



# 2021-2022

WEST BASIN OPERATING BUDGET



**WEST BASIN MUNICIPAL WATER DISTRICT**

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





# West Basin Municipal Water District

## Fiscal Year 2021-22 Budget

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**January 31, 2021**



*Marcus Pimentel*

Marcus Pimentel  
CSMFO President

*Michael Manno*

Michael Manno, Chair  
Recognition Committee

*Dedicated Excellence in Municipal Financial Reporting*



SECTION ONE

# GENERAL MANAGER'S MESSAGE





# General Manager's Message

May 24, 2021

## 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 for the Fiscal Year (FY) beginning July 1, 2021 and ending June 30, 2022 (FY 2021-22). 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 through the appropriate setting of rates and charges.

This message strives to articulate the priorities and challenges facing West Basin in the coming fiscal years and describes the short-term factors that influenced the strategic decisions made during the development of the FY 2021-22 budget. This message will also provide a summary of FY 2021-22 revenues and expenditures, the resulting financial position, and will highlight the major changes in this budget compared to the current year FY 2020-21 budget.

Developing a budget is an important component in West Basin's financial planning process. Each fiscal year, there are multiple challenges and objectives that need to be considered and communicated to interested parties, such as bond holders, credit rating agencies, customers, and the public. For the development of the FY 2021-22 budget, West Basin staff presented its proposed budget in a series of publicly-hosted virtual workshops to the Board of Directors (Board). Each virtual workshop was designed to provide the Board and the public with the underlying assumptions and other pertinent details regarding forecasted expenses and revenues. In addition, the public workshops outlined the objectives that were considered in the development of the FY 2021-22 budget, including: 1) Meeting the strategic plan goals set by the Board in its Strategic Business Plan 2017-2022; 2) Achieving the targeted debt service coverage ratio of 1.75; 3) Lowering West Basin's annual debt service through refunding eligible debt; 4) Continuing to implement cost containment measures; and 5) Maintaining sufficient net revenues to pay for capital projects identified; the Capital Improvement Program (CIP) for FY 2021-22 is a supplement to the budget.

The budgeted total revenue for FY 2021-22 is \$223.8 million, representing a nominal decrease of \$0.3 million (-0.2%) from the prior fiscal year. Although the total budget revenues decreased slightly from the previous fiscal year, there are several significant factors that affected the FY 2021-22 budget, as described below.

The Metropolitan Water District of Southern California (Metropolitan) adopted a two-year budget in April 2020 for calendar years (CY) 2021 and 2022. The combination of a Metropolitan Tier 1 imported water rate adjustment of \$39/AF, an effective increase in the Capacity Charge of \$4/AF, and West Basin budgeting for imported water sales to remain flat at 108,000 Acre-Feet (AF), results in a \$5.3 million increase in budgeted imported water revenues. Metropolitan's adopted rates become effective on January 1st of each CY and are passed through to West Basin's customers. More information regarding the Metropolitan Tier 1 rate adjustment is included in the operating expenses summarized below.



Another significant change in budgeted operating revenue is the anticipated decline in standby charge revenue. Historically, West Basin has generated approximately \$10 million in revenues annually from its standby charge. Based on a pending settlement agreement that has not yet been approved by the Los Angeles Superior Court, West Basin has prudently lowered its forecasted FY 2021-22 standby charge revenue by \$3.9 million.

The budgeted total operating expense for FY 2021-22 is \$223.8 million, representing a decrease of \$0.3 million from the prior fiscal year. With an expected change in future revenue streams, finding ways to streamline operations, create efficiencies, and reduce costs were critical elements in decreasing the total operating expenditures. All costs were reviewed and evaluated to reduce, eliminate, or delay proposed expenditures, where possible. One of the most significant reductions in expenditures is a decrease in the annual debt service of \$2.6 million. Two outstanding bonds issuances are eligible for a current refunding at the end of FY 2020-21. With an attractive interest rate environment in the public capital market, West Basin is working with its municipal advisors, bond counsel, and underwriters to refund the 2011A and 2011B Refunding Revenue Bonds, as well as to refund its Commercial Paper draws to long-term debt. West Basin is well positioned to achieve substantial savings by refunding this existing debt and lock-in today's low long-term rates by refunding its commercial paper which reduce the debt service costs and mitigate future interest rate "risk." The FY 2021-22 operating budget reflects the anticipated savings; however, the refunding will also provide an opportunity for West Basin to fund its future CIP needs at a lower interest rate.

At its March 22, 2021 meeting, the Board of Directors created an ad hoc committee to develop a plan to divest West Basin of the brackish water Desalter program and C. Marvin Brewer Desalter facility. An economic analysis outlined the near and long-term capital improvements that would be required for a sustainable operation of the Desalter program, including alternatives to maintain or expand production levels. Based on the analysis, none of the alternatives indicate an ability to recover the full cost of ongoing operations. As such, the FY 2021-22 operating budget for Desalter Operations assumes no brackish water Desalted Water sales.

## 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, value statements, and the five goals that set the framework for the strategies and objectives of West Basin. Highlighted below are a few of the accomplishments that provided additional value during FY 2020-21 and shaped the District's objectives for FY 2021-22. 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

- Completed the Recycled Water Master Plan which outlines the District's capital improvement projects for the next 20 years and provides a roadmap for the cost to construct future capital facilities
- Awarded contract to construct the Phase II Expansion at the Juanita Millender-McDonald Water Recycling Facility in Carson
- Completed the Urban Water Management Plan to evaluate West Basin's water resource needs, provide

detailed water supply planning projections over a 25-year planning horizon, and identify water supplies that are needed to meet existing and future demands

- Recognized as a 2020 recipient of the Utility of the Future award
- Recognized by WaterReuse for the SoFi Stadium Recycled Water project

### **Sound Financial and Resource Management**

- Received awards for Excellence in Budgeting from California Society of Municipal Finance Officers and the Government Finance Officers Association
- Re-negotiated agreements with local refinery customers to re-coup the cost of R&R for the original facilities and a proportionate share of the R&R cost for the off-site facilities
- Maintained credit ratings from Moody's at Aa2 and S&P at AA- in May 2021



Students enjoy hands-on learning through West Basin education programs

### **Water Quality**

- Completed annual consumer confidence water quality reports for participating retailers for compliance as required by the Department of Drinking Water for a public water
- Completed water quality monitoring to ensure it meets water quality compliance and contractual requirements
- Met all permit and regulatory requirements with no issued Notices of Violation

### **Customer Service**

- Conducted monthly updates to our customer agencies and municipalities at the West Basin hosted Metropolitan Caucus meetings, and West Basin Water Association meetings
- Developed online webinar class options for the public in response to COVID-19 pandemic

### **Environmental Stewardship**

- Expanded program partnership with the Roundhouse Aquarium and established new program partnership with Wildwoods Foundation

## **Key Factors Impacting the FY 2021-22 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 89% of our revenues are generated from volumetric sales (potable and recycled), much attention is given to determining sales assumptions. Hydrologic conditions directly impact water demand, but are difficult to predict, making forecasting more challenging. Therefore, updated customer agency input regarding overall water management strategies and trends (groundwater extractions and imported and recycled water usage) is beneficial to developing accurate sales figures. Further, the impact on both imported and recycled water sales in FY 2020-21 due to the COVID-19 pandemic was analyzed and shared with the Board on a consistent basis, during the budget workshops, and has been considered in developing the sales assumptions for FY 2021-22. Staff also reviewed its current capital improvement projects to incorporate appropriate assumptions for increases to recycled water sales and corresponding decreases in imported water sales as it relates to new infrastructure and/or expansion of infrastructure to existing customers.

Imported retail water sales vary based on hydrologic conditions, overall water demand, availability and utilization of local supplies (groundwater and recycled water), and the availability of imported water. Consumer usage of imported retail water since the end of the most recent drought in FY 2016-17 has not returned to pre-drought levels and is expected to remain relatively flat in the near-term. During the FY 2020-21 budget development process, West Basin anticipated lower than average sales due to the COVID-19 pandemic and had factored that into its budget for retail sales of 103,000 AF. With the announcement by Governor Newsom on May 10, 2021 declaring a drought emergency in 41 California counties; however, this does not include Los Angeles County where West Basin resides. Although West Basin recent sales has shown higher than budget, West Basin feels it is prudent to keep its imported retail sales at 103,000 AF in the FY 2021-22 budget.



The West Coast Basin Barrier (Barrier) has historically been replenished 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 however this is dependent upon the Los Angeles County Department of Public Works and prior years' experience has shown that about 80% of the source replenishment water is actually from recycled water and 20% from imported water. For FY 2020-21, West Basin anticipated a budget of 13,800 AF in recycled replenishment water, with 1,700 AF budgeted as imported replenishment water to meet expected demand for the Barrier. In discussions with both the County of Los Angeles (who manages both the West Coast and Dominguez Gap Barriers) and the Water Replenishment District (WRD), West Basin was informed of planned rehabilitation projects on Barrier injection wells scheduled to begin in spring 2021 and continue through most of FY 2021-22. Based on the information provided, West Basin budgeted 10,600 AF in recycled water and 2,000 AF of imported water for replenishment demand in FY 2021-22.

Recycled water for the Dominguez Gap Barrier 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 WRD's dependence on imported water. However, the City of Los Angeles has been unable to produce enough recycled water to meet total demand in FY 2020-21 and West Basin is anticipating imported water sales to reach 3,345 AF by the end of June 2021. For FY 2021-22, West Basin is expecting to provide 3,000 AF of imported water replenishment deliveries to the Project to make up the expected shortfall of recycled water deliveries from Los Angeles.

West Basin currently serves recycled water to more than 400 meters (connections). Compared to the FY 2020-21 budget of 36,164 AF, staff anticipates a decrease in recycled water sales to 34,200 AF in FY 2021-22, as a result of lowering budget projections for the sale of recycled replenishment water as discussed previously. However, projected recycled water sales to the three refineries are expected to increase in FY 2021-22 with "a return to normal" as travel and other restrictions related to the COVID-19 pandemic are lifted, and the economy reopens. Expected recycled water sales are comprised of approximately 31% to the Barrier, 56% to local refineries, and the remaining 13% to be used in parks, golf courses, schools, street medians, and other public green spaces.

### **Standby Charge Levy**

West Basin has exercised its statutory authority to levy a standby charge since 1991. In 2017, a class action complaint was filed in the Los Angeles Superior Court challenging the collection of the standby charge by West Basin resulting in a pending preliminary settlement agreement. If the settlement agreement is approved by the Court, West Basin will decrease its collection of standby charge revenue in future years. Although the settlement agreement has not been approved by the Court, West Basin has prudently reflected a step down in the standby charge revenue for FY 2021-22 by \$3.9 million based on the terms of the settlement agreement.

### **Divestment of the C. Marvin Brewer Desalter**

The C. Marvin Brewer Desalter (Desalter) initially began operations in July 1993 as a five-year pilot program to explore desalting of brackish water to attain potable water standards. The program proved viable and West Basin continued to operate the facility for the next 28 years. As the infrastructure aged and the reliability decreased, West Basin invested in numerous rehabilitation projects. An economic analysis was performed to outline the near and long-term capital improvements that would be required for a sustainable operation of the Desalter, including alternatives to maintain or expand production levels. The analysis showed that none of the alternatives indicate an ability to recover the full cost of operations. As such, the Board approved on March 22, 2021 to divest from its desalter operations. FY 2021-22 operating budget for Desalter Operations assumes the cost to divest of the C. Marvin Brewer Desalter resulting in a reduction in expense of \$1.3 million and a decrease of \$1.0 million in Desalted Water operating revenues.

### **Funding for Capital Projects**

West Basin's CIP is designed to support the District Strategic Business Plan, and to 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 recycled water distribution system; 2)



Rehabilitation & Replacement, sometimes referred to as Refurbishment & Replacement (R&R) Projects; and  
3) Other Projects.

Over the past 10 years, West Basin has invested an average of \$28.8 million each year in its CIP, with the majority of funding being allocated to new infrastructure, followed by the exploration of another local supply of water, and other projects, leaving R&R spending last.

In FY 2020-21, West Basin took an active approach to rehabilitate and replace critical assets of its aging infrastructure that provides recycled water to our customers. This increased focus on R&R projects will continue in FY 2021-22 and will enhance the recycled water process, provide more reliability to customers, and achieve cost savings through an improved, efficient operation. To assist in this effort, the budget includes \$21.5 million for identified R&R projects.

New infrastructure in FY 2021-22 has a budget of \$30.5 million and will predominantly be comprised of two construction projects. The first is to expand West Basin's Juanita Millender-McDonald Carson Regional Water Reclamation Plant. This CIP project includes installation of a 5.88 MGD custom engineered microfiltration (CEMF) system and will also improve reliability and redundancy. The second project is where West Basin will construct a nearly four-mile recycled water pipeline through the City of Torrance into Palos Verdes Estates that will reach the Palos Verdes Golf Club. Continuing to add new recycled water customers is very important as it reduces our service area's dependence on imported water and provides multiple benefits to the environment. Every gallon of recycled water that West Basin produces is one less gallon of treated sewage that gets discharged directly into Santa Monica Bay, which improves the environmental condition of our coastal waters.



All planned capital expenditures for FY 2021-2022 are anticipated to be approximately \$56.2 million, with more than \$140 million in planned expenditures for the following four fiscal years. Approximately 70% of the future projects are R&R projects focused. In addition, West Basin has been able to secure approximately \$10 million in grants and another \$5 million in customer contributions to help defray the costs of the new infrastructure and shared facilities.

An overview of the 2021 Recycled Water Master Plan (RWMP) was presented to the Board on March 15, 2021.



The Master Plan focuses on identifying potential recycled water demands, assessing existing and future system evaluations, evaluating opportunities to optimize system reliability, redundancy, and operability, and presenting alternative roadmaps for maximizing recycled water use. The 2021 RWMP provides West Basin with a 20-year outlook and roadmap to maintain and expand its facilities. Based on the nature of the projects, staff anticipates using multiple 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 already been successful with external funding and will continue to seek grants and other contributions to offset the cost of future CIP projects. At this time, West Basin does not anticipate it will need to draw upon its designated fund balance.

## Key Future Considerations

### Urban Water Management Plan

The state of California requires urban water suppliers to develop and submit an updated Urban Water Management Plan (UWMP) every five years. Since the original passage in 1983, the UWMP Act has undergone significant expansion and several amendments have been added. Prolonged droughts, groundwater overdraft, regulatory revisions, and changing climatic conditions affect the reliability of each water supplier as well as the statewide water reliability overseen by Department of Water Resources (DWR), the State Water Resources Control Board (SWRCB), and the Legislature. Accordingly, the UWMP Act has expanded to address these ever-changing conditions. The UWMP is intended to serve as a comprehensive management and planning tool for California's retail and wholesale water agencies. West Basin is currently developing its 2020 UWMP to provide an updated and detailed summary of the current and future water supplies and demands in its service area. The 2020 UWMP will evaluate West Basin's water resource needs, provide detailed water supply planning projections over a 25-year planning horizon, and identify water supplies that are needed to meet existing and future demands. As part of the planning process, the District is required to assess water supply reliability during several different hydrological scenarios, including a normal year, single dry year, and consecutive dry years.

Beginning this year, water suppliers are also required to develop and submit a standalone Water Shortage Contingency Plan (WSCP) as part of the UWMP process. Like the UWMP, the WSCP must be updated based on new requirements and information every five years. The WSCP is required to plan for a range of water shortage situations, including catastrophic interruptions and supply shortages of up to and greater than 50%. As developed, West Basin's 2021 WSCP serves as a strategic planning guide that can be utilized to prepare for and respond to a variety of different future water shortage scenarios. It provides an updated water availability assessment and structured steps designed to respond to actual conditions. This level of detailed planning and preparation will help ensure reliable supplies and reduce the impacts of future supply interruptions in the West Basin service area.

While developing its 2020 UWMP and 2021 WSCP, West Basin realized the inherent benefits of working in tandem with its retail agencies and other stakeholders. Throughout the process, the District actively engaged with local cities, water agencies, Metropolitan Water District, Los Angeles County, and the public to gather data, coordinate planning activities, and provide critical information about West Basin's ongoing efforts and activities.

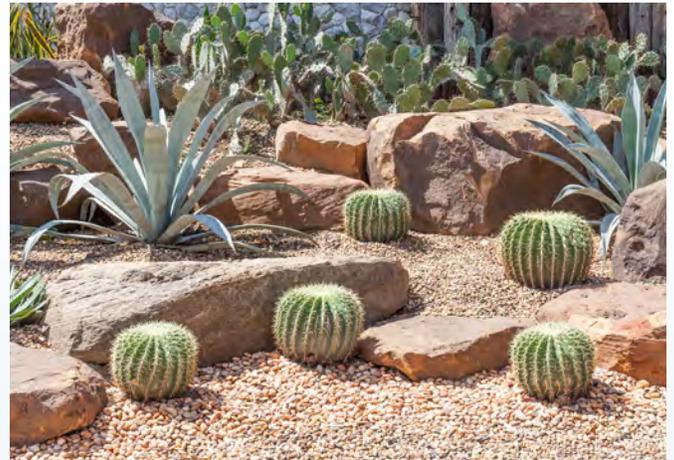


Before its UWMP and WSCP can be finalized, West Basin must hold a public hearing to receive feedback and input on the draft updates. West Basin has scheduled the public hearing to be held on June 10, 2021, with final adoption of both plans expected to occur at the June 28, 2021 West Basin Board of Directors meeting. Final versions of the District's UWMP and WSCP must be submitted to DWR by July 1, 2021, and made available to the public soon thereafter.

### Rate Projections

The majority of the imported water rate that West Basin customer agencies pay are made up of pass-through charges from Metropolitan's commodity rate.

On April 14, 2020 the Metropolitan Board of Directors adopted a two-year budget, setting their Tier 1 treated commodity rate for Calendar Year 2021 to \$1,104/AF and for Calendar Year 2022 to \$1,143/AF, signifying rate increases of approximately 3% and 4% respectively. The new rates become effective January 1st of each CY. Metropolitan also shared its long-term rate projections of 5% in CY 2023 and CY 2024, 4% in CY 2025, and 3% in CY 2026. The long-term rate increases will allow Metropolitan to meet its target Revenue Bond Coverage ratio of 2.0 by FY 2024-25.



West Basin has incorporated Metropolitan'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 after adoption of the 2020 Urban Water Management Plan and the Recycled Water Master Plan. Additional information regarding the five-year forecast can be found in Section 3 of the budget, Financial Overview & Summary.

Staff is currently developing a comprehensive long-range financial plan (LRFP) and has shared the preliminary projected results for FY 2021-22 through FY 2025-26 with the Board at this year's virtual budget workshops. Components of the LRFP include strategic planning, financial policies, financing and economic conditions, operating costs, capital projects, demand forecasts, and revenue, rates, and charges. The Board has adopted financial policies and those policies are reviewed annually to ensure they reflect regulatory requirements, best practices, and targeted financial metrics. Currently under consideration by the Board, the 2021 RWMP is a critical component to the LRFP. The plan outlines the District's capital improvement projects for the next 20 years and provides a roadmap for the cost to construct future capital facilities to continue to support the region with a local supply of water. Additionally, the 2021 RWMP 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 key drivers of future water rate adjustments.

### Collaboration with Local Refinery Customers

Several of West Basin's recycled water customers are refineries whose products ensure the transportation of goods and people, and help sustain our local, state and national economies. These refineries rely on fit-



for-purpose recycled water to produce their products. To address the specific needs of these customers, West Basin entered into agreements that addressed water quality, capital infrastructure, and pricing (both fixed and variable). Many of these agreements were entered into in the 1990's and had 25-year terms.

During FY 2020-21, West Basin was able to re-negotiate one of the agreements. Several more agreements will be re-negotiated soon as they are approaching the end of their term within the next 4-years. While the original agreements included a fixed monthly charge to assist in the repayment of the original capital facilities specifically built for the refinery, the new agreements will strive to re-coup the cost of R&R for the original facilities, now 25 plus years old, and a proportionate share of the R&R cost for the off-site or "upstream" facilities. This approach, if utilized in all the future recycled water agreements, will allow West Basin to rehabilitate and replace critical assets of its aging infrastructure and provide more reliability to its customers. In addition, most of the original agreements contained language that limited the escalation of the variable cost per acre-foot by the incremental increase in the effective price of Metropolitan water. However, the new agreements strive to incorporate language to recover the cost of service for the variable portion of the monthly charge to produce and deliver the recycled water. In addition, the R&R and variable cost will be paid for in a fair and equitable manner by those customers receiving the benefit of having a drought-proof water source.

### **In Conclusion**

The FY 2021-22 budget supports achieving key financial metrics, the strategic business plan goals and ongoing program activities, and incorporates key business decisions and long-term commitments to ensure that West Basin delivers safe and reliable water to the communities served. A significant aspect of the budget is delivering on its local supply of water by investing in our aging recycled water facilities to ensure that our customers receive the quantity, quality, and reliability of this precious drought-proof resource. 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 continuing to ensure a safe and reliable water supply.

Through a series of five virtual workshops, West Basin's FY 2021-22 budget carefully considered by the Board of Directors and communicated to our customers. The budget balances the impact of water rates to our customers with 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 the Board, West Basin staff, our customers, and other stakeholders for their efforts and contributions in the preparation of the FY 2021-22 budget.

Respectfully,

A handwritten signature in black ink that reads "Patrick Sheilds". The signature is written in a cursive style.

Patrick Sheilds  
General Manager





SECTION TWO

# **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 an 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 (Metropolitan), a cooperative of twenty-six member agencies including cities and water agencies. West Basin sells the imported water it purchases from Metropolitan 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 450 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 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.

