in detail in the following sections of this document. This section provides the overview and highlights of the FY 2020-21 budget.

## Financial Highlights for FY 2020-21

For FY 2020-21 West Basin's budget is \$224.1 million, and is \$5.7 million or 2.5% lower than the FY 2019-20 budget. There are several reasons for the decrease in the budget that includes a decrease of \$6.6 million in the MET Local Resources Program (LRP); lower revenues from imported water sales of \$2.7 million; and lower interest income of \$400,000. The reduction in operating revenues is off-set with the increase in the Fixed Service Charge of \$3.5 million. More information can be found in Source of Revenue section.

### Source of Funds

FY 2020-21



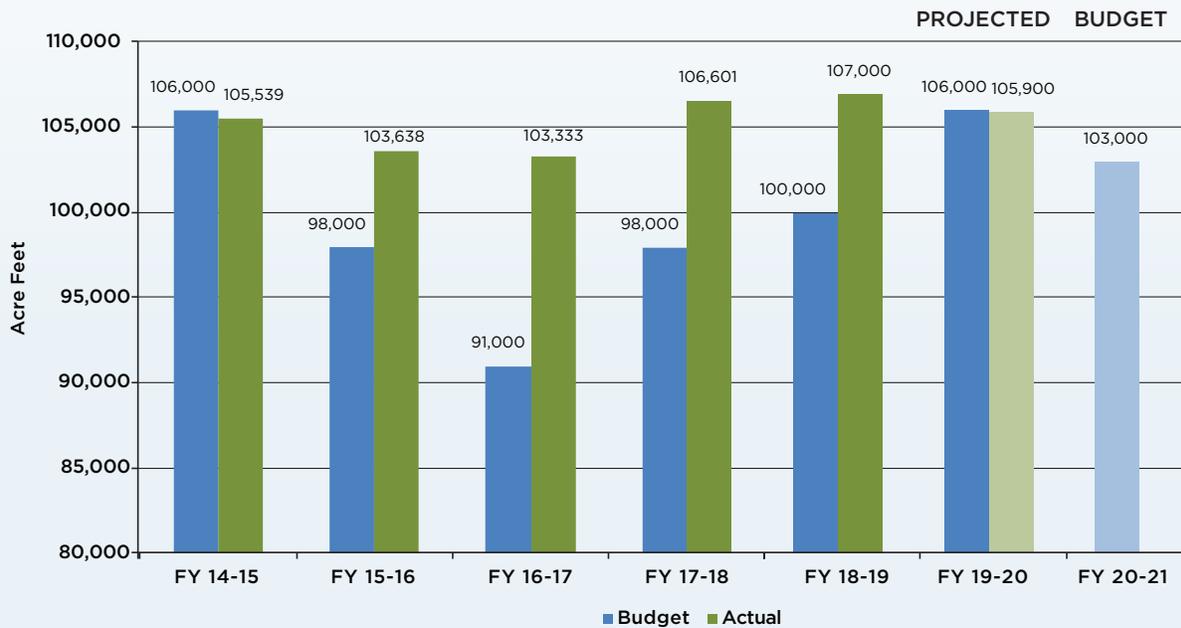
Total: \$224,105,970



As imported water sales represent approximately two-thirds of West Basin’s source of funds, significant attention is given to our water sales assumptions. Imported water sales are largely affected by hydrological conditions as the annual water use ranges from approximately 18% to 56% by customer agency for outdoors usage. In general, the larger the residential lot size, the higher the proportion of outdoor water use. Although West Basin does not sell groundwater, a number of its customer agencies have access to this alternate source of water thereby necessitating dialogue with our customer agencies to understand their anticipated usage of groundwater and imported water. Shown below is our recent five-year history showing the volatility of imported water sales.

### Imported Retail Water Sales

FY 2014-15 thru FY 2020-21

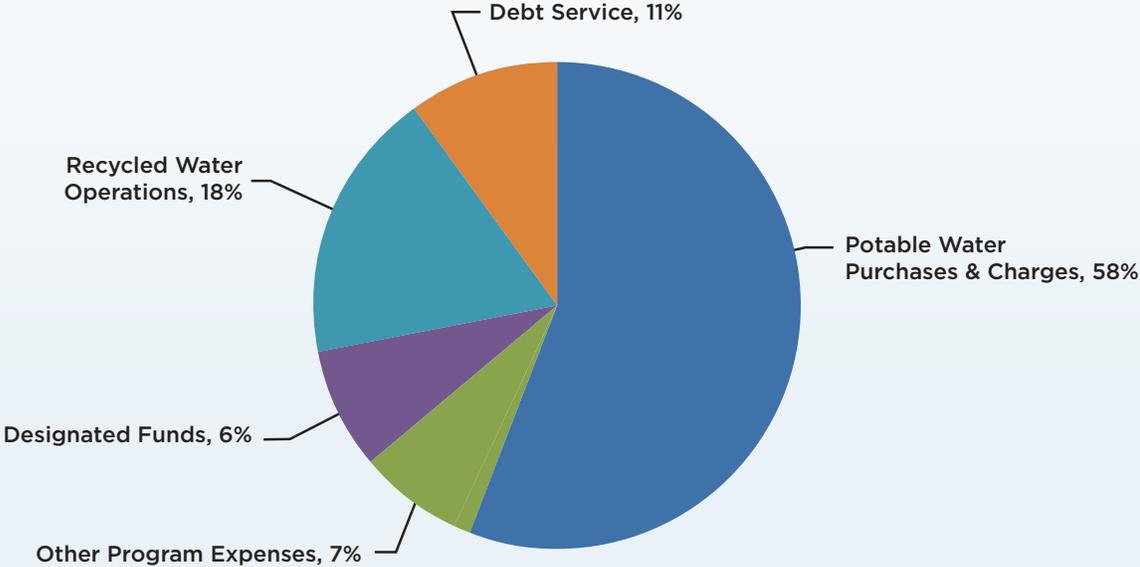




Similar to the revenues, operating expenses for FY 2020-21 are budgeted at \$224.1 million and is \$5.7 million lower than the FY 2019-20 operating expenses. Operating expenses are lower due to an expected decrease in imported water purchases of approximately \$1.5 million as a result of lower anticipated demand due to the COVID-19 pandemic and the shift of Barrier sales from imported to recycled water. Through cost containment measures, West Basin anticipates its program expenses including recycled water operations to remain fairly flat although recycled water production is expected to decrease approximately 1.7%. The most significant decrease in operating expenses is reflected in designated funds of \$4.3 million or 24.4%. All West Basin program expenses are further described in Use of Funds section.

## Use of Funds

FY 2019-20



Total: \$224,105,970



## Staffing and Program Budgets

West Basin focuses on making appropriate decisions regarding department personnel requirements and reallocates work responsibilities that will best meet the needs of the organization. To better understand the staffing needs, West Basin tracks its personnel time by level of effort toward its various capital and operating programs. See the table under “Use of Funds—Personnel Staffing by Program: Full Time Equivalent (FTE)”.

Budget staffing levels for FY 2020-21 consists of fifty (53) full-time budgeted positions, three full-time limited term, and six intern positions for an overall total of 62 positions. The FY 2020-21 budget staffing levels reflect a reclassification of 2 full-time limited term positions to full-time regular, an elimination of one full-time limited term position, a conversion of part-time positions to full-time, and a decrease of 2 intern positions. Although there are 62 budgeted positions, some positions will not be filled for the entire fiscal year as part of the cost containment measures taken. Management will evaluate the need and timing in filling any open positions throughout the fiscal year.

Budget	FY 2019-20	FY 2020-21
Total Positions	67	62
Full-time regular	50	53
Full-time limited	6	3
Part-time	3	0
Interns	8	6



California Poppies



# Strategic Business Plan

Originally published in January 2008 and most recently updated and adopted on August 28, 2017, West Basin’s Strategic Business Plan (Plan) provides for a five-year planning horizon (and beyond). The update of this Plan reaffirmed West Basin’s vision, mission, and value statements, including the five goals that set the framework for the strategies and objectives. West Basin has included funds in the FY 2020-21 Overhead program budget for a consultant to assist in its review and update of the Strategic Business Plan.

The Plan is implemented and tracked through the annual budget process and provides continuous direction for each year’s planning, budgeting, implementation, evaluation and reporting. It also sets the overall policy direction and strategic priorities established by the Board, and whether staff and financial resources need to be realigned to achieve strategic objectives.

Based on the following five goals, West Basin develops the strategies, programs, and activities necessary to effectively implement the Board’s directions.

## Water Supply Reliability

West Basin is committed to innovative planning and investments to provide water reliability.

- Strategy 1:** Prepare and periodically update water supply plans.
- Strategy 2:** Increase supply diversification by promoting conservation.
- Strategy 3:** Increase supply diversification by promoting groundwater development.
- Strategy 4:** Increase supply diversification by promoting water recycling.
- Strategy 5:** Investigate ocean water desalination as a supply opportunity.
- Strategy 6:** Effectively manage West Basin’s imported supplies.



## Sound Financial and Resource Management

West Basin is committed to best practices in capital asset management, financial management, human resources management, and internal controls.

- |                     |   |
|---------------------|---|
| <b>Strategy 1:</b>  | Provide effective overall capital facility asset management through the application of industry best-practices.   |
| <b>Strategy 2:</b>  | Maintain facilities to manage and minimize risk of failure and liability exposure.                                |
| <b>Strategy 3:</b>  | Develop partnerships with public and private entities to facilitate capital asset development and implementation. |
| <b>Strategy 4:</b>  | Maintain or improve current bond ratings.   |
| <b>Strategy 5:</b>  | Develop a formal Long-Range Financial Plan.   |
| <b>Strategy 6:</b>  | Operate cost-efficiently and effectively, with robust internal controls.  |
| <b>Strategy 7:</b>  | Ensure cost-effective recycled water operations through proactive contract management.                            |
| <b>Strategy 8:</b>  | Recruit and hire qualified candidates to fill all West Basin positions.   |
| <b>Strategy 9:</b>  | Manage and reward performance.  |
| <b>Strategy 10:</b> | Develop a formal plan for workforce retention, training and succession planning.                                  |
| <b>Strategy 11:</b> | Ensure annual Board evaluation of the General Manager.  |

## Water Quality

West Basin is committed to providing safe, high-quality water by meeting current and anticipated water quality requirements.

- |                    |  |
|--------------------|--|
| <b>Strategy 1:</b> | Achieve and maintain recycled water client satisfaction. |
| <b>Strategy 2:</b> | Increase control over source water quality.              |
| <b>Strategy 3:</b> | Meet permit and contractual water quality requirements.  |



### Customer Service

West Basin is committed to providing value by understanding and meeting the water needs of our recycled water clients and the cities, water utilities, and communities we serve.

<b>Strategy 1:</b>	Build community trust.
<b>Strategy 2:</b>	Ensure recycled water client and customer agency satisfaction.
<b>Strategy 3:</b>	Support the Board in maintaining the strategic business plan.
<b>Strategy 4:</b>	Promote outreach and education programs.
<b>Strategy 5:</b>	Engage small and/or local business in the procurement of services.

### Environmental Stewardship

West Basin is committed to sustainable and environmentally-friendly policies, projects, programs, and practices.

<b>Strategy 1:</b>	Ensure social and environmental factors are considered in decision-making.
<b>Strategy 2:</b>	Continue to gain environmental community support for West Basin programs.
<b>Strategy 3:</b>	Implement and maintain environmental permits.
<b>Strategy 4:</b>	Proactively work with environmental regulators to ensure compliance.
<b>Strategy 5:</b>	Engage and inform neighbors in areas where the District maintains facilities.

Within the Operating Program Expenses section, West Basin has identified FY 2019-20 accomplishments and FY 2020-21 strategies identified above.



## Long-Range Financial Plan

Over the years, West Basin has focused on taking proactive steps to manage its financial health to ensure the operating and capital requirements are being met both in the short term and long term. Those steps include adopting an annual operating budget, creating a 5-year financial forecast, developing financial policies, setting a target debt coverage, and managing its long-term unfunded liabilities.

In reviewing the financial forecast, staff identified the need to develop a comprehensive long-range financial plan (LRFP). In February 2019, staff presented to the Board the components of the LRFP include strategic planning, financial policies, financing and economic conditions, operating costs, capital program, demand forecast, and revenue rates and charges.

In addition to presenting the components of the LRFP to the Board, staff reviewed the reasons why a LRFP is performed, the benefits gained, and its usefulness for communicating West Basin's long-term direction with stakeholders. It was also stressed that the process of planning will include input from all West Basin departments as it is a collaborative process. The LRFP is future focused and helps West Basin identify risks and strategies to address those risks as well as to stress test the strategies that assist with building a case for action. The diagram below illustrates the comprehensive process of long-range financial planning.



As West Basin continues to strive to meet its mission of delivering safe and reliable water, staff has developed long term planning tools including meeting the goals and objectives set in the Strategic Business Plan, developing capital master plans, and developing more local resources through increasing its efforts in water recycling, considering a full-scale ocean-water desalination facility, and expanding its water use efficiency programs. Each of these individual efforts requires West Basin to be strategic and collaborative in order to develop a long term plan to ensure West Basin's goals are met in a fiscally sustainable and responsible way. Updates to the Plan will evaluate our strategies, objectives, confirm level of service, and determine performance indicators.

Staff has adopted financial policies and those policies are reviewed annually to ensure they reflect regulatory requirements, best practices, and targeted financial metrics. The last detailed analysis to determine West Basin's targeted financial metrics was in March 2015. During this review the Board directed staff to increase its target debt service coverage to 1.75. Since that time, all budgets were based on achieving at least the 1.75 target. However, in FY 2020-21 West Basin anticipates a lower debt coverage ratio than the target due to the sunset of the first MET local resource program agreement, and an increase in operating expenditures. Furthermore, planned capital projects is also putting pressure on achieving our targets.

In order to address these issues staff has been working with its municipal advisor to review the target debt coverage and other financial metrics, the rating agency's approach to credit, the current assessment of West Basin's credit ratings, and discuss the impact of higher ratings to reduce long-term financing costs.

Another component of the LRFP is developing the next Capital Improvement Program (CIP) Master Plan. A consulting firm was hired in FY 2019-20 with a target to complete the CIP Master Plan in FY 2020-21, also referred to as the Recycled Water Master Plan. The Master Plan will provide a strategy to implement future capital facilities and identify corresponding operational impacts to West Basin. In addition, the costs and potential savings from future capital projects need to be considered in long-range financial planning due to the impacts from future debt financing and availability of PAYGO funds.



The Master Plan will evaluate recycled water service opportunities, identify potential required capital facilities to meet West Basin's objectives, and develop implementation schedules, costs, and priorities. The Master Plan will be used to identify and prioritize the construction of new capital facilities. With West Basin's aging infrastructure, the Master Plan will look at the current condition of existing equipment and systems to develop a schedule of needed rehabilitation or replacements in order to achieve quality and maintain capacity with the goal of extending the useful life of existing critical assets.

To further its long-range financial planning, staff plans to rebuild its financial model to incorporate future capital and operating costs and future sales assumptions. In addition, the model will have added flexibility to update for its financial policies and when new master plans are developed and approved, and perform sensitivity analysis to determine the biggest drivers of potential water rate increases thereby eliminating any surprises in future years. This allows management the luxury of time to determine other options or avenues to accomplish its strategic goals and do so in a very fiscally responsible and thoughtful manner.



## Five-Year Forecast

While West Basin currently maintains a five-year forecast to provide a near-term outlook of the anticipated revenues and expenditures, a more robust financial model is planned to replace the existing outdated model to incorporate the decisions resulting from a comprehensive LRFP. Just as it is important to understand the assumptions for the current year to develop the budget and associated water rates and charges, West Basin is mindful that the decisions made today could have a long-term impact. West Basin wants to be responsive to predictable rate increases and program activity that provides value to its customers. In addition, West Basin also understands that there may be future commitments or changes in its revenue streams that should be considered in the development of its annual budget. With the use of its Five-Year Forecast, West Basin is able to monitor anticipated rate increases, understand the fiscal impact of future projects, and provide a clear picture when circumstances change.

### **Impact of Planned Capital Improvement Projects**

The financial impact from planned capital improvements projects have been incorporated into the five-year projected operating results table either through draws from the Commercial Paper Program, PAYGO, or anticipated long-term financing. In addition, operating expenses, including recycled water operations reflect the changes in expenses based on the volume or acre-feet, cost per acre-foot, including both variable and fixed costs, and timing of new sales. More detailed information regarding capital improvement projects and their related cost and benefits is reflected in the Supplemental Information section.



## West Basin Municipal Water District Projected Operating Results

	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
<b>REVENUES</b>						
Water Sales	152,616,216	162,132,115	166,471,832	172,491,350	181,386,685	189,659,918
Capacity Charge	2,023,801	2,435,125	2,593,250	2,599,575	2,593,250	2,593,250
Fixed Service Charge	7,459,131	7,432,905	7,655,892	7,885,569	8,122,136	8,365,800
Recycled Water Project Revenues						
Recycled Water Sales	40,763,840	44,225,599	50,833,864	55,747,700	58,431,412	60,951,332
MET LRP Rebate	323,750	323,750	773,750	1,535,350	1,535,350	1,535,350
Fixed Revenue Charges	7,562,755	7,562,755	7,562,755	8,762,063	7,825,929	6,579,929
Standby Charges	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Other Revenues						
Desalted Water Sales	1,024,704	1,057,104	1,105,056	1,159,056	1,205,712	1,244,160
Interest Earnings/Other	1,300,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000
Water Use Efficiency	1,031,772	1,031,772	1,031,772	1,031,772	1,031,772	1,031,772
<b>Total Revenues</b>	<b>\$224,105,970</b>	<b>\$237,601,125</b>	<b>\$249,428,171</b>	<b>\$262,612,436</b>	<b>\$273,532,246</b>	<b>\$283,361,511</b>
<b>EXPENSES</b>						
Water Purchases/ RTS from MET	127,478,616	133,730,268	135,907,307	139,394,435	145,164,236	142,838,553
Capacity Charge	2,023,690	2,425,110	2,583,960	2,583,960	2,583,960	2,583,960
Program Expenses						
Recycled Operations	41,473,700	42,798,251	44,082,199	47,711,864	49,143,220	50,617,517
Desalter Operations	1,505,231	1,550,388	1,596,900	1,644,807	1,694,151	1,744,975
Technical Planning	3,779,792	2,443,186	1,616,481	1,664,976	1,714,925	1,766,373
Water Policy & Resource Develop	2,420,799	2,243,423	2,310,726	2,380,047	2,451,449	2,524,992
Public Information & Education	5,038,332	5,189,482	5,345,166	5,505,521	5,670,687	5,840,808
Water Use Efficiency	3,363,566	3,464,473	3,551,085	3,639,862	3,730,858	3,824,130
Purveyor Water Quality Monitoring	51,552	52,841	54,162	55,516	56,904	58,326
Designated Funds/Other						
Swap Payments	178,000	110,000	90,000	74,000	44,000	29,000
2011A	5,235,833	5,234,958	4,780,083	3,350,229	268,667	-
2011B	2,993,250	2,993,250	3,392,000	4,797,063	10,497,125	8,138,042
2012A	4,388,458	4,389,396	4,389,042	4,391,292	1,948,583	4,371,542
2016A	10,231,667	10,171,750	10,421,104	10,440,125	10,440,667	10,441,208
State loan	-	681,101	681,101	681,101	681,101	681,101
Proposed Debt	-	2,871,394	5,742,787	5,742,787	5,742,787	5,742,787
Subordinate Debt						
2018 Commercial Paper	628,578	544,740	561,987	636,562	682,836	682,836
<b>Total Expenses</b>	<b>\$224,105,970</b>	<b>\$237,601,125</b>	<b>\$249,428,171</b>	<b>\$262,612,436</b>	<b>\$273,532,246</b>	<b>\$283,361,512</b>
<b>NET REVENUES</b>	<b>\$ -</b>					
<b>Coverage - All Debt</b>	<b>1.56</b>	<b>1.62</b>	<b>1.74</b>	<b>1.93</b>	<b>2.02</b>	<b>2.15</b>



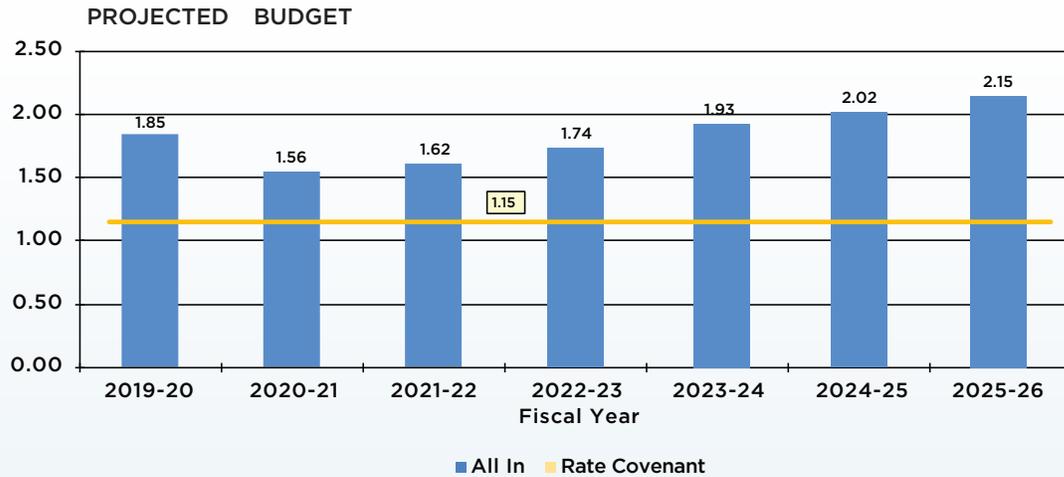
## West Basin Municipal Water District Assumptions

	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
<b>COST (SALES PRICE) OF WATER (\$/af)</b>						
MET Imported - Tier 1 (Jul)	1,078	1,104	1,143	1,200	1,260	1,310
MET Treated NonInt - Tier 2 (Jul)	1,165	1,146	1,185	1,239	1,299	1,349
MET Imported - Tier 1 (Jan)	1,104	1,143	1,200	1,260	1,310	1,349
MET Treated NonInt - Tier 2 (Jan)	1,146	1,185	1,239	1,299	1,349	1,388
MET RTS Commodity Charge (Jul)	90	100	100	115	108	113
MET RTS Commodity Charge (Jan)	100	100	115	108	113	108
MET Seawater Barrier - Tier 1 (Jul)	1,078	1,104	1,143	1,200	1,260	1,310
MET Seawater Barrier - Tier 2 (Jul)	1,165	1,146	1,185	1,239	1,299	1,349
MET Seawater Barrier - Tier 1 (Jan)	1,104	1,143	1,200	1,260	1,310	1,349
MET Seawater Barrier - Tier 2 (Jan)	1,146	1,185	1,239	1,299	1,349	1,388
Disinfected Ter. Within WB	1,235	1,298	1,398	1,482	1,571	1,642
Disinfected Ter. - LADWP	1,277	1,340	1,440	1,524	1,613	1,684
Disinfected Ter. - Torrance	1,277	1,340	1,440	1,524	1,613	1,684
Nitrified - Torrance	1,001	1,051	1,104	1,159	1,217	1,278
Barrier - RW	1,031	1,104	1,177	1,226	1,277	1,328
LPBF - Recycled Water	772	811	851	894	938	985
LPBF - Recycled Water (2)	1,483	1,546	1,646	1,730	1,819	1,890
HPBF - Recycled Water	893	938	985	1,034	1,085	1,140
T-MBR	-	-	1,055	1,055	1,055	1,108
Nitrified - Recycled Water	1,235	1,298	1,398	1,482	1,571	1,642
Reliability Service Charge	237	261	287	315	347	382
MET LRP Rebate	250	250	250	250	250	250
MET LRP Rebate - New Rate	-	-	-	340	340	340
Desalted Water (Jul)	1,168	1,204	1,243	1,315	1,368	1,423
Desalted Water (Jan)	1,204	1,243	1,315	1,368	1,423	1,457
Capacity Charge - MET	8,800	10,700	12,200	12,200	12,200	12,200
Capacity Charge - MET (Jan)	10,700	12,200	12,200	12,200	12,200	12,200
Capacity Charge-Cust	6,976	9,050	10,200	10,300	10,250	10,250
Capacity Charge-Cust (Jan)	9,050	10,200	10,300	10,250	10,250	10,250
<b>SALES VOLUME (afy)</b>						
Non-Interruptible (Retail)	103,000	105,009	102,369	100,129	100,129	100,129
Seawater Barrier (Dominguez Gap)	3,000	3,000	3,000	3,000	3,000	3,000
Seawater Barrier (West Coast)	1,700	1,700	1,000	1,000	1,000	1,000
Recycled Water Total	36,164	37,155	39,795	42,035	42,035	42,035
Disinfected Tertiary - Within WB	7,025	7,415	7,415	7,415	7,415	7,415
Disinfected Tertiary - LADWP	850	850	850	850	850	850
Disinfected Tertiary - Torrance	2,707	2,865	2,865	2,865	2,865	2,865
Nitrified - Torrance	2,780	3,000	3,000	3,000	3,000	3,000
Barrier	13,800	13,800	15,600	15,600	15,600	15,600
Single Pass RO	1,687	1,800	1,800	1,800	1,800	1,800
Single Pass RO (2)	4,026	4,050	5,446	5,446	5,446	5,446
Double Pass RO	2,358	2,400	2,400	2,400	2,400	2,400
T-MBR	-	-	-	2,240	2,240	2,240
Nitrified	931	975	419	419	419	419
Desalted Water	864	864	864	864	864	864
Capacity Charge (cfs)-MET (Jul)	202.4	211.8	211.8	211.8	211.8	211.8
Capacity Charge (cfs)-MET (Jan)	211.8	211.8	211.8	211.8	211.8	211.8
Capacity Charge (cfs)-Cust (Jul)	252.0	253.0	253.0	253.0	253.0	253.0
Capacity Charge (cfs)-Cust (Jan)	253.0	253.0	253.0	253.0	253.0	253.0
<b>FIXED PAYMENTS</b>						
Marathon	2,136,000	2,136,000	2,136,000	2,136,000	1,246,000	-
Marathon (MBR)				1,429,980	1,429,980	1,429,980
TRWRF NH3	631,291	631,291	631,291	631,291	631,291	631,291
TRWRF (phase 2)	1,574,460	1,574,460	1,574,460	1,343,788	1,297,654	1,297,654
Chevron Nitrification	1,009,800	1,009,800	1,009,800	1,009,800	1,009,800	1,009,800
Chevron Boiler Feed	2,211,204	2,211,204	2,211,204	2,211,204	2,211,204	2,211,204
<b>TOTAL FIXED PAYMENTS</b>	<b>\$7,562,755</b>	<b>\$7,562,755</b>	<b>\$7,862,755</b>	<b>\$8,762,063</b>	<b>\$7,825,929</b>	<b>\$6,579,929</b>



## Debt Coverage Projected, Current Budget and 5-year Projection

FY 2019-20 thru FY 2025-26



Although West Basin’s bond covenants’ require a debt coverage ratio of 1.15, West Basin has set a higher target of 1.75. West Basin’s Board of Directors selected the higher target in order to maintain its excellent credit ratings of Aa2 and AA- with Moody’s and S&P rating agencies, respectively. With the loss of the MET LRP revenues in March 2020 in addition to certain one-time expenditures, West Basin has a budgeted debt coverage of 1.56 in FY 2020-21. With predictable and prudent rate increases in future fiscal years it is anticipated the debt coverage will be at or near target by FY 2022-23.

