



Central Basin Municipal Water District
Fiscal Year 2013-2014
Budget and Rates
Workshop
May 10, 2013

Presentation Overview

- Budget Timeline
- FY 2013 District Highlights
- FY 2014 Budget Objectives
- FY 2014 Operating Revenues and Expenses
- Water Sales Assumptions
- FY 2014 Rates
- Personnel
- FY 2014 Capital Improvement Plan Budget

Budget Timeline

Budget Workshops

- Board of Directors Workshop - May 10, 2013
- Board of Directors Workshop - June 7, 2013 Tentative

Budget Adoption

- Board Meeting – June 24, 2013



Central Basin
Municipal Water District

FY 2013 Highlights

FY 2013 Highlights

- Two new board members (Division I and Division IV)
- Installation event at Central Basin headquarters for elected board members
- Appointment of General Manager
- Hiring of Finance Director
- Reviewed contracts consistent with Board direction and reduced consultants' costs for FY 2013 by approximately \$171,000

FY 2013 Highlights (continued)

- Rio Hondo Pump Station Project Improvements - Successful installation of recycled water surge tank
- Recycled Water Facilities Plan Update
- Recycled Water Operations and Maintenance Manual completed
- Recycled Water Connections – (331 AFY estimated sales)
 - Air Products and Chemicals (June 2013)
 - City of Paramount - Fitness Park (Salud Park)
 - Paramount High School
 - Riverview Park

FY 2013 Highlights (continued)

- Implementation and successful transition of new financial management system (FMS)
 - Contract and Procurement
 - Financials
 - Utility billing
 - Payroll and Human Resources
 - Budgeting and Fixed Assets
- Geographical Information System (GIS) – Implementation of an Enterprise GIS server with a customized application to enhance the use and effectiveness of the District's GIS data sets
- Emergency Operating Center (EOC) - Offsite data recovery location in Henderson, NV in case of a natural disaster

FY 2013 Highlights (continued)

- District continues to have no unfunded liability for Other Post Employment Benefits (OPEB)
- 34,000 students participated in Central Basin education programs
- Development and implementation of the District's Strategic Outreach Plan
- Completion of demonstration gardens, one in each division
- Expanded the District's outreach through use of social media



Central Basin
Municipal Water District

FY 2014 Budget Objectives

Major Budget Objectives for 2014

- Increase transparency by charging payroll and benefits directly to each department
- Provide sufficient operating revenue to sustain optimal delivery of water within the District service area
- Provide sufficient minimum internal reserve fund requirements
- Protect the District's credit rating

Major Budget Objectives for FY 2014 (continued)

- Mitigate reliance on replenishment sales
- Defeasance (early retirement) of 2003 Certificates of Participation (COP) by June 30, 2013 resulting in improved debt coverage ratio for FY 2014 and beyond
 - *Estimated debt coverage ratio of 1.59 in FY 2014 after defeasance of 2003 COPs*

FY 2013 Defeasance (Early Retirement) of 2003 COP Benefits for FY 2014 and Beyond

- Interest rate on 2003 COP is scheduled to increase to 5% beginning 8/1/13
- Defeasance (Early Retirement):
 - Reduces annual interest expense by average of \$98K through FY 2017;
 - Improves District's debt coverage ratio on remaining COPs;
 - Mitigates reliance on future replenishment water sales to meet debt coverage goals; and
 - Provides additional bonding capacity in the future.



Central Basin
Municipal Water District

Discussion of FY 2014 Operating Revenues and Expenses (See Handout)

Reserve Funds

| | Projected 2012-13 | Proposed 2013-14 | Change |
|-------------------------------------|----------------------|---------------------|-----------------------|
| Beginning Unrestricted Reserves | \$ 22,774,078 | \$ 14,468,898 | \$ (8,305,180) |
| Net Revenue | 1,751,203 | 2,420,674 | 669,471 |
| Capital Projects* | (1,500,000) | (5,569,800) | (4,069,800) |
| Debt Service | (6,043,383) | (3,427,564) | 2,615,819 |
| 2003 COP Defeasances | (2,513,000) | - | |
| | | | |
| Ending Unrestricted Reserves | \$ 14,468,898 | \$ 7,892,209 | \$ (6,576,690) |