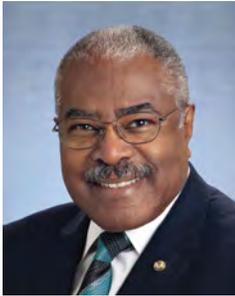
In August 2017, West Basin's Board of Directors approved an updated Strategic Business Plan. In March 2019, West Basin updated its Water Reliability Program to reflect current goals through a reinvigorated Water for Tomorrow Program. Water for Tomorrow brings new emphasis to West Basin's commitment to 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**  
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**  
Immediate Past President

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



**Desi Alvarez**  
Secretary

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



**Scott Houston**  
Treasurer

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



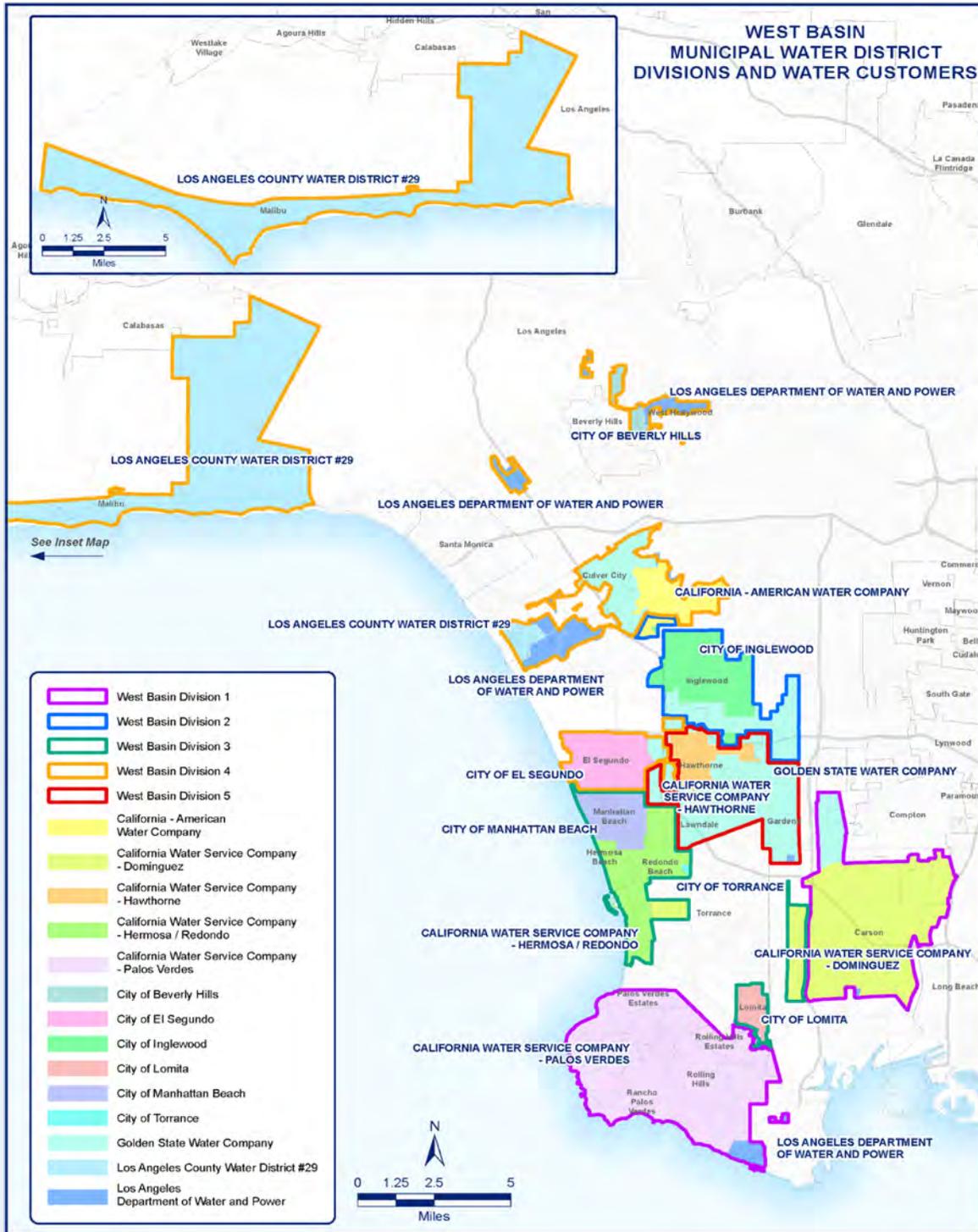
**Donald L. Dear**  
Vice President

**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.



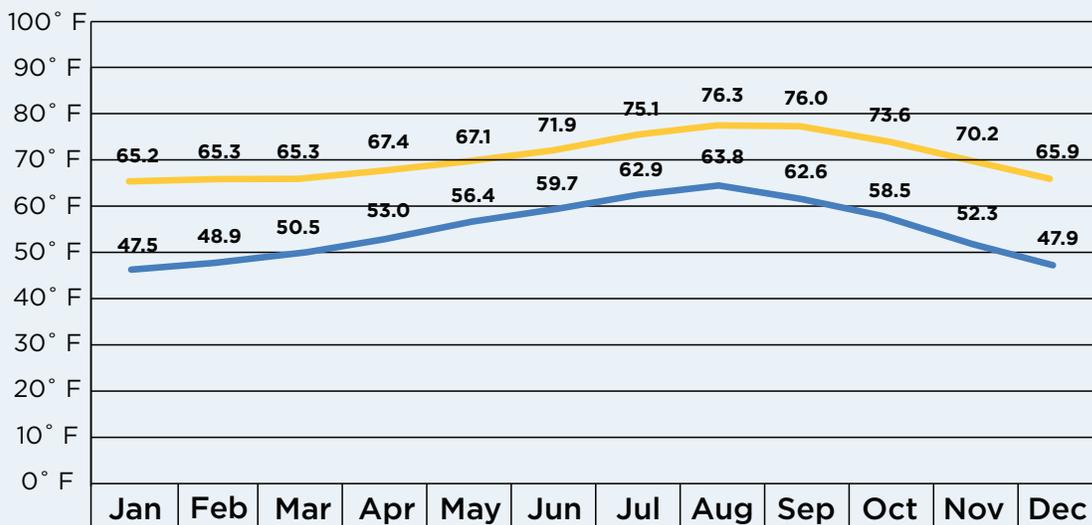


## District Statistics

Formed	<b>December 17, 1947</b>
Estimated Population	<b>885,000</b>
Area Served	<b>17 cities and unincorporated areas of Los Angeles County within 185-square miles</b>
Water Portfolio	<b>Potable, Recycled and Desalted</b>
Average Residential Parcel Size	<b>9,240 square feet</b>
Average Median Income	<b>\$88,125 - Service area</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 minimum temperatures range from mid-40s in December and January to average maximum of high-70s in August and September. The average annual precipitation is approximately 12.02 inches, although the region is subject to significant variations in monthly precipitation.

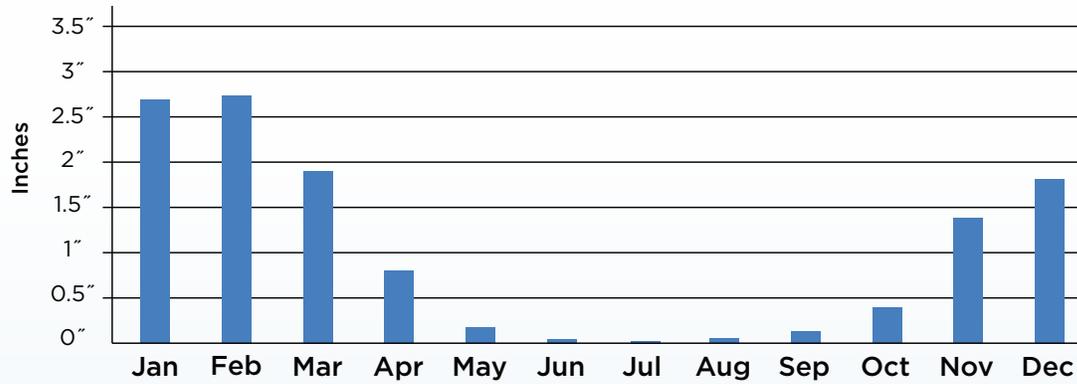
## Los Angeles County Average Temperature



Source: January 1936 to June 2016 Western Regional Climate Center



## Los Angeles Average Precipitation

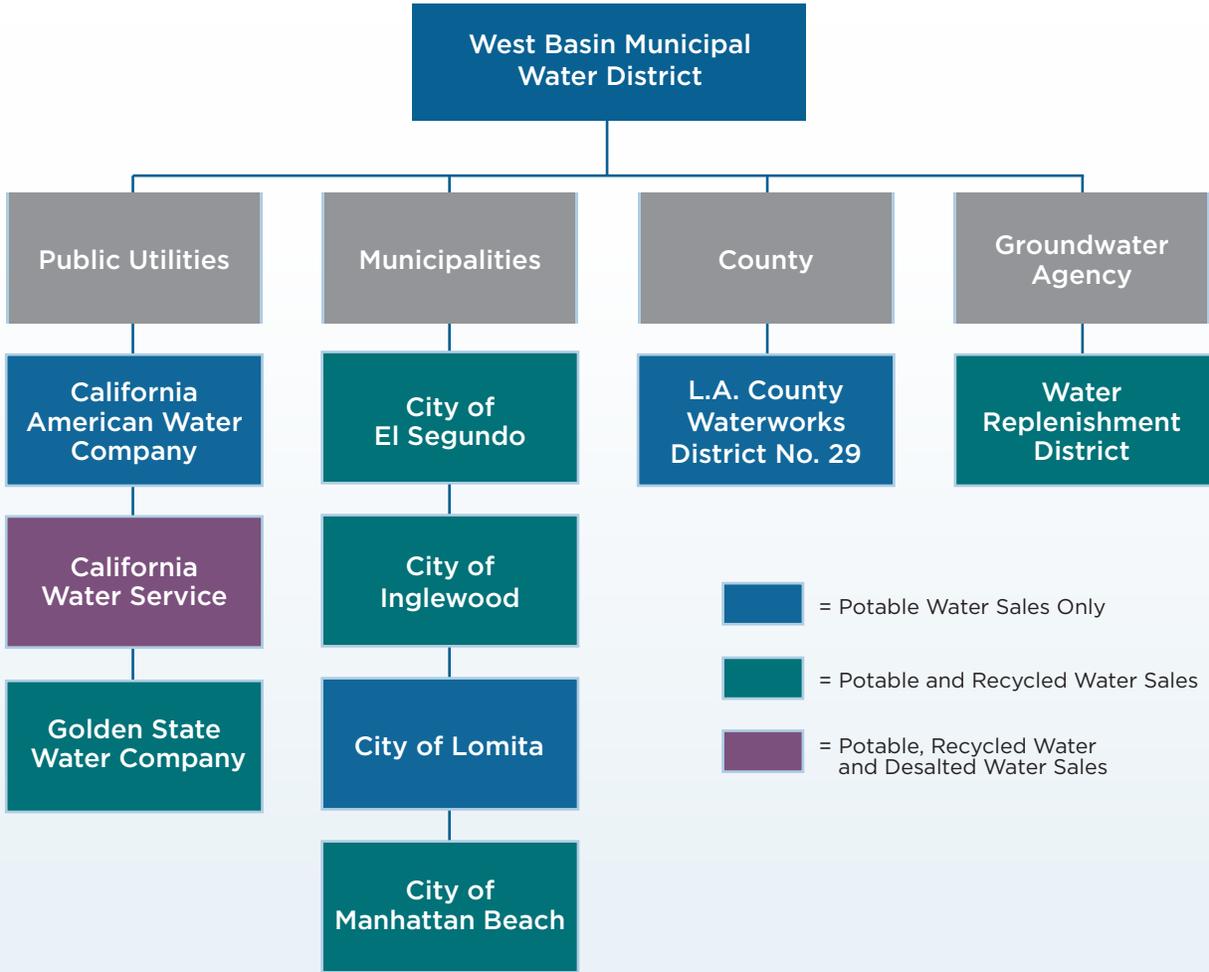


Source: January 1936 to June 2016 Western Regional Climate Center

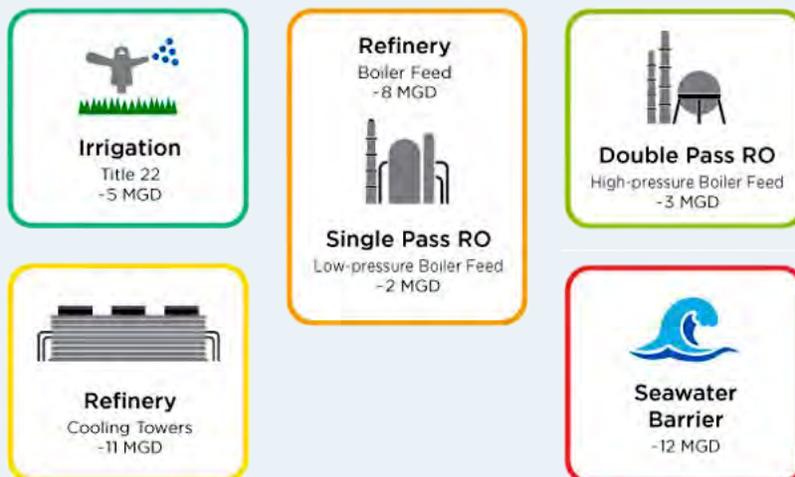
## Ten Largest Employers Within West Basin Service Area

Employer	Number of Employees
Northrop Grumman Corporation	11,283
Sony Pictures Entertainment	6,000
Raytheon Company	5,189
Space Exploration Technologies	4,718
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



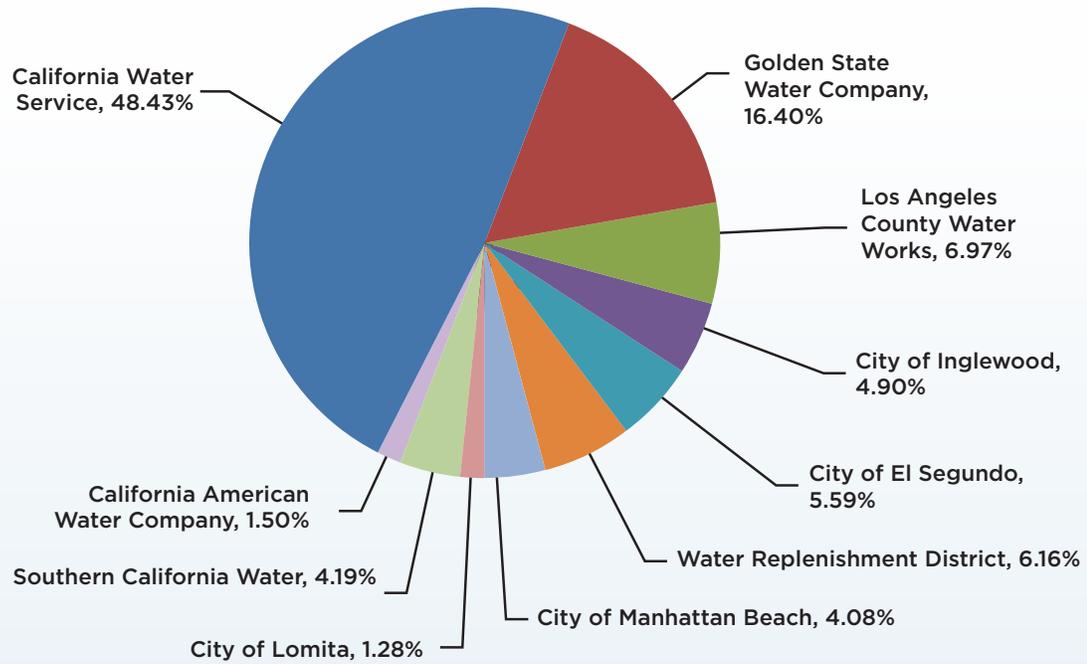
### Types of Recycled Water Produced by West Basin





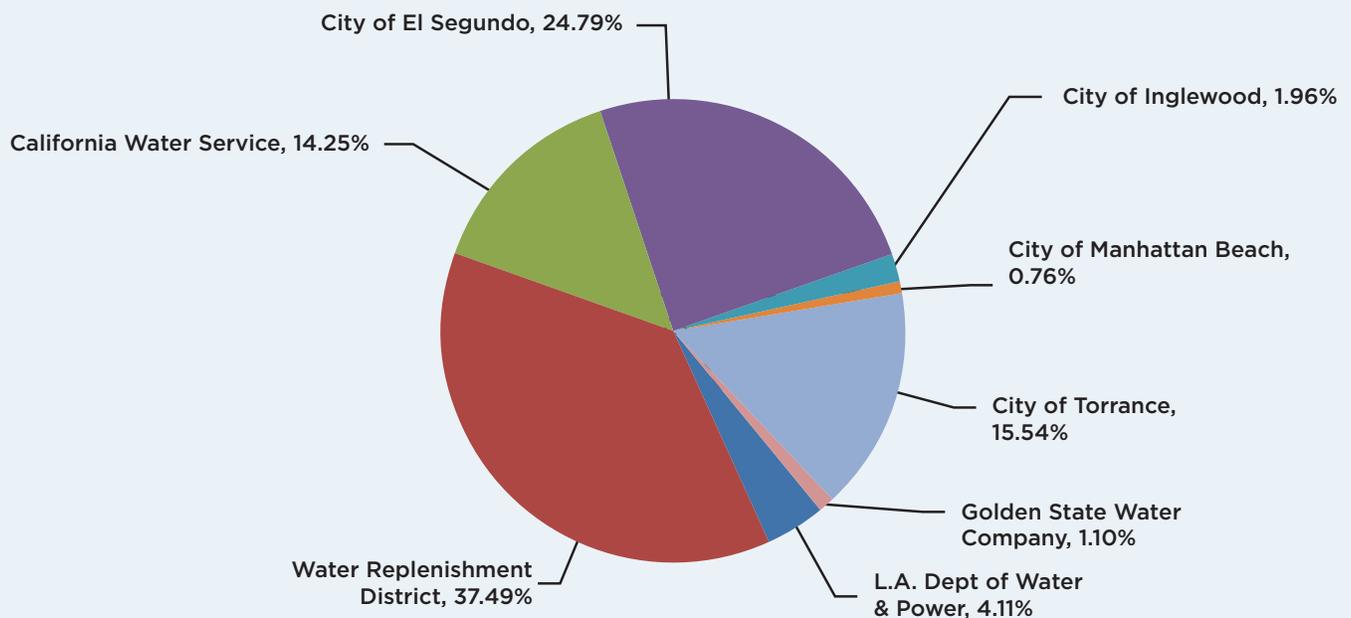
## Potable Water Customer Sales Distribution

FY 2019-2020



## Recycled Water Customer Sales Distribution

FY 2019-2020





## 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 Metropolitan. 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 Metropolitan, 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 water use efficiency 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 THREE

# **FINANCIAL OVERVIEW & SUMMARY**





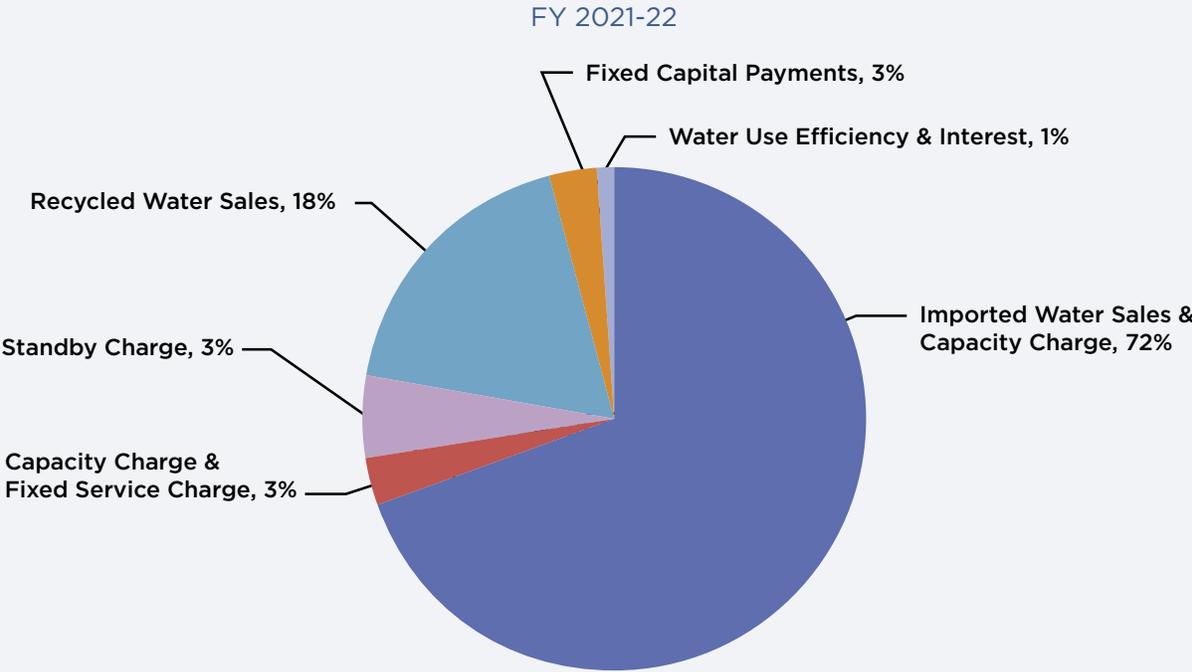
# Financial Overview & Summary

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 2021-22 budget, and discussed in detail in the following sections of this document. This section provides the overview and highlights of the FY 2021-22 budget.

## Financial Highlights for FY 2021-22

For FY 2021-22 West Basin's budget is \$223.8 million, and is \$.3 million or 0.2% lower than the FY 2020-21 budget. Although the total budget revenues decreased slightly from the previous fiscal year, there are several significant factors that affected the FY 2021-22 budget. While West Basin maintained its budget of 103,000 AF for imported water retail sales plus an additional 5,000 AF for groundwater replenishment, Metropolitan adjusted their Tier 1 imported water rate by \$39/AF and the effective adjustment in the Capacity Charge increased \$4/AF; these two pass-through charges resulted in a \$5.7 million increase in budgeted imported water revenues. The increase in operating revenues is off-set with a reduction in Standby Charge revenue of \$3.5 million and the loss of Desalted Brackish Water Sales of \$1.0 million. More information can be found in Source of Revenue section.

### Source of Funds



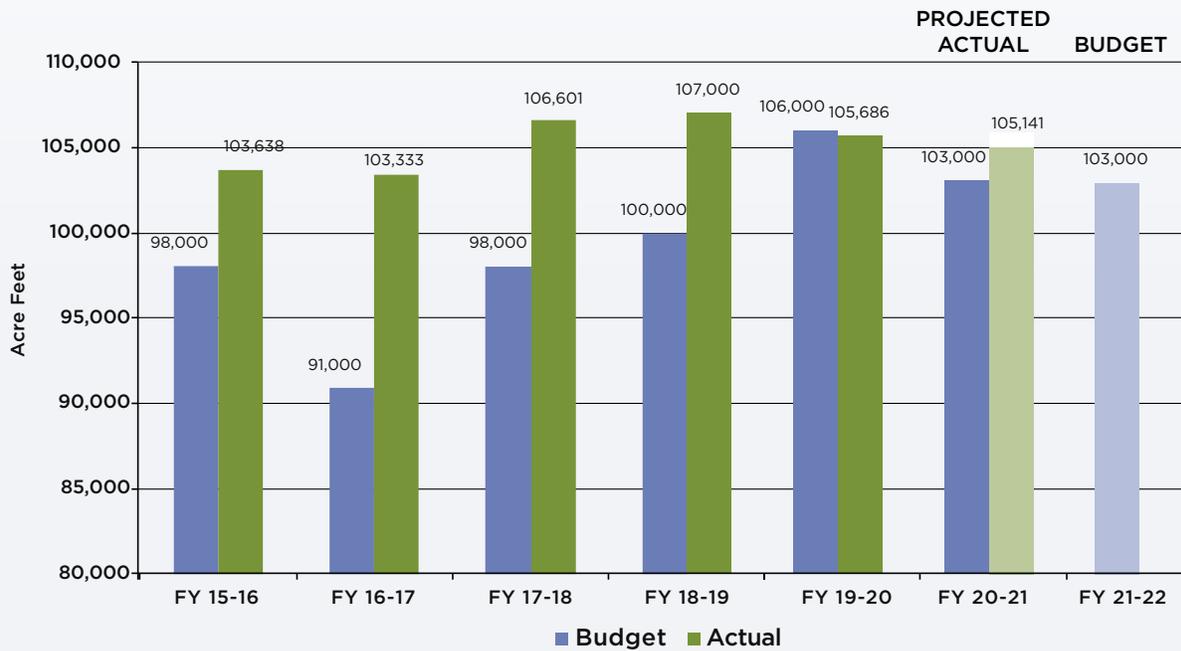
Total: \$223,753,553



As imported water sales represent more than 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. Also, West Basin’s retail imported water sales have fluctuated over the last decade due to droughts, climate change, and as customer agencies conservation measures meet state-mandated targets. 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 2015-16 thru FY 2021-22

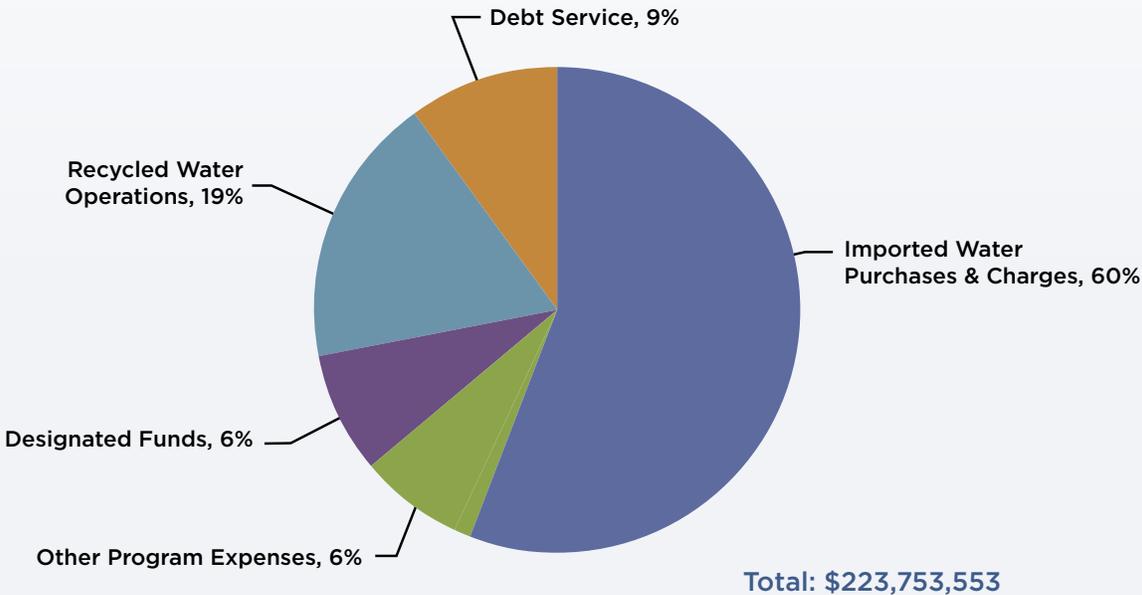




Similar to the revenues, operating expenses for FY 2021-22 are budgeted at \$223.8 million and is \$0.3 million lower than the FY 2020-21 operating expenses. With an expected decline in standby charge revenues, finding ways to streamline operations, create efficiencies, and reduce costs were critical elements in decreasing the total operating expenditures. All costs were reviewed and evaluated to reduce, eliminate, or delay proposed expenditures, where possible. One of the most significant reductions in expenditures is a decrease in the annual debt service of \$3.0 million. Two outstanding bonds issuances are eligible for a current refunding at the end of FY 2020-21. With an attractive interest rate environment in the public capital market, West Basin is working with its municipal advisor, bond counsel, and underwriters to refund the outstanding 2011A and 2011B Refunding Revenue Bonds, as well as to fix-out its Commercial Paper draws to long-term debt. All West Basin program expenses are further described in Use of Funds section.