## Historical Debt Coverage Comparison with Other Water Agencies

FY 2013-14 thru FY 2018-19

Name of Agency	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Central Basin MWD	1.37	1.56	1.20	0.77	1.00	1.29
Calleguas MWD	2.02	1.64	1.42	1.93	2.12	2.09
Eastern MWD	2.10	2.30	2.80	2.50	2.70	3.50
Las Virgenes MWD	2.71	2.47	2.61	2.90	2.69	2.60
Inland Empire Utilities Agency	2.09	2.75	3.42	3.67	4.35	4.35
San Diego County Water Authority	1.50	1.50	1.50	1.50	1.50	1.56
<b>West Basin MWD</b>	<b>1.73</b>	<b>1.45</b>	<b>1.84</b>	<b>2.27</b>	<b>2.31</b>	<b>2.07</b>
Western MWD	4.34	2.69	3.40	4.38	5.64	5.31



## Fund Balance (Designated Funds)

West Basin maintains two major types of funds, both restricted and unrestricted. Restricted funds consist of custodial accounts and bond reserves; the latter is subject to the conditions of the respective bond financing documents. The unrestricted reserves may be designated by the Board of Directors.

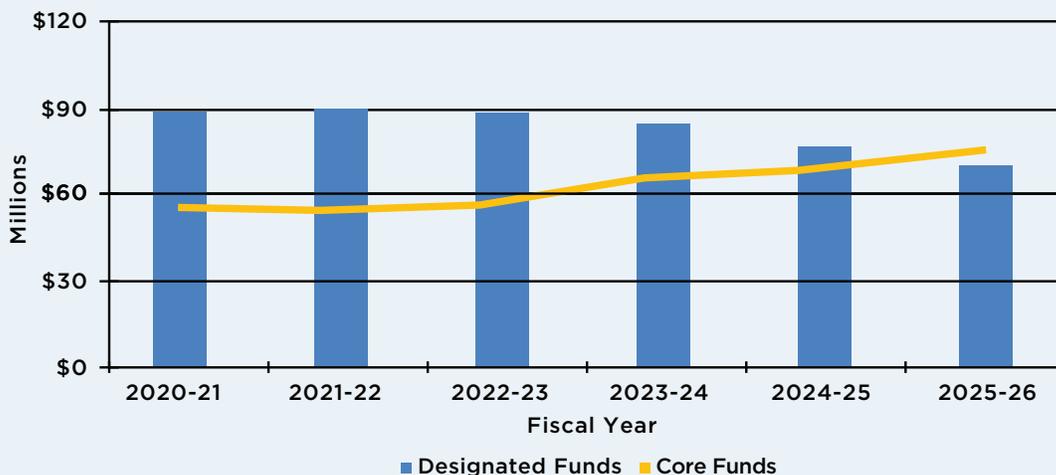
Designated Funds are a strong indicator of an agency’s financial health. West Basin’s Designated Funds Policy is sometimes referred to as a reserve policy and was designed to ensure West Basin has adequate funds to protect its financial health and the furtherance of West Basin’s mission. The Designated Funds Policy is reviewed annually; however, it was substantially changed in FY 2013-2014 in conjunction with the Long-Range Financial Plan by combining certain funds, revising target levels to be based on a calculation, and adding a new fund for Standby Charge Defeasance.

The policy does not specifically state a target amount but staff has established an internal target approach to fund West Basin’s Designated Funds. The policy allows for the fluidity of a target and will change each year based on the anticipated expenditures. The target amounts are based on West Basin’s experience, and the current operating budget and capital improvement program. The sum of all the core components provide an overall target amount that serves as a trigger for the Board of Directors to consider options when funding levels fall near or below the overall target. If reserve levels exceed the minimum, the Board may consider options such as retiring outstanding debt or reducing future debt by considering funding certain capital projects with cash. Annually, staff calculates the overall target to ensure the Board approved Designated Funds policy is met.

The chart below shows the budgeted designated fund levels from FY 2020-21 through FY 2025-26.

### Budgeted Designated Funds

FY 2020-21 thru FY 2025-26





Below are the projected revenues and expenses for FY 2019-20, as well as the budgeted revenues and expenses for FY's 2020-21 through FY 2025-26.

## Designated Funds Cash Flow (In 000's)

Fiscal Year	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Description	Projected	Budget	Budget	Budget	Budget	Budget	Budget
Designated Funds (Beg Bal)	\$76,342	\$82,931	\$88,859	\$90,124	\$88,652	\$84,483	\$77,203
Imported Water Revenue	161,519	160,985	163,606	167,443	175,527	180,515	186,131
Recycled Water Revenue	62,290	64,468	62,086	68,933	71,715	72,462	73,908
Other Revenues	2,678	4,327	4,758	4,998	5,038	4,978	4,919
<b>Total Revenues</b>	<b>226,487</b>	<b>229,780</b>	<b>230,450</b>	<b>241,374</b>	<b>252,280</b>	<b>257,955</b>	<b>264,958</b>
Water Purchases	130,728	130,761	132,626	133,438	136,975	140,733	144,605
Program Expenses	52,072	57,828	55,955	59,943	61,762	63,595	65,483
Net Debt Service	23,598	23,598	23,974	27,446	30,628	30,638	31,182
PAYGO	13,500	11,665	16,630	22,019	27,084	30,269	30,269
<b>Total Expenses</b>	<b>219,898</b>	<b>223,852</b>	<b>229,185</b>	<b>242,846</b>	<b>256,449</b>	<b>265,235</b>	<b>271,539</b>
<b>Designated Funds (End Bal)</b>	<b>\$82,931</b>	<b>\$88,859</b>	<b>\$90,124</b>	<b>\$88,652</b>	<b>\$84,483</b>	<b>\$77,203</b>	<b>\$70,622</b>



## Summary of Financial Policies

West Basin's Board of Directors has approved a number of financial policies to effectively manage the agency. All financial policies and 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. All recommendations for new or revised policies are brought to the Board of Directors for consideration and/or adoption and require a Board resolution to record the change.

In order to stay in compliance with each of its financial policies, staff performs periodic reviews, prepares quarterly reports, and has its policies reviewed by the independent external auditors. Each of the financial policies supports the assumptions within our Long-Range Financial Plan.

The West Basin Board considered and re-approved in January 2020 its Investment Policy with alterations to add language to permit investment in asset-backed securities and revised language to separate time and negotiable certificates of deposit. The Swap Policy was also considered and re-approved in January 2020 to clarify language and to add the title of the Executive Manager of Finance into the policy.

Listed below, are key financial policies that the Board and staff must comply with when conducting business of the district.

### Annual Operating Budget Policies

- Annual budget is prepared under the direction of the General Manager.
- The budget is developed using the direction given by the Board of Directors through the Strategic Business Plan.
- A draft budget is to be presented to the Board within sixty days of the new fiscal year.
- The Board shall adopt a budget prior to commencing the next fiscal year.
- The General Manager will submit quarterly operating budget versus actual reports with explanation of significant variances.
- Adjustments to the Budget must be approved by the Board of Directors.

### Investment Policy

- Funds will be invested in compliance with the provisions of the California Government Code Section 53601 and other applicable statutes and may be more restrictive than the Code.
- Safety of principal, liquidity and return on investment, in that order, are the criteria in which the Treasurer shall invest.
- Investments shall be diversified and to the extent possible, and match its investments with cash flow requirements.
- Annual appointment of Treasurer is required and may be a staff person.
- The Treasurer shall submit a monthly report to the Secretary of the Board of Directors indicating



investment by fund, institution, date of maturity, amount of deposit, and shall provide the current market value of all securities with a maturity of more than 12 months, rates of interest, and expected yield to maturity.

- May engage services of an external manager to assist staff in the management of the investment portfolio, and assist in trade execution.

### Designated Funds Policy

- Designated and undesignated funds can be used for any lawful purpose at the discretion of the Board of Directors.
- Policy will be reviewed annually to insure designated funds achieve an appropriate overall minimum target balance.
- Operating Liquidity Fund is for short-term or immediate purposes such as unplanned activities.
- Operating Contingency Fund provides protection against unforeseen expenses that cause actual expenses to exceed the budget.
- Capital Contingency Fund provides for unexpected cost increases/unanticipated capital projects.
- Rehabilitation & Replacement (R&R) Fund provides immediate resource for ongoing R&R of the system that is in excess of the amount included in the annual operating budget.
- Standby Charge Defeasance Fund is to repay outstanding debt that could eliminate the annual Standby Charge.
- System Expansion Fund provides for cash financing for future large-scale capital projects.
- Rate Stabilization Fund provides a resource to manage the level of water sales fluctuations from year-to-year.

### Procurement Policy

- Covers the purchase of professional and non-professional services as well as supplies, goods and equipment.
- A competitive process ensures that purchases are made at the lowest possible cost commensurate with acceptable quality.
- Provides for a local business enterprise incentive to encourage local business to bid on West Basin's procurement opportunities.
- Thresholds are established to determine if single source (<\$10,000), informal process (\$10,000-\$50,000) or a formal process (>\$50,000) should be followed.
- Critical repairs acquisitions are subject to the informal solicitation process and shall not exceed \$250,000 per each critical repair or critical acquisition.
- Cooperative agreements are allowed.



### Capitalization Policy

- Provides guidance for the capitalization and depreciation of assets to comply with the requirements of Governmental Accounting Standard Board Statement 34.
- Purchased or constructed assets will be reported at historical cost.
- Estimated useful life of an asset is determined using the Internal Revenue Tax Law requirements, general guidelines obtained from professional or industry organizations and information for comparable assets of other governments.
- Use the straight-line method with no salvage value for depreciating capital assets.

### Accounting, Auditing and Financial Reporting

- The General Manager shall implement an accounting system meeting the financial reporting needs of the Board, and complies with generally accepted accounting practices.
- The General Manager shall review and pay all financial obligations as they become due and shall submit a monthly register of disbursements for ratification of the Board.
- The General Manager shall prepare and submit to the Board at the end of the fiscal year a comprehensive annual financial report on the finances of West Basin for the preceding year, keep the Board advised of the financial condition and future needs of West Basin, and make recommendations.
- West Basin will use widely recognized and Generally Accepted Accounting Principles (GAAP) and guidance issued by the Government Accounting Standards Board (GASB).
- West Basin will hire an independent accounting firm to perform annual audits in conformity with GAAP.

### Debt Management

- Capital programs can be funded by debt.
- Long-term debt will not be used for operating and maintenance costs.
- Will maintain a debt coverage ratio consistent or greater than the legal of contractual requirements.
- Obtain the lowest cost of debt possible with the current ratings. (AA- Standard & Poor's and Aa2 - Moody's)
- Final maturity of the debt will not exceed the useful life of the assets being financed.
- Current refundings shall target to produce net present value savings of at least 3% of the refunded par amount. The target for advance refundings is at least 5% of the refunded par amount of each maturity being refunded.
- Quarterly reporting will be made to the Board of Directors that addresses current debt portfolio, variable rate exposure, remarketing experience and other considerations.



## Rates and Charges

- The rates, fees and charges will recoup the amounts paid for water, the cost of operations and maintenance expenses, and an amount necessary for reasonable designated funds.
- The revenue produced by the rates, fees and charges will be used to provide service to existing customers.
- Rates and charges will be reviewed annually and the Board of Directors will adopt a resolution fixing the rates and charges for the following fiscal year.

## Human Resources Management

- Determine staffing levels consistent with budgetary authority, available resources, and operating needs.
- The General Manager can modify positions and organizational structure to accomplish work within the budget approved by the Board of Directors for that fiscal year.
- The General Manager shall develop an employee performance evaluation plan to assess employee performance in accomplishing West Basin business.
- Salary ranges for positions shall be reviewed on an annual basis via a salary survey.
- West Basin will provide suitable training for staff.

## Risk Management

- West Basin will procure insurance for risk of loss involving a combination of property damage and third party claims.
- To the extent practicable, West Basin shall transfer risks to third parties through appropriate contractual provisions.

## Swaps

- Each swap will be structured by the CFO/Executive Manager of Finance and members of the financing team.
- Board of Directors has final authority for approval of each swap.
- Quarterly reporting to the Board of Directors is required.
- West Basin may execute a swap if the swap reduces exposure to changes in interest rates, or achieves lower net cost of borrowing, or manages variable interest rate exposure, or optimizes the timing and amounts of debt service payments.
- Interest rate swaps, caps, floors, swaptions and collars are allowable.
- West Basin can only enter into swap transactions with qualified swap counterparties and will utilize a qualified independent swap advisor to assist with the evaluation and executions of swap transactions.
- Each swap agreement shall contain terms & conditions as set forth in the International Swap and Derivatives Association, Inc.



### Balanced Budget

- The budget should be balanced with the current revenues equal to or greater than current expenses.

### Standby Charge Policy

- The Standby Charge is considered annually for adoption by the Board.
- The CFO is the designated administrator and has day-to-day responsibility for managing and monitoring.
- Standby Charge proceedings follow California Government Code Section 54984.
- The Board may consider eliminating the Standby Charge if it determines that the original estimate of 70,000 to 100,000 AFY will be or has been met and all associated debt to meet those deliveries has been paid.
- Staff will provide an annual report to include the Surplus Net Revenue, an account summary of the Standby Charge Defeasance Fund, and an analysis comparing the balance of the Standby Charge Defeasance Fund to the remaining principal and any accrued interest or prepayment penalties.

### Disclosure Policy

- Potential investors in obligations must be provided with all “material” information relating to offered obligation.
- When obligations are issued, the two central disclosure documents which are prepared are a preliminary official statement (“POS”) and a final official statement (“OS”).
- The Chief Financial Officer and other relevant staff are responsible for reviewing and preparing or updating certain portions of the District Section of the OS.
- All participants in the disclosure process are separately responsible for reviewing the entire OS.
- The Chief Financial Officer shall schedule one or more meetings of the financing team and the underwriter of the obligation and the underwriter’s counsel to discuss the OS and the District Section.
- The POS shall be provided to the Board of Directors in advance of approval to afford the Board of Directors an opportunity to review the POS, ask questions and make comments.
- Periodic training for the staff involved in the preparation of the OS shall be coordinated by the Chief Financial Officer.
- The District must comply with the specific requirements of each Continuing Disclosure Certificate.
- The Chief Financial Officer shall be responsible for preparing and filling the annual reports and material event notices.



## Performance Metrics

Performance metrics is defined as a measure of an organization's activities and performance, and support a range of stakeholder needs from customers to the Board of Directors and employees. While they are traditionally financed based and focus on the performance of the organization, metrics can also focus on performance against customer requirements, effective use of resources, and adherence to policy and reporting requirements.

West Basin continues to explore and identify key performance metrics that provide meaningful information that the Board of Directors and staff can use to measure the success of the programs, services and related resources that are funded and within the budget. In addition, staff has provided the accomplishments and strategies under the Operating Program Expenses and CIP section to reflect how the use of funds will benefit the agency.

The following table is a sampling of some of the key performance metrics that reflect the progress made towards strategic goals.

Metric	FY 2018-19	FY 2019-20	FY 2019-20	FY 2020-21
Description	Actual	Target	Projected	Target
On time submission of annual bond disclosure	100%	100%	100%	100%
Investment Benchmark – meet or exceed BAML 0-3 Yr US Treasury Index	Exceeded	Meet	On track to exceed	Meet
Maintain AA credit rating from Moody's and Standard & Poor's	Aa2/AA-	Aa2/AA-	Aa2/AA-	Aa2/AA-
Achieve internal all-in Debt Coverage target of 1.75	2.07	1.75	1.82	1.56
Have 100% submittal of Performance evaluations	100%	100%	100%	100%
Water Exploration School tours – number of students	1,127	3,600	2,081	2,800
Splash Science Presentation Participants	2,266	2,000	Discontinued	N/A
Traveling Art Lab – art lesson program	1,705	1,000	Discontinued	N/A
Art Contest student submissions	526	500	485	500
Distribution of Rain Barrels	2,000	2,000	1,600	500
Change & Save Residential Surveys	N/A	500	500	500
Cash for Kitchens Commercial Surveys	N/A	300	146	154
Secure 25% Outside Funding for Conservation Programs	34%	25%	29%	25%
Implement Turf Replacement Classes	5	5	7	5
Improve Recycled Water O&M Cost per Unit	\$1,132/AF	\$1,121/AF	\$1,162/AF	\$1,147/AF





SECTION 4  
BUDGET PROCESS & TIMELINE





# Budget Process and Timeline

Public agencies develop budgets as a performance tool to measure accountability to its stakeholders. For West Basin, the budget is developed based on meeting the priorities, goals and objectives established by the Board of Directors through its strategic business plan. The strategic business plan provides direction for planning, budgeting, implementation, evaluation and reporting. The Plan is a “living” document in that it does not have a termination date, but it is constantly changing and evolving as the needs of West Basin change and evolve.

The budget process for West Basin is designed to produce a document that is:

- A policy document that provides the rationale for the budget ;
- A communications tool that effectively communicates how the budget helps implement the long-range goals and strategies ;
- An operational guide representing the efforts to control operations and measure performance; and
- A long-term financial plan to guide West Basin’s allocation of resources

The budget is available for interested parties, such as bond holders, credit rating agencies, and its customers for review. It contains a wide variety of information on West Basin’s short- and long-term strategic planning and financial policies, as well as the current and future fiscal stability. For West Basin, the budget further demonstrates West Basin’s commitment to fiscal responsibility and transparency of its operations. The budget shows how the agency will invest its revenues derived from user fees and fixed revenue sources to support its mission and programs. The General Manager communicates the goals and the current year budget objectives to the managers to ensure the budget includes the financial requirements necessary to achieve these goals and objectives. To ensure completion, the strategic goals are also incorporated into individual staff’s performance and monthly board memos to reflect the commitment to meet the Board’s directives.

Key Budget Drivers	Addressed
Strive to achieve targeted debt coverage ratio	✓
Fund PAYGO projects including Refurbishment & Replacement projects	✓
Refurbishment & Replacements needs for aging infrastructure for optimization of operations	✓
Stabilization of Revenues	✓
Meet Strategic Plan goals	✓



West Basin is not required by law to adopt a budget and therefore does not appropriate funds. However, as a good business practice, West Basin does prepare, adopt, monitor, and report budgeted information.

The budget can be adopted in one of three ways: 1) by motion, 2) by resolution or 3) by ordinance. Historically, West Basin has adopted its budget by motion and will continue to adopt the budget in this manner due to the rule of “equal dignity”. The rule of “equal dignity” requires an entity that takes action by motion, resolution or ordinance to use the same method for any subsequent action.

## Budget Basis

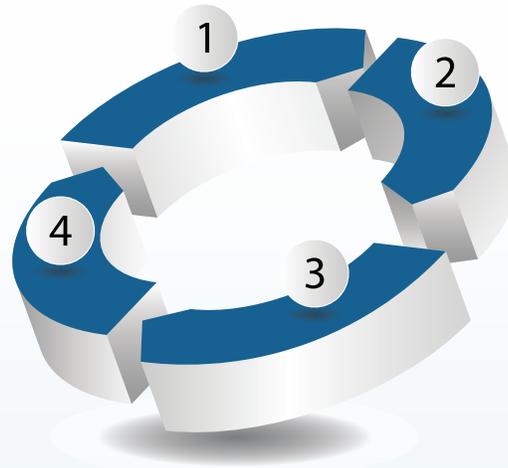
West Basin is a special district of the State of California and operates as a single enterprise fund. The enterprise fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results that pertain to a specific activity. The activities of the enterprise funds closely resemble those of businesses and are substantially financed by revenue derived from user charges.

With accrual basis accounting, an entity records all transactions when they occur, regardless of when cash is received from a customer or paid to a vendor. Revenues are recognized when earned and expenses are recognized when incurred. Cash-basis accounting is an example of another basis of accounting. With cash-basis accounting, an entity records all transactions when cash actually changes hands, in other words, when a cash payment is received from a customer or paid out to a vendor.

The budget for West Basin is kept on an accrual basis. West Basin also maintains its financial records on an accrual basis. Both the budget and actual transactions are recorded based on a program activity focus. Personnel may work across departments to assist in matters that support the programmatic efforts. By focusing on program activities and not department activities, West Basin has been able to maintain a small and efficient staff.

## Budget Timeline for Fiscal Year 2020-21

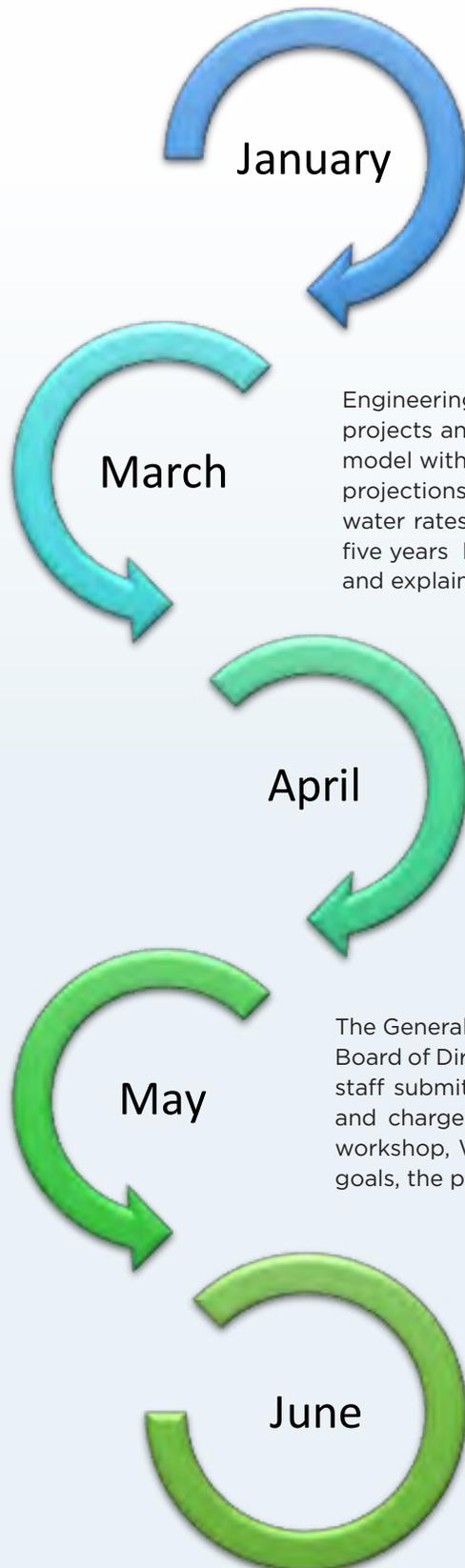
- ① - Board of Directors
- ② - General Manager
- ③ - Staff
- ④ - General Manager



Date	Key Activities
January 2, 2020	Submit Justifications for Interns/Limited Term/New Positions and sales Projections (AF) due for both Potable & Recycled Water
January 9, 2020	Discuss Financial Metrics/ Key Assumptions/Staffing Levels
January 16, 2020	Submit Staff Labor Allocation
January 23, 2020	Submit operating programs and capital budgets and FY19-20 year end projections for all operating programs
March 10, 2020	Discuss capital budgets
March 13, 2020	Board Presentation Workshop #1
April 17, 2020	Submit operating and capital programs text
April 21, 2020	Board Presentation Workshop #2
May 15, 2020	Finance Committee - Draft standby charge
May 18, 2020	Board Presentation Workshop #3
May 19, 2020	Customer Agency Workshop
May 27, 2020	Board Meeting - Adopt standby charge
June 12, 2020	Finance Committee - Present draft rate/charges and budget document
June 22, 2020	Board Meeting - Adopt rates/charges and budget



## Budget Process



Department managers submit justifications for any new positions and submit staff labor allocations. Water sales projections are discussed by the department managers to aid in the development of water sales assumptions for both imported and recycled water sales. Program Managers review their current budget versus actual reports. Managers will then submit their proposed programmatic operating and CIP budgets for FY 2020-21.

Engineering Team meets with budget staff to go over FY 2020-21 capital projects and funding. Budget staff updates its five-year projected operating model with the proposed operating and CIP budgets, along with water sales projections and current debt service. Staff will recommend the necessary water rates and charges to meet the budget objectives for FY 2020-21 and five years beyond. Budget staff meets with the board to discuss the budget and explain there will be additional workshops.