* Capital Project expenditures are subject to Board approval



Central Basin
Municipal Water District

Water Sales Assumptions

Water Sales Assumptions

- FY 2013-2014 Assumed deliveries of:
 - 38,200 AF of MWD treated water
 - Assume 2,300 AF of MWD untreated water (replenishment)
 - 5,300 AF of recycled water
 - 2,500 AF of WQPP water



Central Basin
Municipal Water District

FY 2014 Rates

MWD Water Rates

On April 10, 2012, MWD approved a two-year budget that included:

- **5.0% increase** in Tier 1 commodity rate effective January 1, 2014 (\$847 / AF increasing to \$890 / AF)
- **54% increase** in Readiness-to-Serve (RTS) charge to Central Basin effective January 1, 2014 (\$117,101 / mo. increasing to \$179,923 / mo.)
- **34% Capacity Charge increase** effective January 1, 2014

Central Basin Water Rates

**90% of the Central Basin Imported Water Rate is
MWD Charges**



Central Basin Proposed Imported Water Rates

- Central Basin Administrative Surcharge on imported water proposed to be increased \$4 per Acre Foot
- Last increase was two years ago FY 2011-12
- Proposed increase represents a 5.7% escalation from FY 2011 Admin Surcharge
 - MWD rate increased 12.1% over same period
- Central Basin Infrastructure Surcharge will **NOT** be increased

Central Basin Proposed Water Charges

- No increase in Water Meter Service Charge
- Decrease of \$600 per cfs (cubic feet per second) in Capacity Charge
- Pass-through of all MWD rate and charge increases including commodity charges and RTS

Proposed Central Basin Imported Water Rates

Imported Water Rate Per Acre Foot (AF)- Tier 1

| | Current | 7/1/2013 | 1/1/2014 |
|-----------------------------|---------------------|---------------------|-----------------------|
| MWD Commodity | \$847 | \$847 | \$890 |
| MWD RTS | \$30 | \$50 | \$58 |
| MWD Total | <u>\$877</u> | <u>\$897</u> | <u>\$948</u> |
| | | | |
| CB Admin Surcharge | \$70 | \$74 | \$74 |
| CB Infrastructure Surcharge | \$20 | \$20 | \$20 |
| CB Total | <u>\$90</u> | <u>\$94</u> | <u>\$94</u> |
| | | | |
| MWD & CB Total | <u>\$967</u> | <u>\$991</u> | <u>\$1,042</u> |

- The MWD Tier 1 Commodity Rate will increase to \$890 and the RTS to \$58 on January 1, 2014.
- The District Administrative Surcharge will increase to \$74 on July 1, 2013.

Proposed Central Basin Imported Water Rates

Imported Water Rate Per Acre Foot (AF) - Tier 2

| | Current | 7/1/2013 | 1/1/2014 |
|-----------------------------|-----------------------|-----------------------|-----------------------|
| MWD Commodity | \$997 | \$997 | \$1,032 |
| MWD RTS | \$30 | \$50 | \$58 |
| MWD Total | <u>\$1,027</u> | <u>\$1,047</u> | <u>\$1,090</u> |
| | | | |
| CB Admin Surcharge | \$70 | \$74 | \$74 |
| CB Infrastructure Surcharge | \$20 | \$20 | \$20 |
| CB Total | <u>\$90</u> | <u>\$94</u> | <u>\$94</u> |
| | | | |
| MWD & CB Total | <u>\$1,117</u> | <u>\$1,141</u> | <u>\$1,184</u> |

- The MWD Tier 2 Commodity Rate will increase to \$1,032 and the RTS to \$58 on January 1, 2014.
- The District Administrative Surcharge will increase to \$74 on July 1, 2013.