### Use of Funds

FY 2021-22





## 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)”.

In the FY 2021-22 Budget, the number of approved positions will remain at fifty-six (56) full-time employees. However, only forty-nine (49) full-time positions and one full-time limited term will be budgeted. Six positions were not budgeted at a savings of approximately \$1.2 million and includes one position in the Office of the General Manager, one in Finance, two in Operations, one in Engineering and one in Public Information & Education.

Budget	FY 2020-21	FY 2021-22
Total Positions	62	62
Full-time regular	55	55
Full-time limited	1	1
Part-time	0	0
Interns	6	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. Since the last update, the District acknowledges that the landscape has changed both in terms of the nature and scope of local supply projects in the region but also the financial revenue streams to support the mission and goals of the District. West Basin has included funds in the FY 2021-22 Overhead program budget for a consultant to continue the work started in FY 2020-21 to assist in the 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.

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

- Strategy 1:** Achieve and maintain recycled water client satisfaction.
- Strategy 2:** Increase control over source water quality.
- Strategy 3:** 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 2020-21 accomplishments and FY 2021-22 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 past budgets, with the exception of FY 2020-21 and FY 2021-22, were based on achieving at least a 1.75 target.

In order to address these issues staff continues to work 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 the development of the Recycled Water Master Plan (RWMP). A consulting firm was hired in FY 2019-20 and an overview of the 2021 RWMP was presented to the Board on March 15, 2021. The Master Plan focuses on identifying potential recycled water demands, assessing existing and future system evaluations, evaluating opportunities to optimize system reliability, redundancy, and operability, and presenting alternative roadmaps for maximizing recycled water use. The 2021 RWMP provides West Basin with a 20-year outlook and roadmap to maintain and expand its facilities. The RWMP 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 RWMP evaluates recycled water service opportunities, identifies potential required capital facilities to meet West Basin's objectives, and develops implementation schedules, costs, and priorities. With West Basin's aging infrastructure, the RWMP evaluated the current condition of existing equipment and systems and developed 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 address the demand forecast component of the LRFP, West Basin is currently developing its 2020 Urban Water Management Plan (UWMP) to provide an updated and detailed summary of the current and future water supplies and demands in its service area. The 2020 UWMP will evaluate West Basin's water resource needs, provide detailed water supply planning projections over a 25-year planning horizon, and identify water supplies that are needed to meet existing and future demands.

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 time to determine other options or avenues to accomplish its strategic goals and do so in a 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 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
<b>REVENUES</b>						
Water Sales	157,875,420	161,576,778	169,101,754	175,095,046	181,105,467	188,595,450
Capacity Charge	2,425,519	2,583,744	2,583,105	2,583,105	2,606,100	2,606,100
Fixed Service Charge	6,572,329	6,769,499	6,972,584	7,181,761	7,397,214	7,619,131
Recycled Water Project Revenues						
Recycled Water Sales	41,028,046	47,369,576	49,709,188	52,874,420	54,886,333	56,991,471
MET LRP Rebate	10,000	321,250	321,250	321,250	321,250	321,250
Fixed Revenue Charges	8,308,524	8,308,524	5,848,924	3,457,204	2,211,204	2,211,204
Standby Charges	6,067,616	5,953,064	5,723,960	7,631,947	7,631,947	7,631,947
Other Revenues						
Desalted Water Sales	0	0	0	0	0	0
Interest Earnings/Other	1,045,000	1,035,000	1,000,000	1,000,000	1,044,000	1,500,000
Water Use Efficiency	421,100	198,000	198,000	198,000	198,000	198,000
<b>Total Revenues</b>	<b>\$223,753,553</b>	<b>\$234,115,435</b>	<b>\$241,458,765</b>	<b>\$250,342,733</b>	<b>\$257,401,515</b>	<b>\$267,674,552</b>
<b>EXPENSES</b>						
Water Purchases/ RTS from MET	131,811,540	134,919,748	139,850,320	143,586,200	146,876,967	150,915,660
Capacity Charge	2,425,110	2,583,960	2,583,960	2,583,960	2,583,960	2,583,960
Program Expenses						
Recycled Operations	41,605,907	43,365,678	44,690,853	46,032,547	47,411,829	48,834,184
Desalter Operations	210,874	0	0	0	0	0
Technical Planning	3,870,958	681,069	701,501	722,546	744,222	766,549
Water Policy & Resource Develop	2,109,289	2,172,568	2,237,745	2,304,877	2,374,023	2,445,244
Public Information & Education	4,463,040	4,596,931	4,734,839	4,876,884	5,023,191	5,173,887
Water Use Efficiency	2,296,406	2,365,298	2,436,257	2,509,345	2,584,625	2,662,164
Purveyor Water Quality Monitoring	29,168	29,897	30,645	31,411	32,196	33,001
Designated Funds/Other						
2012A	4,389,396	4,389,042	4,391,292	1,948,583	4,371,542	6,655,938
2016A	10,171,750	10,421,104	10,440,125	10,440,667	10,441,208	10,435,979
Swap Payments	238,921	216,663	176,479	135,439	92,884	48,023
2012A	5,590,583	7,527,625	7,691,771	10,293,271	7,670,208	5,442,625
State loan	-	944,109	944,109	944,109	944,109	944,109
Proposed Debt	-	-	3,200,598	3,200,598	3,200,598	3,200,598
Subordinate Debt-2018 Commercial Paper	216,638	346,052	248,054	268,449	282,571	163,500
<b>Total Expenses</b>	<b>\$223,753,553</b>	<b>\$234,115,435</b>	<b>\$241,458,765</b>	<b>\$250,342,733</b>	<b>\$257,401,515</b>	<b>\$267,674,552</b>
<b>NET REVENUES</b>	<b>\$ -</b>					
<b>Coverage - All Debt</b>	<b>1.70</b>	<b>1.82</b>	<b>1.63</b>	<b>1.75</b>	<b>1.84</b>	<b>2.02</b>



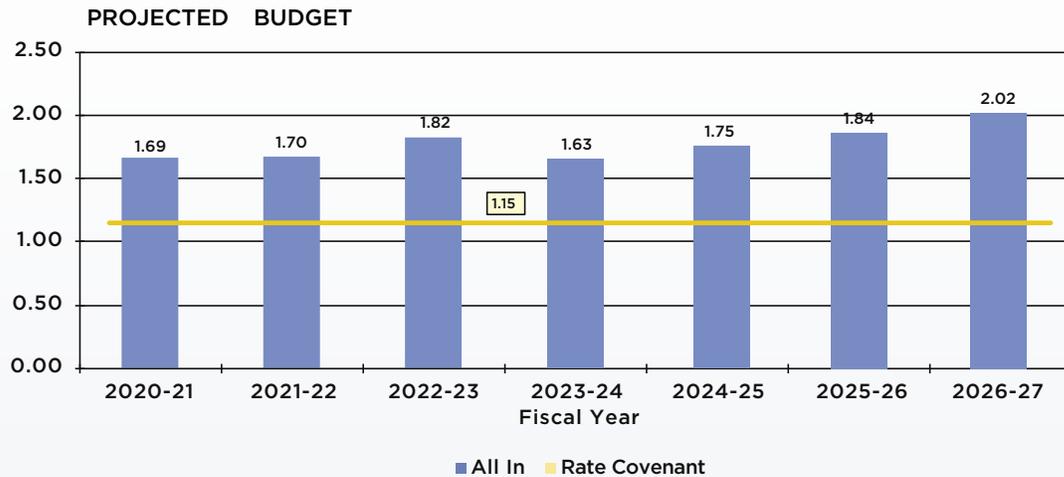
## West Basin Municipal Water District Assumptions

	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
<b>COST (SALES PRICE) OF WATER (\$/AF)</b>						
Metropolitan Imported - Tier 1 (Jul)	1,104	1,143	1,200	1,260	1,310	1,349
Metropolitan Treated NonInt - Tier 2 (Jul)	1,146	1,185	1,239	1,299	1,349	1,388
Metropolitan Imported - Tier 1 (Jan)	1,143	1,200	1,260	1,310	1,349	1,389
Metropolitan Treated NonInt - Tier 2 (Jan)	1,185	1,239	1,299	1,349	1,388	1,428
Metropolitan RTS Commodity Charge (Jul)	100	100	106	106	106	106
Metropolitan RTS Commodity Charge (Jan)	100	106	106	106	106	106
Metropolitan Seawater Barrier - Tier 1 (Jul)	1,104	1,143	1,200	1,260	1,310	1,349
Metropolitan Seawater Barrier - Tier 2 (Jul)	1,146	1,185	1,239	1,299	1,349	1,388
Metropolitan Seawater Barrier - Tier 1 (Jan)	1,143	1,200	1,260	1,310	1,349	1,389
Metropolitan Seawater Barrier - Tier 2 (Jan)	1,185	1,239	1,299	1,349	1,388	1,428
Disinfected Ter. Within WB	1,282	1,360	1,448	1,530	1,603	1,679
Disinfected Ter. - LADWP	1,324	1,402	1,490	1,572	1,645	1,721
Disinfected Ter. - Torrance	1,323	1,402	1,490	1,572	1,645	1,721
Nitrified - Torrance	1,065	1,097	1,130	1,164	1,199	1,235
Barrier - Recycled Water	1,104	1,137	1,171	1,206	1,242	1,279
LPBF - Recycled Water	817	842	867	893	920	947
LPBF - Recycled Water (2)	1,522	1,600	1,689	1,770	1,843	1,920
HPBF - Recycled Water	933	961	990	1,020	1,050	1,082
Nitrified - Recycled Water	1,274	1,352	1,441	1,522	1,595	1,672
Reliability Service Charge	245	258	284	312	343	377
Metropolitan LRP Rebate	250	250	250	250	250	250
Metropolitan LRP Rebate - New Rate	-	-	340	340	340	340
Desalted Water (Jul)	1,204	1,243	1,306	1,366	1,416	1,455
Desalted Water (Jan)	1,243	1,306	1,366	1,416	1,455	1,495
Capacity Charge - Metropolitan	10,700	12,200	12,200	12,200	12,200	12,200
Capacity Charge - Metropolitan (Jan)	12,200	12,200	12,200	12,200	12,200	12,200
Capacity Charge-Cust	9,050	10,025	10,200	10,020	10,200	10,200
Capacity Charge-Cust (Jan)	10,025	10,200	10,020	10,200	10,200	10,200
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	101,300	100,200	98,600	97,600	97,600
Seawater Barrier (Dominguez Gap)	3,000	3,000	3,000	3,000	3,000	3,000
Seawater Barrier (West Coast)	2,000	1,700	1,700	1,700	1,700	1,700
Recycled Water Total	34,200	38,100	38,200	38,800	38,793	38,793
Disinfected Ter. - Within WB	7,353	7,513	7,613	7,617	7,610	7,610
Outside Service Area - LADWP	932	932	932	932	932	932
Outside Service Area - Torrance	2,765	2,865	2,865	2,865	2,865	2,865
Nitrified - Torrance	2,660	3,000	3,000	3,000	3,000	3,000
Barrier	10,600	13,800	13,800	13,800	13,800	13,800
LPBF	1,740	1,800	1,800	1,800	1,800	1,800
LPBF (2)	4,800	4,840	4,840	5,436	5,436	5,436
HPBF	2,400	2,400	2,400	2,400	2,400	2,400
Nitrified - Recycled Water	950	950	950	950	950	950
Capacity Charge (In cfs) - Metropolitan	211.8	211.8	211.8	211.8	211.8	211.8
Capacity Charge (In cfs) - Metropolitan (Jan)	211.8	211.8	211.8	211.8	211.8	211.8
Capacity Charge (In cfs) - Cust	253.0	255.5	255.5	255.5	255.5	255.5
Capacity Charge (In cfs) - Cust (Jan)	255.5	255.5	255.5	255.5	255.5	255.5
<b>FIXED PAYMENTS</b>						
Marathon	2,136,000	2,136,000	2,136,000	1,246,000		
TRWRF NH3	1,377,060	1,377,060	229,510			
TRWRF BF (phase 2)	1,574,460	1,574,460	262,410			
Chevron Nitrification	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>\$8,308,524</b>	<b>\$8,308,524</b>	<b>\$5,848,924</b>	<b>\$3,457,204</b>	<b>\$2,211,204</b>	<b>\$2,211,204</b>



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

FY 2020-21 thru FY 2026-27



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 to maintain its excellent credit ratings of Aa2 and AA- with Moody’s and S&P Global rating agencies, respectively.

## Historical Service Debt Coverage Comparison with Other Water Agencies

FY 2013-14 thru FY 2019-20

Name of Agency	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Central Basin MWD	1.37	1.56	1.20	0.77	1.00	1.29	(1)
Calleguas MWD	2.02	1.64	1.42	1.93	2.12	2.06	1.86
Eastern MWD	2.10	2.30	2.80	2.50	2.70	3.50	3.70
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	4.49
San Diego County Water Authority	1.50	1.50	1.50	1.50	1.50	1.56	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>	<b>1.89</b>
Western MWD	4.34	2.69	3.40	4.38	5.64	5.31	7.14

(1) FY 2019-20 information was unavailable.



## Fund Balance (Designated Funds)

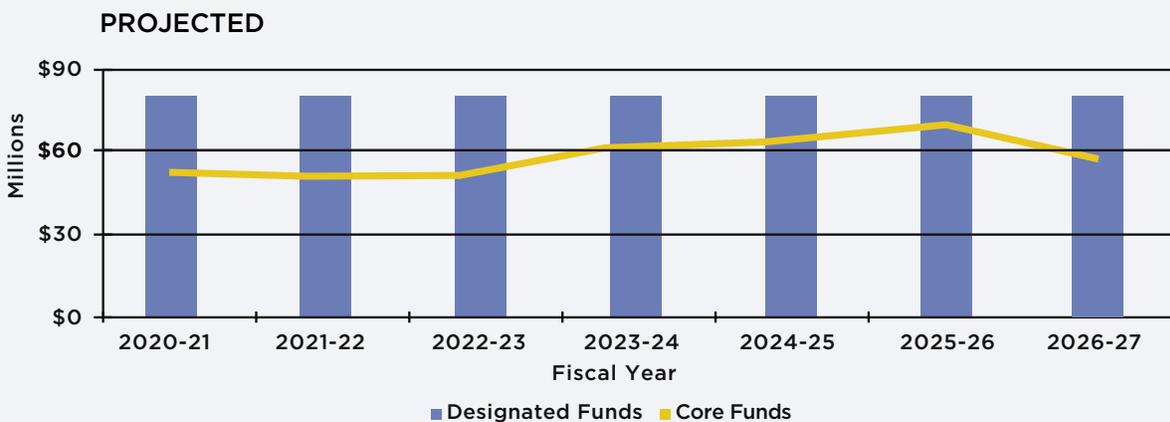
West Basin maintains two major types of funds, both restricted and unrestricted. Restricted funds consist of custodial accounts and bond reserves; the latter is subject to the conditions of the respective bond financing documents. The unrestricted reserves may be designated by the Board of Directors.

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 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, 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 (projected) through FY 2026-27.

### Budgeted Designated Funds

FY 2020-21 thru FY 2026-27





Below are the projected revenues and expenses for FY 2020-21, as well as the budgeted revenues and expenses for FY's 2021-22 through FY 2026-27.

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

Fiscal Year	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Description	Projected	Budget	Budget	Budget	Budget	Budget	Budget
Designated Funds (Beg Bal)	\$80,535	\$80,535	\$80,535	\$80,535	\$80,535	\$80,535	\$80,536
Imported Water Revenue	164,706	166,873	170,930	178,657	184,860	191,109	198,821
Recycled Water Revenue	56,511	55,414	61,952	61,603	64,285	65,051	67,156
Other Revenues	2,135	1,466	1,233	1,198	1,198	1,242	1,698
<b>Total Revenues</b>	<b>223,352</b>	<b>223,753</b>	<b>234,115</b>	<b>241,458</b>	<b>250,343</b>	<b>257,402</b>	<b>267,675</b>
Water Purchases	131,156	134,237	137,504	142,434	146,170	149,461	153,500
Program Expenses	51,952	54,585	53,211	54,832	56,478	58,170	59,915
Net Debt Service	23,829	20,606	23,845	27,092	27,231	27,003	26,891
PAYGO	16,415	14,325	19,555	17,100	20,464	22,767	27,369
<b>Total Expenses</b>	<b>223,352</b>	<b>223,753</b>	<b>234,115</b>	<b>241,458</b>	<b>250,343</b>	<b>257,401</b>	<b>267,675</b>
<b>Designated Funds (End Bal)</b>	<b>\$80,535</b>	<b>\$80,535</b>	<b>\$80,535</b>	<b>\$80,535</b>	<b>\$80,535</b>	<b>\$80,536</b>	<b>\$80,536</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 2021 its Investment Policy with alterations to add language to permit investment in Local Government Investment Pools and securities issued or backed by the U.S. government that could result in zero or negative interest accrual if held to maturity. The Debt Management Policy was also considered and re-approved in January 2021 to clarify language and to add the title of the Executive Manager of Finance into the policy. Several significant additions to the Disclosure Procedure Policy was approved by the Board, including adding language to include the amendment to the Security and Exchange Commission's Rule 15c2-12.

Listed below is a summary of the key financial policies that the Board and staff must comply with when conducting business of the district. A copy of West Basin's Administrative Code that reflects these financial policies can be found on the District's website. Part 4 of the Administrative Code provides the detailed sections of each financial policy.

### 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 or contractual requirements.
- Obtain the lowest cost of debt possible with the current ratings.
- 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 Chief Financial Officer 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 Executive Manager of Finance 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 Executive Manager of Finance.
- The District must comply with the specific requirements of each Continuing Disclosure Certificate.
- The Executive Manager of Finance 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. Furthermore, the performance metrics are reflected with each program budget in Section 7 and 8.





SECTION FOUR

# **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 & OTHER CONSIDERATIONS	Addressed
Achieve targeted debt coverage ratio	✓
Fund PAYGO projects including Refurbishment and Replacement projects	✓
Incorporate eligible refunding debt	✓
Implement cost containment measures	✓
Meet strategic business plan goals	✓
Pass-through of Metropolitan rates and charges	✓
Understand the long-term fiscal impact of changes in revenue streams	✓



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 Board adopts the annual operating budget by June 30th of each year. 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

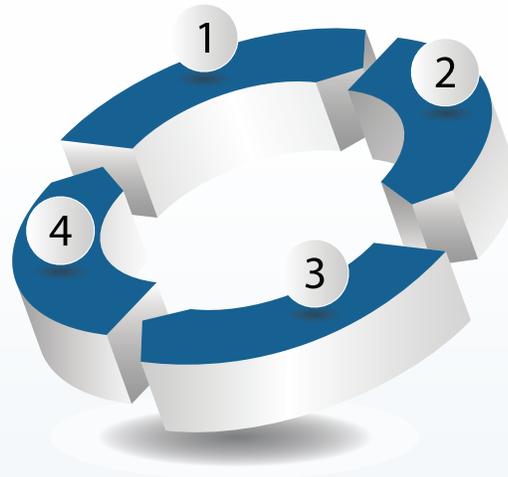
West Basin is an independent special district of the State of California and operates as a single enterprise fund. An independent special district operates under a locally elected, independent Board of Directors. It is “independent” from other governments and is directly accountable to the people it serves. Because West Basin does not rely on public funds to operate and is independent from other governments, it adopts a flexible operating budget which is communicated to its customers and approved by its Board of Directors. 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 fund 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 2021-22

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



Date	Key Activities
January 13, 2021	Sales projections (AF) due for both Potable and Recycled Water
January 20, 2021	Review staffing levels, projected sales, and key objectives
January 27, 2021	Submit staff labor allocation
January 28, 2021	Submit operating and FY 2020-21 year-end projections
February 15-18, 2021	Discuss proposed operating budgets
February 17, 2021	1st Board Budget Workshop - Review FY 2021-22 Budget Overview
February 23, 2021	Discuss proposed capital budget
March 24, 2021	2nd Board Budget Workshop - Review Proposed Expenses
April 16, 2021	3rd Board Budget Workshop - Review Proposed Revenues
April 19, 2021	4th Board Budget Workshop - Overall Budget and Follow-up
April 28, 2021	Customer Agency Workshop
April 30, 2021	Submit program text
May 19, 2021	Finance Committee - Present draft rates/charges and budget document
May 24, 2021	Board Meeting - Adopt rates/charges and budget



## Budget Process



Department managers submit justifications for any new positions and 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. Managers review their current budget versus actual reports. Managers will then submit their proposed programmatic operating and CIP budgets for FY 2021-22 and their year-end projections for FY 2020-21.



Engineering team meets with budget staff to go over FY 2021-22 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. Budget staff will recommend the necessary water rates and charges to meet the budget objectives for FY 2021-22 and five years beyond. Budget staff meets with the Board to discuss the budget and explain there will be additional workshops.



Budget Staff presents proposed budget expenses to the Board of Directors in the second workshop. The presentation also discusses the water sales assumptions, staffing needs, individual program budget expenses, and debt service. At this time, Board members may give direction or request changes or additional information to the draft expense budget. The Board of Directors meet in the third workshop to discuss the proposed revenues. The fourth workshop focused on the overall budget and follow-ups from the previous workshop. Subsequent to the fourth Board workshop, West Basin conducts a customer agency workshop to discuss its goals, the proposed budget and water rates. Managers and budget staff submit budget text to explain and support program costs, water rates and charges, and other budgetary assumptions.