General Manager submits a preliminary budget to the Board of Directors in the second workshop. The presentation also discusses the sales assumptions, staffing needs, debt service, revenue requirements and debt coverage. At this time, Board members may give direction or request changes to the draft budget.

The General Manager and Board of Directors meet for one last workshop. The Board of Directors adopts the standby charge. Program managers and budget staff submit budget text to explain and support program costs, water rates and charges, and other budgetary assumptions. Subsequent to the Board workshop, West Basin conducts a customer agency workshop to discuss its goals, the proposed budget and water rates.

Any changes requested by the Board of Directors and/or the General Manager are incorporated into the proposed budget, which is then presented to the Board at the Finance Committee. Board of Directors motions to adopt rates/charges and operating budget for the next fiscal year beginning July 1.

## Budget Review

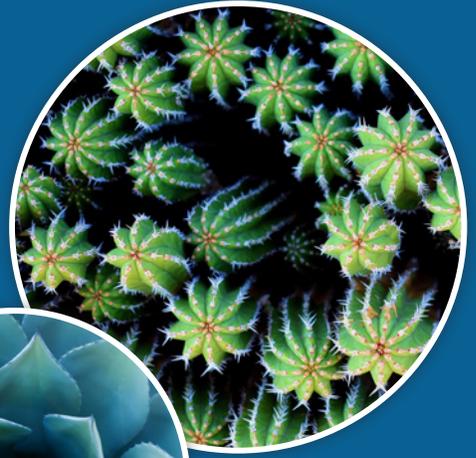
West Basin's budget monitoring process begins shortly after the prior year's budget is adopted. Each month the program managers receive a budget versus actual report to review and assist them in monitoring costs. On a quarterly basis, the Finance Department develops an executive level budget versus actual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

## 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 to the Board of Directors through staff reports at the appropriate committee meeting. The staff reports describe why, how much and to which program budget require an amendment to the original budget. These approvals are discussed at both the appropriate committee and Board meetings and require a majority vote of the Board of Directors to be incorporated. Upon approval, staff updates the budget and financial system to reflect the approved change.







SECTION 5  
SOURCE OF REVENUE





## Source of Revenue

West Basin’s revenue is derived from water sales and charges, fixed revenues, water use efficiency income and interest income. The two primary sources are imported and recycled water sold to its customer agencies. Imported sales represent 68% and recycling sales represent 20% of all revenue sources. Total budgeted revenues for Fiscal Year (FY) 2020-21 are \$224,105,970.

Summarized below are the actual and projected revenues for the past three years along with comparative budgets (FY 2019-20 & FY 2020-21) to see the trend of various revenue sources.

Revenues	FY 2017-18	FY 2018-19	FY 2019-20	FY 2019-20	FY 2020-21
Description	Actual	Actual	Projected	Budget	Budget
Imported Water Sales	\$152,665,010	\$158,138,261	\$155,841,893	\$155,308,064	\$152,616,216
Water/Fixed Service Charge	692,646	2,284,411	3,919,411	3,919,411	7,459,131
Capacity Charge	1,935,822	1,836,150	1,758,096	1,758,096	2,023,801
Recycled Water / LRP	49,444,484	46,518,136	45,269,400	47,031,043	41,087,590
Fixed Revenue Charge	5,908,694	4,907,582	7,020,400	7,437,196	7,562,755
Desalter Water	75,665	267,873	244,462	1,331,700	1,024,704
General Fund Interest	1,091,376	1,260,638	1,677,200	1,677,200	1,238,800
Standby Charge	10,038,300	10,029,508	10,000,000	10,000,000	10,000,000
Conservation Income	324,258	66,306	556,000	1,295,000	1,031,772
Other Income	264,271	968,149	200,000	22,800	61,200
<b>Total Revenues</b>	<b>\$222,440,926</b>	<b>\$226,277,014</b>	<b>\$226,486,862</b>	<b>\$229,780,510</b>	<b>\$224,105,970</b>



## Revenue Highlights

West Basin is a wholesale water agency who purchases imported water from Metropolitan Water District of Southern California (MET) to supplement local supplies for retail use (municipal, commercial, and domestic) and groundwater replenishment uses. In the early 1990's West Basin began diversifying its water portfolio through a pilot program on brackish groundwater and investing in a recycled water system consisting of treatment facilities and distribution pipelines. The intended users are for industrial, commercial, and landscape irrigation sites. Today more than 400 meters have been installed throughout the southwestern portion of Los Angeles County that benefit from this local resource. To fund the construction of the recycled water facilities and pipelines, West Basin issued long-term debt and obtained funding from a variety of sources including a standby charge, federal and state grants, fixed capital revenue charges, and establishing commodity rates.

Annually West Basin receives approximately 8.0% of its revenues from fixed capital revenue charges and the standby charge. The fixed capital revenue charges are determined by agreements, and the standby charge is approved by resolution. On May 27, 2020 through Resolution 05-20-1111, the annual standby charge was adopted and will generate approximately \$10 million.

In addition, West Basin annually establishes rates and charges through a resolution approved by the Board. Resolution 06-20-1113 was adopted on June 22, 2020 meeting and includes rates for the following services:

- Two price tiers for imported water service;
- Capacity Charge;
- Fixed Service Charge;
- Recycled Water rates for each class of service; and
- Desalted Water rate.

Although Resolution 06-20-1113 reflects imported water rates for two tiers, Tier 2 pricing is not anticipated for West Basin customers.

During California's most recent drought in FY 2016-17, West Basin experienced significant reductions in imported water sales, as customer agencies enacted conservation measures to meet state-mandated targets. Imported water sales have rebounded in recent years; however, it is likely that it will not return to pre-drought levels in the near future. The acre-foot (AF) assumption for water deliveries is reviewed annually and is a key driver to the operating budget. Budgeted sales are based upon a review of historic water sales, discussions with customers about their intended source of water usage (imported, groundwater, recycled), and a review of potential new recycled water sales from completed capital projects when it replaces imported water. This year's discussion included the potential impact to all types of water sales from the on-going COVID-19 pandemic. Retail imported water sales were 108,365 AF in FY 2018-19 and are projected to slightly decrease to 105,950 AF in 2019-20. When developing the sales estimates for the next fiscal year, West Basin typically budgets slightly more conservatively than actual results to allow for changes in customer demands and hydrology, and therefore has budgeted retail imported sales to 103,000 AF for FY 2020-21.

Imported water sales to both of the barriers (West Coast and Dominguez Gap) exceeded budgeted sales in FY 2018-19 and are expected to exceed the 6,100 AF budgeted in FY 2019-20 as well. To understand the budgeting impact for this fiscal year, West Basin received input from the customer. West Basin strives to deliver as much recycled water as possible for injection into the West Coast Barrier (Barrier) and has invested both time and money to achieve this goal; but sales are ultimately dependent on both the operations by the County of Los Angeles and management by the Water Replenishment District. As such, West Basin staff reviewed historical sales and found the average to be less than 16,000 AF therefore has budgeted a total of 15,500 AF in FY 2020-21 into the Barrier (13,800 AF from recycled water), and has budgeted a total of 4,700 AF of imported water deliveries, 1,700 AF for the West Coast Barrier and 3,000 AF for the Dominguez Gap Barrier.

An AF is equivalent to 325,900 gallons of water that meets the need of two average families, in and around the home, for one year. An AF is equal to the amount needed to fill a football field one foot deep in water.



Los Angeles Memorial Coliseum



## Water Rates and Charges

West Basin rates and charges are made up from both variable and fixed components, with both types of charges effective either on a calendar (January 1st) or fiscal year (July 1st) basis.

WB Imported Tier I Commodity Rate (Three Sub - Components = One Rate)	Unit	Rate Change Effective Date
WB Reliability Service Charge (RSC)	per Acre-Feet	July 1, 2020
MET Imported Tier I Rate (Pass-Thru)	per Acre-Feet	January 1, 2021
MET Readiness to Serve (RTS) (Pass-Thru)	per Acre-Feet	January 1, 2021

Fixed Charges	Calculation	Rate Change Effective Date
WB Fixed Service Charge	Annual Calculation based on 3-Year Historic Sales	July 1, 2020
MET Capacity Charge (Pass-Thru)	Annual Calculation based on peaking cfs flow rate	January 1, 2021

### Imported Water Revenues

Historically, West Basin’s imported water rate is comprised of three components:

1. MET’s Commodity Rate;
2. Readiness-to-Serve Charge (RTS); and
3. West Basin’s Reliability Service Charge (RSC)

In FY 2018-19, West Basin added a fourth component, the Fixed Service Charge. (See page 5-7 for further information regarding the Fixed Service Charge).

The Board approved its one-year rate increase of \$36/AF and the Fixed Service Charge for FY 2020-21 at the Board meeting on June 22, 2020 per resolution 06-20-1113. Based on AF assumptions and the rates for the fiscal year described below, West Basin is budgeting \$152,616,216 in imported water sales and \$7,459,131 in fixed service charges.



### MET Commodity Rate

On April 14, 2020 MET's Board of Directors voted to increase their imported commodity rate for Calendar Year (CY) 2021 and 2022 by \$26/AF or 2.4% and \$39/AF or 3.5%, respectively both effective on January 1 of each year. West Basin will pass through the MET Tier 1 commodity rate at \$1,078/AF from July-December 2020 and \$1,104/AF from January-June 2021.

### Readiness-to-Serve Charge

MET's Board of Directors also approved in April 2020 an overall RTS collection of \$130 million in CY 2021 from its 26-member agencies, with rate changes effective January 1 of each FY. 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 CY (January to December). West Basin's allocated portion in FY 2020-21 increased by approximately \$242,000.

West Basin is one MET member agency that collects this revenue on its own rates instead of a MET standby charge, as such, West Basin converts the RTS charge to a dollar amount per AF and is one component of West Basin's imported water rate. This component of West Basin's imported water rate is determined by dividing West Basin's share of MET's RTS collection of \$10,033,400 by the budgeted imported water sales (not including the imported water sales to WRD for injection into the West Coast Barrier), 106,000 AF, for a rate of \$100/AF, effective January 1, 2021. This represents an increase of \$10/AF in West Basin's RTS of \$90/AF which is effective until December 31, 2020.

### Reliability Service Charge

When determining the RSC, West Basin considers both the current year and the five-year forecast in striving for a target of 1.75 on the all-in debt coverage. This process helps in avoiding large spikes in the RSC from year to year but may also provide an all-in debt coverage in any one year to be lower or higher than the minimum. In FY 2019-20, the all-in debt coverage was budgeted at 1.75 and although the RSC did not increase, the phase-in of the Fixed Service Charge translated to a \$15/AF overall rate increase. For FY 2020-21, the Fixed Service Charge will increase to \$7,459,131 for the 3rd year of the phase-in, this translates to a \$33/AF or 2.3% increase in the Tier 1 rate. The continued commitment to this all-in debt coverage of 1.75 target is in response to prior reviews with credit rating agencies which compared the financial metrics of West Basin to its peers.

Rates Effective July 1, 2020 to December 31, 2020				
	MET Commodity	MET RTS	Reliability Svc	TOTAL
Non-Interruptible Retail & Barrier (Tier 1)	\$1,078/AF	\$90/AF	\$237/AF	<b>\$1,405/AF</b>
Rates Effective January 1, 2021				
	MET Commodity	MET RTS	Reliability Svc	TOTAL
Non-Interruptible Retail & Barrier (Tier 1)	\$1,104/AF	\$100/AF	\$237/AF	<b>\$1,441/AF</b>

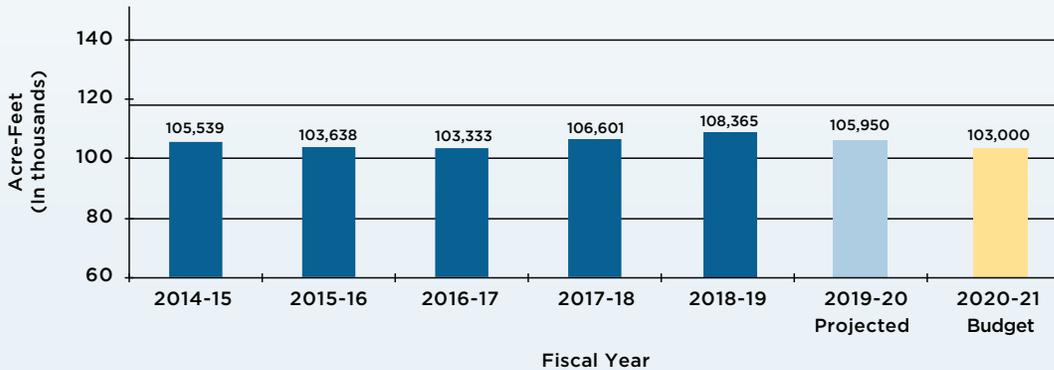


### Imported Retail Sales

Imported retail water sales vary based on hydrologic conditions, water demand and on the available water supply. However, even with conditions that brought snowpack levels well above annual averages, consumption has remained relatively flat due to changes in consumer behavior. As the chart below shows, consumer usage of imported water since the end of the most recent drought in FY 2016-17 has not returned to pre-drought levels. Projected sales for the end of FY 2019-20 are expected to be at 105,950 AF, a 2,415 AF decline from the previous fiscal year actual sales of 108,365 AF, but more closely aligned to the budget. This may also be a result of the impact of the COVID-19 pandemic on those parts of the service area where more commercial and industrial use than residential use exists. Due to the uncertainty of when the ongoing “safer-at-home” orders from Governor Newsom will end, and when retail water usage will return to pre-COVID levels, West Basin is budgeting for retail sales at 103,000 AF in FY 2020-21, which represents a 3% decrease from its FY 2019-20 budget of 106,000 AF.

### Retail Sales

FY 2014-15-FY 2020-21



### Imported Barrier Sales

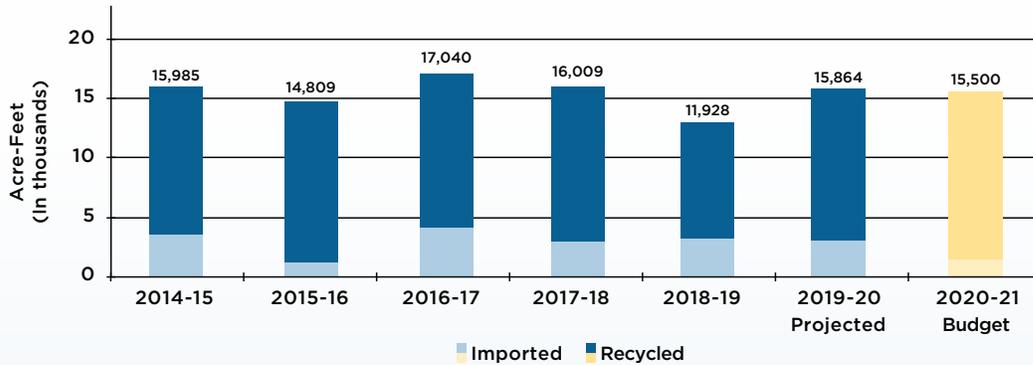
#### West Coast Barrier

Historically, the Barrier is injected with a mix of recycled and imported water, with total (imported and recycled) water delivered in FY 2018-19 of 12,928 AF. West Basin has capacity to deliver 17,000 AF of recycled water and is ready to do so, however, historically the amount of recycled water injected into the Barrier has been less than 13,000 AF. After discussions with WRD and West Basin operations staff, sales of recycled water to the Barrier are budgeted at 13,800 AF for FY 2020-21. Although West Basin’s goal is to deliver 100% recycled water to the Barrier, history has shown actual total sales to the Barrier have averaged 15,500 AF. With recycled water injection budgeted at 13,800 AF, the remaining 1,700 AF (15,500 less 13,800) has been budgeted as imported barrier water to meet expected anticipated demand for the Barrier in FY 2020-21. Imported sales to the Barrier are projected for FY 2019-20 to be 3,000 AF; or 190 AF lower than FY 2018-19 levels of 3,190 AF. The graph below shows the variability in demand for imported and recycled water over the years for the West Coast Barrier.



## West Coast Barrier

FY 2014-15 thru FY 2020-21



### *Dominguez Gap Barrier*

The City of Los Angeles completed their local recycled water project and has supplied recycled water in FY 2018-19 to the Dominguez Gap Barrier. However, due to operational issues has been unable to meet the Dominguez Gap Barrier’s total demand, resulting in West Basin supplying the shortfall with imported water. In consultation with WRD and review of current deliveries, West Basin has maintained the budget for FY 2020-21 at 3,000 AF.

### Water Service Charge

Historically, West Basin collected a Water Service Charge as a monthly fixed amount based on the cubic feet per second (cfs) of each customer’s meter capacity. This charge was based on the number and size of potable water meters each customer agency has available. On June 30, 2018 the Water Service Charge was eliminated with the introduction of the Fixed Service Charge.

### Fixed Service Charge

In FY 2018-19 West Basin introduced a Fixed Service Charge to its imported water customers. This charge was a result of a study performed to explore rate structure alternatives to increase rate and revenue stability. Because West Basin relies on variable water sales for the majority of its imported water revenue, during periods of reduced sales West Basin’s revenues can decline significantly. Incorporating the Fixed Service Charge provides a reliable and stable revenue source making West Basin less vulnerable to demand fluctuations and allows for more rate stability for its customers.

West Basin’s methodology for this charge is to phase it in over an anticipated 3-year period with the ultimate goal to collect revenues that equate to two program budgets, Water Policy and Resource Development and the Public Information and Education. The Fixed Service Charge is then allocated to each customer based on their respective 3-year historical rolling average of imported water deliveries, and paid monthly by each customer according to the table below.

The Fixed Service Charge is now in the final year of phase-in. The Fixed Service Charge will increase from \$3,919,411 in FY 2019-20 to \$7,459,131 in FY 2020-21, effective July 1, 2020.



Customer Agencies	3-Year Ave Deliveries (AF)	Annual Charge	Monthly Charge
California American Water Co.	1,084	\$ 72,354	\$ 6,030
CWSC - Dominguez	23,488	1,568,388	130,699
CWSC - Hawthorne	2,643	176,461	14,705
CWSC - Hermosa Redondo	9,984	666,656	55,555
CWSC - Palos Verdes	17,379	1,160,477	96,706
City of El Segundo	7,146	477,194	39,766
City of Inglewood	7,024	469,026	39,086
City of Lomita	1,495	99,816	8,318
City of Manhattan Beach	4,467	298,252	24,854
Golden State Water	23,036	1,538,188	128,182
LA County Waterworks No. 29	8,354	557,835	46,486
WRD - Dominguez Gap Barrier	5,608	374,484	31,207
<b>TOTAL</b>	<b>111,707</b>	<b>\$ 7,459,131</b>	<b>\$ 621,594</b>

### Capacity Charge

MET developed the Capacity Charge to recover its costs in providing distribution capacity use during peak summer demands. The aim of this charge is to encourage customer agencies to reduce peak day demands during the summer months (May 1 thru September 30) and shift usage to the winter months (October 1 thru April 30), which will result in a more efficient utilization of MET’s existing infrastructure and defers capacity expansion costs. As this is a MET charge, West Basin passes-through this charge to its customers.

West Basin’s combined cubic feet per second (cfs) peak amount from its customers is 252.0 for CY 2020 and has increased to 253.0 cfs for CY 2021, calculated on each customer’s highest overall peak level during the past three (3) years.

West Basin models MET’s methodology to calculate its peak charges to its customer agencies by multiplying each purveyor’s highest daily average usage (per cfs) for the past three summer periods by the Capacity Charge Rate. The timing of the rate change is structured to coincide with MET and is calculated to collect the amount West Basin pays. West Basin is able to pass through a lower rate per cfs and establish a more equitable distribution of MET’s charge as the agency’s highest peak may be different than the individual customer’s highest peak.

West Basin will increase its current Capacity Charge Rate from \$6,976/cfs to \$9,050/cfs on January 1, 2021, with anticipated revenues of \$2,023,801 during FY 2020-21 to pass through the higher MET cost.



Effective 1/1/20 to 12/31/20				
West Basin Customers	Calendar Year			3-YEAR PEAK
	2016	2017	2018	
California American Water Co.	1.3	3.3	4.0	4.0
CWSC - Dominguez	45.9	43.5	52.3	52.3
CWSC - Hawthorne	6.0	6.1	6.7	6.7
CWSC - Hermosa Redondo	17.1	19.1	21.0	21.0
CWSC - Palos Verdes	34.8	38.3	39.3	39.3
LA County Waterworks No. 29	17.7	15.4	16.1	17.7
City of El Segundo	11.4	14.5	12.1	14.5
City of Inglewood	12.0	12.2	13.8	13.8
City of Lomita	3.8	2.7	3.2	3.8
City of Manhattan Beach	8.2	7.3	8.5	8.5
Golden State Water Co.	43.8	32.7	42.2	43.8
Water Replenishment District	14.3	23.7	26.8	26.8
			<b>TOTAL</b>	<b>252.0</b>

Effective 1/1/21 to 12/31/21				
West Basin Customers	Calendar Year			3-YEAR PEAK
	2017	2018	2019	
California American Water Co.	3.3	4.0	5.0	5.0
CWSC - Dominguez	43.5	52.3	43.5	52.3
CWSC - Hawthorne	6.1	6.7	6.2	6.7
CWSC - Hermosa Redondo	19.1	21.0	19.2	21.0
CWSC - Palos Verdes	38.3	39.3	40.4	40.4
LA County Waterworks No. 29	15.4	16.1	14.7	16.1
City of El Segundo	14.5	12.1	12.3	14.5
City of Inglewood	12.2	13.8	11.8	13.8
City of Lomita	2.7	3.2	3.5	3.5
City of Manhattan Beach	7.3	8.5	8.1	8.5
Golden State Water Co.	32.7	42.2	44.5	44.5
Water Replenishment District	23.7	26.8	26.0	26.8
			<b>TOTAL</b>	<b>253.0</b>



### Recycled Water Charges and Fixed Revenue Charges

By resolution 06-20-1113, West Basin adopts its recycled water rates to increase according to customer agreements or in line with West Basin’s effective Imported Water Tier 1 rate increase, depending on the type of recycled water. For disinfected tertiary recycled water, West Basin has applied a discount of approximately 15% on its effective non-interruptible tier 1 rate when setting those rates. This consideration is given in order to continue to attract new customers and expand existing customers to a more reliable source of water at relatively lower rate. Historically revenues from recycled water sales consisted of commodity charges and incentive payments from MWD’s Local Resources Program (LRP). The LRP provided a \$250/AF rebate for each AF of recycled water produced and sold, helping West Basin and its customers to develop and utilize recycled water as much as possible thereby decreasing the reliance on imported water. The first LRP agreement West Basin entered with MET expired March 2020, and made up the majority of the LRP received. The sunset of this first LRP agreement in FY 2019-20 resulted in a decline in revenues in FY 2020-21 of approximately \$6,500,000 or approximately 14% of total recycled water revenue. A second LRP agreement was entered into in June 2012 and will expire in 2037. The second LRP agreement is anticipated to generate \$323,750 of revenue in FY 2020-21. Total recycled water revenue including the LRP is \$41,087,590 for FY 2020-21.

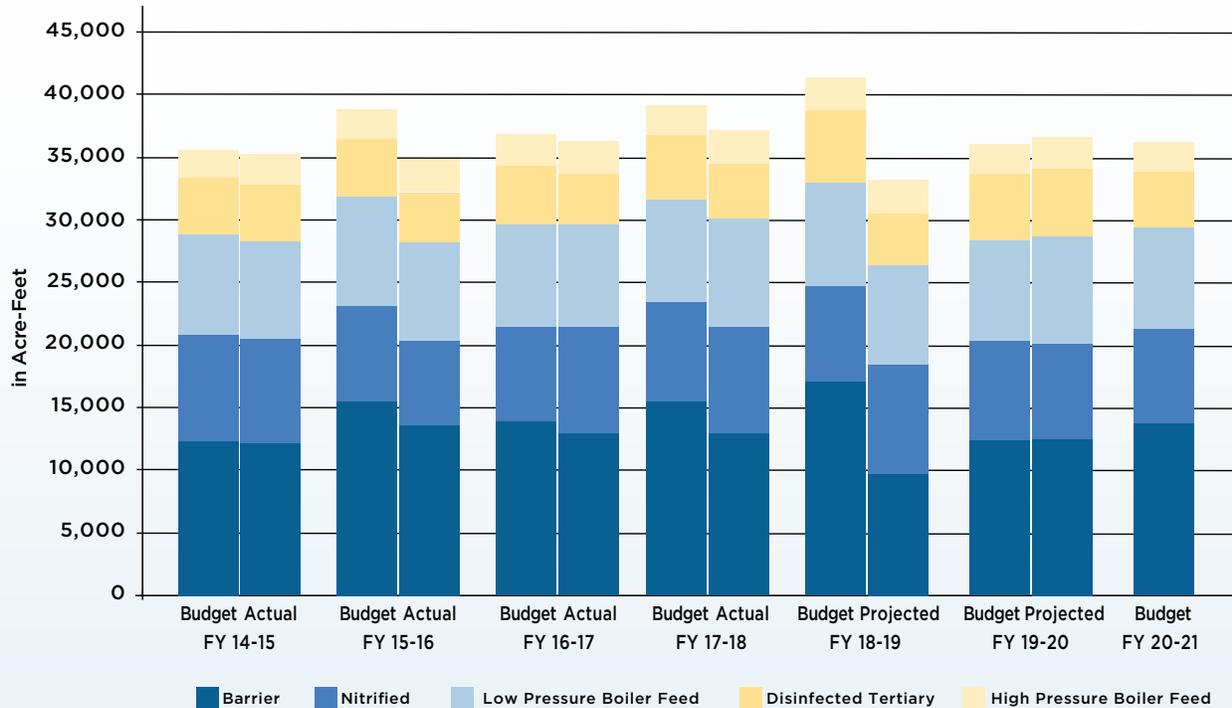
Recycled Water Rates (Effective July 1, 2020)				
Volume (AF/Month)	WBMWD Service Area	Outside Service Area	Designer Recycled Water	
0-25	\$1,255/AF	\$1,297/AF	West Coast Barrier Nitrified Low Pressure Boiler Feed High Pressure Boiler Feed	Established by Agreement
25-50	\$1,245/AF	\$1,287/AF		
50-100	\$1,235/AF	\$1,277/AF		
100-200	\$1,225/AF	\$1,267/AF		
200+	\$1,215/AF	\$1,257/AF		

In addition, West Basin anticipates receiving approximately \$7.6 million in fixed capital revenue charges which are collected from users of certain facilities within the recycled water system, including Marathon, Chevron, and Torrance Refining Co., and are used by West Basin to repay the cost of the treatment and distribution facilities constructed exclusively for delivery of recycled water.