Central Basin Recycled Water Rates

- Proposed increased of \$4 per acre foot to Recycled Water Rate
- Last increase was two years ago FY 2011-12
- Increase represents less than 1% for first 0-50 AF within the District service area

Proposed Recycled Water Rates

Proposed Rates per Acre Foot (AF)- Effective July 1, 2013
Reflects increase of \$4 per AF over FY 2013

| Acre Feet | CB Service Area | Malburg Generating Station | Outside of CB Service Area |
|-----------|-----------------|----------------------------|----------------------------|
| 0 - 25 | \$540 | \$390 | \$562 |
| 25 - 50 | \$540 | \$363 | \$562 |
| 50 - 100 | \$492 | \$336 | \$513 |
| 100 + | \$492 | \$309 | \$513 |

- Malburg Generating Station is a contracted rate and will increase 3% annually as allowed by contract.



Central Basin
Municipal Water District

Personnel

Personnel FY 2014

- Among 15 southern California water agencies surveyed in 2012, Central Basin's salary structure is on average 28 percent lower than other agencies
- Per District policy, no Cost of Living Adjustment (COLA)
- 4% merit increase pool has been budgeted for fiscal year
- 21.5 FTEs budgeted for next fiscal year with one current vacancy

Personnel FY 2014 (continued)

- District continues to have no unfunded liability for Other Post Employment Benefits (OPEB)
- Projected 15% increase budgeted for anticipated rising health care costs
- Changes in CalPERS contributions are reflected in budget
 - Increase of less than 1% for employer contributions
 - Employer savings for new employees that fall under the new Public Employee Pension Reform Act of 2013 (PEPRA)



Central Basin
Municipal Water District

Discussion of FY 2014 Capital Improvement Plan

Capital Improvement Plan (CIP) Objectives

- Create jobs within the District service area
- Promote conservation (water and energy)
- Expand the use of Recycled Water
- Continue Recycled Water facility improvements
- Provide for ongoing system upgrades/replacements
- Total CIP: \$5.6 million (net) for FY 2014



Capital Improvement Plan

| Project | Approved 2012-13 | Proposed 2013-14 |
|---|---------------------|---------------------|
| Total Water Resources Projects (WQPP) | \$ 170,000 | \$ - |
| Total Recycled Water Facilities Projects | | |
| District Funded Projects | 1,450,000 | 3,380,000 |
| Grant Funded Projects | 3,000,000 | 4,100,000 |
| Potential Grants | | (2,000,000) |
| Reimbursable Projects | 2,200,000 | 2,885,000 |
| Reimbursement | | (2,885,000) |
| Total Building and Software improvements | 100,000 | 89,800 |
| Total CIP Projects (net of grants and cost reimbursements) | \$ 6,920,000 | \$ 5,569,800 |

Budget Communication

All budget documents (meeting agenda, draft budget worksheets, proposed rate schedule) can be downloaded from:

www.centralbasin.org

- Latest News
- Fiscal Year 2013-14 Budget Workshop
- Board Agenda



Central Basin
Municipal Water District

Central Basin Municipal Water District

Fiscal Year 2013-14

Budget and Rates

Purveyor Workshop

June 10th, 2013



Budget Timeline

Budget Workshops

- 1st Board of Directors Workshop - May 10th, 2013
- Purveyor Workshop – June 10th, 2013
- 3rd Board of Directors Workshop - June 19th, 2013

Budget Adoption

- Board Meeting – June 24th, 2013



Budget Communication

All budget documents (meeting agenda, draft budget worksheets, proposed rate schedule,) can be downloaded from:

www.centralbasin.org

- Latest News
- Fiscal Year 2013-14 Budget Workshop
- Board Agenda



Central Basin
Municipal Water District

FY 2014 Budget Objectives



Major Budget Objectives for 2014

- Increase Transparency-
 - Show total operating costs of each independent operating department
 - Eliminate “Overhead” allocations
 - Present CIP and Grant allocations separate of department costs
- Based on Conservative Projections for Prudent Planning
 - Evaluated and re-evaluated against historical experience and current conditions
 - Operates on assumption of minimal replenishment sales (2,300 AF)
 - Reduced interest and investments earnings expectations
 - Reasonable allowance for legal expenses



Major Budget Objectives for FY 2014 (continued)