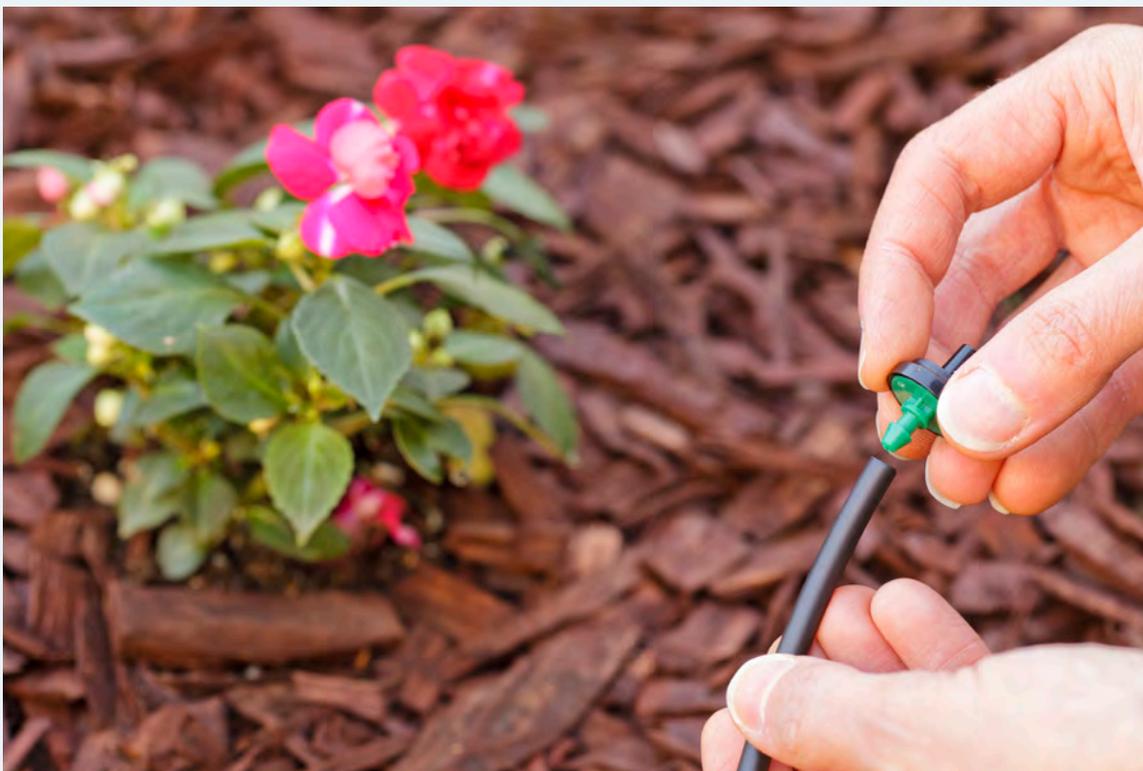
Changes requested by the Board of Directors and/or the General Manager are incorporated into the final proposed budget, which is then presented at the Finance & Administration Committee and then to the Board. The Board of Directors adopts the annual water rates, charges, and annual standby charge. The Board of Directors motions to adopt the operating budget for the next fiscal year beginning July 1.

## Budget Review

West Basin's budget monitoring process begins shortly after the 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 it 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 is to describe why, how much, and what program budget requires 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.



Sustainable landscaping is encouraged through District conservation programs.





SECTION FIVE

# 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 71% and recycling sales represent 18% of all revenue sources. Total budgeted revenues for FY 2021-22 are \$223,753,554.

Summarized below are the actual and projected revenues for the past three years along with comparative budgets (FY 2020-21 & FY 2021-22) to see the trend of various revenue sources.

Revenues	FY 2018-19	FY 2019-20	FY 2020-21	FY 2020-21	FY 2021-22
Description	Actual	Actual	Projected	Budget	Budget
Imported Water Sales	\$158,138,261	\$155,896,431	\$155,222,985	\$152,616,216	\$157,875,420
Fixed Service Charge	2,284,411	3,919,411	7,459,131	7,459,131	6,572,329
Capacity Charge	1,836,150	1,758,096	2,023,801	2,023,801	2,425,519
Recycled Water / LRP	46,518,136	43,428,442	38,202,178	41,087,590	41,038,046
Fixed Capital Charge	4,907,582	7,562,454	8,308,524	7,562,755	8,308,524
Desalter Water	267,873	144,318	442,168	1,024,704	-
General Fund Interest	1,260,638	1,732,218	1,000,000	1,238,800	1,000,000
Standby Charge	10,029,508	9,986,787	10,000,000	10,000,000	6,067,616
Conservation Income	66,306	558,280	631,772	1,031,772	421,100
Other Income	968,149	273,954	61,200	61,200	45,000
<b>Total Revenues</b>	<b>\$226,277,014</b>	<b>\$225,260,391</b>	<b>\$223,351,759</b>	<b>\$224,105,969</b>	<b>\$223,753,554</b>



## Revenue Highlights

West Basin is a wholesale water agency who purchases imported water from Metropolitan to supplement local supplies for retail (municipal, commercial, and domestic) and groundwater replenishment use. 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 of the recycled water are industrial, commercial, and landscape irrigation sites. Today more than 400 customer 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 9.0% of its revenues from fixed revenue sources, including the fixed service charge, fixed capital revenue charges, and the standby charge. The fixed capital revenue charges are determined by agreements, and both the fixed service charge and standby charge are approved by resolution.

On May 24, 2021 through Resolution 05-21-1127, the annual standby charge was adopted. West Basin also establishes its water rates and charges through a resolution through with Board approval. Resolution 05-21-1128 was adopted at the May 24, 2021 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 05-21-1128 reflects imported water rates for two tiers, Tier 2 pricing is not anticipated for West Basin customers.

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 overall water management strategies and trends (groundwater extractions and imported and recycled water usage), and a review of potential new recycled water sales from completed capital projects that would replace imported water. Further, the impact on both imported and recycled water sales in FY 2020-21 due to the COVID-19 pandemic was analyzed and shared with the Board on a consistent basis, during the budget workshops, and has been considered in developing the sales assumptions for FY 2021-22. Retail imported water sales were 105,686 AF in FY 2019-20 and are projected to slightly decrease to 105,141 AF in 2020-21.

With the announcement by Governor Newsom on April 21, 2021 declaring a drought emergency in two Northern California counties, West Basin prudently budgeted slightly more conservatively than actual results and to keep its imported retail sales at 103,000 AF in the FY 2021-22 budget.

Imported water sales to both of the barriers (West Coast and Dominguez Gap) exceeded budgeted sales in FY 2019-20; however, sales in FY 2020-21 are anticipated to be lower than the budget. To understand the variability in sales to the barriers and to better budget for next fiscal year's sales, West Basin received input from its customer, WRD. The West Coast Basin Barrier (Barrier) has historically been replenished with a mix of recycled and imported water purchased from West Basin to prevent seawater intrusion. West Basin strives to deliver as much recycled water to the Barrier but prior years' experience has shown that about 80% of the source replenishment water is actually from recycled water and 20% from imported water. In discussions with both the County of Los Angeles (who manages both the West Coast and Dominguez Gap Barriers) and WRD (who manages the local groundwater resources in southern Los Angeles County), West Basin was informed of planned rehabilitation projects on Barrier injection wells scheduled to take place during most of FY 2021-22. Based on the information provided, West Basin has decreased the budget to 10,600 AF in recycled water and 2,000 AF of imported water for replenishment demand in FY 2021-22.

*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.*



Dignity Health Sports Park



## 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. The chart below provides the basis and timing of the rates and charges.

WB Imported Tier I Commodity Rate (Three Sub - Components = One Rate)	Factor	Effective Rate Change
WB Reliability Service Charge (RSC)	Per Acre-Foot (AF)	July 1, 2021
Metropolitan Imported Tier I Rate (Pass-Thru)	Per Acre-Foot (AF)	January 1, 2022
Metropolitan Readiness to Serve (RTS) (Pass-Thru)	Per Acre-Foot (AF)	January 1, 2022

Fixed Charges	Factor	Effective Rate Change
WB Fixed Service Charge	Annual Calculation based on 3-Year Historic Sales	July 1, 2021
Metropolitan Capacity Charge (Pass-Thru)	Annual Calculation based on peaking cfs flow rate	January 1, 2022

### Imported Water Revenues

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

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

In FY 2018-19, West Basin added another 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 \$8/AF on its RSC and an equivalent \$8/AF decrease to its Fixed Service Charge for FY 2021-22 at the Board meeting on May 24, 2021 per resolution 05-21-1128. Based on AF assumptions and the rates for the fiscal year described below, West Basin is budgeting \$157,875,420 in imported water sales and \$6,572,329 in fixed service charges.



### Metropolitan Commodity Rate

On April 14, 2020 Metropolitan’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 Metropolitan Tier 1 commodity rate of \$1,143/AF beginning January 1, 2022.

### Readiness-to-Serve Charge

Metropolitan’s Board of Directors also approved in April 2020 an overall RTS collection of \$130 million in CY 2021 and \$140 million in CY 2022 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).

West Basin collects this revenue on its own rates instead of a Metropolitan standby charge. As such, West Basin converts Metropolitan’s RTS fixed charge to a dollar amount per AF and represents 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 Metropolitan’s RTS fixed charge of \$10,557,000 by the budgeted imported water sales (not including the imported water sales to WRD for injection into the Barrier), 106,000 AF, for a rate of \$100/AF, effective January 1, 2022. This is the same amount West Basin charged in calendar year 2021.

### 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’s 2018-19, 2019-20, and 2020-21, the RSC did not increase while West Basin phased-in the Fixed Service Charge. With the full Fixed Service Charge in place, the amount allocated to each customer, beginning in FY 2021-22, is determined by the sum of the budgets for Public Information and Education and the Water Policy and Resource Development programs. The FY 2021-22 budget includes an \$8/AF increase in the RSC, but with an effective decrease in the Fixed Service Charge of \$8/AF, the overall net change in West Basin’s charges is zero.

Rates Components	Today	Effective July 1, 2021 (July-December 2021)	Effective January 1, 2022 (January-June 2022)	Annual Rate Adjustment
Metropolitan Imported Water Tier I Rate	\$1,104	\$1,104	\$1,143	\$39
Metropolitan Readiness to Serve (RTS)	\$100	\$100	\$100	\$0
West Basin Reliability Service Charge (RSC)	\$237	\$245	\$245	\$8
<b>Total West Basin Tier I Commodity Rate</b>	<b>\$1,441</b>	<b>\$1,449</b>	<b>\$1,488</b>	<b>\$47</b>

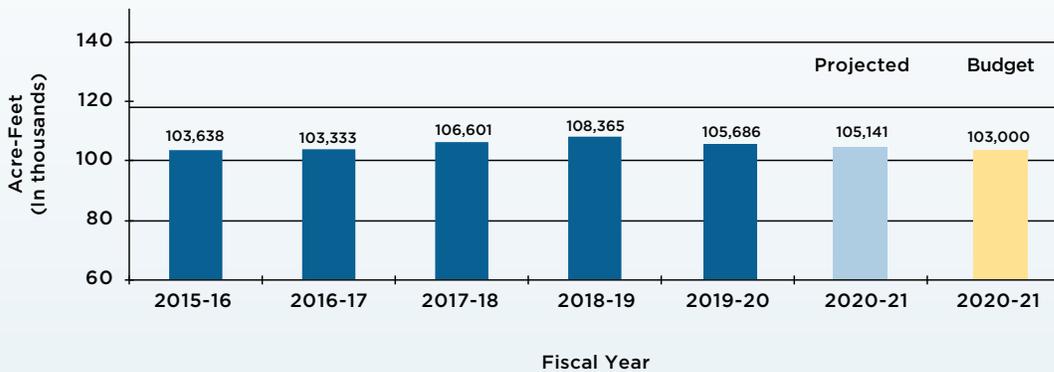


### Imported Retail Sales

Imported retail water sales vary based on hydrologic conditions, water demand, and on the available water supply. 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 2020-21 are expected to be at 105,141 AF, a drop of just 545 AF from the previous fiscal year actual sales of 105,686 AF. Based on discussions with customer agencies and their input regarding overall water management strategies and trends, and due to the uncertainty of when another drought may occur, West Basin is budgeting for retail sales at 103,000 AF in FY 2021-22.

## Retail Sales

FY 2015-16-FY 2021-22



### Imported Barrier Sales

#### West Coast Barrier

The Barrier has historically been replenished 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 but prior years’ experience has shown that about 80% of the source replenishment water is actually from recycled water and 20% from imported water. For FY 2020-21, West Basin anticipated a budget of 13,800 AF in recycled replenishment water, with 1,700 AF budgeted as imported replenishment water to meet expected demand for the Barrier. In discussions with both the County of Los Angeles Department of Public Works (who operates both the West Coast and Dominguez Gap Barriers) and the WRD, West Basin was informed of planned rehabilitation projects on Barrier injection wells scheduled from spring 2021 through most of FY 2021-22 where the County anticipates an average injection between 9.5 to 11 million gallons per day (MGD). Based on the information provided, West Basin decreased the budget to 10,600 AF in recycled water and 2,000 AF of imported water to replenish demand in FY 2021-22.



### *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, the City 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 2021-22 at 3,000 AF.

### **Fixed Service Charge**

Historically, West Basin relied heavily on variable water sales for the majority of its imported water revenue. However during periods of reduced sales due to drought, West Basin’s revenues can decline significantly. To provide a reliable and stable revenue source, making West Basin less vulnerable to demand fluctuations, and allowing for more rate stability for its customers, West Basin’s Board moved towards incorporating a fixed charge.

A 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. To alleviate the potential for rate increases to its customers, West Basin chose to implement the Fixed Revenue Charge over 3-years while keeping its Reliability Service Charge flat (this charge is a variable rate charged on a per AF basis) during the same 3-year period. Per the study, the Fixed Service Charge is determined based on the sum of the budgets for the Public & Education and Water Policy & Resource Development programs. This revenue source will generate \$6.6 million in FY 2021-22, a \$.9 million decrease from FY 2020-21.

The Fixed Service Charge will decrease from \$7,459,131 in FY 2020-21 to \$6,572,329 in FY 2021-22, effective July 1, 2021. Overall, this fixed service charge represents about 20% of West Basin’s own imported water revenues.

<b>Customer Agencies</b>	<b>3-Year Ave Deliveries (AF)</b>	<b>Annual Charge</b>	<b>Monthly Charge</b>
California American Water Co.	1,506	\$88,858	\$7,405
CWSC - Dominguez	23,617	1,393,350	116,112
CWSC - Hawthorne	2,817	166,214	13,851
CWSC - Hermosa Redondo	10,456	616,877	51,406
CWSC - Palos Verdes	17,306	1,021,032	85,086
City of El Segundo	6,947	409,846	34,154
City of Inglewood	6,766	399,205	33,267
City of Lomita	1,647	97,138	8,095
City of Manhattan Beach	4,562	269,135	22,428
Golden State Water	22,807	1,345,564	112,130
LA County Waterworks No. 29	8,168	481,890	40,158
WRD - Dominguez Gap Barrier	4,801	283,218	23,602
<b>TOTAL</b>	<b>111,400</b>	<b>\$6,572,329</b>	<b>\$547,694</b>



### Capacity Charge

Metropolitan 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 Metropolitan’s existing infrastructure and defers capacity expansion costs. As this is a Metropolitan 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 253.0 for CY 2021 increased to 255.5 cfs for CY 2022 and is calculated on each customer’s highest overall peak level during the past three (3) years.

West Basin models Metropolitan’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 Metropolitan 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 Metropolitan’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 \$9,050/cfs to \$10,025/cfs on January 1, 2022, with anticipated revenues of \$2,425,519 during FY 2021-22 to pass through the higher Metropolitan cost.

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>



Effective 1/1/22 to 12/31/22				
West Basin Customers	Calendar Year			3-YEAR PEAK
	2018	2019	2020	
California American Water Co.	4.0	5.0	4.8	5.0
CWSC - Dominguez	52.3	43.5	44.2	52.3
CWSC - Hawthorne	6.7	6.2	6.4	6.7
CWSC - Hermosa Redondo	21.0	19.2	19.7	21.0
CWSC - Palos Verdes	39.3	40.4	44.8	44.8
LA County Waterworks No. 29	16.1	14.7	15.8	16.1
City of El Segundo	12.1	12.3	8.5	12.3
City of Inglewood	13.8	11.8	12.0	13.8
City of Lomita	3.2	3.5	3.8	3.8
City of Manhattan Beach	8.5	8.1	8.4	8.5
Golden State Water Co.	42.2	44.5	40.9	44.5
Water Replenishment District	26.8	0.0	12.8	26.8
			<b>TOTAL</b>	<b>255.5</b>

### Recycled Water Charges and Fixed Revenue Charges

By Resolution 05-21-1128, 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 rates. Historically revenues from recycled water sales consisted of commodity charges and incentive payments from Metropolitan’s Local Resources Program (LRP). The LRP provided a \$250/AF rebate for each AF of recycled water produced and sold. The LRP helped 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 Metropolitan expired March 2020 and made up the majority of the LRP received. A second LRP agreement was entered into in June 2012 and will expire in 2037. The second LRP agreement is anticipated to generate \$10,000 of revenue in FY 2021-22. Total recycled water revenue including the LRP is \$41,038,046 for FY 2021-22. The chart below shows the recycled water rate for irrigation customers both within and outside West Basin’s service area.



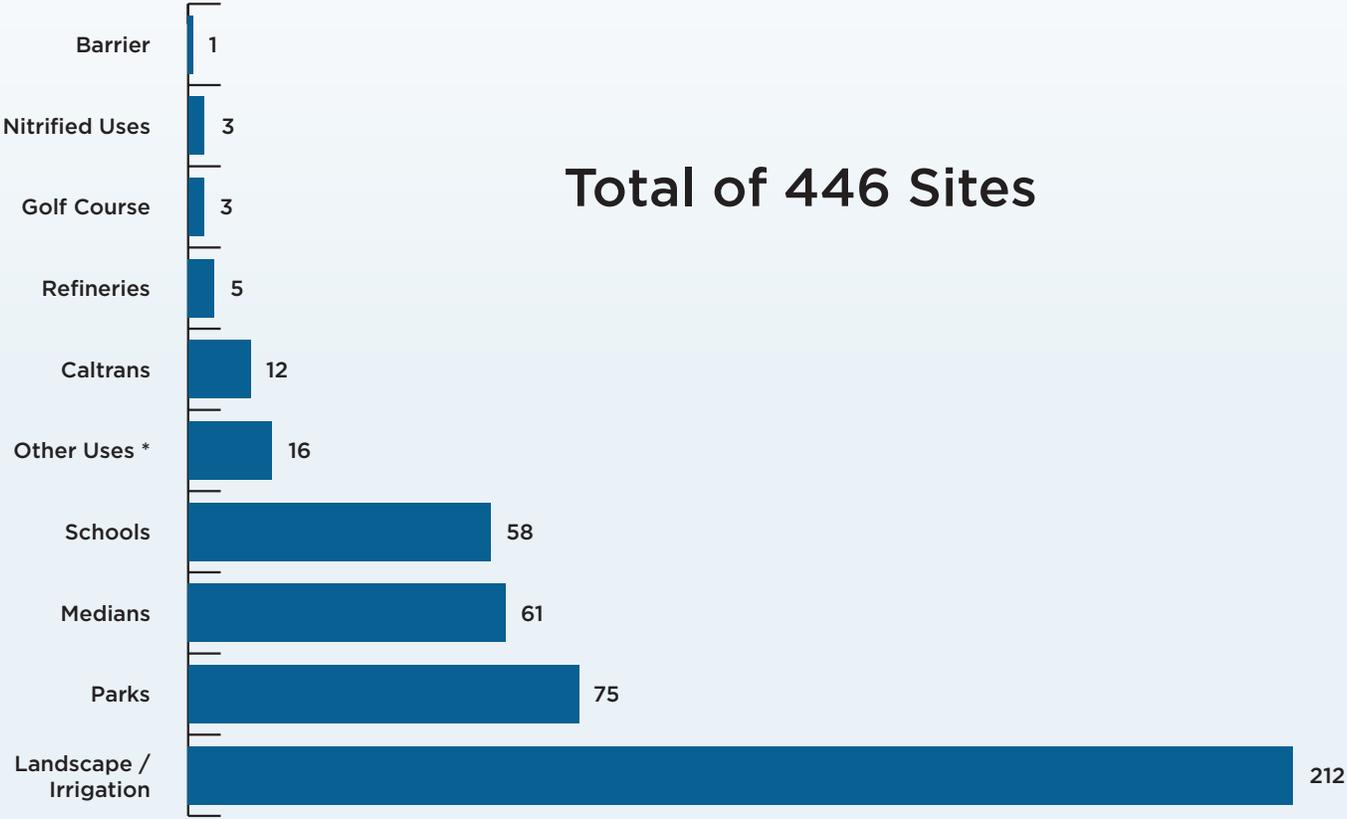
Recycled Water Rates (Effective July 1, 2021)				
Volume (AF/Month)	WBMWD Service Area	Outside Service Area	Designer Recycled Water	
0-25	\$1,294/AF	\$1,336/AF	West Coast Barrier Nitrified Low Pressure Boiler Feed High Pressure Boiler Feed	Established by Agreement
25-50	\$1,284/AF	\$1,326/AF		
50-100	\$1,274/AF	\$1,316/AF		
100-200	\$1,264/AF	\$1,306/AF		
200+	\$1,254/AF	\$1,296/AF		

In addition, West Basin has established agreements with the refineries who pay for a portion of the capital cost to produce recycled water and anticipates receiving approximately \$8.3 million in fixed capital revenue charges. The recycled water agreements include Marathon, Chevron, and Torrance Refining Co. The chart below shows the monthly and annual fixed capital amount and the termination date for each agreement.

Name	Monthly Amount	Annual Amount	Termination Date
Chevron - Nitrified	\$84,150	\$1,009,800	8/31/24
Chevron - Boiler Feed	\$184,267	\$2,211,204	9/30/27
Marathon - Nitrified and Boiler Feed	\$178,000	\$2,136,000	1/31/25
Torrance Refining - Nitrified	\$114,755	\$1,377,060	8/31/23
Torrance Refining - Boiler Feed	\$131,205	\$1,574,460	8/31/23
<b>TOTALS</b>	<b>\$692,377</b>	<b>\$8,308,524</b>	



West Basin currently serves recycled water to more than 400 meters with sales projected at 33,911 AF in FY 2020-21. Compared to the FY 2020-21 budget of 36,164 AF, a decrease to 34,200 AF is anticipated in recycled water sales in FY 2021-22. The overall change considers lower anticipated sales to the Barrier due to planned rehabilitation projects on Barrier its wells scheduled to take place during most of FY 2021-22 and is offset by the anticipated higher sales to the refineries as the economy opens and a return to normal delivery levels occurs. Staff noted the impact of the pandemic was mainly on its sales to the refineries with little to no impact on Barrier sales. Expected recycled water sales are approximately 56% to the refineries, 31% to the WRD for the Barrier, and the remaining 13% will be used in parks, golf courses, schools, and street medians. The chart below shows the number of sites by use type.



\* Includes cemetery, college, construction, draining and multi-industrial use.