## Recycled Water Historical Sales

FY 2014-15 thru FY 2020-21



West Basin currently serves recycled water to more than 400 meters with sales projected at 35,600 AF in FY 2019-20. Compared to the FY 2019-20 budget of 36,790 AF, West Basin anticipates a slight decrease in recycled water sales to 36,164 AF in FY 2020-21. The overall change considers higher anticipated sales to the West Coast Barrier offset by the anticipated impact on production from the COVID-19 pandemic. Staff's estimates from the impact of the COVID-19 pandemic is based on limited data available at the time the FY 2020-21 budget was developed. Staff noted the impact of the pandemic was mainly on its sales to the refineries with little to no impact on Barrier sales. Including the reduction to recycled water sales to local refineries in FY 2020-21, expected recycled water sales are approximately 50% sales to the refineries, 38% to the WRD for the Barrier, and the remaining 12% will be used in parks, golf courses, schools and street medians.



### Desalter Water Charges

West Basin sells desalinated brackish water produced at the C. Marvin Brewer Desalter to California Water Service Company. Per agreement with the customer, the desalter rate is determined based on MET's commodity charges plus the RTS charge. The current rate for desalted water is \$1,168/AF and will increase 3.1% to \$1,204/AF on January 1, 2021. Deliveries from the Brewer Desalter are budgeted at 864 AF for FY 2020-21. Production of desalted water is anticipated to run 80% of the time.

Desalted Water Rates			
	Jul 1 - Dec 31, 2020	Jan 1 - Jun 30, 2021	INC (DEC)
MWD (Tier 1)	\$ 1,078	\$ 1,104	\$ 26
RTS	90	100	10
<b>TOTAL</b>	<b>\$ 1,168</b>	<b>\$ 1,204</b>	<b>\$ 36</b>

## Other Sources of Revenue

### Standby Charge

On an annual basis, the Board considers adoption of the Standby Charge to use towards West Basin's debt service obligations for the water recycling facilities. For FY 2020-21, the Standby Charge will be assessed by the same formula as in prior years and the amount assessed per parcel has remained consistent since FY 1992-93. The amount assessed is \$16 per dwelling unit, \$24 or \$120 per parcel depending upon the land use provided by the County of Los Angeles on a given parcel. The table below is an excerpt of the engineer's report that specifies the exact amount of units included in the Standby Charge Program and their weighted benefit calculation. Based on 359,517 benefiting units and previous annual collections, it is estimated that the levy from the Standby Charge, net of program expenses, are expected to be approximately \$10,000,000. The Board conducted a public hearing on April 27, 2020, to receive written and verbal comments from property owners, public agencies and other interested parties and none were received. After careful consideration the Board voted to adopt the annual Standby Charge (Resolution 05-20-1111) at its May 27, 2020 meeting.



## Total Benefiting Units and Corresponding Levy

	Parcels =< 1 Acre	Acres >1 Acre	MFR Units	Total Levy
<b>Residential</b>				
SFR, Duplex	141,094	14,905		\$3,743,977
MFR			175,525	2,808,400
Low-use	2	127		1,551
<b>Non-Residential</b>				
Non-residential	12,903	14,953		3,561,822
Low-use	8	0		480
<b>TOTAL</b>	<b>154,007</b>	<b>29,985</b>	<b>175,525</b>	<b>\$10,116,230</b>

### Water Use Efficiency Income

Based on the 2017 update of the Water Use Efficiency Master Plan, West Basin continues to enhance its Water Use Efficiency Program offerings across the varying sectors such as residential, large landscape, commercial, industrial and institutional. As a result, West Basin has had greater access to available rebates, state and federal grants, and partnerships with retail water agencies interested in investing in cost-effective programs. For FY 2020-21, West Basin will continue to receive outside funding, and has estimated the total conservation income at \$1,031,772.

### Interest Income

West Basin receives interest income from its general fund. With recent decline in the interest rate environment, West Basin has assumed a lower return on its portfolio in FY 2020-21 than the prior year. In discussion with its investment manager the general fund interest income is expected to be approximately \$1,238,800. West Basin has adopted an investment policy in accordance with California Government Code 53600 et. seq. and has utilized an investment manager to actively manage its portfolio, keep West Basin apprised of current market conditions, review West Basin's investment policy and procedures, and implement changes to ensure West Basin's key objectives of safety, liquidity and yield are met.

### Other Income

West Basin anticipates total miscellaneous income of \$61,200 in FY 2020-21 and is comprised of \$26,700 expected to be earned from its efforts to support the Purveyor Water Quality Monitoring Program, and another approximately \$34,500 in miscellaneous income.





SECTION 6  
USE OF FUNDS





## Use of Funds

West Basin maintains a single enterprise fund which is divided among four major types of expenses: water purchases (including the Readiness-to-Serve Charge), Capacity Charge, debt service, and program expenses. A balanced budget is maintained between sources of revenues and uses of funds by placing the difference generated into West Basin’s Designated Funds. Summarized below are the actual and projected expenses for the past three years along with comparative budgets to illustrate the trend of the various expenses.

Expenditures	FY 2017-18	FY 2018-19	FY 2019-20	FY 2019-20	FY 202-21
Description	Actual	Actual	Projected	Budget	Budget
Imported Water Purchases / RTS	\$123,854,127	\$130,544,823	\$128,970,621	\$129,003,224	\$127,478,616
Capacity Charge	1,866,925	1,813,435	1,757,870	1,757,870	2,023,690
Debt Service	23,531,213	23,357,876	23,597,938	23,597,938	23,655,786
Water Recycling Operations	34,828,243	37,575,664	41,352,236	41,238,603	41,473,700
Desalter Operations	475,068	774,520	774,942	1,493,475	1,505,231
Water Policy	1,724,020	1,659,735	2,340,984	1,634,517	2,420,799
Public Information & Education	3,201,324	2,988,152	4,085,157	3,864,298	5,038,332
Water Use Efficiency	1,532,871	1,124,863	2,262,948	3,704,412	3,363,566
Water Quality Monitoring	23,631	28,393	28,921	47,005	51,552
Technical Planning	652,512	1,342,791	1,200,119	5,846,582	3,779,792
Designated Funds	30,750,992	25,066,762	20,115,126	17,592,586	13,314,906
<b>Total Expenditures</b>	<b>\$222,440,926</b>	<b>\$226,277,014</b>	<b>\$226,486,862</b>	<b>\$229,780,510</b>	<b>\$224,105,970</b>

Overall expenditures are budgeted to decrease approximately \$5.6 million in FY 2020-21 as compared to FY 2019-20. The reduced expenditures are primarily due to a decrease in imported retail water purchases and Designated Funds. The amount budgeted to be placed into Designated Funds for FY 2020-21 will decrease \$4.2 million as compared to the FY 2019-20 due reduction in revenue. West Basin plans to reinvest these funds to support and upgrade its facilities. See “Capital Improvement Program” in section 8 for further explanation.



# Water Purchases and Charges

## Imported Water Purchase

### Imported Retail

West Basin purchases Tier 1 treated imported water solely from MET and those purchases tie directly to its sale of imported water. West Basin’s retail imported water sales have fluctuated over the last decade due to droughts, climate change, and as customer agencies enacted conservation measures to meet state-mandated targets. Imported water sales have slightly increased during the prior two fiscal years; however, with the added uncertainty of the impact from COVID-19, West Basin has conservatively budgeted its retail imported sales at 103,000 AF for FY 2020-21. West Basin does not anticipate any imported Tier 2 water sales.

### Imported Barrier

Through the Water Replenishment District, West Basin provides imported water to inject into the Dominguez Gap Barrier and the West Coast Basin Barrier (Barrier) when the goal of injecting 100% recycled water into the Barrier cannot be met. Imported water sales to both Barriers are expected to decrease to 4,700 AF in FY 2020-21 from 6,100 AF in FY 2019-20 due to an anticipated increase in injection of recycled water into the Barrier.

## Budgeted Deliveries

	Dominguez Gap		West Coast Barrier	
	FY 19-20	FY 20-21	FY 19-20	FY 20-21
Imported	3,000	3,000	3,100	1,700



## MET Non-Interruptible Commodity Rate

As mentioned earlier, West Basin purchases all of its imported water from MET. On April 14, 2020, the MET Board approved its biennial budget and water rates. Although the overall average rate increase adopted by MET was 3.0% for CY 2021, the imported water commodity for Tier 1 rate effectively increased 2.4% or \$26 per AF effective January 1, 2021. The commodity rate is a direct pass-through to West Basin's customers. The components of MET's non-interruptible commodity rate and their cost per AF are shown below.

Effective Dates	1/1/20	1/1/21
Supply Rate Tier 1	\$208	\$243
Supply Rate Tier 2	\$295	\$285
System Access Rate	\$346	\$373
Water Stewardship Rate	\$65	\$0
Treatment Rate	\$323	\$327
Power Rate	\$136	\$161
<b>Total Tier 1</b>	<b>\$1,078</b>	<b>\$1,104</b>
<b>Total Tier 2</b>	<b>\$1,165</b>	<b>\$1,146</b>

## Readiness-to-Serve (RTS) Charge

The RTS is a fixed charge that MET charges its member agencies to recover the cost of the portion of their system conveyance that is on standby to provide emergency service and operational flexibility. The cost of providing standby service also covers the distribution and system storage capacity and is allocated to the RTS charge. Many of MET's member agencies elect to have their RTS share collected by MET; however, West Basin's RTS share is a pass-thru to its customers, the collection of which is explained more thoroughly in the "Sources of Revenue" section.

MET's Board of Directors approved in April 2020 an overall RTS collection of \$130 million in CY 2021 from its 26-member agencies, with rate changes effective January 1 of each FY. The amount collected is allocated to each of its customers based on each agency's respective percentage to the total on the 10-year rolling average of firm sales. The 10-year rolling average is based on a CY (January to December).

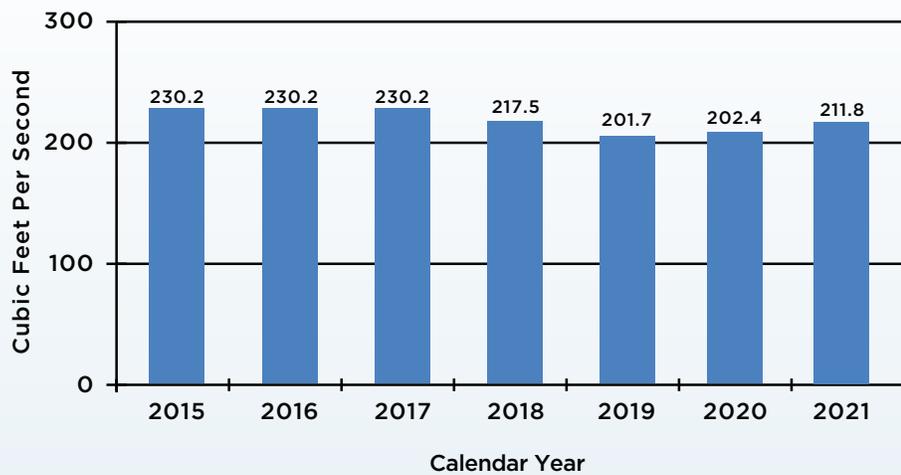
Overall, West Basin estimates water purchases and RTS expenditures to be \$127,478,616.



## Capacity Charge

MET charges its members agencies a Capacity Charge to recover the cost of providing peak water service capacity within its distribution system and this charge can increase as more capital costs are allocated to peak system use.

West Basin’s overall cfs peak flow is reflected on the table below for CY 2015 through CY 2021.



Effective January 1, 2021, MET will increase its Capacity Charge from \$8,800 per cfs to \$10,700 per cfs. In addition, West Basin’s peak flow increased from 202.4 cfs in CY 2020 to 211.8 cfs in CY 2021, resulting in West Basin paying approximately \$266,000 more in Capacity Charge. The total cost for West Basin in FY 2020-21 is \$2,023,690.

West Basin passes through this charge to its customer agencies using the same methodology MET uses to calculate their member agencies’ share. See the “Sources of Revenue” section for further explanation.



## Debt Service

In the early 1990's, West Basin's Board of Directors had the vision to drought-proof its service area by constructing treatment facilities and distribution pipelines to bring recycled water to industrial, commercial and irrigation sites that were using imported potable water. By selling recycled water to these customers, West Basin reduced its reliance on imported water. The importance of local control on water availability is even more important today as we continue to face higher costs and uncertain availability for delivery of this scarce resource due to droughts and climate change. In order to fund the construction of the treatment facilities and distribution pipelines for the recycled water system, West Basin obtained federal and state grants, invested its own cash, and also issued debt.

West Basin does not have a legal debt limit due to its ability to raise its water rates and charges, but does have debt coverage requirements stated within the Installment Purchase Agreements with each debt issuance.

West Basin works in collaboration with its financial team of municipal advisors, bond counsel, trustees, and other related parties to identify, evaluate potential new construction funding requirements or refunding opportunities. In addition, West Basin reviews its debt structure to ensure an overall level debt structure is maintained and aligns with the expected service life of the capital assets.

Since the early 1990's, West Basin has received more than \$430 million in construction proceeds through fixed and variable debt issuances using a variety of debt instruments including certificates of participation, revenue bonds, state loans, and commercial paper. West Basin monitors its debt portfolio and takes advantage of favorable market conditions to reduce water rates whenever possible through appropriate refunding opportunities.



As of June 30, 2020, West Basin has \$224.6 million in long-term debt outstanding with the following outstanding debt obligations:

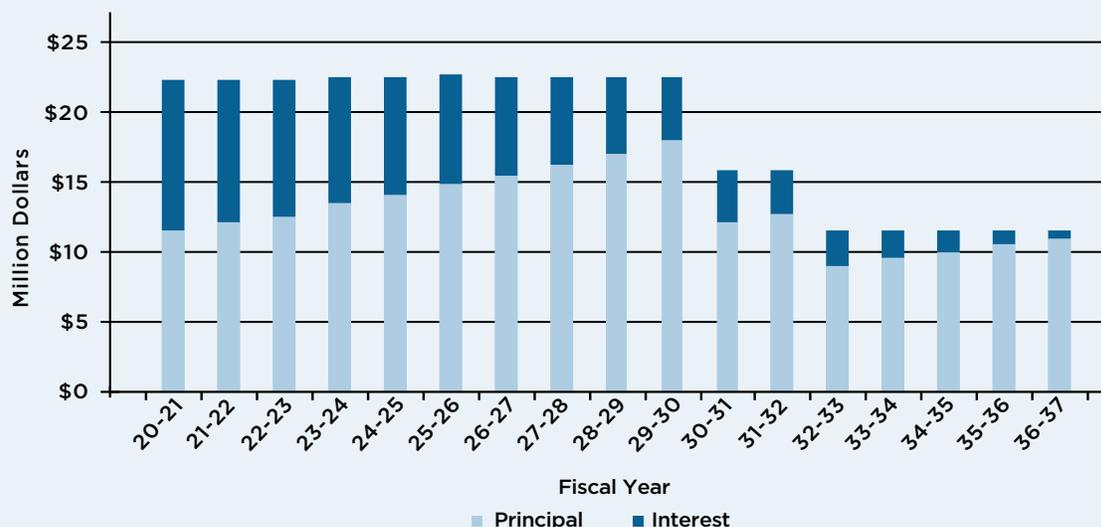
### Current Outstanding Long-Term Debt

Series Name	2011A	2011B	2012A	2016A	2018
<b>Original Amount</b>	\$34,190,000	\$60,275,000	\$50,325,000	\$112,875,000	\$50,000,000
<b>Type of Debt</b>	Refunding Revenue Bonds	Refunding Revenue Bonds	Refunding Revenue Bonds	Refunding Revenue Bonds	Commercial Paper
<b>Purpose</b>	Refunding	Refunding / New Proceeds	Refunding / New Proceeds	Refunding	New Proceeds
<b>Interest Range</b>	2.5% - 5.0%	4.0% - 5.0%	3.0% - 5.0%	2.0% - 5.0%	Variable
<b>Issue Date</b>	2011	2011	2012	2016	2019
<b>Final Maturity</b>	2024	2036	2029	2036	2022
<b>Current Rating</b>	AA- and Aa2	AA- and Aa2	AA- and Aa2	AA- and Aa2	P-1
<b>Annual DS Pmt</b>	\$5.2 Million	\$3.0 Million	\$4.4 Million	\$10.2 Million	\$.2 Million
<b>2019 Principal</b>	\$4.4 Million	None	\$2.7 Million	\$5.2 Million	None
<b>2019 Interest</b>	\$0.8 Million	\$3.0 Million	\$1.7 Million	\$5.0 Million	\$.2 Million
<b>Lien</b>	Senior	Senior	Senior	Senior	Subordinate

For FY 2020-21, debt service is budgeted at \$23,655,786.

#### Debt to Maturity (on cash-basis)

The following graph and table show the scheduled principal and interest cash payments for West Basin's current debt portfolio. Debt service payments are made semi-annually by August 1st and February 1st each year.





Reverse Osmosis Membranes



## Refunding Revenue Bonds

1-Aug	Principal	Interest	Total
2020	11,835,000	11,024,750	22,859,750
2021	12,325,000	10,523,250	22,848,250
2022	12,825,000	9,959,000	22,784,000
2023	13,670,000	9,330,250	23,000,250
2024	14,330,000	8,646,750	22,976,750
2025	15,210,000	7,961,250	23,171,250
2026	15,730,000	7,200,750	22,930,750
2027	16,585,000	6,434,250	23,019,250
2028	17,420,000	5,605,500	23,025,500
2029	18,290,000	4,734,500	23,024,500
2030	12,355,000	3,820,000	16,175,000
2031	12,970,000	3,202,250	16,172,250
2032	9,230,000	2,553,750	11,783,750
2033	9,700,000	2,092,250	11,792,250
2034	10,190,000	1,607,250	11,797,250
2035	10,705,000	1,097,750	11,802,750
2036	11,250,000	562,500	11,812,500
2036	11,250,000	562,500	11,812,500
<b>Total</b>	<b>\$224,620,000</b>	<b>\$96,356,000</b>	<b>\$ 320,976,000</b>

Over the next five years, West Basin has several anticipated capital projects that will require the issuance of a State Loan, utilization of a State grant, drawing a large portion of its commercial paper line, in addition to expending PAYGO funds.

A capital grant has been awarded to West Basin for approximately \$8 million and a loan from the State Revolving Fund (SRF) to finance the JMMCRWRP Expansion capital project that qualified under SRF's Water Recycling Funding Program. The anticipated annual SRF loan payment is based on approximately \$15 million in construction proceeds with a 1% interest rate for a 25-year term. In addition, West Basin is working with its municipal advisors to determine the amount and timing for West Basin to issue additional long-term bonds. Both long-term debt annual payments assumptions have been included in the Projected Operating results beginning in FY 2020-21.



The following table shows the ratio for the last 10-years of the total capital assets compared to debt outstanding. In due course, West Basin has been able to leverage less due to its investment into its capital assets using its net revenues and its commitment to paying its annual debt service.

Fiscal Year Ended June 30	Total Debt			Capital Assets			Total Debt/ Capital Assets
	Certificates of Participation & Revenue Bonds	State Loan	Total LT Debt	Capitalized Assets	Construction-in-Progress	Total Capital Assets	
2010	294,395	1,743	296,138	496,722	39,395	536,117	0.55
2011	300,050	1,440	301,490	507,066	59,081	566,147	0.53
2012	327,023	-	327,023	520,501	103,279	623,780	0.52
2013	338,686	-	338,686	527,816	135,530	663,346	0.51
2014	329,755	-	329,755	590,272	63,152	653,424	0.50
2015	312,682	-	312,682	590,732	75,144	665,876	0.47
2016	295,831	-	295,831	599,282	79,015	678,297	0.44
2017	292,377	-	292,377	611,438	88,061	699,499	0.42
2018	279,300	-	279,300	611,756	109,785	721,541	0.39
2019	265,972	-	265,972	617,574	132,592	750,166	0.35

Source: Fiscal Year June 30, 2019 CAFR

### Swap Transactions

West Basin currently has two swaps transactions, both with the same counterparty, with a total notional amount of \$13,475,000 outstanding as of June 30, 2020. Based on GASB 53, these swaps are currently deemed an investment derivative. The first swap was entered into in June 2004 with a synthetic fixed rate of 3.662% and receives 65% of the British Bankers Association – London Interbank offered rate (BBA-LIBOR) with a final termination date of August 2027. West Basin staff is cognizant of the eventual phase-out of LIBOR at the end of CY 2021 and is monitoring the transition to the secured overnight financing rate (SOFR) and its impact to the District. SOFR is an influential interest rate that banks use to price U.S. dollar-denominated derivatives and loans. The daily SOFR is based on transactions in the Treasury repurchase market, where investors offer banks overnight loans backed by their bond assets.

In April 2005, West Basin entered into a forward interest rate swap that became effective August 2007. This second swap required West Basin to pay a fixed rate of 3.515% and receives 65% of the British Bankers Association – London Interbank offered rate (BBA-LIBOR) with a final termination date of August 2021.



### Covenants

Although West Basin does not have a legal debt limit due to its ability to raise its water rates and charges, it does have debt coverage requirements stated within the Installment Purchase Agreements associated with each debt issuance. Per these financing documents the legal debt coverage requirement is 1.15 for both our senior and subordinate liens. This covenant is monitored not only by West Basin, but also by both investors and rating agencies. To meet this covenant, West Basin has set internal targeted debt coverage goals for its budget at a rate higher than legally required for both liens.

Detailed below is the anticipated debt coverage for the current and future FY budgets.

### Bond Debt Coverage Ratios

(in 000's - except coverage)

Bond Coverage Ratios	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Revenues	\$224,106	\$237,601	\$249,428	\$262,612	\$273,532	\$283,362
O&M	187,135	193,897	197,048	204,581	212,210	218,800
Net Revenues to pay senior debt	36,971	43,704	52,380	58,031	61,322	64,562
Total Senior Debt	23,027	26,452	29,496	29,477	29,623	29,404
Net Revenues to pay subordinate debt	13,944	17,252	22,884	28,554	31,699	35,158
Total Subordinate Debt	629	545	562	637	683	683
<b>All-In Coverage</b>	<b>1.56</b>	<b>1.62</b>	<b>1.74</b>	<b>1.93</b>	<b>2.02</b>	<b>2.15</b>
Remaining Net Revenue	\$13,315	\$16,707	\$22,322	\$27,917	\$31,016	\$34,475

## Operating Program Expenses

West Basin organizes and tracks its operating expenses through the following functional budget categories: Overhead Program Costs, Water Recycling Operations, C. Marvin Brewer Desalter Operations, Technical Planning, Water Policy and Resource Development, Public Information, Water Use Efficiency, and Purveyor Water Quality Monitoring Program. The Overhead Program costs are allocated to the other operating program budgets. A new program was created in 2018, Technical Planning, to perform engineering studies that will lead to long-term technical and strategic planning.

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.



Sustainable landscaping is encouraged through District conservation programs.



## Salaries and Benefits

West Basin has a unique business model with a small workforce of 56 full-time budgeted positions, plus six interns, working to accomplish its many critical goals and objectives. Staff is comprised of various high-level project managers who oversee the work of consultants in the field, which allows for flexibility to implement new programs as they arise or modify existing programs when staff needs change.

The following is included in West Basin's benefits package:

- Retirement - Classic - CalPERS 3% at 60 and Social Security (1).
- Retirement - Tier 2 - CalPERS 2% at 62 and Social Security (2).
- Health Insurance - Paid family coverage with expense reimbursement.
- Disability Insurance - Paid short term and long term insurance plans.
- Life Insurance - Up to \$150,000 based upon salary.
- Vacation - 10-20 days accrued annually, with credit for prior public service.
- Holidays - 14 paid holidays annually.
- Sick Leave - 12 days accrued annually.
- Tuition Reimbursement - 90% tuition and fees paid for job-related coursework.
- Deferred Compensation - CalPERS 457 Deferred Compensation Plan (employee contributes; no agency match).
- Supplemental Income Plan Loan - Made from employee's own CalPERS 457 Deferred Compensation Plan
- State Disability Insurance (employee paid)
- Fully paid Employee Assistance Program.