### Desalted Brackish Water Charges

The C. Marvin Brewer Desalter initially began operations in July 1993 as a five-year pilot program to explore treatment of brackish water to potable water standards. The program proved viable and West Basin continued to operate the facility for the next 28 years. As the infrastructure aged and the reliability decreased, West Basin invested in numerous rehabilitation projects. An economic analysis was performed to outline the near and long-term capital improvements that would be required for a sustainable operation of the Desalter, including alternatives to maintain or expand production levels. The analysis showed that none of the alternatives indicate an ability to recover the full cost of operations. As such, the FY 2021-22 operating budget for Desalter Operations assumes the divestment of the C. Marvin Brewer Desalter resulting in no revenues anticipated for the fiscal year.

## Other Sources of Revenue

### Standby Charge

West Basin has exercised its statutory authority to levy a standby charge since 1991. In 2017, a class action complaint was filed in the Los Angeles Superior Court challenging the collection of the standby charge by West Basin resulting in a pending preliminary settlement agreement. If the settlement agreement is approved by the Court, West Basin will decrease its collection of standby charge revenue over the next eight Fiscal Years, and terminate the standby charge levy by no later than June 30, 2030. Although the settlement agreement has not been approved by the Court, West Basin has decreased its standby charge revenue for FY 2021-22 by \$3.9 million.

The Board conducted a public hearing on May 24, 2021, 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 05-21-1127) at its May 24, 2021 meeting.

The table below is an excerpt from the engineer’s report that specifies the exact number of units included in the Standby Charge Program

### Total Benefiting Units and Corresponding Levy

	Parcels =< 1 Acre	Acres >1 Acre	MFR Units
<b>Residential</b>			
Single Family, Duplex	141,057	14,894	
Muti-Family			176,631
Low-use	2	127	
<b>Non-Residential</b>			
Non-residential	12,828	14,828	
Low-use	8	0	
<b>TOTAL</b>	<b>153,895</b>	<b>29,849</b>	<b>176,631</b>



## Water Use Efficiency Income

Based on the 2019 update of the Water Use Efficiency Data Study, 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 2021-22, West Basin will continue to receive outside funding, and has estimated the total conservation income at \$421,100.

Water Use Efficiency Grants	
• Metropolitan Member Agency Incentives	\$197,950
• Department of Water Resources (State)	150,125
• US Bureau of Reclamation (Federal)	73,025
<b>TOTALS</b>	<b>\$421,100</b>

## Interest Income

West Basin receives interest income from its general fund. With interest rates at historically low levels today and not anticipated to increase in the next fiscal year, West Basin has assumed a lower return (1.5%) on its portfolio in FY 2021-22 than the prior year. In discussion with its investment manager the general fund interest income is expected to be approximately \$1,000,000.

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 \$45,000 in FY 2021-22 and is comprised of \$7,900 expected to be earned from its efforts to support the Purveyor Water Quality Monitoring Program, and approximately \$37,100 in miscellaneous income.





SECTION SIX  
**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 Metropolitan’s Readiness-to-Serve Charge), Metropolitan’s 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 2018-19	FY 2019-20	FY 2020-21	FY 2020-21	FY 2021-22
Description	Actual	Actual	Projected	Budget	Budget
Imported Water Purchases / RTS	\$130,544,823	\$129,656,603	\$129,132,688	\$127,478,616	\$131,811,540
Capacity Charge	1,813,435	1,757,870	2,023,690	2,023,690	2,425,110
Debt Service	23,357,876	23,455,660	24,291,409	23,655,786	20,606,640
Water Recycling Operations	37,575,664	38,950,560	39,307,228	41,473,700	41,605,907
Desalter Operations	774,520	815,763	909,520	1,505,231	210,874
Water Policy	1,659,735	2,306,102	1,603,900	2,420,799	2,109,289
Public Information	2,988,152	3,988,770	3,733,700	5,038,332	4,552,126
Water Use Efficiency	1,124,863	2,109,110	2,825,800	3,363,566	2,296,406
Water Quality Monitoring	28,393	35,740	21,440	51,552	29,168
Technical Planning	1,342,791	1,309,637	3,550,034	3,779,792	3,870,958
Designated Funds	25,066,762	20,874,576	15,952,350	13,314,905	14,235,536
<b>Total Expenditures</b>	<b>\$226,277,014</b>	<b>\$225,260,391</b>	<b>\$223,351,759</b>	<b>\$224,105,969</b>	<b>\$223,753,554</b>

Overall expenditures are budgeted to decrease approximately \$352 thousand in FY 2021-22 as compared to FY 2020-21. The reduced expenditures are primarily due to a decrease in debt service and operating program expenditures. The amount budgeted to be placed into Designated Funds for FY 2021-22 will increase by approximately \$920 thousand as compared to the FY 2020-21. 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 Metropolitan 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 conservation measures meet state-mandated targets. While sales have begun to normalize from the COVID-19 pandemic, West Basin has conservatively budgeted its retail imported sales at 103,000 AF for FY 2021-22. This is in response to the Governor’s recent declaration of a drought in areas throughout the state, West Basin looked at water trends from the last drought to understand the potential impact for this fiscal year. West Basin does not anticipate any imported Tier 2 water sales.

### Imported Barrier

Through WRD, 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 increase to 5,000 AF in FY 2021-22 from 4,700 AF in FY 2020-21 due to an anticipated increase in injection of recycled water into the Barrier. Determination of these deliveries is done in consultation with WRD.

	Dominguez Gap		West Coast Barrier	
	FY 20-21	FY 21-22	FY 20-21	FY 21-22
Imported	3,000	3,000	1,700	2,000



## Metropolitan Non-Interruptible Commodity Rate

As mentioned earlier, West Basin purchases all of its imported water from Metropolitan. On April 14, 2020, the Metropolitan Board approved its biennial budget and water rates. Although the overall average rate increase adopted by Metropolitan was 4.0% for CY 2022, the imported water commodity for Tier 1 rate effectively increased 3.5% or \$39 per AF effective January 1, 2022. The commodity rate is a direct pass-through to West Basin’s customers. The components of Metropolitan’s non-interruptible commodity rate and their cost per AF are shown below.

Effective Dates	1/1/21	1/1/22
Supply Rate Tier 1	\$243	\$243
Supply Rate Tier 2	\$285	\$285
System Access Rate	\$373	\$389
Water Stewardship Rate	\$0	\$0
Treatment Rate	\$327	\$344
Power Rate	\$161	\$167
<b>Total Tier 1</b>	<b>\$1,104</b>	<b>\$1,143</b>
<b>Total Tier 2</b>	<b>\$1,146</b>	<b>\$1,185</b>

## Metropolitan’s Readiness-to-Serve (RTS) Charge

The RTS is a fixed charge that Metropolitan 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 Metropolitan’s member agencies elect to have their RTS share collected by Metropolitan; 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.

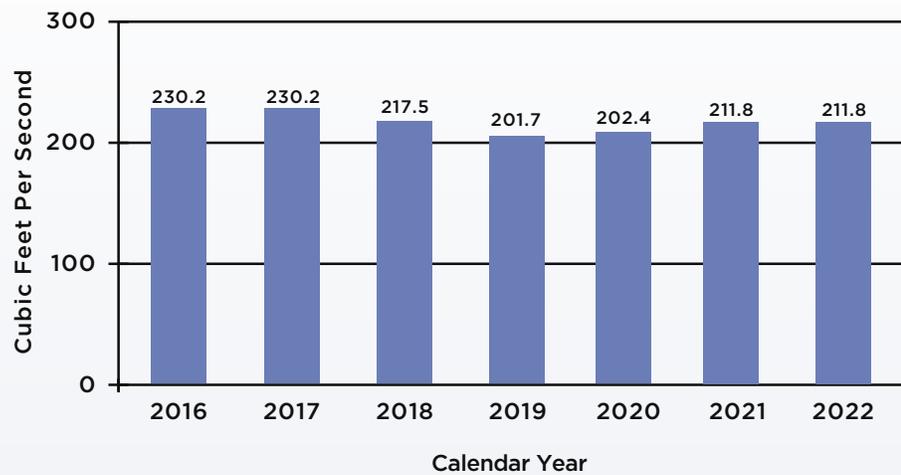
Metropolitan’s Board of Directors approved in April 2020 an overall RTS collection of \$140 million in CY 2022 from its 26-member agencies, with rate changes effective January 1 of each FY. The estimated charge is allocated to each of its customers based on each agency’s respective percentage to the 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 \$131,811,540.



## Capacity Charge

Metropolitan 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 2016 through CY 2022.



Effective January 1, 2022, Metropolitan will increase its Capacity Charge from \$10,700 per cfs to \$12,200 per cfs. In addition, West Basin's peak flow remained the same from CY 2021 in CY 2022. The total cost for West Basin in FY 2021-22 Capacity Charge is \$2,425,100.

West Basin passes through this charge to its customer agencies using the same methodology Metropolitan 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 Agreement associated 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 \$450 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.

In FY 2020-21 West Basin is well positioned to achieve substantial savings by refunding existing debt and lock-in today's low long-term rates by fixing-out its commercial paper which reduce West Basin's debt service costs and mitigate future interest rate "risk." Based on the proposed June 2021 transaction, in today's market, West Basin estimates about approximately 20% in net present value savings (final savings subject to market conditions at pricing). The proposed June 2021 transaction includes refunding existing refunding revenues bonds, Series 2011A and Series 2011B, and fixing-out the current \$25 million of outstanding commercial paper. As this transaction is scheduled to occur after the adoption of this budget, the 2021 debt is not reflected in the charts and graphs below.



As of May 1, 2021, West Basin has approximately \$237 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 2021-22, debt service is budgeted at \$20,606,640, and reflects the anticipated savings from the 2021A refunding revenue bonds transaction.

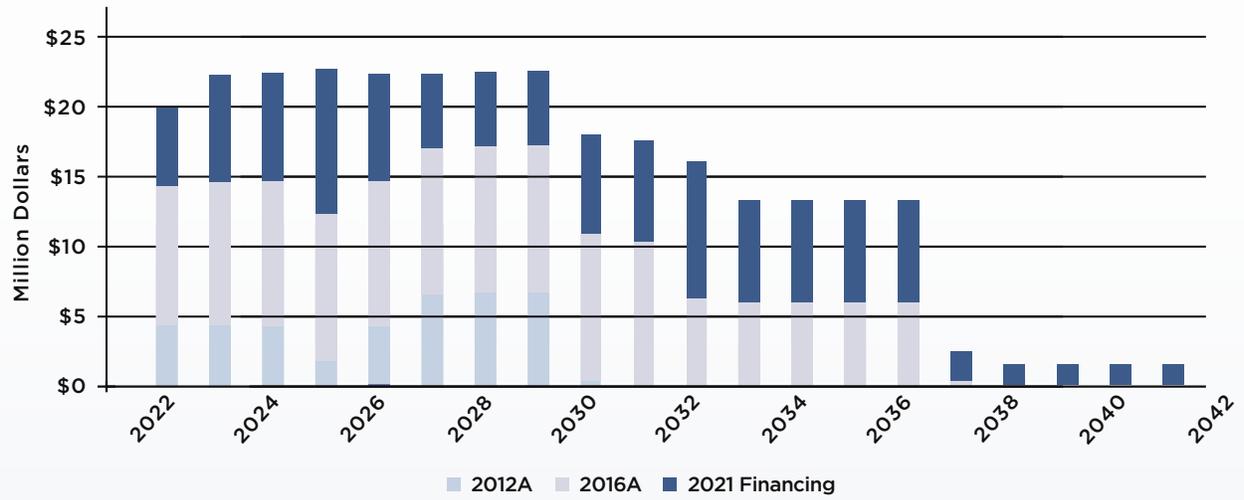
### Debt to Maturity

The following graph below shows West Basin’s scheduled debt portfolio prior to the 2011A and 2011B refunding.





The graph below shows West Basin's projected debt profile after the Series 2011A and 2011B refunding.



Debt service payments are made semi-annually by August 1st and February 1st each year.



## Refunding Revenue Bonds

1-Aug	Principal	Interest	Total
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
<b>Total</b>	<b>\$212,785,000</b>	<b>\$85,331,250</b>	<b>\$298,116,250</b>

Over the next five years, West Basin anticipated several 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 2021-22.



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.

## Debt to Capital Assets

(In 000's - except ratio)

Fiscal Year Ended June 30	Total Debt				Capital Assets			Total Debt/ Capital Assets Ratio
	Certificates of Participation & Revenue Bonds	CP	State Loan	Total LT Debt	Capitalized Assets	Construction-in-Progress	Total Capital Assets	
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
2020	252,323	10,000		262,323	684,790	74,983	759,773	0.35

Source: Fiscal Year June 30, 2020 Comprehensive Annual Financial Report

### Swap Transactions

West Basin currently has two swaps transactions, both with the same counterparty, with a total notional amount of \$10,775,000 outstanding as of June 30, 2021. 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 United States 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 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
Revenues	\$223,753	\$234,115	\$241,459	\$250,343	\$265,463	\$275,702
O&M	188,822	190,715	197,266	202,648	207,631	213,415
Net Revenues to pay senior debt	34,931	43,400	44,193	47,695	57,832	62,287
Total Senior Debt	20,391	23,499	26,844	26,963	26,721	26,727
Net Revenues to pay subordinate debt	14,540	19,901	17,349	20,732	31,111	35,560
Total Subordinate Debt	216	346	248	268	283	164
<b>All-In Coverage</b>	<b>1.70</b>	<b>1.82</b>	<b>1.63</b>	<b>1.75</b>	<b>1.84</b>	<b>1.94</b>
Remaining Net Revenue	\$14,324	\$19,555	\$17,101	\$20,464	\$30,828	\$35,396

## 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 50 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 - \$9,000 per fiscal year 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.

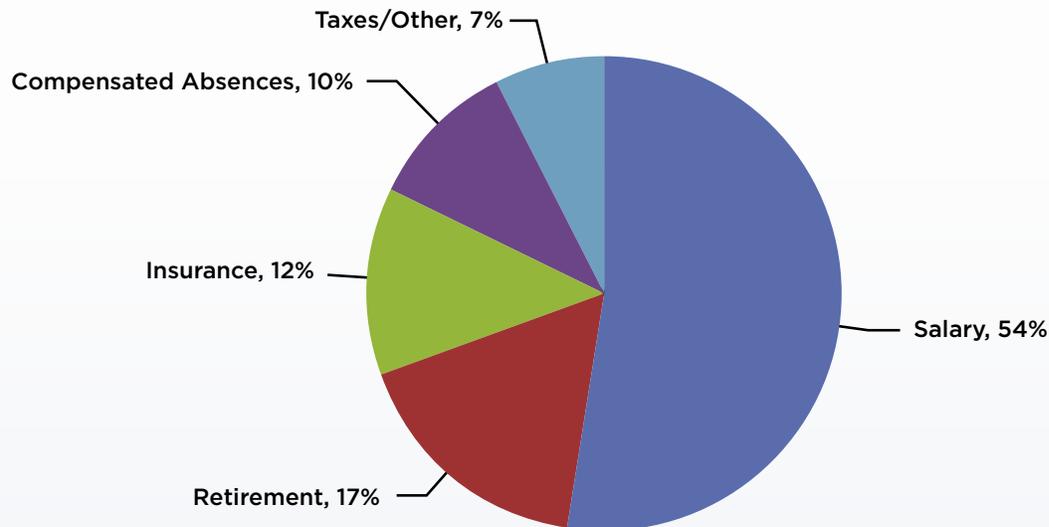
(1) An employee who was employed by West Basin prior to January 1, 2013 is a "Classic" member of CalPERS or was hired by West Basin after January 1, 2013 but was employed with an agency with CalPERS reciprocity, or who have less than a six month break in service between employment in a CalPERS (or reciprocal)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

(2) An employee is considered a "Tier 2" member if they become 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 2021-22

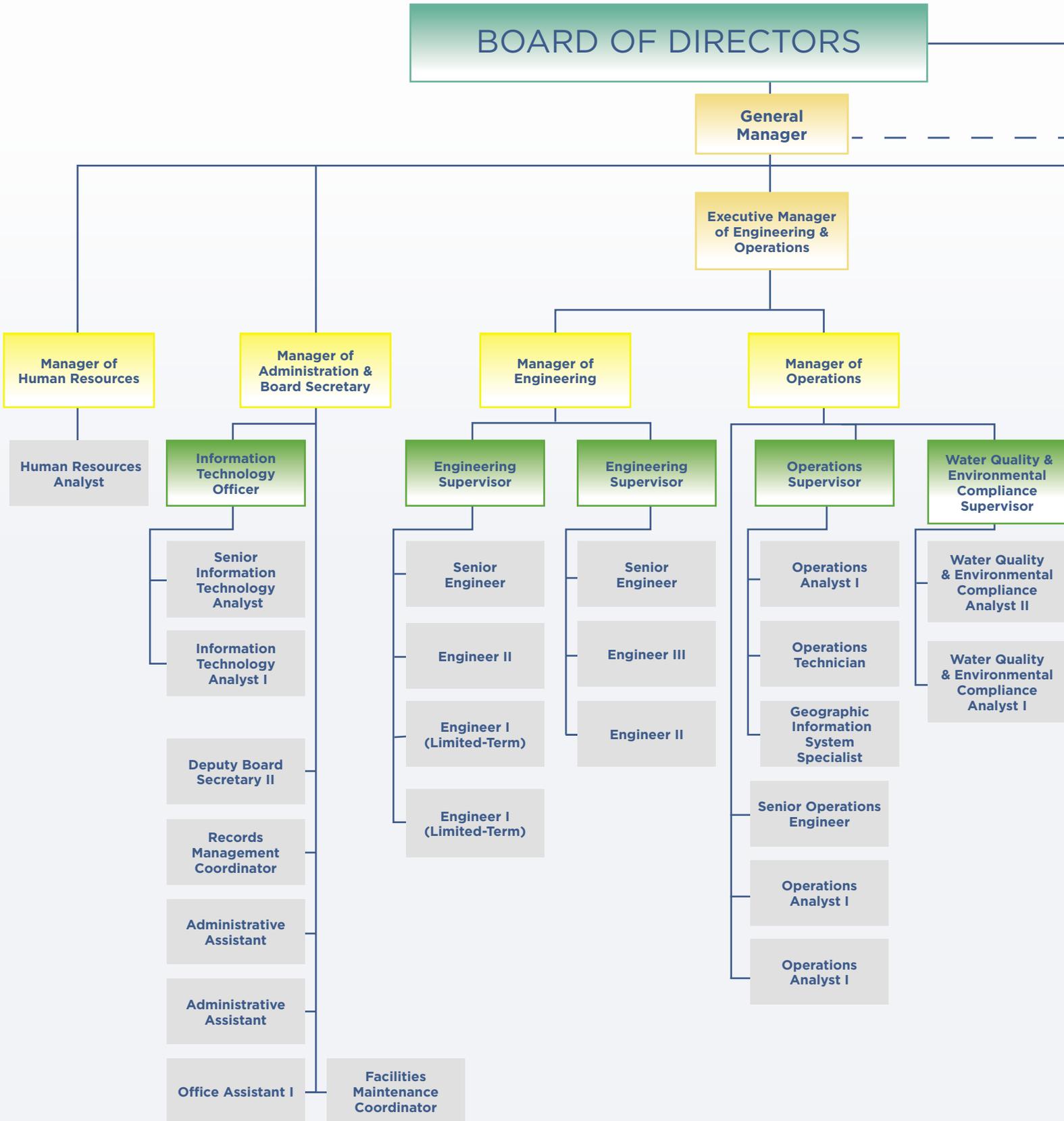


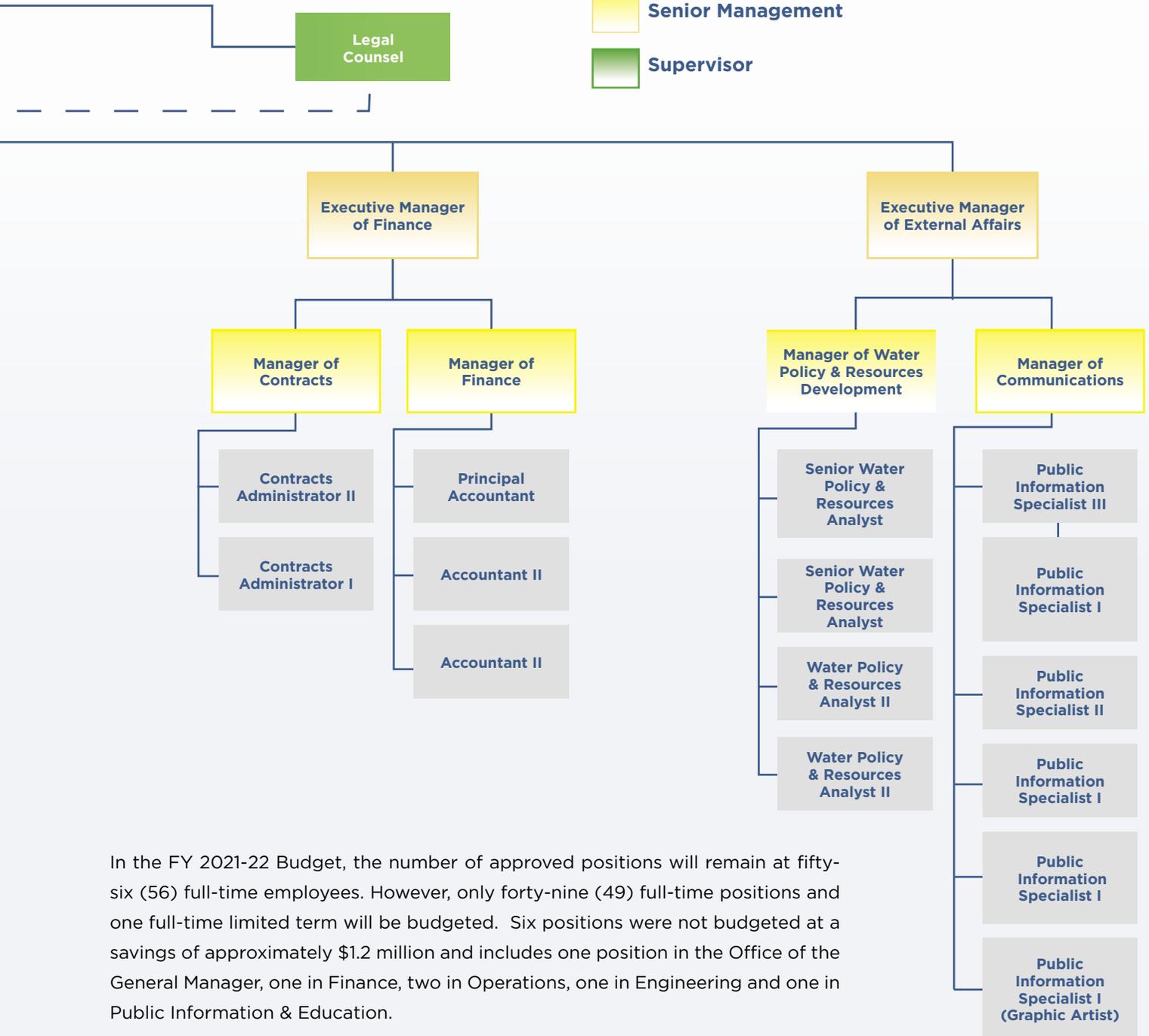
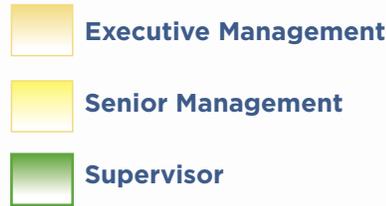
West Basin’s benefits package and total payroll comprises 4.33% of its total FY 2021-22 operating budget. The types of benefits included are consistent with the prior years’ budget and reflect an anticipated 6.5% average increase in health insurance and a 3% increase in dental insurance. West Basin’s pension costs for “Classic” CalPERS members is 16.15%. Pension costs for “Tier 2” CalPERS members is 7.73%. The estimated Other Post-Employment Benefits (OPEB) contribution for FY 2021-22 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 7.10%.

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 considers 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 2021-22 budget.



The organizational chart shows the full-time and part-time budgeted positions for FY 2021-22.





In the FY 2021-22 Budget, the number of approved positions will remain at fifty-six (56) full-time employees. However, only forty-nine (49) full-time positions and one full-time limited term will be budgeted. Six positions were not budgeted at a savings of approximately \$1.2 million and includes one position in the Office of the General Manager, one in Finance, two in Operations, one in Engineering and one in Public Information & Education.

Due to the COVID-19 pandemic West Basin was unable to offer its internship program during the fiscal year. West Basin does anticipate it will start-up the internship program again to provide opportunities for growth and exposure for current students attending local colleges. West Basin has budgeted six interns in FY 2021-22 to support the various departments.



Following is a table showing the head count by department that includes the full-time and limited-term. 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
	FY2019-20	FY 2020-21	FY 2020-21	FY2021-22	FY 2020-21
Office of the General Manager	3	3	4	4	0
Administrative Board Services	9	10	10	10	0
Engineering	7	7	10	10	0
Finance	7	6	7	7	0
Human Resources	2	2	2	2	0
Operations	11	9	11	11	0
Public Information & Education	8	6	7	7	0
Water Policy and Resource Development	4	5	5	5	0
<b>Total Budgeted Personnel</b>	<b>51</b>	<b>48</b>	<b>56</b>	<b>56</b>	<b>0</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 2018-19 actuals and FY 2019-20 actual to FY 2020-21 projected and FY 2020-21 and FY 2021-22 budget. The variance of projected to budget Full Time Equivalent (FTE) for FY 2020-21 represents unfilled positions for the year. In FY 2021-22 the difference between the budget FTE table and the Summary of Personnel Head Count by Department is due to West Basin plans on reassessing each departmental need for staff for the upcoming year and does not intend to fill them for 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 2018-19	FY 2019-20	FY 2020-21	FY 2020-21	FY 2021-22
	Actual	Actual	Projected	Budget	Budget
Recycling Operations	18.98	18.54	17.32	18.90	16.30
Desalter Operations	0.12	0.37	0.57	1.21	0.10
Water Policy/Resource Development	4.11	5.44	2.91	5.09	4.81
Public Information	10.65	10.34	13.61	13.19	13.82
Water Use Efficiency	1.87	4.06	4.35	4.65	4.44
Purveyor WQ Monitoring	0.04	0.07	0.05	0.11	0.10
Technical Planning	0.74	2.44	2.67	1.75	1.17
Capital Projects	15.22	6.11	6.11	8.10	9.26
<b>Total FTE</b>	<b>51.73</b>	<b>47.37</b>	<b>47.59</b>	<b>53.00</b>	<b>50.00</b>

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

In FY 2019-20 West Basin changed its labor allocation methodology. Indirect labor is no longer allocated to the capital projects.

## 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 its efforts. The Capital Improvement Program leads the way in these efforts to increase productivity, accessibility and continue to provide high-quality recycled water to our customers. West Basin strives to expand its recycled water program by seeking new customers to augment the need of potable water in its region. 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 2021-22 are approximately \$59.7 million.





SECTION SEVEN

# **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 by the Plan. The strategies noted under each program support the overall Plan and commitment statements of West Basin.

The FY 2021-22 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	7-7
C. Marvin Brewer Desalter Operations	7-12
Technical Planning	7-14
Water Policy and Resource Development	7-16
Public Information & Education	7-20
Water Efficiency Use	7-25
Purveyor Water Quality Monitoring	7-31

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 2021-22 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 operating 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 costs 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 2018-19	FY 2019-20	FY 2020-21	FY 2020-21	FY 2021-22
	Actual	Actual	Projected	Budget	Budget
General & Administrative	\$ 2,025,388	\$ 1,810,711	\$ 2,553,775	\$ 2,424,990	\$ 2,883,200
Legal Services	1,272,523	2,624,250	1,075,000	2,875,000	800,000
Board Services/Election Cost	1,125,430	527,572	1,316,100	1,305,500	648,200
Building Services	580,436	444,584	398,950	424,000	348,700
<b>Total Overhead Allocated</b>	<b>\$ 5,003,777</b>	<b>\$ 5,407,117</b>	<b>\$ 5,343,825</b>	<b>\$ 7,029,490</b>	<b>\$ 4,680,100</b>

The Overhead Budget decrease from FY 2020-21 to FY 2021-22 can be attributed to alternating years for general election costs for Board members and lower anticipated legal costs.



# Strategic Goals and Objectives

## Sound Financial & Resource Management

Strategic Business Plan	FY 2020-21 Accomplishments	FY 2021-22 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 all COVID-19 related signage and barriers for the Headquarters building and the Edward C. Little Water Recycling Facility.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Finalize COVID-19 Response Plan.</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>▶ Update the elevator and IT Server room at 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>✓ With the anticipated 2021 financing transaction, West Basin met with rating agencies to review its credit.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Continue to provide appropriate updates to rating firms for ongoing monitoring.</li> </ul>
<p><b>Strategy 2.5</b> - Develop a formal Long-Range Financial Plan</p>	<ul style="list-style-type: none"> <li>✓ Updated five-year forecast and extended the forecast to reflect change in revenue streams, anticipated debt service to analyze the long-term rate strategies.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Incorporate impacts of debt refunding, updates in fixed capital payments</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>✓ Implemented Year 2 of the information technology master plan.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Implement Year 3 of the information technology master plan.</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 6 positions.</li> <li>✓ Participated in university sponsored virtual Mock Interviews for engineering/STEM students at 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 2020-21 Accomplishments	FY 2021-22 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>✓ Distributed annual Employee Benefit Statements to ensure employee awareness of their covered benefits.</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, receive, and record 100% Annual Employee Performance Evaluations for all employees.</li> <li>▶ Distribute annual Employee Benefit Statements to ensure employee awareness of their covered benefits.</li> <li>▶ Conduct salary survey to determine need to update West Basin's Salary Schedule and secure Board approval of updated Schedule, as needed, in compliance with CalPERS regulations.</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>✓ Secured a range of employee professional development training courses for staff to attend including, but not limited to, District-wide Implicit Bias Training, and management and supervisory leadership training.</li> <li>✓ Conducted 10-hour Occupational Safety and Health Administration (OSHA) Training for applicable employees in support of West Basin's safety program.</li> <li>✓ Conducted mandatory staff Safety Meetings in accordance with West Basin's Injury/Illness Prevention Program to include, but not limited to, safety measures in response to COVID-19 and mental wellness.</li> <li>✓ Maintained employee Training and Tracking Log.</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 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>▶ 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 2020-21 Accomplishments	FY 2021-22 Strategies
	<ul style="list-style-type: none"><li>✔ Successfully secured a Wellness Grant through ACWA JPIA to assist in West Basin's health and wellness initiatives for its employees.</li><li>✔ Successfully secured a COVID-19 Fund Grant through State Fund to assist in West Basin's initiatives to prevent COVID-19 in the workplace.</li><li>✔ Secured Board resolution of applicable amendments made to the Human Resources Section of the Administrative Code.</li><li>✔ Implemented Emergency Telecommuting Policy and Agreement.</li><li>✔ Conducted employee training regarding amendments made to the Human Resources Section of the Administrative Code, and ongoing training on employee benefits.</li><li>✔ Implemented a virtual "Suggestion Box" for staff to provide feedback to the District.</li><li>✔ Conducted Succession Plan meetings with Department Managers to address their department's future needs.</li></ul>	<ul style="list-style-type: none"><li>▶ Conduct Public Speaking Training for applicable employees who represent the District at Public Meetings.</li><li>▶ Conduct review of all COVID-related activity from past year to determine best employment practices moving forward to ensure employee retention and recruitment.</li><li>▶ Conduct 5th Annual Health and Wellness Fair for staff bringing in outside health and wellness vendors if all COVID restrictions have been lifted.</li><li>▶ Participate in an in-person annual ACWA JPIA Risk Assessment Site Visit of West Basin's treatment plant, headquarters building, and other outlining West Basin facilities barring any COVID restrictions.</li><li>▶ Secure Wellness Grant through ACWA JPIA to assist in West Basin's health and wellness initiatives for its employees, in addition to securing available grants for future health and safety initiatives and needs.</li></ul>



## Customer Service

Strategic Business Plan	FY 2020-21 Accomplishments	FY 2021-22 Strategies
<b>Strategy 4.3</b> - Support the Board in maintaining a Strategic Business Plan		<ul style="list-style-type: none"> <li>▶ Update the District's Strategic Business Plan</li> </ul>
<b>Strategy 4.5</b> - Engage small and/or local businesses in the procurement of services	<ul style="list-style-type: none"> <li>☑ Tracked Small and Local Business Enterprise program spending and presented findings to the Board.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Continue to monitor and track Small and Local Business Enterprise program spending.</li> <li>▶ Develop business outreach resources.</li> </ul>

## Performance Metrics

Metric	FY 2018-19	FY 2019-20	FY 2020-21	FY 2020-21	FY 2021-22
	Actual	Actual	Projected	Target	Target
On time submission of annual bond disclosure	100%	100%	100%	100%	100%
Investment Benchmark – meet or exceed BAML 0-3 Year US Treasury Index	Exceeded	Met	Meet	Meet	Meet
Maintain AA credit rating from Moody's and Standard & Poor's	Aa2/AA-	Aa2/AA-	Aa2/AA-	Aa2/AA-	Aa2/AA-
Achieve internal all-in Debt Coverage target of 1.75	2.07	1.75	1.58	1.56	1.70
Have 100% submittal of performance evaluations	100%	100%	100%	100%	100%
Conduct and present on the Annual District Diversity Report	Met	Met	Met	Met	Meet
Achieve Board directed goal for overall spend with Small and or Local Businesses	22%	28%	25%	10%	10%

## 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 specific 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 Division of Drinking Water's Water Recycling Criteria and the Los Angeles Regional Water Quality Control Board permit.

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 Refining Company’s cooling towers and a separate satellite treatment plant to produce boiler feed water for the Torrance Refining Company;
- 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 Marathon;
- 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 a third-party operator to operate and maintain the treatment facilities and a second third-party operator 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 2018-19	FY 2019-20	FY 2020-21	FY 2020-21	FY 2021-22
Actual FTE	Actual FTE	Projected FTE	Budget FTE	Budget FTE
18.98	18.54	17.32	18.90	16.30



## Operating Budget

	FY 2018-19	FY 2019-20	FY 2020-21	FY 2020-21	FY 2021-22
	Actual	Actual	Projected	Budget	Budget
Labor and Benefits	\$3,419,380	\$3,321,085	\$3,050,000	\$3,585,452	\$3,069,627
Overhead	1,895,401	2,253,293	1,800,000	2,880,422	1,799,350
Contract Labor-Facilities	9,389,102	9,635,975	9,574,985	9,644,300	9,424,500
Contract Labor-Distribution System	856,319	713,811	612,573	650,000	615,400
Utilities	6,976,316	7,930,101	8,474,461	8,312,192	9,122,000
Chemicals	7,804,419	7,955,638	8,802,381	9,152,781	10,607,000
Facility Maintenance	3,947,908	4,044,440	3,677,635	4,009,200	3,669,880
Solids Disposal	1,026,470	1,383,715	1,706,705	1,579,270	1,516,180
Consultants	1,752,864	927,162	850,000	936,000	817,100
Laboratory Service	579,455	635,049	591,515	554,118	704,290
Secondary Effluent Purchase	252,416	283,345	377,924	380,050	366,600
Office Administration	630,202	693,376	788,939	805,954	925,260
O&M Reimbursement	(954,588)	(986,448)	(999,890)	(1,016,039)	(1,031,280)
<b>Total Recycling Operations</b>	<b>\$37,575,664</b>	<b>\$38,790,542</b>	<b>\$39,307,228</b>	<b>\$41,473,700</b>	<b>\$41,605,907</b>

## Strategic Goals and Objectives

### Water Supply Reliability

Strategic Business Plan	FY 2020-21 Accomplishments	FY 2021-22 Strategies
<b>Strategy 1.4</b> - Increase supply diversification by promoting water recycling	<input checked="" type="checkbox"/> Added 28 new meter connections to the recycled water distribution system, to add approximately 150 acre-feet of demand annually.	<input type="checkbox"/> Add 17 new meter connections to the recycled water distribution system, to add approximately 115 acre-feet of demand annually.



## Sound Financial and Resource Management

Strategic Business Plan	FY 2020-21 Accomplishments	FY 2021-22 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 by adding inventory module to help parts audit, acquisitions and use along for work orders</li> <li>✓ Began implementing chemical optimization plan initiatives for recycling treatment facilities</li> <li>✓ Piloting/participating a load-curtailement program with NRG/SCE to optimize energy consumption at ECLWRF</li> <li>✓ Began planning for criticality assessment of equipment; reviewed previous strategy and adopted new focus in conducting the assessment</li> </ul>	<ul style="list-style-type: none"> <li>▶ Continue customization of the CMMS software to include equipment usages; and to begin integrating Distribution Assets</li> <li>▶ Review and update West Basin Level of Service to meet customer expectations and West Basin’s Strategic Goals</li> <li>▶ Continue Optimization of Processes through targeted plans that help protect assets</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>✓ Developed and conducted desktop study on TRWRP yard piping assessment and inventory</li> <li>✓ Developed inspection plan and conducted Level 1 condition assessment for West Basin owned refinery onsite assets</li> </ul>	<ul style="list-style-type: none"> <li>▶ Implement inspection on high priority TRWRP yard piping</li> <li>▶ Complete analyses on rehabilitation recommendations and remaining asset values of refinery onsite assets</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>✓ Utilized developed dashboards to track and analyze costs compared to level of service and improve greater efficiency.</li> <li>✓ Developed an RFP and awarded an agreement for the O&amp;M of the recycled water distribution system.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Continue to explore other energy optimization initiatives to minimize energy consumptions</li> <li>▶ Implement new Distribution System contract that will include electronic metrics for efficient system management</li> </ul>



## Water Quality

Strategic Business Plan	FY 2020-21 Accomplishments	FY 2021-22 Strategies
<b>Strategy 3.1</b> - Achieve and maintain recycled water client satisfaction	<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>
<b>Strategy 3.3</b> - Meet permit and contractual water quality requirements	<ul style="list-style-type: none"> <li>☑ Completed special studies per regulatory requirements for ocean discharge</li> <li>☑ Monitored water quality to ensure it met water quality compliance and contractual requirements.</li> <li>☑ Completed all permit reporting on time</li> </ul>	<ul style="list-style-type: none"> <li>▶ Complete environmental documentation needed to obtain grants for recycled water projects in the District</li> <li>▶ Complete 5-yr engineering report</li> <li>▶ Update T22 Engineering Report and Enroll in new General Permit for Recycled Water</li> </ul>

## Customer Services

Strategic Business Plan	FY 2020-21 Accomplishments	FY 2021-22 Strategies
<b>Strategy 4.2</b> - Ensure recycled water client and customer agency satisfaction	<ul style="list-style-type: none"> <li>☑ Promptly responded to recycled water customer issues and concerns.</li> <li>☑ Assisted with new recycle water connections and modifications as needed.</li> <li>☑ Maintained quality service to purveyors with frequent communication, scheduled check-ins by staff at West Basin, and maintenance of emergency contact lists.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Promptly respond to recycled 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>

## Performance Metrics

Metric	FY 2018-19	FY 2019-20	FY 2020-21	FY 2020-21	FY 2021-22
	Actual	Actual	Projected	Target	Target
Improve Recycled Water O&M Cost per Unit	\$1,132/AF	\$1,121/AF	\$1,530/AF	\$1,147/AF	\$1,217/AF
Meet all regulatory and environmental permit requirements	100%	100%	100%	100%	100%



## 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 reverse osmosis brine disposal, and the replenishment assessment paid to the WRD.

### Personnel - Full Time Equivalents (FTE)

FY 2018-19	FY 2019-20	FY 2020-21	FY 2020-21	FY 2021-22
Actual FTE	Actual FTE	Projected FTE	Budget FTE	Budget FTE
0.12	0.37	0.57	1.21	0.10

### Operating Budget

	FY 2018-19	FY 2019-20	FY 2020-21	FY 2020-21	FY 2021-22
	Actual	Actual	Projected	Budget	Budget
Operations	\$ 607,088	\$ 606,579	\$ 543,000	\$ 666,250	\$185,100
Replenishment Assessment	136,878	110,566	218,020	440,064	-
Labor and Benefits	19,816	56,746	91,700	223,831	15,044
Overhead	10,738	41,872	56,800	175,086	10,730
<b>Total Desalter Operations</b>	<b>\$ 774,520</b>	<b>\$ 815,763</b>	<b>\$ 909,520</b>	<b>\$ 1,505,231</b>	<b>\$ 210,874</b>

Over the years, West Basin has invested in numerous Desalter rehabilitation projects, but as the facility infrastructure aged and reliability decreased, West Basin had to reevaluate the efficiency and feasibility of the program. In February 2021, staff presented to the Board the historical overview of the program and analysis of alternative paths. The Board decided to initiate an Ad Hoc committee to develop and implement a plan to divest the Brewer Desalter program and facility. The costs reflected in FY 2021-22 are estimated to cover minor operations of the project while the plan of divestiture is finalized. West Basin has not budgeted any sales during FY 2021-22.



# Strategic Goals and Objectives

## Sound Financial & Resource Management

Strategic Business Plan	FY 2020-21 Accomplishments	FY 2021-22 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>✓ Presented alternative options for Board consideration regarding current assets.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Research divestiture options while maintaining current mode of operation.</li> </ul>

## Environmental Stewardship

Strategic Business Plan	FY 2020-21 Accomplishments	FY 2021-22 Strategies
<b>Strategy 5.3</b> - Implement and maintain environmental permits	<ul style="list-style-type: none"> <li>✓ Maintained compliance requirements with LASAN for RO brine discharge.</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 LASAN and CWS to ensure compliance.</li> </ul>	

## Performance Metrics

Metric	FY 2018-19	FY 2019-20	FY 2020-21	FY 2020-21	FY 2021-22
	Actual	Actual	Projected	Target	Target
Improve/ Maintain Desalter O&M Cost per unit	\$3,241/AF	\$6,579/AF	\$3,581/AF	\$1,742/AF	N/A



## 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 of multi-disciplinary and complex evaluations, and the delivery of technical and strategic studies associated with the District’s recycled water systems, 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 2018-19	FY 2019-20	FY 2020-21	FY 2020-21	FY 2021-22
Actual FTE	Actual FTE	Projected FTE	Budget FTE	Budget FTE
.74	2.44	2.67	1.75	1.17

### Operating Budget

	FY 2018-19	FY 2019-20	FY 2020-21	FY 2020-21	FY 2021-22
	Actuals	Actuals	Projected	Budget	Budget
Technical Planning	\$ 1,049,258	\$ 480,192	\$ 2,757,934	\$ 3,118,502	\$ 3,461,018
Labor and Benefits	136,962	532,959	489,800	406,845	288,575
Overhead	68,843	296,486	302,300	254,445	121,365
<b>Total Technical Planning</b>	<b>\$ 1,255,063</b>	<b>\$ 1,309,637</b>	<b>\$ 3,550,034</b>	<b>\$ 3,779,792</b>	<b>\$ 3,870,958</b>

The Technical Planning budget for FY 2021-22 includes efforts in three areas:

- Update the Emergency Response Plan to document required response emergencies including cyberterrorism, earthquakes, and chemical leaks. It is also intended to ensure the response is in line with federal and state requirements.
- West Basin will review its Labor Compliance Manual to ensure it is current and then properly train staff to adhere to the legal requirements.
- West Basin has partnered with the City of Los Angeles and will contribute funds to towards the MBR technology at Hyperion.



# Strategic Goals and Objectives

## Water Supply Reliability

Strategic Business Plan	FY 2020-21 Accomplishments	FY 2021-22 Strategies
<b>Strategy 1.1</b> - Prepare and periodically update water supply plans	<ul style="list-style-type: none"> <li>Completed the Recycled Water Master Plan which outlines the District's capital improvement projects for the next 20 years and provides a roadmap for the cost to construct future capital facilities.</li> </ul>	
<b>Strategy 1.4</b> - Increase supply diversification by promoting water recycling		<ul style="list-style-type: none"> <li>Implement technical studies identified in Recycled Water Master plan.</li> </ul>

## Sound Financial and Resource Management

Strategic Business Plan	FY 2020-21 Accomplishments	FY 2021-22 Strategies
<b>Strategy 2.2</b> - Maintain facilities to manage and minimize risk of failure and liability exposure		<ul style="list-style-type: none"> <li>Enhance and update the West Basin Emergency Response Plan.</li> </ul>
<b>Strategy 2.6</b> - Operate cost-efficiently and effectively, with robust internal controls	<ul style="list-style-type: none"> <li>Completed the update of standard drawings specifications, construction documents, and technical specifications.</li> </ul>	<ul style="list-style-type: none"> <li>Utilize the updated standard drawings specifications, construction documents, and technical specifications.</li> </ul>

## Water Quality

Strategic Business Plan	FY 2020-21 Accomplishments	FY 2021-22 Strategies
<b>Strategy 3.2</b> - Increase control over source water quality	<ul style="list-style-type: none"> <li>Supported implementation of the MBR study between City of Los Angeles and West Basin.</li> </ul>	<ul style="list-style-type: none"> <li>Support the construction of a full-scale MBR facility to enhance source water quality to West Basin treatment facilities.</li> </ul>

## Performance Metrics

Metric	FY 2018-19	FY 2019-20	FY 2020-21	FY 2020-21	FY 2021-22
	Actual	Actual	Projected	Target	Target
Update/ Maintain CIP Master Plan	N/A	In progress	Completed	Complete	N/A



## 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 Metropolitan’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 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 Equivalents (FTE)

FY 2018-19	FY 2019-20	FY 2020-21	FY 2020-21	FY 2021-22
Actual FTE	Actual FTE	Projected FTE	Budget FTE	Budget FTE
4.11	5.44	5.09	2.91	4.81

### Operating Budget

	FY 2018-19	FY 2019-20	FY 2020-21	FY 2020-21	FY 2021-22
	Actuals	Actuals	Projected	Budget	Budget
Legislative Advocacy	\$ 261,732	\$ 328,115	\$ 343,000	\$ 333,400	\$ 349,965
Resource Development	119,485	32,350	266,000	335,000	144,100
Labor and Benefits	849,225	1,038,804	638,900	945,060	1,003,054
Overhead	429,293	906,833	356,000	807,339	612,170
<b>Total Resource Planning</b>	<b>\$1,659,735</b>	<b>\$2,306,102</b>	<b>\$1,603,900</b>	<b>\$2,420,799</b>	<b>\$2,109,289</b>

The reduction in the resource development budget from FY 2020-21 is due to the expected completion of the required update to the Urban Water Management Plan by July 1, 2021.