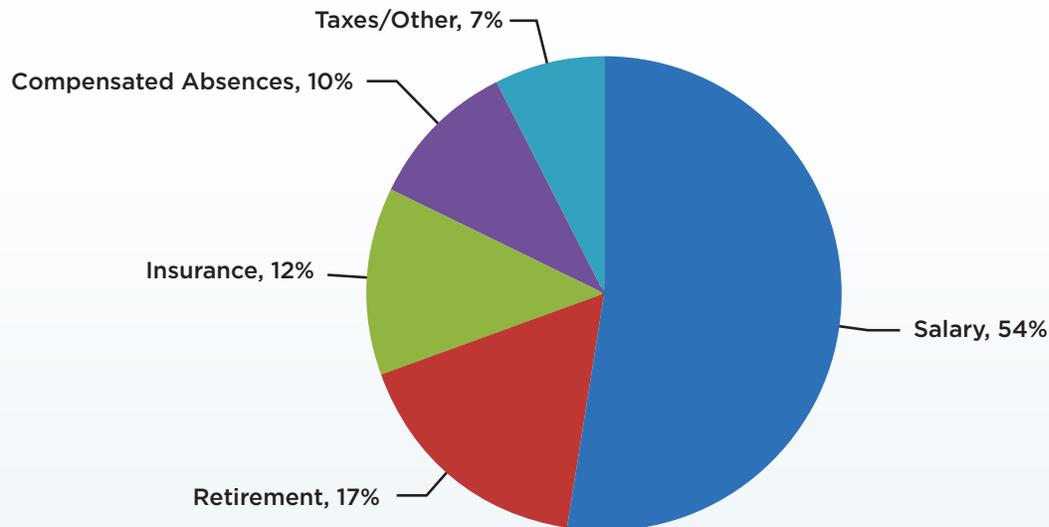
(1) (1) An employee who was employed by West Basin prior to January 1, 2013 is a "Classic" member of CalPERS or was hired by West Basin after January 1, 2013 but was employed with an agency with CalPERS reciprocity, or who have less than a six month break in service between employment in a CalPERS (or reciprocal) agency and employment with West Basin, will be enrolled in the 3% @ 60 benefit formula with Social Security.

(2) (2) An employee is considered a "Tier 2" member if he/she becomes a new member of CalPERS for the first time on or after January 1, 2013 (and who was not a member of another California public retirement system prior to that date) will be enrolled in the CalPERS 2% @ 62 benefit formula (with Social Security) in accordance with the Public Employees' Pension Reform Act of 2013 (PEPRA). New members will be required to pay at least 50% of the normal retirement cost.



## Salary and Benefits

FY 2019-20

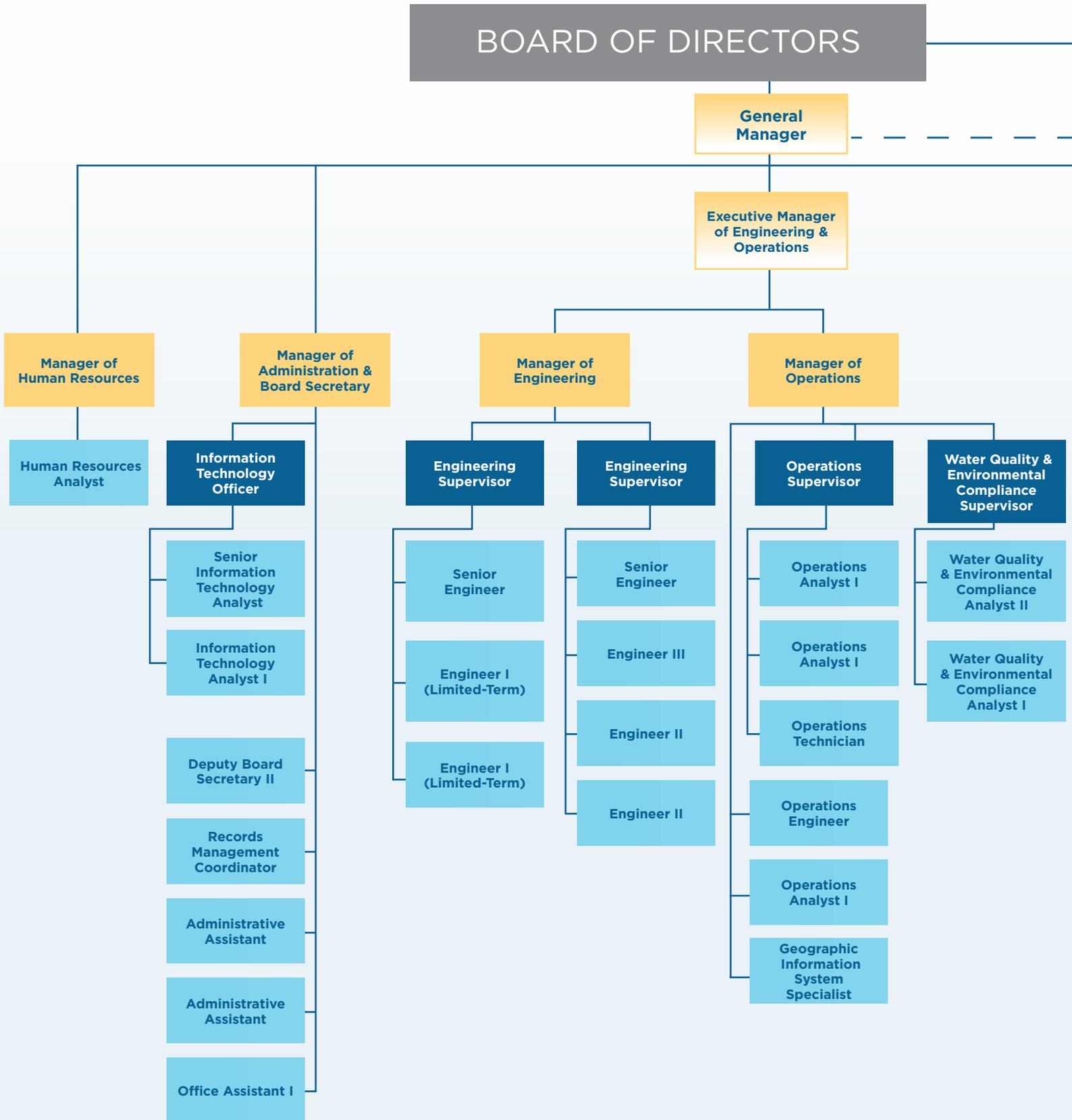


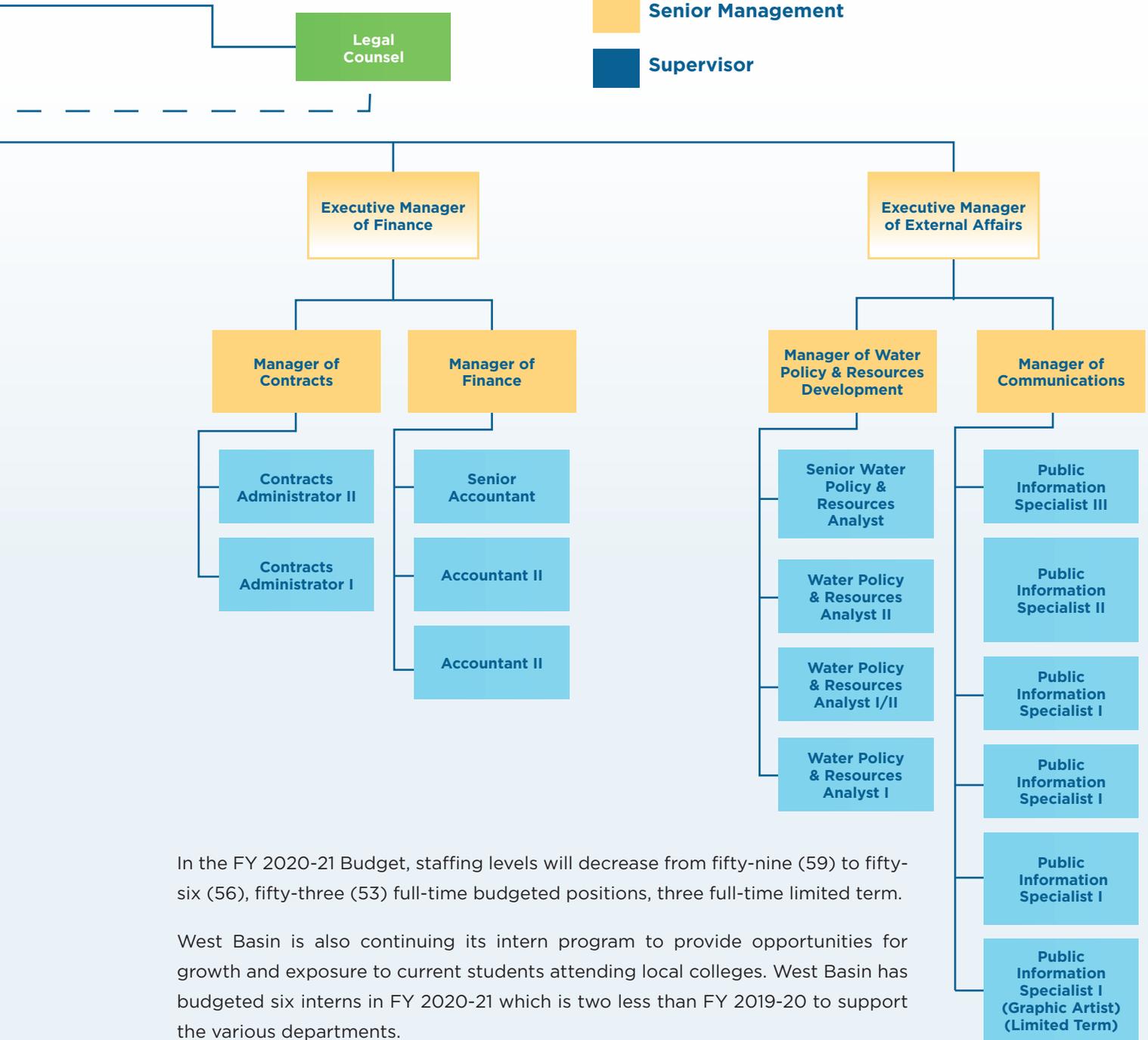
West Basin’s benefits package and total payroll comprises 4.84% of its total FY 2020-21 operating budget. The types of benefits included are consistent with the prior years’ budget and reflect an anticipated 6.5% average increase in health insurance and no increases in dental insurance. West Basin’s pension costs for “Classic” CalPERS members is 16.34%. Pension costs for “Tier 2” CalPERS members is 7.87%. The estimated Other Post-Employment Benefits (OPEB) contribution for FY 2020-21 will be approximately \$450,000. West Basin participates in the California Employers Benefit Retirement Trust that allows West Basin to calculate its liability based on assumed interest rate of 7.17%.

Current employment expense forecasts do not include a Cost-of-Living Adjustment increase. Instead, West Basin utilizes a performance-based merit pay system, wherein the amount of merit pay is determined by the employee’s performance appraisal rating and position in the salary range. To sustain competitiveness on an annual basis, West Basin takes into account the regional Consumer Price Index (CPI), and the average salary range increases of survey agencies. Based on these factors, West Basin has included a modest merit increase in the FY 2020-21 budget.



The organizational chart shows the full-time and part-time budgeted positions for FY 2020-21.





In the FY 2020-21 Budget, staffing levels will decrease from fifty-nine (59) to fifty-six (56), fifty-three (53) full-time budgeted positions, three full-time limited term.

West Basin is also continuing its intern program to provide opportunities for growth and exposure to current students attending local colleges. West Basin has budgeted six interns in FY 2020-21 which is two less than FY 2019-20 to support the various departments.



Following is a table showing the head count by department that includes the full-time, limited-term and part-time positions. The intern positions are not reflected in the table.

## Summary of Personnel Head Count by Department

(Not including interns)

Position	Actual	Projected	Budgeted		Change from
	FY 2018-19	FY 2019-20	FY 2019-20	FY 2020-21	FY 2019-20
Administrative & Board Services	7	9	10	10	0
Engineering	8	7	11	10	-1
Finance	7	7	7	7	0
Human Resources	2	2	2	2	0
Office of the General Manager	4	3	4	4	0
Operations	10	11	12	11	-1
Public Information & Education	7	8	8	7	-1
Water Policy and Resource Development	4	3	5	5	0
<b>Total Budgeted Personnel</b>	<b>49</b>	<b>50</b>	<b>59</b>	<b>56</b>	<b>-3</b>

### Personnel Staffing by Program

West Basin’s budget tracks and reports all its costs by program; it also allocates its personnel labor to its various programs. The table below compares FY 2017-18 and FY 2018-19 actual to FY 2019-20 projected and FY 2019-20 and FY 2020-21 budget. The variance of projected to budget Full Time Equivalent (FTE) for FY 2019-20 represents unfilled positions for the year. In FY 2020-21 the difference between the budget Full Time Equivalent table and the Summary of Personnel Head Count by Department is due to West Basin plans on recruiting certain positions later in the fiscal year.

Each program budget demonstrates the projected level of effort for the current year for staff’s labor. As a result, the individual program labor cost may fluctuate from year-to-year. In addition, it will vary from the Summary of Personnel Head Count by Department as this summary indicates the number of staff assigned to each department. Indirect labor represents the support services and is allocated based on the percentage of direct payroll dollars allocated to each operating program. The table below includes both the direct and indirect labor.



## Full Time Equivalent by Program

(Not including interns)

	FY 2017-18	FY 2018-19	FY 2019-20	FY 2019-20	FY 2020-21
	Actual	Actual	Projected	Budget	Budget
Recycling Operations	18.42	18.98	17.06	18.25	16.71
Desalter Operations	0.13	0.12	0.13	1.34	1.07
Water Policy/Resource Development	4.08	4.11	4.95	4.36	4.50
Public Information & Education	9.87	10.65	9.24	11.85	11.66
Water Use Efficiency	3.41	1.87	3.30	4.01	4.11
Purveyor WQ Monitoring	0.05	0.04	0.01	0.08	0.10
Technical Planning	N/A	0.74	1.92	4.51	1.54
Capital Improvement	14.66	15.22	10.32	13.10	13.31
<b>Total FTE</b>	<b>50.62</b>	<b>51.73</b>	<b>46.93</b>	<b>57.50</b>	<b>53.00</b>

Part-time positions are included as 1/2, Interns are not included.

## Capital Improvement Program

West Basin continues to strive for the highest levels of Water Supply Reliability, Water Quality, Customer Service, Sound Financial and Resource Management while always keeping Environmental Stewardship at the forefront of our efforts. Our Capital Improvement Program leads the way in these efforts to increase productivity, accessibility and provide continued high-quality recycled water to our customers. While West Basin continues its carefully researched and methodical testing of ocean-water desalination possibilities, new recycled water customers are developed and increased efficiencies are created. These efforts are described in greater detail within the “Supplemental Section” on the Capital Improvement Program.

Before any capital project is initiated, staff presents the project to the Board of Directors for approval and direction. Capital projects begin with feasibility studies and design estimates followed by construction contracts. Between the feasibility studies and completion of construction, progress reports are presented to the Board of Directors on a periodic basis. West Basin funds its projects through its PAYGO Designated Fund, grants/partnerships, its CP Program and through bond proceeds.

Anticipated capital improvement expenditures for FY 2020-21 are approximately \$43.7 million.





SECTION 7  
OPERATING PROGRAM EXPENSES





# Operating Program Expenses

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

The FY 2020-21 Operating Program consists of the following:

<b>Allocated Programs</b>	<b>Page Number</b>
Overhead Program Costs	7-2
<b>Operating Programs</b>	
Water Recycling Operations	7-8
C. Marvin Brewer Desalter Operations	7-13
Technical Planning	7-15
Water Policy and Resource Development	7-18
Public Information & Education	7-22
Water Efficiency Use	7-25
Purveyor Water Quality Monitoring	7-30

Each program budget is developed to achieve the goals and objectives of the Plan and commitment statements that have been described previously in the “Financial Overview and Summary” Section and are summarized below. Each objective is short-term oriented and anticipated to be completed in FY 2020-21 and each program budget reflects only the Plan goals and commitment statements that are relevant and qualitative.



## Overhead Program Costs

The Overhead Program includes the cost to support the Finance, Human Resources and Administrative Services Departments and the general operations and maintenance of the Donald L. Dear Building. These expenses support the function of each program and are proportionally allocated to all of the other West Basin operating programs and identified as “Overhead”. Direct labor hours are used as the primary basis for allocating these expenses to each program and provide management with a better understanding of the overall resources required to support each program.

The activity costs of the Finance Department represent the expenses for the accounting and financial services of West Basin. Human Resources include activity costs to recruit, screen and hire new employees, evaluate salaries and benefits, as well as the costs to support employee training and development. In addition, the Human Resources Department administers the Employee Development Program that recognizes employees, provides for monthly and quarterly employee meetings, and also administers the safety, risk management and wellness programs. Administrative Services accounts for expenses directly related to the general operations of the business including insurance, supplies, technology, legal and those cost supporting the Board.

No labor is allocated to the Overhead Program as the personnel costs are classified as indirect labor. These costs are allocated to the various operating program budgets as a percentage of dollars based on the program direct labor to the total direct labor.

## Operating Budget

	FY 2017-18	FY 2018-19	FY 2019-20	FY 2019-20	FY 2020-21
	Actual	Actual	Projected	Budget	Budget
General & Administrative	\$2,733,286	\$2,025,388	\$2,015,796	\$2,664,120	\$2,424,990
Legal Services	901,933	1,272,523	2,375,533	555,000	2,875,000
Board Services/Election Cost	558,813	1,125,430	656,719	718,920	1,305,500
Building Services	522,508	580,436	524,700	588,000	460,000
<b>Total Overhead Allocated</b>	<b>\$4,716,540</b>	<b>\$5,003,777</b>	<b>\$5,572,748</b>	<b>\$4,526,040</b>	<b>\$7,065,490</b>

The Overhead Budget increase from FY 2019-20 to FY 2020-21 can be attributed to alternating years for general election cost for Board members and anticipated legal services for ongoing litigation expected in the upcoming year.



# Strategic Goals and Objectives

## Sound Financial & Resource Management

Strategic Business Plan	FY 2019-20 Accomplishments	FY 2020-21 Strategies
<p><b>Strategy 2.1</b> - Provide effective overall capital facility asset management through the application of industry best practices</p>	<ul style="list-style-type: none"> <li>✓ Provided maintenance updates to staff for the Donald L. Dear Headquarters building.</li> </ul>	
<p><b>Strategy 2.2</b> - Maintain facilities to manage and minimize risk of failure and liability exposure</p>		<ul style="list-style-type: none"> <li>▶ Complete the security standard operation procedures for the Donald L. Dear Headquarters building.</li> </ul>
<p><b>Strategy 2.4</b> - Maintain or improve current bond ratings</p>	<ul style="list-style-type: none"> <li>✓ Reviewed Investment Policy and received Board approval of appropriate changes to ensure compliance to California code and address best practices.</li> <li>✓ Submitted the comprehensive annual financial report with the required annual bond disclosure document to Electronic Municipal Market Access (EMMA).</li> <li>✓ Monitored the District's budget versus actual reports and provided quarterly updates to the Board on the District's ability to achieve targeted debt coverage of 1.75.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Schedule an update with the rating agencies to provide updates on current business operations, capital improvement program, and future plans.</li> <li>▶ Report to the Board of Directors each quarter the budget versus actual results and make appropriate adjustments to program budgets if necessary.</li> </ul>



Strategic Business Plan	FY 2019-20 Accomplishments	FY 2020-21 Strategies
<p><b>Strategy 2.5</b> - Develop a formal Long Range Financial Plan</p>	<ul style="list-style-type: none"> <li>✓ Updated Long-Range Financial Model for sales assumptions, capital projects and appropriate rates and charges to ensure the District remains financially solvent.</li> <li>✓ Began the development of a capital funding policy that outlines the methods and approach to fund the necessary capital expenditures for replacement and rehabilitation and reliability projects.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Finalize the capital funding policy to incorporate the completion of the master plan.</li> <li>▶ Present an update to the Board of Directors on the long-range financial plan</li> </ul>
<p><b>Strategy 2.6</b> - Operate cost-efficiently and effectively, with robust internal controls</p>	<ul style="list-style-type: none"> <li>✓ Completed the bi-annual actuarial report for the OPEB plan.</li> <li>✓ Updated the retention schedule for District's records.</li> <li>✓ Develop updated procedures to address teleworking.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Prioritize and implement short-term safety and necessary improvements to the Donald L. Dear Headquarters Building.</li> <li>▶ Implement Year 1 of the information technology master plan.</li> <li>▶ Evaluate electronic data management systems to improve the District records management program.</li> </ul>
<p><b>Strategy 2.8</b> - Recruit and hire qualified candidates to fill all West Basin positions</p>	<ul style="list-style-type: none"> <li>✓ Completed and/or commenced the recruitment process for 14 positions.</li> <li>✓ Participated in university sponsored Mock Interviews for engineering/STEM students at the University of Southern California (USC) and Chapman University.</li> <li>✓ Submitted and presented updated Workforce Diversity Report to the Board that reflects the demographic breakdown by race and occupational category of West Basin's full-time employees.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Further collaborate with outside sources to develop effective diversified recruitments efforts.</li> <li>▶ Participate in college/university job fairs and other university sponsored events to boost student interest and diversity in recruitment efforts.</li> <li>▶ Create and issue a Request for Proposal for the development of a comprehensive Succession Plan that addresses potential retirements and employee knowledge transfer and mentorship.</li> </ul>



Strategic Business Plan	FY 2019-20 Accomplishments	FY 2020-21 Strategies
<p><b>Strategy 2.9</b> - Manage and reward performance</p>	<ul style="list-style-type: none"> <li>✓ Distributed, received and recorded 100% completed Annual Employee Performance Evaluations for all employees.</li> <li>✓ Implemented findings and recommendations of the 2018-2019 fiscal year comprehensive classification and compensation study.</li> <li>✓ Secured Board approval of West Basin's updated Salary Schedule in compliance with CalPERS regulations.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Distribute annual Employee Benefit Statements to ensure employee awareness of their covered benefits.</li> </ul>
<p><b>Strategy 2.10</b> - Develop a formal plan for workforce retention, training, and succession planning</p>	<ul style="list-style-type: none"> <li>✓ Implemented Electric Vehicle Charging Station Policy applicable to all employees who own electric vehicles.</li> <li>✓ Secured a range of employee professional development training courses for staff to attend including, but not limited to, District-wide Sexual Harassment Prevention Training in compliance with Senate Bill 1343, and management and supervisory leadership training.</li> <li>✓ Implemented web-based employee professional development training through Target Solutions.</li> <li>✓ Conducted mandatory staff Safety Meetings in accordance with West Basin's Injury/Illness Prevention Program to include, but not limited to, earthquake preparedness and safety measures in response to COVID-19.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Conduct employee professional development training specific to software program training, leadership training for executive and senior management, and agency-wide, on-site public speaking and business writing training to further staff professional development.</li> <li>▶ Conduct 10-hour Occupational Safety and Health Administration (OSHA) Training for applicable employees in support of West Basin's safety program.</li> <li>▶ Create and issue a Request for Proposal for the development of a comprehensive Succession Plan that addresses potential retirements and employee knowledge transfer and mentorship.</li> </ul>



Strategic Business Plan	FY 2019-20 Accomplishments	FY 2020-21 Strategies
	<ul style="list-style-type: none"> <li>✓ Implemented response plan to COVID-19 pandemic, to include emergency telecommuting policy and changes to sick leave and Family Medical Leave Act (FMLA) policies in accordance with the Families First Coronavirus Response Act (FFCRA).</li> <li>✓ Conducted Defensive Driver Training for all applicable employees in compliance with the Association of California Water Agencies Joint Powers Insurance Authority (ACWA JPIA) requirements and West Basin’s safety program.</li> <li>✓ Maintained employee Training and Tracking Log.</li> <li>✓ Implemented CalPERS Roth 457 Plan.</li> <li>✓ Conducted early prevention health screenings through Longevity in support of West Basin’s health and wellness program.</li> <li>✓ Successfully secured a Wellness Grant through ACWA JPIA to assist in West Basin’s health and wellness initiatives for its employees.</li> <li>✓ Conducted 4th Health and Wellness Fair for staff securing 10 health and wellness vendor participants.</li> <li>✓ Conducted review and made amendments to various chapters/ articles of the Human Resources Section of the Administrative Code, in compliance with applicable changes in California law and general operating procedures.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Conduct Earthquake Preparedness Drill (Great California Shakeout) and Emergency Evacuation Drill in compliance with West Basin’s Injury/Illness Prevention Program and Emergency Evacuation Plan.</li> <li>▶ Secure Board resolution of applicable amendments made to the Human Resources Section of the Administrative Code.</li> <li>▶ Conduct ongoing employee training regarding amendments made to the Human Resources Section of the Administrative Code, and ongoing training on employee benefits.</li> <li>▶ Implement employee wellness programs and informative brown-bag lunches to include weight-loss management, time/ stress management, financial wellness and other health and wellness issues.</li> </ul>



Strategic Business Plan	FY 2019-20 Accomplishments	FY 2020-21 Strategies
	<ul style="list-style-type: none"> <li>☑ Participated in the annual ACWA JPIA Risk Assessment Site Visit of West Basin's treatment plant, headquarters building, and other outlining West Basin facilities. Ensured compliance with the recommendations resulting from the Site Visit.</li> <li>☑ Conducted 13 employee workstation ergonomic assessments through the District's workers' compensation provider, State Compensation Insurance Fund.</li> </ul>	

## Customer Service

Strategic Business Plan	FY 2019-20 Accomplishments	FY 2020-21 Strategies
<p><b>Strategy 4.3</b> - Support the Board in maintaining a Strategic Business Plan</p>	<ul style="list-style-type: none"> <li>☑ Maintained strategic priorities through Board of Directors monthly committee and board meetings.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Staff to implement the current year budgeted strategies to accomplish the board-directed goals.</li> </ul>
<p><b>Strategy 4.5</b> - Engage small and/or local businesses in the procurement of services</p>	<ul style="list-style-type: none"> <li>☑ Update the Small and Local Business Program policy</li> <li>☑ Develop outreach action plan to increase participation from small and local businesses</li> </ul>	<ul style="list-style-type: none"> <li>▶ Monitor and track Small and Local Business Enterprise program spending.</li> <li>▶ Develop business outreach resources.</li> </ul>



## Water Recycling Operations

West Basin purchases secondary effluent from the City of Los Angeles' Hyperion Treatment Plant and treats the secondary effluent at the Edward C. Little Water Recycling Facility (ECLWRF) to meet recycled water Title 22 requirements prior to distributing the recycled water to its customers and satellite treatment facilities. The satellite treatment plants provide supplemental treatment for customers that require better water quality for their business processes. In total, West Basin produces five separate types of recycled water at four water recycling facilities. All five types of customer specific recycled waters meet the treatment and water quality requirements specified in the California Department of Public Health's Water Recycling Criteria and are permitted by the Los Angeles Regional Water Quality Control Board, within each customer agreement.

West Basin's Customer Specific Recycled Waters:

1. **Disinfected Tertiary Recycled Water:** Secondary treated wastewater that has been filtered and disinfected for industrial and irrigation uses.
2. **Nitrified Recycled Water:** Disinfected Tertiary Recycled Water that has been nitrified to remove ammonia for industrial cooling towers.
3. **Barrier Recycled Water:** Secondary treated wastewater pretreated by ozone and microfiltration, followed by reverse osmosis (RO) and disinfection (UV/peroxide treatment) for groundwater recharge.
4. **Single Pass RO Water:** Secondary treated wastewater pretreated by ozone and microfiltration, followed by one pass of RO treatment for low-pressure boiler feed water.
5. **Double Pass RO Water:** Secondary treated wastewater pretreated by ozone and microfiltration, followed by two passes of RO treatment for high pressure boiler feed water.



West Basin's education program allows students hands-on tours of District facilities.



The Recycled Water Operations budget includes funds to administer, operate and maintain all of the recycled water facilities, research and development costs to evaluate new and potentially more cost-effective processes, regulatory efforts, and promote and develop additional customers to use recycled water. West Basin started delivering recycled water in 1995 and continues to expand its facilities to increase this local resource. West Basin’s recycled water system consists of:

- A pump station in the southwest corner of the Hyperion Treatment Plant to pump secondary effluent to the ECLWRF;
- The ECLWRF treats water for use in Chevron refinery’s high-pressure and low-pressure boilers, the West Coast Basin Barrier (Barrier), and disinfected tertiary water for irrigation and other industrial uses;
- A satellite treatment plant in El Segundo to further treat disinfected tertiary water from the ECLWRF to produce nitrified water for Chevron refinery’s cooling towers;
- A satellite treatment plant in Torrance to further treat disinfected tertiary water to produce nitrified water for The Torrance Refinery’s cooling towers and a separate Satellite Treatment Plant to produce boiler feed water for The Torrance Refinery;
- A satellite treatment plant in Carson referred to as the Juanita Millender-McDonald Carson Regional Water Reclamation Plant (JMMCRWRP) to further treat disinfected tertiary water from the ECLWRF to produce nitrified water for Marathon’s cooling towers and produce boiler feed water for Tesoro;
- Three re-disinfection stations to boost the level of chlorine disinfectant within the recycled water distribution system;
- Two booster pump stations to boost service pressures to customers in the cities of Torrance and Carson; and
- Approximately 100 miles of pipelines to deliver recycled water to our customers.

West Basin contracts with Suez, Inc. to operate and maintain the treatment facilities along with California Water Service (Cal Water) 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.

### Personnel - Full Time Equivalent (FTE)

FY 2017-18	FY 2018-19	FY 2019-20	FY 2019-20	FY 2020-21
Actual FTE	Actual FTE	Projected FTE	Budget FTE	Budget FTE
18.42	18.98	17.06	18.25	16.71



## Operating Budget

	FY 2017-18	FY 2018-19	FY 2019-20	FY 2019-20	FY 2020-21
	Actual	Actual	Projected	Budget	Budget
Contract Labor-Facilities	\$8,132,147	\$9,389,102	\$10,100,000	\$10,483,000	\$9,644,300
Contract Labor-Dist System	773,728	856,319	900,000	750,000	650,000
Utilities	7,282,705	6,976,316	8,130,000	7,724,612	8,312,192
Chemicals	6,222,685	7,804,419	8,400,000	9,088,288	9,152,781
Facility Maintenance	4,460,590	3,947,908	4,210,000	4,228,500	4,009,200
Solids Disposal	850,393	1,026,470	1,200,000	1,050,000	1,579,270
Consultants	821,111	1,752,864	1,800,000	2,059,100	936,000
Laboratory Service	763,188	579,455	612,000	635,157	554,118
Secondary Effluent Purchase	313,694	252,416	315,000	385,103	380,050
Office Administration	750,430	630,202	787,000	864,361	805,954
Labor and Benefits	3,973,488	3,419,380	3,432,640	3,543,762	3,585,452
Overhead	1,401,856	1,895,401	2,452,080	1,419,492	2,880,422
O&M Reimbursement	(917,772)	(954,588)	(986,484)	(992,772)	(1,016,039)
<b>Total Recycling Operations</b>	<b>\$34,828,243</b>	<b>\$37,575,664</b>	<b>\$41,352,236</b>	<b>\$41,238,603</b>	<b>\$41,473,700</b>

## Strategic Goals and Objectives

### Water Supply Reliability

Strategic Business Plan	FY 2019-20 Accomplishments	FY2020-21 Strategies
<b>Strategy 1.4</b> - Increase supply diversification by promoting water recycling	<input checked="" type="checkbox"/> Added 52 new meter connections to the recycled water distribution system, to add approximately 160 acre-feet of demand annually.	<input type="checkbox"/> Add 27 new meter connections to the recycled water distribution system, to add approximately 170 acre-feet of demand annually.



## Sound Financial and Resource Management

Strategic Business Plan	FY 2019-20 Accomplishments	FY 2020-21 Strategies
<p><b>Strategy 2.1</b> - Provide effective overall capital facility asset management through the application of industry best-practices</p>	<ul style="list-style-type: none"> <li>✓ Customized Computerized Maintenance Management System (CMMS) software to make it more user-friendly and improve data reliability and to include mobile capability.</li> <li>✓ Completed a pilot scale yard piping inspection based on the desktop pipeline condition assessment project.</li> <li>✓ Completed a Pilot operation monitoring software to optimize microfiltration operations and to minimize operation expenses.</li> <li>✓ Developed a preventative maintenance program for the electrical equipment.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Continue Customization of the Computerized Maintenance Management System (CMMS) software to include mobile capability, and integration of other West Basin facilities</li> <li>▶ Develop and review the chemical and energy optimization plan for recycling treatment facilities</li> <li>▶ Update the criticality assessment of equipment to maximize and optimize maintenance activities.</li> <li>▶ Begin incorporating distribution system assets into the CMMS asset management software.</li> </ul>
<p><b>Strategy 2.2</b> - Maintain facilities to manage and minimize risk of failure and liability exposure</p>	<ul style="list-style-type: none"> <li>✓ Finished redlining activities and establish protocol to allow ease of reference drawing updates for future CIP and facility modifications.</li> <li>✓ Conducted a condition assessment for one of the satellite facilities</li> <li>✓ Conducted thorough maintenance of air valves in the distribution system.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Continue with updating condition assessment of other recycled water treatment facilities</li> </ul>
<p><b>Strategy 2.6</b> - Operate cost-efficiently and effectively, with robust internal controls</p>		<ul style="list-style-type: none"> <li>▶ Create practical dashboards to track and analyze costs compared to level of service and improve efficiencies.</li> </ul>



## Water Quality

Strategic Business Plan	FY 2019-20 Accomplishments	FY 2020-21 Strategies
<p><b>Strategy 3.1</b> - Achieve and maintain recycled water client satisfaction</p>	<ul style="list-style-type: none"> <li>✔ Supported existing customer water quality inquiries.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Support existing customer water quality inquiries</li> </ul>
<p><b>Strategy 3.3</b> - Meet permit and contractual water quality requirements</p>	<ul style="list-style-type: none"> <li>✔ Monitored water quality to ensure it meets water quality compliance and contractual requirements.</li> <li>✔ Successfully met Groundwater recharge regulations requirements and submitted monthly reports</li> </ul>	<ul style="list-style-type: none"> <li>▶ Monitor water quality to ensure it meets water quality compliance and contractual requirements.</li> </ul>

## Customer Services

Strategic Business Plan	FY 2019-20 Accomplishments	FY 2020-21 Strategies
<p><b>Strategy 4.2</b> - Ensure recycled water client and customer agency satisfaction</p>	<ul style="list-style-type: none"> <li>✔ Promptly responded to recycled water customers concerns.</li> <li>✔ Assisted with new recycle water connections and modifications as needed.</li> <li>✔ Maintained quality service to purveyors with more frequent communication, scheduled check-ins by staff at West Basin, and maintenance of emergency contact lists for quicker response.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Promptly respond to recycle water customers issues and concerns.</li> <li>▶ Assist with new recycle water connections and modifications as needed.</li> <li>▶ Maintain quality service to purveyors with frequent communication, scheduled check-ins by staff at West Basin, and maintenance of emergency contact lists.</li> </ul>



## C. Marvin Brewer Desalter Operations

The C. Marvin Brewer Desalter (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. It originally consisted of two wells that pump brackish water from a saline plume trapped in the West Coast Groundwater Basin and then treated using reverse osmosis and blended with other potable water in a CWS reservoir. The Desalter pilot program was successful and operations continued. A single well was constructed in 2005 to replace the two original wells.

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

### Personnel - Full Time Equivalent (FTE)

FY 2017-18	FY 2018-19	FY 2019-20	FY 2019-20	FY 2020-21
Actual FTE	Actual FTE	Projected FTE	Budget FTE	Budget FTE
0.13	0.12	0.13	1.34	1.07

### Operating Budget

	FY 2017-18	FY 2018-19	FY 2019-20	FY 2019-20	FY 2020-21
	Actual	Actual	Projected	Budget	Budget
Operations	\$ 403,915	\$ 607,088	\$ 603,530	\$ 686,700	\$ 666,250
Replenishment Assessment	31,412	136,878	102,200	491,211	440,064
Labor and Benefits	25,266	19,816	51,000	217,796	223,831
Overhead	9,632	10,738	18,212	97,768	175,086
<b>Total Desalter Operations</b>	<b>\$ 470,225</b>	<b>\$ 774,520</b>	<b>\$ 774,942</b>	<b>\$ 1,493,475</b>	<b>\$ 1,505,231</b>
Acre-Feet	<b>420</b>	<b>239</b>	<b>210</b>	<b>1,150</b>	<b>864</b>

The increase in the FY 2020-21 budget is due to the facility operating at full capacity, as compared to being off-line for most of 2018-2019. The facility was off-line due to well rehabilitation upgrades and operational repairs. These upgrades and repairs were necessary to address reduced production and to improve operational and water quality reliability. The budget assumes a production of 864 acre-feet for FY 2020-21.



# Strategic Goals and Objectives

## Sound Financial & Resource Management

Strategic Business Plan	FY 2019-20 Accomplishments	FY 2020-21 Strategies
<b>Strategy 2.1</b> - Provide effective overall capital facility asset management through the application of industry best-practices	<ul style="list-style-type: none"> <li>☑ Successfully implemented the well rehabilitation and upgrade program.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Incorporate assets into West Basin's asset management software, Hansen.</li> </ul>
<b>Strategy 2.2</b> - Maintain facilities to manage and minimize risk of failure and liability exposure	<ul style="list-style-type: none"> <li>☑ Rehabilitation of well and site upgrades were made as part of capital improvement.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Review and update Standard Operating Procedures to ensure operational and water quality reliability.</li> </ul>

## Environmental Stewardship

Strategic Business Plan	FY 2019-20 Accomplishments	FY 2020-21 Strategies
<b>Strategy 5.3</b> - Implement and maintain environmental permits	<ul style="list-style-type: none"> <li>☑ Maintained compliance with the LA County Sanitation District for RO brine discharge.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Monitor water quality to ensure it meets water quality compliance and meet all brine discharge regulations.</li> </ul>
<b>Strategy 5.4</b> - Proactively work with environmental permits	<ul style="list-style-type: none"> <li>☑ Maintained communication with key representatives at the LA County Sanitation District and California Water Service to ensure compliance</li> </ul>	<ul style="list-style-type: none"> <li>▶ Regularly meet with compliance stakeholders to maintain channel of communication.</li> </ul>



## Technical Planning

The Technical Planning program was formed in 2018 to lead the long-term technical and strategic planning of capital improvement projects and programs that support West Basin’s goals. This program is responsible for the development multi-disciplinary and complex evaluations, and the delivery of technical and strategic studies associated with the District’s recycled water systems, brackish groundwater treatment, and the District’s overall water portfolio. In addition to technical and strategic planning efforts, this program oversees the District’s internal and external Research and Development (R&D) efforts to advance water reuse and reliability.

### Personnel - Full Time Equivalent (FTE)

FY 2017-18	FY 2018-19	FY 2019-20	FY 2019-20	FY 2020-21
Actual FTE	Actual FTE	Projected FTE	Budget FTE	Budget FTE
-	-	1.92	4.51	1.54

### Operating Budget

	FY 2017-18	FY 2018-19	FY 2019-20	FY 2019-20	FY 2020-21
	Actuals	Actuals	Projected	Budget	Budget
Technical Planning	\$642,813	\$1,049,258	\$352,100	\$4,583,333	\$3,118,502
Labor and Benefits	7,129	136,962	489,366	904,046	406,845
Overhead	2,570	68,843	285,103	359,203	254,445
<b>Total Technical Planning</b>	<b>\$ 652,512</b>	<b>\$ 1,255,063</b>	<b>\$ 1,126,569</b>	<b>\$ 5,846,582</b>	<b>\$ 3,779,792</b>



# Strategic Goals and Objectives

## Water Supply Reliability

Strategic Business Plan	FY 2019-20 Accomplishments	FY 2020-21 Strategies
<p><b>Strategy 1.1</b> - Prepare and periodically update water supply plans</p> <p><b>Strategy 1.4</b> - Increase supply diversification by promoting water recycling</p>	<p>✓ Retained a consultant team and initiated the preparation of the West Basin Recycled Water Master Plan.</p>	<p>▶ The completion of the West Basin Recycled Water Master Plan will identify the capital improvement projects needed to expand recycled water use in the region.</p>
<p><b>Strategy 1.3</b> - Increase supply diversification by promoting groundwater development</p>	<p>✓ Reviewed technical documents and participated in meetings and workshops for Regional Brackish Reclamation Program Feasibility study.</p>	<p>▶ Continue to evaluate opportunities to expand West Basin's groundwater replenishment program, in support of brackish water desalting.</p>

## Sound Financial and Resource Management

Strategic Business Plan	FY 2019-20 Accomplishments	FY 2020-21 Strategies
<p><b>Strategy 2.2</b> - Maintain facilities to manage and minimize risk of failure and liability exposure</p>		<p>▶ Enhancement and Update of the West Basin Emergency Response Plan</p> <p>▶ Update of standard operating procedures, business processes, standard drawings, construction documents, and technical specifications.</p>
<p><b>Strategy 2.6</b> - Operate cost-efficiently and effectively, with robust internal controls</p>	<p>✓ Established new initiatives for energy and chemical optimization at West Basin treatment facilities.</p>	

## Water Quality

Strategic Business Plan	FY 2019-20 Accomplishments	FY 2020-21 Strategies
<p><b>Strategy 3.2</b> - Increase control over source water quality</p>	<ul style="list-style-type: none"> <li>✓ Reviewed and advanced the design of a pilot facility that aims to validate the use of Membrane Bioreactor (MBR) technology at the Los Angeles Sanitation District (LASAN) Hyperion Water Reclamation Plant.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Continue to support the implementation of the MBR study, in partnership with LASAN and the Los Angeles Department of Water and Power (LADWP), with a goal of constructing a full-scale MBR facility to enhance source water quality to West Basin treatment facilities.</li> </ul>





## Water Policy and Resource Development (Water Policy)

The Water Policy and Resource Development budget supports various activities including, but not limited to, performing analyses and preparing reports related to long term water reliability and regional water demand; pursuing state and federal grants to ensure West Basin’s programs and projects are cost-effective; providing technical and other support to retail customer agencies; tracking and reporting on West Basin’s water supply portfolio; implementing local, state and federal legislative and regulatory advocacy efforts; and participating in industry organizations. In addition, this budget includes efforts to support MET’s activities to ensure local and industry related water policies, programs and projects are favorable to West Basin, its customer agencies and service territory as well as the Southern California region. Lastly, this budget also includes funds to support West Basin’s Urban Water Management Plan (UWMP), and efforts in Integrated Regional Water Management planning on behalf of the West Basin service territory, and as a member of the Greater Los Angeles County planning area.

### Personnel - Full Time Equivalent (FTE)

FY 2017-18	FY 2018-19	FY 2019-20	FY 2019-20	FY 2020-21
Actual FTE	Actual FTE	Projected FTE	Budget FTE	Budget FTE
4.08	4.11	4.96	4.36	4.50

### Operating Budget

	FY 2017-18	FY 2018-19	FY 2019-20	FY 2019-20	FY 2020-21
	Actuals	Actuals	Projected	Budget	Budget
Legislative Advocacy	\$ 315,024	\$ 261,732	\$ 336,600	\$ 325,200	\$ 333,400
Resource Development	44,656	119,485	45,000	85,000	335,000
Labor and Benefits	1,036,295	849,225	1,011,004	838,523	945,060
Overhead	328,045	429,293	948,380	385,794	807,339
<b>Total Resource Planning</b>	<b>\$1,724,020</b>	<b>\$1,659,735</b>	<b>\$ 2,340,984</b>	<b>\$1,634,517</b>	<b>\$2,420,799</b>



# Strategic Goals and Objectives

## Water Supply Reliability

Strategic Business Plan	FY 2019-20 Accomplishments	FY 2020-21 Strategies
<p><b>Strategy 1.1</b> - Prepare and periodically update water supply plans</p>	<ul style="list-style-type: none"> <li>✓ Completed the annual Water Use Report for our customer agencies that provides the annual total water use information for each customer, including West Basin's first interactive water use report available on West Basin's website, <a href="http://www.westbasin.org">www.westbasin.org</a></li> <li>✓ Participated in numerous working groups to ensure collaboration with regional partners, including the WRD, MET, and LADWP, and to maximize West Basin's ability to produce and deliver recycled water to the region.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Produce the 2019-2020 Water Use Report</li> <li>▶ Complete development of West Basin's Urban Water Management Plan due in 2020.</li> </ul>
<p><b>Strategy 1.3</b> - Increase supply diversification by promoting groundwater development</p>	<ul style="list-style-type: none"> <li>✓ Worked with the West Basin Water Association to identify new opportunities in the region for water supply diversification, including: analysis for the proposed regional brackish water reclamation program</li> <li>✓ Supported West Basin's efforts to maximize the production of the C. Marvin Brewer Desalter Facility, including identifying and applying for grant funds.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Identify opportunities to maximize local water supplies, by working with West Basin Water Association and retail customer agencies</li> <li>▶ Collaborate with the Water Replenishment District to share data and analysis on regional water demand, in order to identify opportunities to increase groundwater pumping and brackish desalinating, while maintaining healthy groundwater basins through groundwater replenishment.</li> </ul>
<p><b>Strategy 1.4</b> - Increase supply diversification by promoting water recycling</p>	<ul style="list-style-type: none"> <li>✓ Developed a partnership with MET to approve a Letter of Interest for the development, use and maximization of recycled water in the region.</li> <li>✓ Agreed to enter in to a new project agreement with the U.S. Army Corps of Engineers for an expansion of the Harbor South Bay Water Recycling Project.</li> <li>✓ Obtained federal funding for FY 2020-21 for the development of a new recycled water project.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Engage in legislative and regulatory advocacy to positively impact and promote the use of recycled water, including potable reuse by actively engaging on state and federal legislations.</li> </ul>



## Sound Financial & Resource Management

Strategic Business Plan	FY 2019-20 Accomplishments	FY 2020-21 Strategies
<p><b>Strategy 2.3</b> - Develop partnerships with public and private entities to facilitate capital asset development and implementation</p>	<ul style="list-style-type: none"> <li>✓ Entered in to new agreement for the sale of advanced treated recycled water, utilizing a new rate structure, intended to ensure West Basin recovers the full cost of producing and delivering recycled water.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Continue leadership role in the Greater Los Angeles County Integrated Regional Water Management Program, including administration on behalf of the Region, of its financial resources.</li> </ul>
<p><b>Strategy 2.6</b> - Operate cost-efficiently and effectively, with robust internal controls</p>	<ul style="list-style-type: none"> <li>✓ Advocated for and obtained federal funding for FY 2021, a \$1 million appropriation through the U.S. Army Corps of Engineers for future Harbor South Bay water recycling project(s).</li> <li>✓ Awarded \$116,966 from the Department of the Interior, Bureau of Reclamation, through the Desalination and Water Purification Research Program.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Pursue additional state and federal project funding for West Basin’s programs and projects, including low interest state revolving fund loans, increased state and bond funding for local water supply development, and specific project appropriations for conservation and construction projects.</li> </ul>

## Water Quality

Strategic Business Plan	FY 2019-20 Accomplishments	FY 2020-21 Strategies
<p><b>Strategy 3.3</b> - Meet permit and contractual water quality requirements</p>	<ul style="list-style-type: none"> <li>✓ Facilitated discussions between MET and retailers in relation to concerns over nitrite and ammonia issues.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Continue to work with regional partners to ensure water quality.</li> </ul>



## Customer Service

Strategic Business Plan	FY 2019-20 Accomplishments	FY 2020-21 Strategies
<p><b>Strategy 4.1 - Build community trust</b></p>	<ul style="list-style-type: none"> <li>✓ Conducted an informational workshop with customer agencies to review proposed FY 2020-21 budget and water rates.</li> <li>✓ Conducted monthly updates to West Basin’s customer agencies and municipalities at West Basin’s Metropolitan Water District Caucus meeting and West Basin Water Association meetings.</li> <li>✓ Assisted in the development of statewide water use efficiency regulations that will be utilized by the State Water Resources Control Board in the Water Use Efficiency Targets.</li> <li>✓ Provided regular and timely updates to West Basin’s state and federal legislators regarding the potential drought conditions, regional water use efficiency efforts, and new local water supply projects.</li> <li>✓ Presented project updates at individual city council meetings.</li> <li>✓ Honored nine Legislators with Legislator(s) of the Year awards.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Advocate to regional, state and federal agencies and officials to discuss local water supply development, and West Basin programs and projects.</li> <li>▶ Identify new Legislator(s) to honor with our Water Reliability and Legislator of the Year awards.</li> </ul>
<p><b>Strategy 4.2 - Ensure recycled water client and customer agency satisfaction</b></p>	<ul style="list-style-type: none"> <li>✓ Provided purveyor workshops to help coordinate between water companies on important water quality and compliance issues.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Provide purveyor workshops as needed to help coordinate between water companies on important water quality and compliance issues.</li> <li>▶ Serve as liaison between MET and retailers for water quality concerns.</li> <li>▶ Maintain the quality service to the purveyors with more frequent communication, scheduled check-ins by staff at West Basin, and maintenance of emergency contact lists for quick responses.</li> </ul>



## Public Information & Education

A core task of this program is to convey the value of water. Under the umbrella of West Basin's newly launched Water for Tomorrow Program, staff continues to share information and educate the community about the West Basin's conservation, water use efficiency, water recycling and exploration of other local water supplies. Additionally, this program strives to increase awareness of West Basin as an award-winning, innovative and industry-leading water agency dedicated to sustainable water resource management.

### Public Information

With guidance from the Board of Directors, staff develops and implements a wide array of communication and outreach programs to ensure that West Basin is positioned as a valuable utility among key stakeholders. Audiences include city, county, state and federal elected officials, chambers of commerce, cities, partners, customer agencies, community and environmental groups, education and business leaders and the general public. By offering free public facility tours, presentations, annual water-themed events, special events and media relations, West Basin provides value to the service area.

### Education

Education programs engage students, grades three through 12, in learning about water conservation, water use efficiency, water supplies and environmental stewardship. These programs are offered to public and private school students in the service area. They include classroom presentations, field trips, a student water conservation kit program, solar cup sponsorship, and an annual conservation themed art contest.