# Strategic Goals and Objectives

## Water Supply Reliability

Strategic Business Plan	FY 2020-21 Accomplishments	FY 2021-22 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>✓ Completed development of West Basin’s Urban Water Management Plan.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Produce the 2020-21 Water Use Report</li> <li>▶ Identify opportunities to maximize local water supplies, by working with West Basin Water Association and retail customer agencies</li> <li>▶ Participate 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>
<p><b>Strategy 1.3</b> - Increase supply diversification by promoting groundwater development</p>	<ul style="list-style-type: none"> <li>✓ Collaborated with WRD 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>	<ul style="list-style-type: none"> <li>▶ Evaluate the options within the 2021 Recycled Water Master Plan</li> </ul>
<p><b>Strategy 1.4</b> - Increase supply diversification by promoting water recycling</p>		<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 2020-21 Accomplishments	FY 2021-22 Strategies
<p><b>Strategy 2.3</b> - Develop partnerships with public and private entities to facilitate capital asset development and implementation</p>		<p>▶ Continue leadership role in the Greater Los Angeles County Integrated Regional Water Management Program, including administration on behalf of the Region and of its financial resources.</p>
<p><b>Strategy 2.6</b> - Operate cost-efficiently and effectively, with robust internal controls</p>	<p>☑ Received notification of successful grant award for \$500,000</p>	<p>▶ 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.</p>



## Customer Service

Strategic Business Plan	FY 2020-21 Accomplishments	FY 2021-22 Strategies
<p><b>Strategy 4.1 - Build community trust</b></p>	<ul style="list-style-type: none"> <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. Resources Control Board in the Water Use Efficiency Targets.</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>▶ Serve as liaison between Metropolitan 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>

## Performance Metrics

Metric	FY 2018-19	FY 2019-20	FY 2020-21	FY 2020-21	FY 2021-22
	Actual	Actual	Projected	Target	Target
Disperse Budgeted Sponsorship Funds	44%	80%	11%	100%	100%



## Public Information & Education

The District continues to share timely, accurate information about West Basin’s water supplies and programs. Additionally, public information and education efforts increase awareness of West Basin’s mission and values.

### Public Information

West Basin develops and implements a wide array of communication and outreach programs so that West Basin is considered a valuable utility among key stakeholders. Audiences include water retailers, cities, city, county, state and federal elected officials, educators, chambers of commerce, business leaders, and community and environmental groups. By offering such public programs as free water recycling facility tours, presentations, workshops, water-themed events, District program updates, as well as marketing water use efficiency programs, West Basin provides value to the service area.

### Education

School education programs engage students, grades 3 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 Equivalents (FTE)

FY 2018-19	FY 2019-20	FY 2020-21	FY 2020-21	FY 2021-22
<b>Actual FTE</b>	<b>Actual FTE</b>	<b>Projected FTE</b>	<b>Budget FTE</b>	<b>Budget FTE</b>
10.65	10.34	13.61	13.19	13.82

## Operating Budget

	FY 2018-19	FY 2019-20	FY 2020-21	FY 2020-21	FY 2021-22
	Actuals	Actuals	Projected	Budget	Budget
Education	\$ 100,213	\$ 81,541	\$ 43,114	\$ 218,700	\$ 163,600
Outreach, Media, & Events	763,308	762,359	129,975	639,900	445,040
Labor and Benefits	1,805,024	1,651,618	2,209,100	2,129,347	2,302,178
Overhead	1,416,611	1,493,252	1,351,480	2,050,385	1,552,222
<b>Total Public Information</b>	<b>\$ 4,085,156</b>	<b>\$ 3,988,770</b>	<b>\$ 3,733,669</b>	<b>\$ 5,038,332</b>	<b>\$ 4,463,040</b>

The Public Information budget decreased significantly due to the reduction in overhead cost and the reduction in education and outreach budget. It was thought prudent to wait until Spring 2022 to start offering school tours in-person. The education team will continue to engage students and educators remotely until then. West Basin is also known for hosting the annual Water Harvest Festival to educate the public about water issues and the programs West Basin offers. Due to COVID-19, West Basin was unable to host the 2020 event. To exercise caution, a virtual event will be planned to stay engaged with the community it serves while keeping everyone safe.



Sustainable landscaping is encouraged through District conservation programs.



# Strategic Goals and Objectives

## Customer Service

Strategic Business Plan	FY 2020-21 Accomplishments	FY 2021-22 Strategies
<p><b>Strategy 4.1 - Build Community Trust</b></p>	<ul style="list-style-type: none"><li>✓ Maintained the high-quality and quantity of public outreach and education programs in the virtual environment demonstrating agency innovation, flexibility, and reliable customer service.</li><li>✓ Consistently updated District communications platforms (e.g., website, social media, news, and newsletter) to keep publics aware of District activities.</li><li>✓ Expanded access to board and committee meetings with recordings posted on updated District YouTube channel.</li><li>✓ Continued to provide accurate and relevant information in public outreach and education programs accompanied by quick follow-up to participant questions and requests.</li><li>✓ Transparency Certificate of Excellence from the Special District Leadership Foundation (SDLF) on track for renewal.</li></ul>	<ul style="list-style-type: none"><li>▶ As the District releases various long-term planning documents, continue to make information reliably and easily accessible on the website, in newsletter, on social media, and other owned communications channels.</li><li>▶ Sustain SDLF Transparency Certificate of Excellence actions.</li><li>▶ Create simple messages in a timely manner that share facts and reinforce the safety and reliability of the water supply.</li></ul>



Strategic Business Plan	FY 2020-21 Accomplishments	FY 2021-22 Strategies
<p><b>Strategy 4.4</b> - Promote outreach and education programs</p>	<ul style="list-style-type: none"> <li>✓ Created and pilot tested a new program, West Basin Cares, a care package program that was made available to participants of the Water Lab outreach and education program. The care packages include hand sanitizer and reusable face masks to promote a healthy community.</li> <li>✓ Increased strategic program promotion through social media posts, list serve contacts and partner agencies networks.</li> <li>✓ Developed and pilot tested video clips for education program promotion and resource for activity lesson plans.</li> <li>✓ Developed and pilot tested water industry career-focused education program for high school and early college students.</li> <li>✓ Created paid advertisement in education industry publication for school district administration.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Increase paid marketing return on investment through more strategic planning and analysis with improved goals, measures, and metrics. This includes paid advertising (digital and traditional) and direct marketing.</li> <li>▶ Support West Basin’s retail customer agencies by providing brand kits to help promote West Basin programs on their platforms.</li> <li>▶ Evaluate ways to expand on media relations and standard press releases issued.</li> <li>▶ Continue to represent and promote programs at community events in partnership with the South Bay Environmental Services Center</li> </ul>



## Environmental Stewardship

Strategic Business Plan	FY 2020-21 Accomplishments	FY 2021-22 Strategies
<p><b>Strategy 5.1</b> - Ensure social environmental factors are considered in decision-making</p>	<ul style="list-style-type: none"> <li>Developed and implemented public outreach and education programs around the needs of the community (Shifting Water Lab sessions from lunchtime to weekday evenings, remained flexible using teacher Zoom accounts for school tours instead of demanding use of the District's GoToMeeting account).</li> </ul>	<ul style="list-style-type: none"> <li>Keep virtual offerings as part of broader education and outreach programming considering the environmental benefits, among others.</li> <li>Evaluate the ecological footprint and business need of the quantity and quality of the promotional items the District supplies.</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>Expanded program partnership with Roundhouse Aquarium, established new program partnership with Wildwoods Foundation</li> </ul>	<ul style="list-style-type: none"> <li>Review programs, stakeholders, and goals considering upcoming District planning documents; re-evaluate and establish improved methods for outreach and communications to achieve goals.</li> </ul>

## Performance Metrics

Metric	FY 2018-19	FY 2019-20	FY 2020-21	FY 2020-21	FY 2021-22
	Actual	Actual	Projected	Target	Target
Number of ECLWRF School Tours/Students	N/A	48 /2,081	121 / 3000	90 / 5,400	90 / 5,400
Number of Desal Demo School Tours/Students	20 / 1,127	Facility decommissioned in 2019	N/A	N/A	N/A
Number of Water Assembly Presentations/Students	31 /2,266	0	20 / 600	20 / 1,200	30 / 1,800
Number of Art Contest Classroom Presentations/ Students	41 / 1,230	0	60 / 1,468 actual	20 / 1,200	20 / 1,200
Number of Art Contest Student Submissions	526	486	439	300	450
Number of Solar Cup Teams/Students	4 teams / 78	4 teams / 87	3 teams / 40	4 teams / 80	4 teams / 80

FY 2021-22 Targets are currently under review and are anticipated to be similar to previous year efforts.



# 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 to demonstrate water efficiency to 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 2019 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. This document continues to guide water use efficiency program planning in Fiscal Year 2021-22.

West Basin continues to participate in the Metropolitan Member Agency Administered 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 2021-22.

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 2018-19</b>	<b>FY 2019-20</b>	<b>FY 2020-21</b>	<b>FY 2020-21</b>	<b>FY 2021-22</b>
<b>Actual FTE</b>	<b>Actual FTE</b>	<b>Projected FTE</b>	<b>Budget FTE</b>	<b>Budget FTE</b>
1.88	4.06	4.35	4.65	4.44



## Operating Budget

	FY 2018-19	FY 2019-20	FY 2020-21	FY 2020-21	FY 2021-22
	Actuals	Actuals	Projected	Budget	Budget
Water Use Efficiency	\$ 288,087	\$ 402,769	\$ 350,200	\$ 523,930	\$ 404,500
Program Costs Funded thru Grants	293,173	464,897	729,000	1,031,772	421,100
Labor and Benefits	369,639	759,339	865,000	926,260	897,279
Overhead	173,965	482,105	881,600	881,604	573,527
<b>Total Water Use Efficiency</b>	<b>\$1,124,864</b>	<b>\$2,109,110</b>	<b>\$2,825,800</b>	<b>\$3,363,566</b>	<b>\$2,296,406</b>

During Fiscal Year 2020-2021, 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 SB 606, 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 2021-2022, West Basin will continue its popular Rain Barrel Distribution program and promoting the Grass Replacement webinars. West Basin will continue funding the Change & Save and the Cash for Kitchens programs to maximize grant funding. In addition, West Basin has included funding to supplement Metropolitan’s \$2 per square foot grass replacement rebate program by adding on an additional \$1 per square foot to Metropolitan’s existing rebate. West Basin will focus its efforts into providing additional resources to the Ocean Friendly Gardens program to provide educational resources for residents and city agency staff.

In FY 2020-21, several of the grant funded programs for West Basin are reaching to the end of the funding period. Based on the success of these programs, West Basin is seeking ways to continue with these programs by seeking new grant opportunities, utilizing the Metropolitan allocation, and investing District funds to support these programs.



# Strategic Goals and Objectives

## Water Supply Reliability

Strategic Business Plan	FY 2020-21 Accomplishments	FY 2021-22 Strategies
<p><b>Strategy 1.2</b> - Increase supply diversification by promoting water use efficiency</p>	<ul style="list-style-type: none"> <li>✓ Developed a new Rain Barrel Home delivery program and successfully provided 1,000 rain barrels to residents.</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>✓ Hosted a successful Firescaping Webinar for Palos Verdes Peninsula residents.</li> <li>✓ Launched Phase II of the 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 Metropolitan’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 to implement and promote West Basin’s additional \$1 per square foot grass replacement rebate and Metropolitan’s \$2 per square foot rebate.</li> <li>▶ Complete the grant portions of the Change &amp; Save program and continue the program.</li> <li>▶ Complete the grant portions of the Cash for Kitchens program, and continue the program.</li> <li>▶ Continue the free Rain Barrel home delivery program.</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 2020-21 Accomplishments	FY 2021-22 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 Metropolitan 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 DWR</li></ul>	<ul style="list-style-type: none"><li>▶ Allocate \$270,000 from Metropolitan.</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 programs.</li><li>▶ Utilize funding from Metropolitan to continue funding the Cash for Kitchens, Change and Save, and Firescaping Webinars.</li></ul>



Install a “smart” sprinkler controller that determines the correct amount of water based on your plants and the weather conditions



## Customer Services

Strategic Business Plan	FY 2020-21 Accomplishments	FY 2021-22 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, webinars, and networking opportunities in partnership with the South Bay Environmental Services Center.</li><li>✓ Began transitioning the various conservation microsites to West Basin's main web page to better assist residents.</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><li>✓ Utilized West Basin's data study to develop marketing and targeting strategies for the disadvantaged communities (DAC) within West Basin's service area to increase participation.</li></ul>	<ul style="list-style-type: none"><li>▶ Represent and promote West Basin's programs at community events and webinars 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><li>▶ Continue promoting the Grass Replacement webinars offered by Metropolitan.</li><li>▶ Serve as a subject matter expert for potential future projects across the service area focusing on water efficiency.</li></ul>



## Environmental Stewardship

Strategic Business Plan	FY 2020-21 Accomplishments	FY 2021-22 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’s monthly Water Efficiency and Project Advisory Committee Meetings.</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 and represented as a newly added Board member.</li> <li>✓ Participated in West Basin’s Green Team meeting and helped launch various activities to engage and promote sustainability.</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 water efficiency devices and promotion of Grass Replacement and Firescaping webinars.</li> <li>▶ Engage commercial stakeholders to promote the Cash for Kitchen program in Green Business networks.</li> <li>▶ Continue participating in West Basin’s Green Team group to develop and implement green initiatives.</li> <li>▶ Continue representing the District as a board member on the CalWEP Board.</li> </ul>

## Performance Metrics

Metric	FY 2018-19	FY 2019-20	FY 2020-21	FY 2020-21	FY 2021-22
	Actual	Actual	Projected	Target	Target
Distribution of Rain Barrels	2,000	1,600	1,000	1,000	2,000
Change & Save Residential Surveys	N/A	500	500	500	500
Cash for Kitchens Commercial Surveys	N/A	N/A	50	150	100
Secure 25% Outside Funding for Conservation Programs	34%	25%	25%	25%	25%
Host Water Use Efficiency Classes / Webinars	3	4	5	5	5
Host Firescaping classes	1	1	1	1	2



## 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, contracting laboratory analytical services, reviewing water quality data for compliance, maintaining water quality databases, providing water quality data and relevant information distributed from Metropolitan Water District, and providing data to assist purveyors with triennial Public Health Goals report, in addition to the preparation of annual Consumer Confidence Reports. 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 2018-19	FY 2019-20	FY 2020-21	FY 2020-21	FY 2021-22
Actual FTE	Actual FTE	Projected FTE	Budget FTE	Budget FTE
0.04	0.07	0.05	0.11	0.10

### Operating Budget

	FY 2018-19	FY 2019-20	FY 2020-21	FY 2020-21	FY 2021-22
	Actuals	Actuals	Projected	Budget	Budget
Monitoring Program	\$ 18,002	\$ 18,433	\$ 6,800	\$ 21,700	\$ 2,515
Labor and Benefits	6,668	9,083	8,040	13,640	15,923
Overhead	3,723	8,223	6,600	16,212	10,730
<b>Total Water Quality Monitoring</b>	<b>\$ 28,393</b>	<b>\$ 35,739</b>	<b>\$ 21,440</b>	<b>\$ 51,552</b>	<b>\$ 29,168</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. Participating retailers reimburse West Basin for sampling and analytical costs.



# Strategic Goals and Objectives

## Water Quality

Strategic Business Plan	FY 2020-21 Accomplishments	FY 2021-22 Strategies
<p><b>Strategy 3.3</b> - Meet permit and contractual water quality requirements</p>	<ul style="list-style-type: none"> <li>✓ Completed all water quality sampling, scheduling, and analyses required to comply with Federal Safe Drinking Water Act and California Title 22 Drinking Water regulations such as analyses of all inorganic, organic, and radioactive compounds through coordination with laboratories, participating retailers, and regulators.</li> <li>✓ Completed annual consumer confidence water quality reports for participating retailers as required by the Department of Drinking Water for public water systems.</li> <li>✓ Completed coordination for UCMR 4 sampling and analyses for participating retailers and ensured reporting to EPA was completed successfully.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Complete all water quality sampling, scheduling, and analyses required to comply with Federal Safe Drinking Water Act and California Title 22 Drinking Water regulations such as analyses of all inorganic, organic, and radioactive compounds through coordination with laboratories, participating retailers, and regulators.</li> <li>▶ Complete annual consumer confidence water quality reports for participating retailers as required by the Department of Drinking Water for public water systems.</li> <li>▶ Gather information as it becomes available to prepare for UCMR 5.</li> <li>▶ Solicit and obtain new commercial lab contract.</li> </ul>



## Environmental Stewardship

Strategic Business Plan	FY 2020-21 Accomplishments	FY 2021-22 Strategies
<p><b>Strategy 4.2</b> - Ensure client and customer agency satisfaction</p>	<ul style="list-style-type: none"> <li>☑ Worked with purveyors to complete sampling, analyses, and reporting required by the EPA for the UCMR program.</li> <li>☑ Shared information with purveyors to increase awareness about relevant webinars and learning opportunities.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Work with purveyors to increase awareness about upcoming UCMR 5 as more information becomes available.</li> <li>▶ Engage purveyors with relevant webinars or workshops.</li> </ul>

## Performance Metrics

Metric	FY 2018-19	FY 2019-20	FY 2020-21	FY 2020-21	FY 2021-22
	Actual	Actual	Projected	Target	Target
Bill Purveyors on time	Met	Met	Meet	Meet	Meet
Meet with customers on an annual/ quarterly basis	Met	Met	Meet	Meet	Meet





SECTION EIGHT

# **SUPPLEMENTAL INFORMATION**





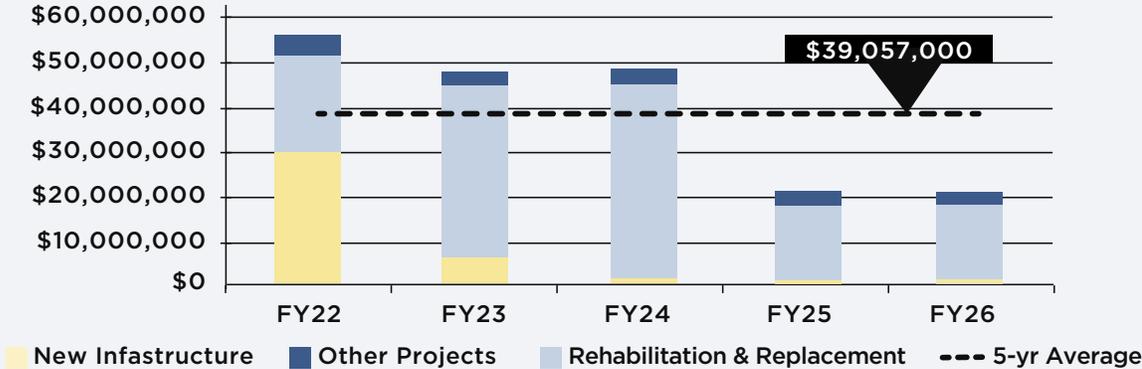
# Capital Improvement Program (CIP)

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), which includes three major components: New Infrastructure projects, Rehabilitation & Replacement (R&R) projects, and Other projects, is designed to support the District’s strategic business plan objectives. West Basin’s existing capital assets include multiple water recycling facilities, a recycled water distribution system, brackish groundwater desalter facilities, as well as West Basin’s Donald L. Dear headquarters building.

West Basin’s comprehensive master planning document serves as a roadmap for the implementation of the CIP, and allows West Basin to effectively plan for changing water supply, demand, and regulatory conditions over a 20-year planning horizon. West Basin’s long-term master planning efforts aim to identify 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 local sources of water supply

To effectively prioritize, sequence, and plan for near-term capital projects, a more detailed 5-year forecast of CIP expenditures is developed, and updated annually as part of West Basin’s budgeting process. The graph below shows the anticipated annual CIP expenditures for fiscal years 2021-22 through 2025-26. Anticipated CIP expenditures over the next five fiscal years are estimated to total over \$200 Million.



## Personnel - Full Time Equivalent (FTE)

FY 2018-19	FY 2019-20	FY 2020-21	FY 2020-21	FY 2021-22
Actual FTE	Actual FTE	Projected FTE	Budget FTE	Budget FTE
15.22	6.11	6.11	8.10	9.26



The following table depicts the funding sources that will be used to pay for the anticipated CIP projects for the next 5-years.

### Capital Project Funding (Shown in Millions)

	PAYGO	Commercial Paper	SWRCB Loan/Grant	External Funding/Grants	Total
FY 21/22	\$14,602	\$10,518	\$22,056	\$12,514	\$59,690
FY 22/23	\$20,370	\$21,349	\$3,065	\$4,611	\$49,395
FY 23/24	\$17,951	\$30,400	\$0	\$0	\$48,351
FY 24/25	\$17,579	\$4,079	\$0	\$0	\$21,658
FY 25/26	\$18,785	\$2,825	\$0	\$0	\$21,610
5-Year Total	\$89,223	\$81,314	\$21,121	\$9,046	\$200,704

### 2021 Recycled Water Master Plan

West Basin is committed to maximizing recycled water production in the region through existing and new infrastructure, and increasing local, droughtproof supplies. Renewed master planning efforts helps West Basin evaluate paths towards achieving this goal. In March 2021, West Basin presented findings of its latest master planning efforts. The 2021 Recycled Water Master Plan (RWMP), which will serve as a planning guide for the next 20-years, identified potential projects to expand recycled water use in the region, and refurbish existing facilities within a prioritized R&R program. The RWMP evaluated maximizing recycled water production and conveyance through available capacity within West Basin's existing infrastructure; and identified opportunities to increase system optimization and reliability. To successfully meet these objectives, the development of RWMP was conducted in collaboration with the surrounding community and interested stakeholders, and in consideration of upcoming known and potential future regulations impacting the use of recycled water

The RWMP is not meant to be a static document, and findings of the RWMP is still under consideration and discussion with the Board. It will be important for West Basin to regularly reevaluate key master plan findings, and utilize the tools developed as part of 2021 RWMP to update them.



## Recycled Water Master Plan Process

Recycled Water Market Assessment

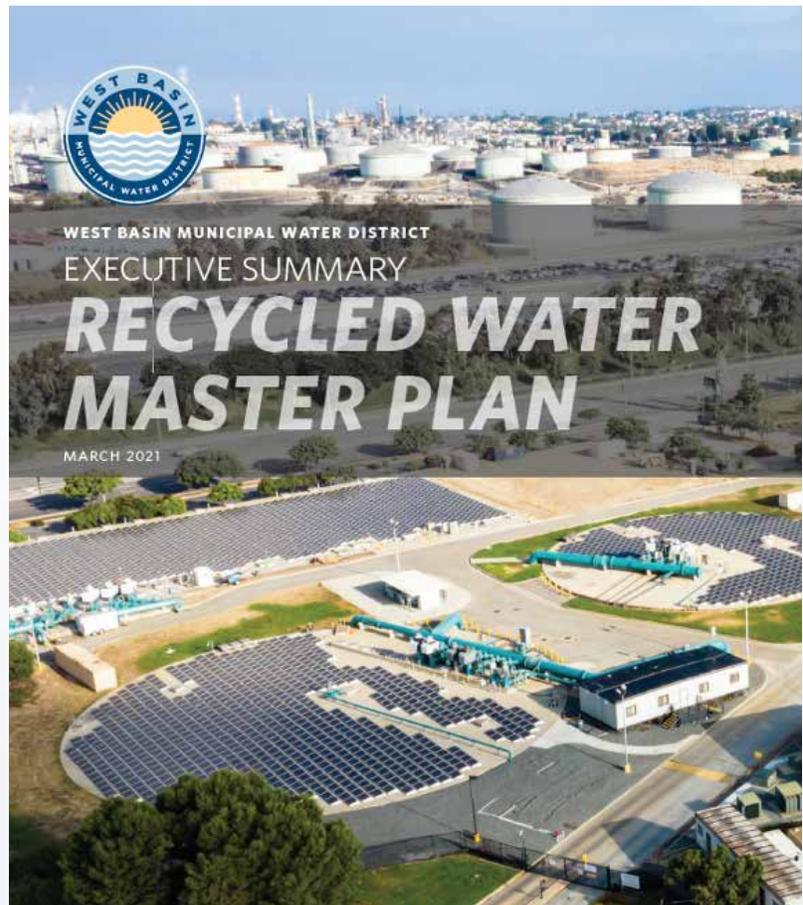
Treatment Plant Evaluations

Hydraulic Model Update

Existing and Future System Evaluations

Capital Improvement Program

Road Map for Potential Expansion and Next Steps



## 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.

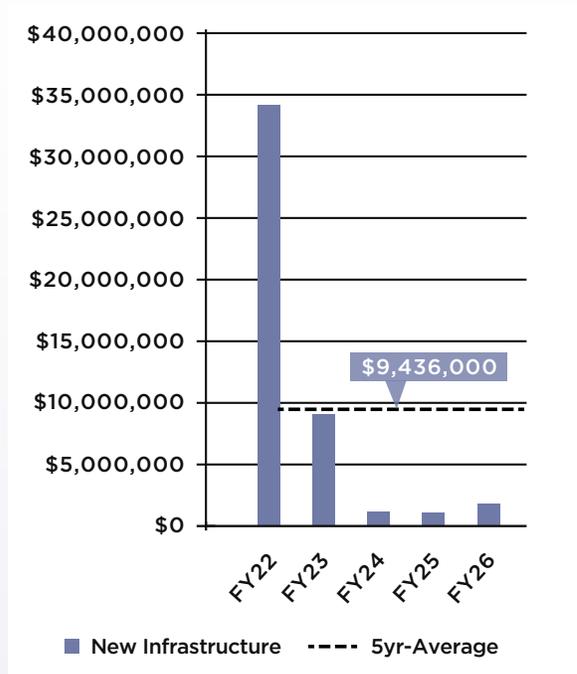


## Summary of the new infrastructure:

The summary table below lists the new infrastructure projects, and the amount anticipated to be spent for each project in FY 2021-22.