## Personnel - Full Time Equivalent (FTE)

FY 2017-18	FY 2018-19	FY 2019-20	FY 2019-20	FY 2020-21
<b>Actual FTE</b>	<b>Actual FTE</b>	<b>Projected FTE</b>	<b>Budget FTE</b>	<b>Budget FTE</b>
9.87	10.65	9.24	11.95	11.66



## Operating Budget

	FY 2017-18	FY 2018-19	FY 2019-20	FY 2019-20	FY 2020-21
	Actuals	Actuals	Projected	Budget	Budget
Education	\$ 184,123	\$ 150,662	\$ 100,216	\$ 235,500	\$ 218,700
Outreach, Media, & Events	517,839	318,522	763,308	908,800	639,900
Labor and Benefits	1,701,345	1,496,245	1,805,024	1,797,193	2,129,347
Overhead	798,017	1,022,723	1,416,611	922,805	2,050,385
<b>Total Public Information</b>	<b>\$ 3,201,324</b>	<b>\$ 2,988,152</b>	<b>\$ 4,085,159</b>	<b>\$ 3,864,298</b>	<b>\$ 5,038,332</b>

## Strategic Goals and Objectives

### Customer Service

Strategic Business Plan	FY 2019-20 Accomplishments	FY 2020-21 Strategies
<b>Strategy 4.1</b> - Build Community Trust	<ul style="list-style-type: none"> <li>✓ Developed a social media strategic plan to increase the District's social media presence and ability to inform by growing its audience, reach and impressions, and engagement</li> <li>✓ Submitted for and earned the District Transparency Certificate of Excellence from the Special District Leadership Foundation (SDLF) in recognition of outstanding efforts to promote transparency and good governance</li> <li>✓ Outreached to the community by participating in approximately 100 events and partnerships with civic organizations, city officials and business organizations, as well as individuals in the service area regarding District programs and projects, including ocean water desalination</li> </ul>	<ul style="list-style-type: none"> <li>▶ Maximize District communication platforms to inform the community about West Basin news and actions</li> <li>▶ Continue to evaluate and comply with District Transparency Certificate of Excellence criteria; renew certificate in 2021</li> </ul>



Strategic Business Plan	FY 2019-20 Accomplishments	FY 2020-21 Strategies
<p><b>Strategy 4.4</b> - Promote outreach and education programs</p>	<ul style="list-style-type: none"> <li>✓ Produced the 21st annual Water Harvest in 2019 including an awards program for community partners.</li> <li>✓ Reopened the re-designed Water Education Center at the ECLWRF.</li> <li>✓ Conducted an annual advertising campaign highlighting Earth Day and the District's mission.</li> <li>✓ Successfully partnered in MET's education programs by engaging with over 500 students in the Water is Life art contest, and Solar Cup.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Re-examine school and general public education program offerings considering the impacts of the coronavirus pandemic on District practices.</li> <li>▶ Explore virtual programing and digital educational offerings to the service area community.</li> <li>▶ Provide expanded offerings at the Water Education Center at the ECLWRF</li> </ul>

## Environmental Stewardship

Strategic Business Plan	FY 2019-20 Accomplishments	FY 2020-21 Strategies
<p><b>Strategy 5.1</b> - Ensure social environmental factors are considered in decision-making</p>	<ul style="list-style-type: none"> <li>✓ Increased distribution of eco-friendly promotional items.</li> <li>✓ Informed key stakeholders and the public about the environmental impact report and report certification process regarding the potential ocean water desalination project.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Explore virtual programing and digital educational offerings to the service area community as a means for being more environmentally sustainable.</li> </ul>
<p><b>Strategy 5.2</b> - Continue to gain environmental community support for West Basin programs</p>	<ul style="list-style-type: none"> <li>✓ Continued partnership with the South Bay Chapter of the Surfrider Foundation to provide greater support for its local Teach &amp; Test Program, and the District's recycled water program.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Consider new potential partnerships or collaborations with local and environmental groups to enhance in-class, water and sustainability education programs, and awareness of water issues.</li> </ul>



# Water Use Efficiency

The Water Use Efficiency Program is an essential strategy of West Basin to reduce potable water demand, aiding in West Basin’s effort to diversify its water portfolio. The program budget represents the staffing and direct costs to deliver devices, education and demonstrate water efficiency to the service area residents and businesses. West Basin’s success in delivering this message is obtained through collaboration with our customer water agencies, our cities, non-profit groups, joint power authorities, service groups, non-governmental organizations, vendors, community leaders and other stakeholders.

In Fiscal Year 2019-20, and with the support of a grant from the United States Bureau of Reclamation, West Basin completed the development of its Water Use Efficiency Data Study (Study). The objective of the Study is to provide a plan that is based on sound data and articulates guiding principles and strategies for West Basin’s Water Use Efficiency Programs.

West Basin continues to participate in MET’s Member Agency Allocation funding program, whereby West Basin is allocated \$270,000 per year to utilize for developing water use efficiency programs that deliver both conservation devices and education to West Basin’s service area. In addition, West Basin currently has several federal and state funding grants that are scheduled to be completed in FY 2020-21.

The funding partnerships that West Basin has developed with the federal, state and local agencies helps West Basin to provide greater value to the residents and businesses in the West Basin service area.

## Personnel - Full Time Equivalent (FTE)

<b>FY 2017-18</b>	<b>FY 2018-19</b>	<b>FY 2019-20</b>	<b>FY 2019-20</b>	<b>FY 2020-21</b>
<b>Actual FTE</b>	<b>Actual FTE</b>	<b>Projected FTE</b>	<b>Budget FTE</b>	<b>Budget FTE</b>
3.41	1.88	3.31	4.01	4.11



## Operating Budget

	FY 2017-18	FY 2018-19	FY 2019-20	FY 2019-20	FY 2020-21
	Actuals	Actuals	Projected	Budget	Budget
Conservation	\$ 375,437	\$ 288,087	\$ 539,450	\$ 1,206,000	\$ 523,930
Conservation Grants & Reim-	272,711	293,173	556,000	1,295,000	1,031,772
Labor and Benefits	639,081	369,639	716,207	852,531	926,260
Overhead	245,643	173,965	451,291	350,881	881,604
<b>Total Water Use Efficiency</b>	<b>\$1,532,872</b>	<b>\$1,124,864</b>	<b>\$ 2,262,948</b>	<b>\$ 3,704,412</b>	<b>\$ 3,363,566</b>

During Fiscal Year 2019-2020, the California Department of Water Resources (DWR) continued working with various agencies, cities, water companies, and stakeholders to develop the details and pilot projects in order to implement AB1668 and SB606, called “Making Water Conservation a California Way of Life.” By 2022, West Basin’s customer agencies will adopt the new legislative requirements and begin to report on their efforts. West Basin, as the local water supplier, will help support these efforts.

In Fiscal Year 2020-2021, West Basin will continue its popular rain barrel distribution program and grass replacement classes. West Basin has increased its funding to help with the marketing of the new Disadvantaged Communities Water-Energy Savings Initiative Program (“Change & Save”), and the “Cash for Kitchens” program. In addition, West Basin has included funding to supplement MET’s \$2 per square foot grass replacement rebate program by adding on additional \$1 per square foot to MWD’s rebate.



# Strategic Goals and Objectives

## Water Supply Reliability

Strategic Business Plan	FY 2019-20 Accomplishments	FY 202-21 Strategies
<p><b>Strategy 1.2</b> - Increase supply diversification by promoting water use efficiency</p>	<ul style="list-style-type: none"> <li>✓ Successfully completed five (5) free Rain Barrel Distribution Events and distributed 1,600 rain barrels.</li> <li>✓ Implemented five (5) Grass Replacement Classes.</li> <li>✓ Implemented a new Ocean Friendly Garden maintenance program to help maintain and protect West Basin’s investment of its demonstration gardens.</li> <li>✓ Launched new Firescaping Classes as part of the Malibu Smart &amp; Topanga Smart water efficiency program.</li> <li>✓ Launched new Disadvantaged Communities (DAC) Program called “Change &amp; Save.”</li> <li>✓ Modified and re-launched the Cash for Kitchens Program.</li> <li>✓ Added an additional \$1 per square foot grass replacement rebate to MET’s \$2 per square foot rebate.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Implement West Basin’s Water Use Efficiency Data Study Plan.</li> <li>▶ Continue implementing and promoting West Basin’s additional \$1 per square foot grass replacement rebate and MET’s \$2 per square foot rebate.</li> <li>▶ Complete the Change &amp; Save grant program.</li> <li>▶ Complete the grant portions of the Cash for Kitchens program, and continue program.</li> <li>▶ Implement five (5) free Rain Barrel Distribution Events.</li> <li>▶ Implement Grass Replacement and Firescaping educational classes, in both physical and new webinar formats.</li> </ul>



## Sound Financial & Resource Management

Strategic Business Plan	FY 2019-20 Accomplishments	FY 2020-21 Strategies
<p><b>Strategy 2.6</b> - Operate cost-efficiently and effectively, with robust internal controls</p>	<ul style="list-style-type: none"> <li>✓ Allocated \$270,000 from the MET for locally administered programs.</li> <li>✓ Implemented the Cash for Kitchens and Change &amp; Save Programs utilizing mostly grant funds from the United States Bureau of Reclamation and the Department of Water Resources.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Allocate \$270,000 from MET</li> <li>▶ Seek federal, state and local grant funding for new water efficiency programs.</li> <li>▶ Promote Cash for Kitchens and West Basin's Change &amp; Save program.</li> </ul>

## Customer Services

Strategic Business Plan	FY 2019-20 Accomplishments	FY 2020-21 Strategies
<p><b>Strategy 4.4</b> - Promote outreach and education programs</p>	<ul style="list-style-type: none"> <li>✓ Implemented various water efficiency and outreach programs in partnership with our local cities and water retailers.</li> <li>✓ Represented and promoted West Basin's programs at over 100 community events in partnership with the South Bay Environmental Services Center.</li> <li>✓ Continued to enhance West Basin's Water Use Efficiency microsite by adding additional programs and resources to better assist the public in learning about and participating in West Basin's water conservation programs.</li> <li>✓ Developed creative and effective marketing materials to promote our water use efficiency programs.</li> <li>✓ Coordinated with the Public Information Department to utilize social media to increase program awareness and participation.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Continue to represent and promote West Basin's programs at community events in partnership with the South Bay Environmental Services Center.</li> <li>▶ Support West Basin's retail customer agencies in complying with state mandates and new standards for water use efficiency.</li> <li>▶ Continue to provide the public with water conservation and educational programs.</li> </ul>

## Environmental Stewardship

Strategic Business Plan	FY 2019-20 Accomplishments	FY 2020-21 Strategies
<p><b>Strategy 5.2</b> - Continue to gain environmental community support for West Basin programs</p>	<ul style="list-style-type: none"> <li>✓ Participated on Metropolitan Water District's monthly Water Efficiency and Project Advisory Committee Meetings.</li> <li>✓ Participated in the bi-monthly Malibu Area Conservation Coalition (MACC) meeting.</li> <li>✓ Participated in the monthly South Bay Environmental Services Center (SBESC) Partners' Meeting.</li> <li>✓ Worked with the SBESC to promote the Green Building Program to businesses.</li> <li>✓ Participated on the California Water Efficiency Partnership's (CalWEP) Program Committee Meeting.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Continue outreach to gain environmental and community support in the development and implementation of our water efficiency programs.</li> <li>▶ Partner with various cities, agencies, and non-profit groups in the distribution of rain barrels and implementation of the Grass Replacement Classes.</li> </ul>





## Purveyor Water Quality Monitoring Program

West Basin administers the Water Quality Monitoring Program for two of its potable water purveyors – City of Manhattan Beach and City of Inglewood. Program activities include compliance sample scheduling, contracting wellhead sampling, EPA Unregulated Contaminant Monitoring Rule (UCMR) sample coordination, contracting laboratory analytical services, reviewing water quality data for compliance, maintaining water quality databases, providing water quality data and relevant information distributed from MET, providing data to assist purveyors with triennial Public Health Goals report, in addition to assistance with preparation of annual Consumer Confidence Reports for water purveyors. The program is designed for West Basin staff to assist our water purveyors in complying with California’s Title 22 regulations for drinking water and with the Federal Safe Drinking Water Act regulations.

### Personnel - Full Time Equivalents (FTE)

FY 2017-18	FY 2018-19	FY 2019-20	FY 2019-20	FY 2020-21
Actual FTE	Actual FTE	Projected FTE	Budget FTE	Budget FTE
0.05	0.04	0.08	0.08	0.10

### Operating Budget

	FY 2017-18	FY 2018-19	FY 2019-20	FY 2019-20	FY 2020-21
	Actuals	Actuals	Projected	Budget	Budget
Monitoring Program	\$ 10,813	\$ 18,002	\$ 25,000	\$ 18,155	\$ 21,700
Labor and Benefits	7,724	6,668	2,850	19,581	13,640
Overhead	3,377	3,723	1,071	9,269	16,212
<b>Title 22 Monitoring</b>	<b>\$ 21,914</b>	<b>\$ 28,393</b>	<b>\$ 28,921</b>	<b>\$ 47,005</b>	<b>\$ 51,552</b>

Monitoring program costs will vary each year depending on the number of constituents that must be monitored and the associated laboratory analyses that are required by state and federal regulations. The Federal UCMR4 program was underway during fiscal year 2019-20 which increased the cost of the program. Participating retailers reimburse West Basin for sampling and analytical costs.



# Strategic Goals and Objectives

## Water Quality

Strategic Business Plan	FY 2019-20 Accomplishments	FY 2020-21 Strategies
<p><b>Strategy 3.3</b> - Meet permit and contractual water quality requirements</p>	<ul style="list-style-type: none"> <li>✓ Completed laboratory services required to comply with Federal Safe Drinking Water Act and California Title 22 Drinking Water regulations such as analyses of all inorganic, organic compounds, and radioactive compounds.</li> <li>✓ Completed annual customer water quality reports for participating retailers for compliance with the Department of Drinking Water requirements for a public water system.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Complete laboratory services required to comply with Federal Safe Drinking Water Act and California Title 22 Drinking Water regulations such as analyses of all inorganic, organic compounds, and radioactive compounds.</li> <li>▶ Complete annual customer water quality reports for participating retailers.</li> <li>▶ Coordinate with the contract lab to ensure UCMR sampling in the next fiscal year is completed successfully.</li> </ul>

## Customer Service

Strategic Business Plan	FY 2019-20 Accomplishments	FY 2020-21 Strategies
<p><b>Strategy 4.2</b> - Ensure client and customer agency satisfaction</p>	<ul style="list-style-type: none"> <li>✓ Helped purveyors establish sampling plans and approvals from the EPA for the Unregulated Contaminant Monitoring Requirement (UCMR) Program.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Work with purveyors to establish sampling plans and approvals from the EPA for the Unregulated Contaminant Monitoring Requirement (UCMR) Program.</li> <li>▶ Engage Purveyors in workshop outreach workshop on general water quality updates.</li> </ul>





SECTION 8  
SUPPLEMENTAL INFORMATION





# Capital Improvement Program (CIP)

The Mission Statement in West Basin’s Strategic Business Plan is “To provide a safe and reliable supply of high-quality water to the communities we serve”. The West Basin Capital Improvement Program (CIP), designed to support its Strategic Business Plan, includes three major components: New Infrastructure projects, Rehabilitation & Replacement (R&R) projects, and Other projects that support the District’s strategic objectives. West Basin’s Capital Implementation Mater Plan (CIMP), which serves as a comprehensive planning document and a roadmap for the CIP, identifies the capital projects that support the following objectives:

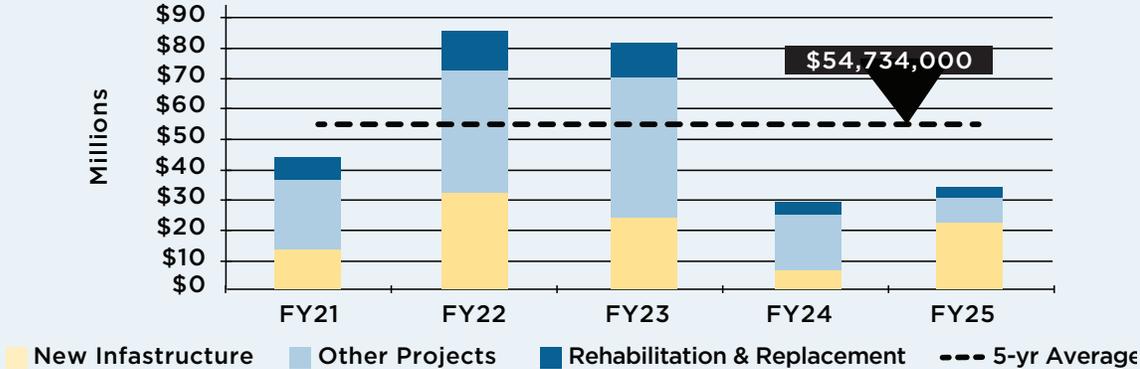
- Provide recycled water to new customers,
- Improve existing recycled water system capacity and reliability,
- Meet the recycled water’s quality standards,
- Respond to the regulatory changes, and
- Explore other sources of the water supply, such as Ocean Water Desalination

West Basin’s existing capital assets include award-winning water recycling facilities, a brackish groundwater desalter (Marvin Brewer Desalter), and its headquarters building (Donald L. Dear Building).

## Five-Year CIP Forecast

As we plan for the future CIP expenditures to expand and maintain our facilities, West Basin anticipates over \$230 Million in projects. The Recycled Water Master Plan will help us to better understand the timing and cost of the projects, and to identify where shifts in projects will help smooth the funding over the planning horizon.

The graph below shows the anticipated annual CIP expenditures over the next five years.



## Personnel - Full Time Equivalent (FTE)

FY 2017-18	FY 2018-19	FY 2019-20	FY 2019-20	FY 2020-21
Actual FTE	Actual FTE	Projected FTE	Budget FTE	Budget FTE
14.66	15.22	10.32	13.10	13.31



### New Infrastructure

New infrastructure and equipment are added to the existing recycled water system to:

- Increase recycled water uses by expanding the distribution system, constructing new lateral pipelines, and establishing new customer connections.
- Increase the capacity of the existing recycled water facilities by installing new treatment systems.
- Meet water quality and regulatory requirements by evaluating latest technologies and adding new equipment.

### Summary of the new infrastructure:

Below is the summary table to show the new infrastructure projects and the funding plan of each project.

Project Description	Fiscal Year 2020-21	Funding Sources		
		PAYGO	Commercial Paper	State Loan/ Customer Contribution
SCADA System Integration System	\$68,404	\$68,404		
JMMCRWRP Phase II Expansion - MBR	\$282,322			\$282,322
JMMCRWRP Phase II Expansion - MF	\$117,702			\$117,702
Inglewood Disinfection Station	\$103,578		\$103,578	
TRWRP MF Replacement	\$250,000	\$250,000		
WB-1 Well to Sewer Connection	\$37,000	\$37,000		
Kenneth Hahn Park Recycled Water Pipeline	\$886,491		\$886,491	
Palos Verdes Recycled Water Pipeline Project	\$9,720,625		\$9,720,625	
North Gardena Recycled Water Lateral	\$772,294		\$772,294	
Mills Park Recycled Water Lateral	\$772,294		\$772,294	
Morningside High School Recycled Water Pipeline Improvements	\$82,500	\$82,500		
Carson Reclamation Authority South Bay Recycled Water Improvements	\$157,500	\$157,500		
Army Corps of Engineers Improvement Projects	\$200,000	\$200,000		
Customer Service Connection Projects	\$200,000	\$200,000		
<b>Total</b>	<b>\$13,650,710</b>	<b>\$995,404</b>	<b>\$12,255,282</b>	<b>\$400,024</b>

## Project Detail on Major Projects and the Operating Impacts

Project		JMMCRWRP Phase II Expansion MBR	
Location(s)	Carson Facility		
FY20/21 Budget	\$282,322	Total Budget	\$23,029,836

**Project Description:** The JMMCRWRP Phase II Expansion project includes the construction of a tertiary Membrane Biological Reactor (t-MBR), and replacement of the Microfiltration system at the Carson facility. The new systems will deliver 5.9 MGD of nitrified water and 6.8 MGD of Reverse Osmosis product water to the Marathon Carson Refinery, respectively.

**Justification of Project:** Improves recycled water quality and reliability, while increasing supply to the Marathon Carson Refinery.

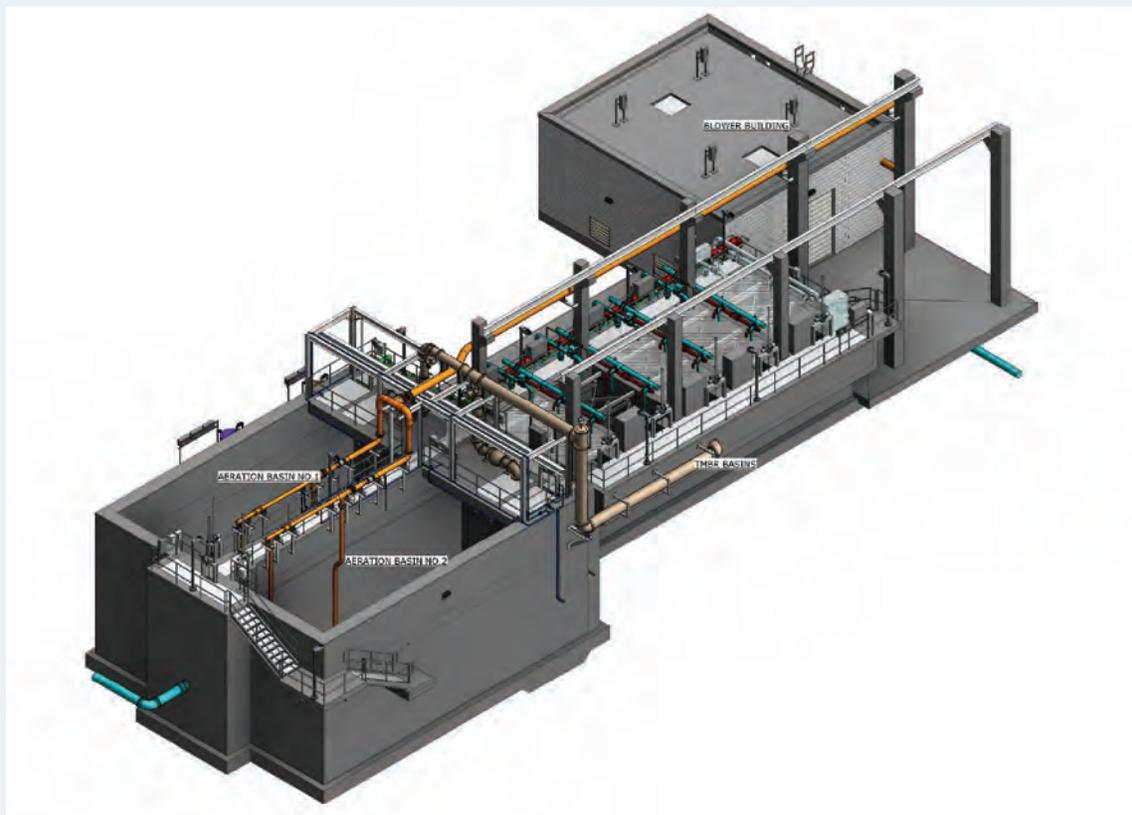
**Planned work for FY20/21:** Bidding/ Construction

Project Schedule:	Start Date:	Completion Date:
Construction	March, 2021	February, 2023

### Operating Impacts:

Increase in AFY sold: 2,772 (1,541 AFY increase from tMBR/Biofor systems)

Increase in Annual Operation and Maintenance Cost: \$753,200



Reverse Osmosis



Project		JMMCRWRP Phase II Expansion MF	
Location(s)	Carson Facility		
FY 20/21 Budget	\$117,702	Total Budget	\$15,094,736

**Project Description:** The project will project will replace the micro-filtration system located at JMMCRWRP. The new system will produce 5.9 MGD of micro-filtered effluent as pretreatment to the reverse osmosis system feeding the boiler feed system.

**Justification of Project:** Improves recycled water quality, reliability and increase production to the Marathon Carson Refinery.

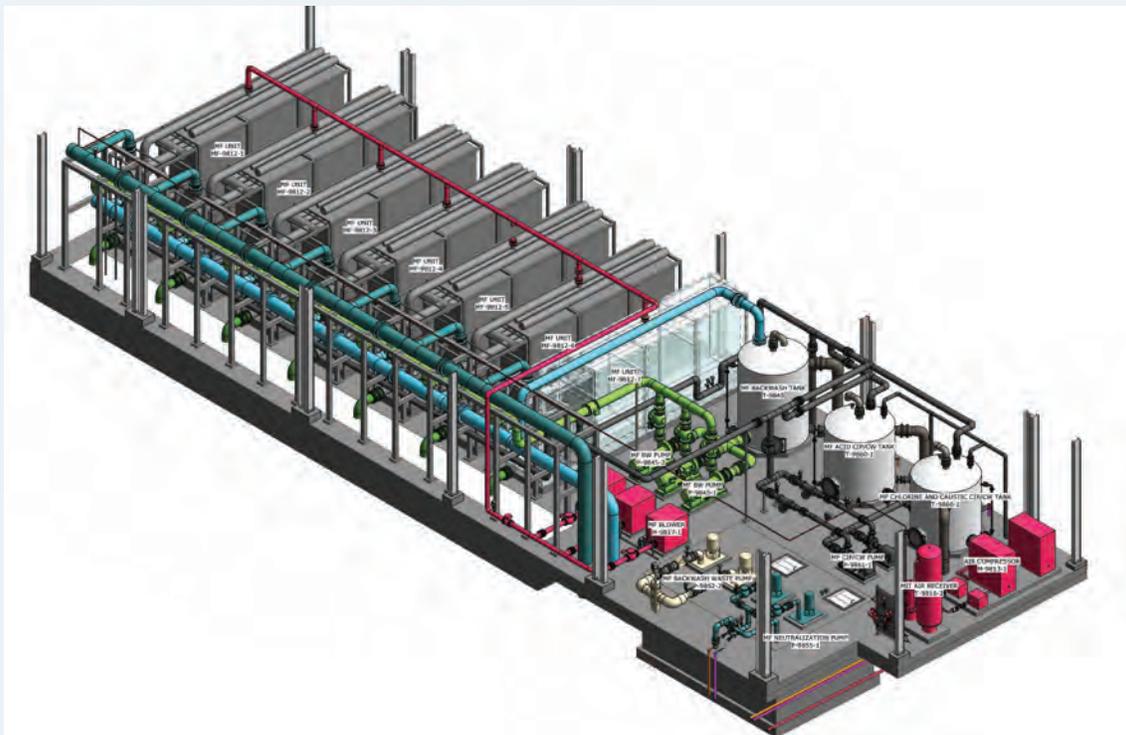
**Planned work for FY20/21:** Bidding/ Construction

Project Schedule:	Start Date:	Completion Date:
Construction	March, 2021	February, 2023

**Operating Impacts:**

Increase in AFY sold: 2,772 (1,231 AFY increase from MF/ RO systems)

Increase in Annual Operation and Maintenance Cost: Not significant



Project		Palos Verdes Recycled Water Pipeline Project	
Location(s)	Recycled Water Distribution System		
FY20/21 Budget	\$9,720,675	Total Budget	\$12,930,675

**Project Description:** The project will expand the recycled water distribution system to serve the Palos Verdes Golf Club in Palos Verdes Estates, as well as six sites within the City of Torrance. The project consists of 3.6 miles of transmission pipelines and a booster pump station.

**Justification of Project:** Increases recycled water use in the region through construction of new pipelines and booster pump station.

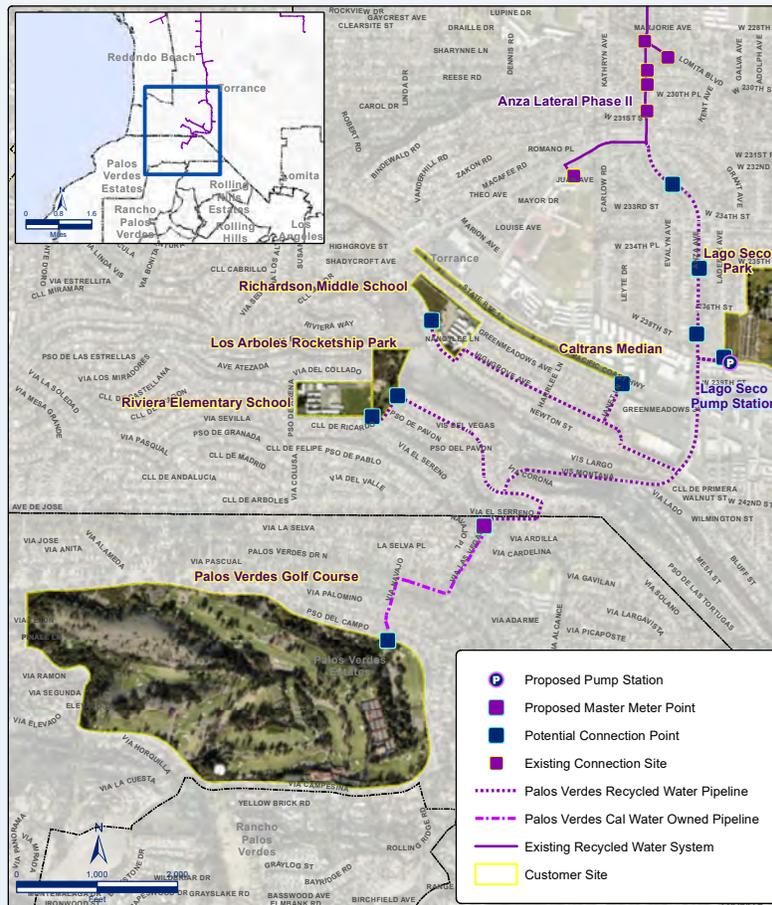
**Planned work for FY 20/21:** Final Design and Construction.

Project Schedule:	Start Date:	Completion Date:
Planning	July, 2018	December, 2018
Design	January, 2019	September, 2020
Construction	December, 2020	November, 2021

**Operating Impacts:**

Increase in AFY sold: 240

Increase in Annual Operation and Maintenance Cost: Not significant





## Rehabilitation & Replacement Program (R&R)

Phase 1 construction of West Basin's recycled water treatment and distribution systems was complete in 1995. With aging infrastructure, the rehabilitation and replacement (R&R) of existing facilities and equipment is critical to maintaining the District's production capacity and water quality goals. West Basin's CIP includes an R&R component that aims to meet such goals, and extend the useful life of existing treatment assets and infrastructure.

West Basin periodically conducts equipment assessments of its recycled water facilities to determine the condition of the equipment, and develop R&R project plans. The R&R projects are continuously prioritized, planned, and implemented by West Basin with the goal of maintaining service to its customers during construction.

By undertaking this large rehabilitation and replacement effort, West Basin hopes to continue to enhance recycled water processes, provide reliability to the customers, and implement cost savings through the efficient operation of upgraded equipment.



## Summary of the Rehabilitation & Replacement Program (R&R)

Below is the summary table to show the projects in this category and the funding plan of these projects.

Project Description	Fiscal Year 2020-21	Funding Sources		
		PAYGO	Commercial Paper	State Loan/ Customer Contribution
RW Distribution System Cathodic Protection	\$2,820,906		\$2,820,906	
All Sites Chemical Storage Improvements	\$1,142,894		\$1,142,894	
ECLWRF SHC Storage Tank	\$1,619,984	\$1,619,984		
HSEPS R&R	\$269,776		\$269,776	
RO Membrane Replacement	\$1,290,000	\$1,290,000		
MF Membrane Replacement	\$810,000	\$810,000		
Compliance Lab	\$170,000	\$170,000		
Brewer Desalter Upgrades Program	\$1,778,000		\$1,778,000	
Chemical Containment R&R Project	\$1,790,068	\$1,790,068		
TRWRP Potable Water Pipe Replacement	\$150,203	\$150,203		
Chlorine Contact Basin Reha- bilitation	\$1,532,295		\$1,532,295	
Barrier Contact Basin Reha- bilitation	\$121,849	\$121,849		
ECLWRF Solids Handling Improvement	\$1,030,010		\$1,030,010	
Barrier Blend Station Modi- fication	\$108,630	\$108,630		
Satellite Plant Surge Protec- tion System	\$345,000		\$345,000	
ECLWRF Title 22 Filter R&R	\$1,870,185		\$1,870,185	
ECLWRF Title 22 Converted Filter Booster Pump	\$1,640,815		\$1,640,815	
ECLWRF Distributed Control System	\$568,308	\$568,308		
TRWRP Waste Discharge Im- provements	\$80,000	\$80,000		
TRWRP Analyzer and Chemi- cal Waste System	\$41,500	\$41,500		
7 R&R Steel Tanks	\$252,135		\$252,135	
CRWRP MF Break Steel Tank	\$3,313,170		\$3,313,170	
<b>Total</b>	<b>\$22,745,728</b>	<b>\$6,750,542</b>	<b>\$15,995,186</b>	



## Project Detail on near-term Major R&R Projects and the Operating Impacts

Project		RW Distribution System Cathodic Protection Project	
Location(s)	Recycled Water Distribution System		
FY20/21 Budget	\$2,820,906	Total Budget	\$4,777,561

**Project Description:** The project includes the design and installation of cathodic protection facilities throughout West Basin’s recycled water distribution system. Existing cathodic protection systems will be refurbished, and new systems will be installed as needed to ensure buried pipelines are protected against corrosion.

**Justification of Project:** Cathodic protection systems extend the useful life of existing underground infrastructure.

**Planned work for FY20/21:** Final Design and Construction

Project Schedule:	Start Date:	Completion Date:
Planning	December, 2017	June, 2018
Design	January, 2019	September, 2020
Construction	November, 2020	December, 2021

**Operating Impacts:**

Increase in AF sold: N/A

Increase in Annual Operation and Maintenance Cost: Not significant

Project		All Sites Chemical Storage Improvement	
Location(s)	ECLWRF and All Satellites		
FY20/21 Budget	\$1,142,894	Total Budget	\$11,428,943

**Project Description:** The project will assess aging chemical storage structures and appurtenances at all plants and replace or rehabilitate tanks, pumps, and controls as necessary.

**Justification of Project:** Ensure safety and reliable water production.

**Planned work for FY20/21:** Preliminary and Final Design.

Project Schedule:	Start Date:	Completion Date:
Planning	July, 2019	On-going/continuous
Design	April, 2020	On-going/continuous
Construction	June, 2020	On-going/continuous

**Operating Impacts:**

Increase in AF sold: N/A

Increase in Annual Operation and Maintenance Cost: Not significant

Project		ECLWRF Sodium Hypochlorite Storage Tank	
Location(s)	ECLWRF		
FY20/21 Budget	\$1,619,984	Total Budget	\$3,870,198

**Project Description:** The project will assess existing sodium hypochlorite tanks at ECLWRF to determine replacement or rehabilitating of tanks, pumps and controls.

**Justification of Project:** Ensure safety and reliable water production.

**Planned work for FY20/21:** Final Design and Construction

Project Schedule:	Start Date:	Completion Date:
Planning	July, 2019	December, 2019
Design	January, 2020	April, 2020
Construction	April, 2020	April, 2021

**Operating Impacts:**

Increase in AF sold: N/A

Increase in Annual Operation and Maintenance Cost: Not significant



Project		Chlorine Contact Basin Rehabilitation Project	
Location(s)	ECLWRF		
FY20/21 Budget	\$1,532,295	Total Budget	\$2,275,695

**Project Description:** The project provides for the repair and rehabilitation of the six existing chlorine contact basins at ECLWRF. Project scope of work includes the replacement of baffles, slide gates, mud valves, and miscellaneous piping for washdowns.

**Justification of Project:** Ensure reliable water production.

**Planned work for FY20/21:** Construction.

**Operating Impacts:**

Increase in AF sold: N/A

Increase in Annual Operation and Maintenance Cost: Not significant



Project Schedule:	Start Date:	Completion Date:
Planning	July, 2017	February, 2019
Design	March, 2019	December, 2019
Construction	February, 2020	June, 2021

**Operating Impacts:**

Increase in AF sold: N/A

Increase in Annual Operation and Maintenance Cost: Not significant



Project		ECLWRF Title 22 Converted Filter Booster Pump	
Location(s)	ECLWRF		
FY20/21 Budget	\$1,640,815	Total Budget	\$2,001,063

**Project Description:** The construction of new booster pumps connected to the feed line to the converted filters will improve hydraulic conditions between ECLWRF's pre-treatment clarifiers and Title 22 converted filters.

**Justification of Project:** This project will improve Title 22 system operations, and optimize filtration capability during filter repair and rehabilitation work.

**Planned work for FY20/21:** Construction

Project Schedule:	Start Date:	Completion Date:
Planning	July, 2018	September, 2018
Design	January, 2020	June, 2020
Construction	August, 2020	April, 2021

**Operating Impacts:**

Increase in AF sold: N/A

Increase in Annual Operation and Maintenance Cost: Not significant



## Other Projects

West Basin has a number of capital projects that support the District’s goals of diversifying its water supply portfolio, maintaining existing building assets, and implementing necessary Information Technology (IT) related upgrades. The list of capital investments shown in the table below also include West Basin Project Administration cost, which represents the direct labor and associated allocated costs to support the CIP program.

West Basin has completed an Environmental Impact Report for the Ocean Water Desalination Project (OWDP), which evaluated possible impacts and mitigation measures of a potential ocean water desalination facility in El Segundo. OWDP’s projected efforts for FY20/21 include project planning tasks, preliminary site evaluations, and pending technical/ cost studies.

### Summary of the Other Projects

Below is the summary table to show the projects in this category and the funding plan of each project.

Project Description	Fiscal Year 2020-21	Funding Sources		
		PAYGO	Commercial Paper	State Loan/ Customer Contribution
OWDP Consulting, Legal, and Support Services	\$1,327,743	\$1,327,743		
OWDP Shear Mortality Diffuser Study	\$294,500	\$294,500		
OWDP Cost Benefit Analysis	\$199,500	\$199,500		
West Basin Project Administration	\$1,755,755	\$1,755,755		
Labor Compliance Program	\$84,061	\$84,061		
Contract Operator CIP Labor	\$565,000	\$565,000		
DLD Building Improvements	\$1,804,941	\$405,195	\$1,399,746	
IT Projects	\$1,263,000	\$1,263,000		
<b>Total</b>	<b>\$7,294,500</b>	<b>\$5,894,754</b>	<b>\$1,399,746</b>	



Project		Ocean Water Desalination	
Location(s)	El Segundo Generating Station		
FY 20/21 Budget	\$1,821,743	Total Budget	\$1,821,743

**Project Description:** The proposed Ocean Water Desalination project would produce 20 MGD of drinking water from the ocean.

**Justification of Project:** Provide a new reliable drinking water supply to meet local demands and reduce dependence on imported water supplies.

**Planned work for FY20/21:** Preliminary engineering, planning, and permitting tasks; technical studies; and completion of the cost benefit analysis.

Project Schedule:	Start Date:	Completion Date:
Planning	July, 2020	June, 2021
Design	N/A	N/A
Construction	N/A	N/A

**Operating Impacts:**

Increase in AF sold: N/A

Increase in Annual Operation and Maintenance Cost: N/A

Project		West Basin Project Administration	
Location(s)	All West Basin Facilities		
FY 20/21 Budget	\$1,755,755	Total Budget	On-going

**Project Description:** Labor and benefit costs are allocated to the various projects as a percentage of dollars based on the project’s actual direct labor to the total actual direct labor.

**Justification of Project:** This is not a project; it is the cost associated for staff working on related capital projects.

**Planned work for FY20/21:** Labor, benefit and overhead costs will be allocated to the capital projects at each month-end.

Project Schedule:	Start Date:	Completion Date:
Planning	N/A	N/A
Design	N/A	N/A
Construction	N/A	N/A

**Operating Impacts:**

Increase in AF sold: N/A

Increase in Annual Operation and Maintenance Cost: N/A



# Strategic Goals and Objectives

## Water Supply Reliability

Strategic Business Plan	FY 2019-20 Accomplishments	FY 2020-21 Strategies
<p><b>Strategy 1.4</b> - Increase supply diversification by promoting water recycling</p>	<ul style="list-style-type: none"> <li>☑ Completed construction of the ECLWRF Phase V Microfiltration expansion project, increasing annual Barrier water production and ensure reliability to both the Barrier and Chevron Boiler feed systems.</li> <li>☑ Substantially completed construction of the Hyperion Effluent Pump Station Expansion and Secondary Electrical Feed Project.</li> <li>☑ Constructed new pipeline infrastructure and completed multiple new customer connections to the recycled water system, including Anderson Park, Dominquez Tech Center, and Torrance Tech Center.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Begin construction of the Palos Verdes Recycled Water Pipeline Project, converting 240 AFY of irrigation water demands to recycled water use.</li> <li>▶ Begin bidding and construction phase of the JMMCRWRF Phase II expansion of facilities to improve reliability and increase production.</li> <li>▶ Initiate CEQA and design efforts for distribution system expansions to the Kenneth Hahn State Park.</li> <li>▶ Initiate CEQA and design efforts for distribution system expansions to the Kenneth Hahn State Park.</li> <li>▶ Begin construction on the T22 converted booster pumping facilities to improve Title 22 system operations, and optimize filtration capability during filter repair and rehabilitation work.</li> </ul>
<p><b>Strategy 1.5</b> - Investigate ocean water desalination as a supply opportunity</p>	<ul style="list-style-type: none"> <li>☑ Completed the OWDP Final Environmental Impact Report and Response-to-Comments for West Basin Board Certification.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Evaluate the potential impacts of the OWDP on water rates based on most recent findings and cost estimates.</li> </ul>



## Sound Financial and Resource Management

Strategic Business Plan	FY 2019-20 Accomplishments	FY 2020-21 Strategies
<p><b>Strategy 2.1</b> - Provide effective overall capital facility asset management through the application of industry best-practices</p>	<ul style="list-style-type: none"> <li>✔ Continued R&amp;R Program Development to ensure timely and efficient implementation of Recycled Water R&amp;R projects based on asset condition and need.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Begin construction of the Distribution System Cathodic Protection Project to implement improvements for the existing cathodic protection systems, and ensure reliable operation of the recycled water distribution pipelines.</li> </ul>
<p><b>Strategy 2.2</b> - Maintain facilities to manage and minimize risk of failure and liability exposure</p>	<ul style="list-style-type: none"> <li>✔ Completed construction of the Hyperion Effluent Pump Station Expansion and Secondary Electrical Feed Project. The pump station project will provide additional capacity to serve future recycled water demands and add a second power source to the existing Hyperion Effluent Pump Station to improve reliability and redundancy.</li> <li>✔ Completed construction of the Phase III Clearwell R&amp;R Project to ensure reliable production of the Chevron Boiler Feed System.</li> <li>✔ Completed piping improvements, and process modifications at the C. Marvin Brewer Desalter.</li> <li>✔ Evaluated alternatives for the solids handling improvement project new system to allow continuous operations of solids removal process.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Complete rehabilitation of ECLWRF's chlorine contact basin.</li> <li>▶ Complete replacement of the JMMCRWRP's steel break tank.</li> <li>▶ Complete replacement of four Sodium Hypochlorite storage tanks at ECLWRF.</li> </ul>



Strategic Business Plan	FY 2019-20 Accomplishments	FY 2020-21 Strategies
<p><b>Strategy 2.3</b> - Develop partnerships with public and private entities to facilitate capital asset development and implementation</p>	<ul style="list-style-type: none"> <li>✓ Completed construction of Dominquez Tech Center recycled water services.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Complete final design and begin construction of the Palos Verdes Recycled Water Pipeline Project.</li> <li>▶ Complete preliminary design and CEQA for recycled water system expansions to Kenneth Hahn State Park.</li> <li>▶ Begin design of North Gardena and Mills Park recycled water projects, in partnership with the US Army Corp of Engineers, to deliver recycled water into new areas within the cities of Gardena and Carson.</li> </ul>
<p><b>Strategy 2.6</b> - Operate cost-efficiently and effectively, with robust internal controls</p>	<ul style="list-style-type: none"> <li>✓ Completed design of the converted T22 converted filter booster pump project to improve Title 22 system operations, and optimize filtration capability during filter repair and rehabilitation work.</li> </ul>	



## Water Quality

Strategic Business Plan	FY 2019-20 Accomplishments	FY 2020-21 Strategies
<p><b>Strategy 3.1</b> - Achieve and maintain recycled water client satisfaction</p>	<ul style="list-style-type: none"> <li>☑ Completed construction of the ECLWRF Phase V Microfiltration Expansion Project.</li> <li>☑ Completed construction of the Phase III Clearwell R&amp;R Project to ensure reliable production of the Chevron Boiler Feed System.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Begin bidding and construction phase of the JMMCRWRF Phase II expansion project.</li> </ul>
<p><b>Strategy 3.3</b> - Meet permit and contractual water quality requirements</p>	<ul style="list-style-type: none"> <li>☑ Completed design of the Chlorine Contact Basin Rehabilitation Project</li> </ul>	<ul style="list-style-type: none"> <li>▶ Complete construction of the Chlorine Contact Basin Rehabilitation Project to ensure adequate chlorine contact time for disinfected tertiary recycled water, per West Basin Title 22 permit issued by the Los Angeles Regional Water Quality Control Board.</li> <li>▶ Complete well to sewer connection project for well monitoring program.</li> </ul>

## Customer Services

Strategic Business Plan	FY 2019-20 Accomplishments	FY 2020-21 Strategies
<p><b>Strategy 4.4</b> - Promote outreach and education programs</p>	<ul style="list-style-type: none"> <li>☑ Completed ECLWRF visitor center renovation project.</li> </ul>	







SECTION 9  
GLOSSARY / ACRONYM





## Acronyms

**AB** - Assembly Bill

**ACWAC/JPIA** - Association of California Water Agencies/Joint Powers Insurance Authority

**AF** - Acre-Foot

**AFY** - Acre-Foot per Year

**BAML** - Bank of America/Merrill Lynch

**CAFR** - Comprehensive Annual Financial Report

**CEQA** - California Environmental Quality Act

**CFS** - Cubic feet per second

**CIP** - Capital Improvement Program

**CMMS** - Computerized Maintenance Management System

**COP** - Certificate of Participation

**CPI** - Consumer Price Index

**CSMFO** - California Society of Municipal Finance Officers

**CWSC** - California Water Service Company

**CY** - Calendar Year

**DS** - Debt Service

**DWR** - Department of Water Resources

**ECLWRF** - Edward C. Little Water Recycling Facility

**EIR** - Environmental Impact Report

**EMMA** - Electronic Municipal Market Access

**FTE** - Full Time Equivalent

**FY** - Fiscal Year

**GAAP** - Generally Accepted Accounting Principles

**GASB** - Government Accounting Standards Board

**GPM** - Gallons per minute

**HPBF** - High Pressure Boiler Feed

**JMMCRWRF** - Juanita Millender-McDonald Carson Regional Water Recycling Facility

**LADWP** - Los Angeles Department of Water and Power

**LASAN** - Los Angeles Sanitation District

**LIBOR** - London Interbank Offered Rate

**LPBF** - Low Pressure Boiler Feed

**LRP** - Local Resources Program

**LRFP** - Long Range Financial Plan

**MBR** - Membrane Bioreactor

**MF** - Microfiltration

**MGD** - Million Gallons per Day

**MET** - Metropolitan Water District of Southern California

**OPEB** - Other Post-Employment Benefits

**PARS** - Public Agency Retirement System

**PAYGO** - Pay As You Go

**R&D** - Research and Development

**R&R** - Rehabilitation & Replacement

**RO** - Reverse Osmosis

**RTS** - Readiness-To-Serve

**SB** - Senate Bill

**SRF** - State Revolving Fund

**T-MBR** - Tertiary Membrane Biological Reactor

**UCMR** - Unregulated Contaminant Monitoring Rule

**USBR** - United State Bureau of Reclamation

**WRD** - Water Replenishment of Southern California



## 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 that meets the need of two average families, in and around the home, for one year.

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

**AFY** – Acre-Foot per Year

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

**Balanced Budget** – A balanced budget occurs when the total sum of money a government collects in a year is equal to the amount it spends on goods, services, and debt interest.

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

**C. Marvin Brewer Desalter** – a satellite facility for brackish water in the City of Torrance, California that began operations in May 1993.

**California Water Service Company (CWSC)** – The largest investor-owned American water utility west of the Mississippi River and the third largest in the country. Formed in 1926, the San Jose-based company serves 460,000 customers through 26 Customer and Operations Centers throughout the state.

**California Environmental Quality Act (CEQA)** – California state statute that requires state and local agencies to identify the significant environmental impacts of their actions and to avoid or mitigate those impacts, if feasible.

**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 (CIP)** – A multi-year plan identifying capital projects to be funded during the planning period.

**Cubic feet per second (cfs)** – Unit of measure used to determine volume of water flowing through meters.

**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.

**COVID-19** – a mild to severe respiratory illness that is caused by a coronavirus (Severe acute respiratory syndrome coronavirus 2 of the genus Betacoronavirus), is transmitted chiefly by contact with infectious material (such as respiratory droplets) or with objects or surfaces contaminated by the causative virus, and is characterized especially by fever, cough, and shortness of breath and may progress to pneumonia and respiratory failure.

**Debt Limit** – The legal maximum debt permitted a municipal, state, or national government.

**Defeasance** – A provision that voids a bond or loan when the borrower sets aside cash or bonds sufficient enough to service the borrower's debt.

**Desalting (or Desalination)** – Removal 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.

**Disinfected Tertiary Recycled Water** – Secondary treated wastewater that has been filtered and disinfected for industrial and irrigation uses.

**Double Pass Reverse Osmosis Water** – Secondary treated wastewater pretreated by ozone and microfiltration, followed by two passes of RO treatment for high pressure boiler feed water



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

**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.

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

**Financial Policies** – Document approved by the Board of Directors that identifies parameters through which West Basin operates and provides 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.

**Fixed Service Charge** – A fixed fee collected from customers to recover the cost of providing services.

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

**Fund Balance** – See Net Assets

**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 collected on the surface.

**Imported Water** – Water imported by MET through the Colorado River Aqueduct system and from Northern California.

**Integrated Regional Water Management Plan (IRWMP)** – A plan prepared by a Regional Water Management Group pursuant to the Department of Water Resources' IRWMP Program. The plan describes how integrated planning is the effective management of resources through collaboration of efforts and cooperation of various entities. The integration of multiple water management strategies via multipurpose projects creates opportunities to meet regional water resource needs, efficiently use fiscal resources, and provide the public with tangible community benefits.

**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.

**Juanita Millender-McDonald Carson Regional Water Recycling Facility (JMMCRWRP)** – A satellite recycling plant in Carson, California.

**LIBOR** – The London Interbank Offered Rate is the average interest rate estimated by leading banks in London that they would be charged if borrowing from other banks.

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

**Metropolitan Water District of Southern California (MET)** – 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. MWD is governed by a 37-member Board of Directors representing its member agencies.

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

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

**MET’s Treatment Surcharge** – Recovers the costs of treating imported water.

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

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

**MET’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.

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

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

**Nitrified Water** – Disinfected Tertiary Recycled Water that has been nitrified to remove ammonia for industrial cooling towers.

**Non-Interruptible Water** – The treated firm water supply that is available year-round.

**Official Statement** – A legal statement which serves as the prospectus for a municipal bond. It is a disclosure of the finances surrounding the issue of the municipal bond, and is prepared by the local or state government and its legal counsel. It also indicates how investors in the bonds will be repaid.



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

**Potable** – Drinkable water. Conversely, non-potable means non-drinkable.

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

**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.

**Refunding Revenue Bonds** – A bond that retires another bond before the first bond matures. Refunding bonds may be issued for a number of reasons, but mainly to reduce the cost of funding as a result of lower interest rates.

**Reliability Service Charge** – West Basin's charge to cover the cost of its programs and services.

**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 through surface water or groundwater basins.

**Single Pass Reverse Osmosis Water** – Secondary treated wastewater pretreated by ozone and microfiltration, followed by one pass of RO treatment for low-pressure boiler feed water.

**Social Distancing** – The practice of maintaining a greater than usual physical distance (such as six feet or more) from other people or of avoiding direct contact with people or objects in public places during the outbreak of a contagious disease in order to minimize exposure and reduce the transmission of infection.

**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 Revolving Fund (SRF)** – A fund administered by a state for the purpose of providing low-interest loans for investment in water and sanitation infrastructure.

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

**Teleworking** – The use of home computers, telephones, etc, to enable a person to work from home while maintaining contact with colleagues, customers, or a central office. Also called: telecommuting

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

**Tertiary Membrane Biological Reactor (T-MBR)** – A process by which solids are removed from tertiary treated wastewater using a combination of biological treatment and membrane filtration, all of which takes place in a complete-stirred mixed reactor.

**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** – Wastewater treatment making the water suitable for beneficial reuse, such as landscape irrigation. Also called water recycling.

**Water Reliability Program (WR)** – A program to decrease dependence on imported water through water recycling, conservation programs and by examining the feasibility of an ocean water desalination facility that can deliver 20 million gallons per day of drinking water to the service area.

**Water Replenishment District of Southern California (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.







# **WEST BASIN MUNICIPAL WATER DISTRICT**

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