Project	FY 21/22 Budget*
JMMCRWRP Phase II CEMF	\$22,056,000
ECL WRF Title 22 Converted Filter Booster Pump	\$1,930,000
Inglewood Disinfection Station	\$78,000
Palos Verdes Recycled Water Pipeline	\$9,301,000
Kenneth Hahn Park Recycled Water Pipeline	\$300,000
North Gardena & Mills Park Laterals	\$53,000
Other Pipelines & Customer Service Connections	\$208,000
<b>Total</b>	<b>\$33,926,000</b>

\* Rounded to nearest \$1,000



## Project Detail on Major Projects and the Operating Impacts

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

Project	JMMCRWRP Phase II Expansion CEMF		
Location(s)	Carson Facility		
FY21/22 Budget	\$22,055,621	Total Budget	\$25,414,583

**Project Description:** The JMMCRWRP Phase II Expansion project includes the construction of a customize engineered microfiltration system (CEMF) that will increase water supply capacity of microfiltration processes, and improve system operability and reliability at the JMMCRWRP.

**Project Funding:** West Basin has been able to secure through the California Water Resources Control Board a low-interest loan and approximately \$8 million grant for total funding around \$23 million, and a contribution from an investor-owned utility up to \$4 million. The \$12 million in external funding defray the costs to build this project.

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

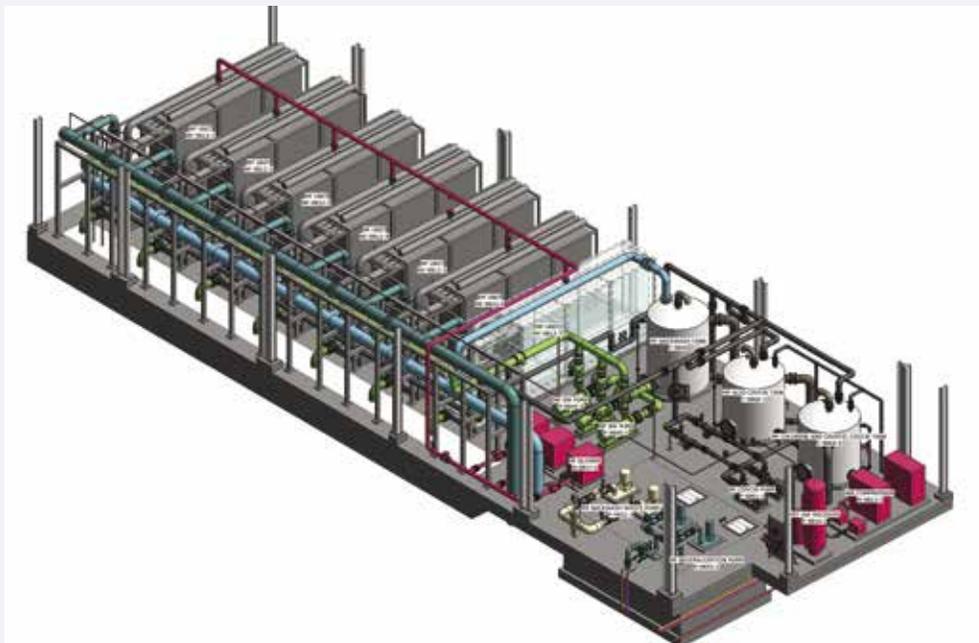
**Planned work for FY2021-22:** Construction

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

### Operating Impacts:

Increase in AFY sold: 600

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





Project	Palos Verdes Recycled Water Pipeline Project		
Location(s)	Distribution System		
FY21/22 Budget	\$9,300,962	Total Budget	\$12,855,032

**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.

**Project Funding:** Through the Integrated Regional Water Management Plan, West Basin has secured a \$2,045,536 Proposition 84 grant. Contributions from an investor-owned utility of up to \$2,500,000, and another of \$500,000 from an end user are also included. The \$5 million in external funding partially defrays the costs to build this important project for the region. West Basin intends to fund the balance of the project through the use of its commercial paper program.

**Justification of Project:** Increases recycled water use by approximately 240 acre-feet per year through construction of new pipelines and booster pump station.

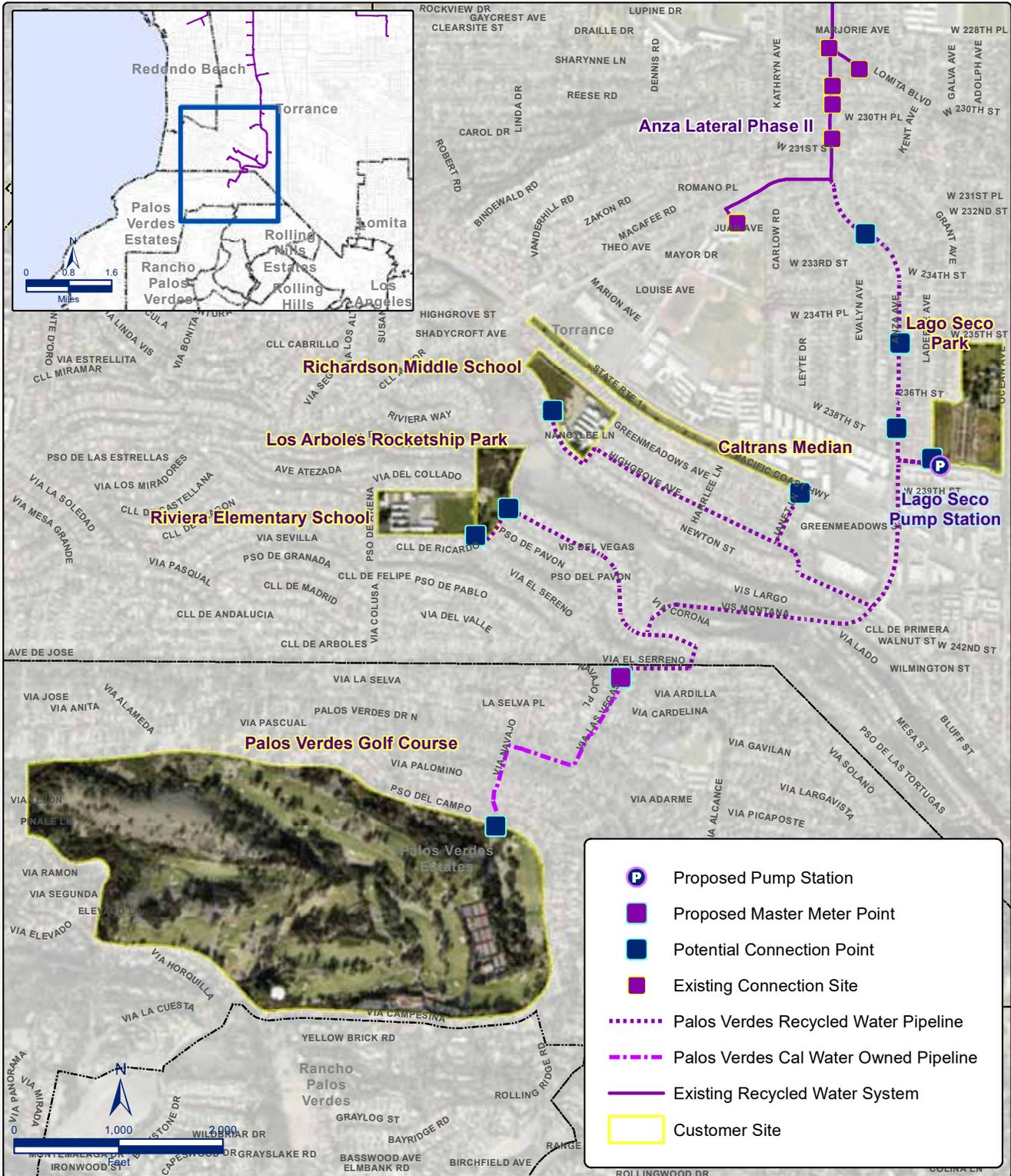
**Planned work for FY 2021-22:** Construction.

Project Schedule:	Start Date:	Completion Date:
Design	In Progress	October, 2021
Construction	November, 2021	November, 2022

**Operating Impacts:**

Increase in AFY sold: 240

Increase in Annual Operation and Maintenance Cost: \$4,000



Document Path: G:\2020 Requests\Maps\Govex\Exhibit\_PVGolfCourse.mxd

The balance of the new infrastructure projects for FY 2021-22 are intended to be funded with PAYGO funding.



## Rehabilitation & Replacement Program

Phase 1 construction of West Basin’s recycled water treatment and distribution systems was complete in 1995. With aging infrastructure, the 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.

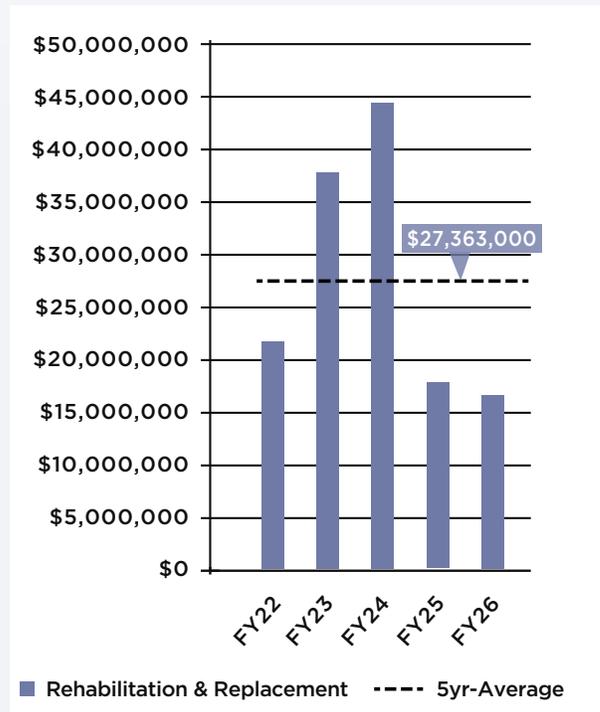
West Basin periodically conducts equipment assessments of its recycled water facilities to determine the condition of the equipment, and develop R&R project plans. The R&R projects are continuously prioritized, planned, and implemented by West Basin with the goal of maintaining service to its customers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

Below is the summary table that shows the R&R projects and the amount anticipated to be spent for each project in FY 2021-22.

Project	FY 21/22 Budget*
Distribution System Cathodic Protection	\$6,675,000
Chevron Nitrification tank	\$2,817,000
Satellite Plant Chemical Containment	\$2,419,000
Membrane Replacements	\$1,430,000
ECLWRF Solids Handling	\$1,030,000
Barrier Basin and Pump Station	\$867,000
Other R&R Projects	\$6,221,000
<b>Total</b>	<b>\$21,459,000</b>

\* Rounded to nearest \$1,000





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

Project	RW Distribution System Cathodic Protection Project		
Location(s)	Recycled Water Distribution System		
FY2021-22 Budget	\$6,675,113	Total Budget	\$9,894,062

**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 FY21/22:** Final Design and Construction

Project Schedule:	Start Date:	Completion Date:
Construction	March, 2021	February, 2022

**Operating Impacts:**

Increase in AF sold: N/A

Increase in Annual Operation and Maintenance Cost: Not significant

Project	Chevron Nitrification Tank		
Location(s)	ECLWRF		
FY2021/22 Budget	\$2,817,648	Total Budget	\$3,619,604

**Project Description:** The project will replace or rehabilitate the tank by replacing compromised roof plates, support beams, and appurtenances to maintain tank integrity and maximize tank life.

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

**Planned work for FY21/22:** Final Design and construction.

Project Schedule:	Start Date:	Completion Date:
Design	In Progress	October, 2021
Construction	November, 2021	November, 2022

**Operating Impacts:**

Increase in AF sold: N/A

Increase in Annual Operation and Maintenance Cost: Not significant



Project		Satellite Plant Chemical Containment	
Location(s)	All Satellites		
FY 2021-22 Budget	\$2,418,780	Total Budget	\$3,470,000

**Project Description:** The project will provide chemical containment systems to contain spills and provide regulatory compliances. .

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

**Planned work for FY 2021-22:** Design and Construction

Project Schedule:	Start Date:	Completion Date:
Design	August, 2020	July, 2022
Construction	August, 2020	August, 2022

**Operating Impacts:**

Increase in AF sold: N/A

Increase in Annual Operation and Maintenance Cost: Not significant

**Project Funding:** Overall, R&R projects are intended to be funded with a mix of PAYGO funding for projects with shorter useful lives. Projects that have a 15-20 year live are intended to be fund with the use of debt such as the District’s commercial paper line. Over the five-year horizon, the anticipated use of debt proceeds is approximately \$68 million. As projects are approved by the Board in future years, the District will re-evaluate the funding source to ensure that the lowest cost to fund the project is utilized.

## Other Projects

West Basin has a number of capital projects that support it’s efforts in evaluating ocean water desalination, 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.

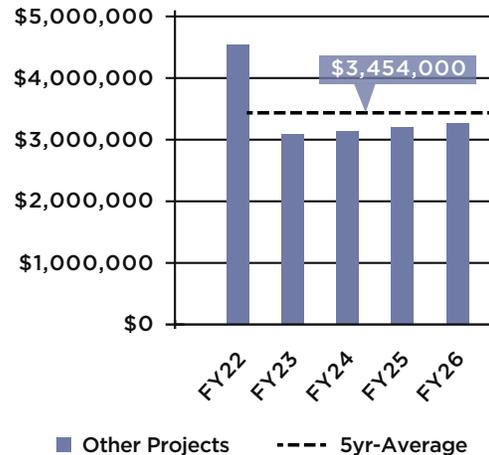


### Summary of the Other Projects

Below is the summary table to show the projects in this category and the amount to be spent on each project in FT 2021-22.

Project	FY 21/22 Budget*
Ocean Water Desalination Project	\$41,000
DLD Building Projects	\$825,000
IT Projects	\$860,000
CIP Labor	\$2,578,000
<b>Total</b>	<b>\$4,304,000</b>

\* Rounded to nearest \$1,000



### Project Detail on near-term Other Projects and the Operating Impacts

Project	West Basin Project Administration		
Location(s)	All Facilities		
FY 2021-22 Budget	\$2,578,000	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.

**Project Funding:** These costs are intended to be funded with a mix of PAYGO funding and debt and will align to the way the project costs stated above are intended to be used.

**Planned work for FY 2021-22:** Labor and benefit costs will be allocated to the capital projects at each month-end.



# Strategic Goals and Objectives

## Water Supply Reliability

Strategic Business Plan	FY 2020-21 Accomplishments	FY 2021-22 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 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 Hollywood Park Casino and the Dominguez Channel Bike Path.</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 construction phase of the JMMCRWRF Phase II expansion of facilities to improve reliability and increase production.</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 Cost Benefit Analysis to evaluate the potential impacts on water rates.</li> </ul>	



## Sound Financial and Resource Management

Strategic Business Plan	FY 2020-21 Accomplishments	FY 2021-22 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>▶ Complete 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> </ul>	<ul style="list-style-type: none"> <li>▶ Complete rehabilitation of ECLWRF's chlorine contact basin.</li> <li>▶ Complete replacement of the Chevron Nitrification tank.</li> <li>▶ Complete phased rehabilitation of the satellite plant's chemical systems.</li> </ul>



Strategic Business Plan	FY 2020-21 Accomplishments	FY 2021-22 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 21 of 30 new recycled water sites connections for irrigation uses, including several retail and residential developments within the LA Stadium and Entertainment District.</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>▶ 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>✓ Initiated audit of distributed control system (DCS) facilities and plan for to replace or upgrade system with newer technology that will improve redundancy, communication, data gathering and analysis.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Begin DCS facility replacement program</li> </ul>

## Water Quality

Strategic Business Plan	FY 2020-21 Accomplishments	FY 2021-22 Strategies
<p><b>Strategy 3.1</b> - Achieve and maintain recycled water client satisfaction</p>	<ul style="list-style-type: none"> <li>✓ Completed bidding phase of the JMMCRWRF Phase II Expansion Project.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Complete final design and begin construction of the Palos Verdes Recycled Water Pipeline Project to deliver RW to the Palos Verdes Golf Course.</li> </ul>
<p><b>Strategy 3.3</b> - Meet permit and contractual water quality requirements</p>	<ul style="list-style-type: none"> <li>✓ Completed construction of the Chlorine Contact Basin Rehabilitation Project to ensure adequate chlorine contact time for disinfected tertiary recycled water.</li> </ul>	





SECTION NINE

# **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

**CEMF** - Custom Engineered Microfiltration

**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

**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

**RWMP** - Recycled Water Master Plan

**SB** - Senate Bill

**SOFR** - Secured Overnight Financing Rate

**SRF** - State Revolving Fund

**UCMR** - Unregulated Contaminant Monitoring Rule

**USBR** - United State Bureau of Reclamation

**UWMP** - Urban Water Management Plan

**WRD** - Water Replenishment District

**WSCP** - Water Shortage Contingency Plan



## 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.

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

**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 Metropolitan 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 (JMMCRWRF)** – A satellite recycling plant in Carson, California.

**London Interbank Offered Rate (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 Metropolitan that provides financial assistance to member agencies and local water purveyors who make beneficial use of treated wastewater.

**Metropolitan Water District of Southern California (Metropolitan)** – Metropolitan 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.

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

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

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

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

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

**Metropolitan's Water Stewardship Rate** – Recovers the costs of Metropolitan'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.

**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.

**Recycled Water Master Plan** – A report that serves as a planning guide for the next 20-years to identify potential projects to expand recycled water use and refurbish existing facilities within a prioritized program.

**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.

**Secured Overnight Financing Rate (SOFR)** – An influential interest rate that banks use to price U.S. dollar-denominated derivatives and loans .

**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.

**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.

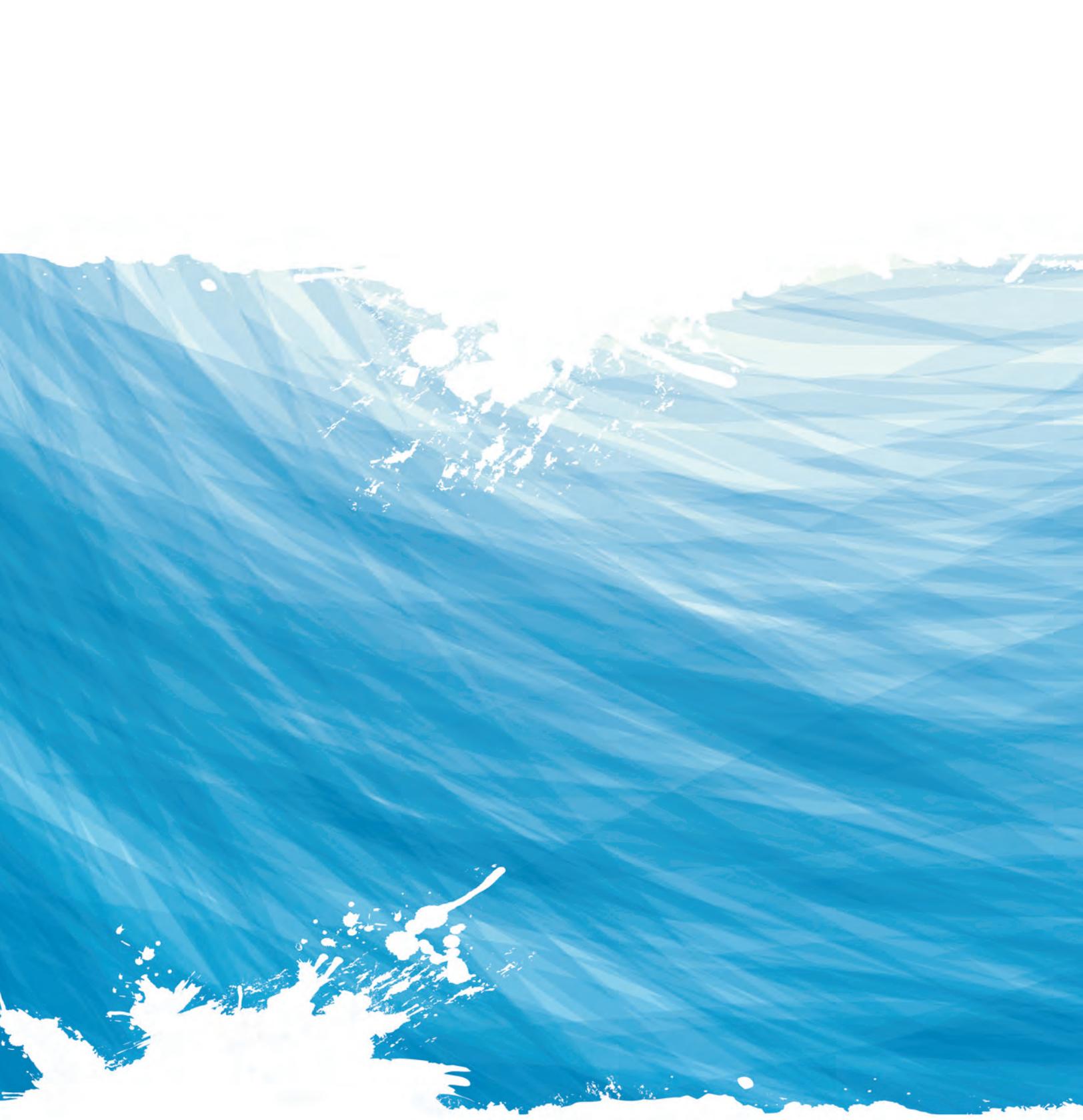
**Water Reliability Program (WR)** – A program to decrease dependence on imported water through water recycling, conservation programs and by examining the feasibility of an ocean water desalination facility that can deliver 20 million gallons per day of drinking water to the service area.

**Water Replenishment District (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.

**Water Shortage Contingency Plan (WSCP)** – A strategic planning documented designed to prepared for and respond to water shortages. California Water Code Section 10632, requires every urban water supplier prepare and adopt a WSCP as part of its urban UWMP.







## **WEST BASIN MUNICIPAL WATER DISTRICT**

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