- Protect District Reserves-
 - Eliminate \$1.2 million structural deficit
- Protect the District's Credit Rating
 - Through Defeasance in FY13 & Expense Reductions in FY14
 - Achieved a Projected Debt Coverage Ratio of 1.55



Major Budget Objectives for FY 2014 (continued)

- Reflected Responsibility to Constituents
 - Minimal \$183,200 revenue increase from rates (5.7%)
 - Reduced \$836,443 from non-grant operating expenses (-8.9%) since first budget
 - *Sharp reduction in contracts (\$625,700)*
 - *Reduction in Outreach (\$58,000)*
 - *Includes frozen merit pay increases (\$47,800)*
 - *Reduction in supplies and travel (\$15,120)*
 - *Deferred maintenance (\$12,500)*
 - *Other Operating (\$77,323)*
 - Reduced Personnel costs below FY 12-13 projections



The Big Picture

-Projected Ending Unrestricted Reserve Balance

- FY 12-13

- Prior to Defeasance- \$18.3 million
- After Defeasance- \$14.4 million

- FY 13-14

- Proposed Budget
 - May 10th 2013- \$7.8 million*
 - June 7th 2013- \$11.4 million**
- Increase of \$3.6 million to reserve balance

* Includes \$5.6 million in CIP costs subject to Board approval

** Includes \$2.7 million in CIP costs subject to Board approval



Revenues

| Revenues | 2012/13 Projected Actual | 2013/14 Revised Budget | Change | Variance |
|--------------------------------|--------------------------------|------------------------------|----------|----------|
| Net Water Sales | 6,410,222 | 6,905,163 | 494,941 | 7.7% |
| Water Service Charge | 895,896 | 895,896 | 0 | 0.0% |
| Standby Charge | 3,274,000 | 3,194,133 | (79,867) | -2.4% |
| LRP Rebate | 1,220,975 | 1,325,000 | 104,025 | 8.5% |
| Proposed Surcharge Increase | 0 | 183,200 | 183,200 | |
| Total Net Revenue | 11,801,093 | 12,503,392 | 702,299 | 6.0% |



Debt Coverage

| | 2012/13 Projected Actual | 2013/14 Revised Budget | Change | Variance |
|------------------------|--------------------------------|------------------------------|-------------------|----------|
| Net Operating Revenue* | 1,394,523 | 498,563 | (895,960) | -64.2% |
| Non-Operating Revenue | <u>3,396,700</u> | <u>4,876,883</u> | <u>1,480,183,</u> | 43.6% |
| Net Revenue | 4,791,223 | 5,375,446 | 584,223 | 12.2% |
| | | | | |
| Debt Service | 4,759,730 | 3,496,641 | (1,263,089) | -27.6% |
| Less Interest Earnings | <u>(64,000)</u> | <u>(29,000)</u> | <u>(35,000)</u> | -54.7% |
| Net Debt Service | 4,695,730 | 3,467,641 | (1,228,089) | -26.2% |
| | | | | |
| Debt Coverage Ratio | 1.02 | 1.55 | .53 | 52.0% |

* Does not include Legal or Public Affairs cost per debt covenants



Central Basin
Municipal Water District

FY 2014

Budget Revisions

The following tables reflect cuts made to proposed **Departmental** and line item **Expense** budgets since the May 10, 2013 Workshop

Cuts reflect goal of reducing negative impact on District reserves while still providing base level services



Departmental Expense Comparison

| Departments | FY 2014 5.10.13 Proposed Budget | FY 2014 6.7.13 Proposed Budget | Change |
|---|---------------------------------------|--------------------------------------|----------------------------|
| District Administration | \$ 1,384,085 | \$ 1,237,878 | \$ (146,207) |
| Finance & Support | 779,359 | 897,823 | 118,464 (1) |
| Human Resources | 512,466 | 567,476 | 55,010 (2) |
| Building & IT | 802,614 | 756,735 | (45,879) |
| Legal | 500,000 | 500,000 | - |
| Public Affairs | 1,939,824 | 1,706,716 | (233,108) (3) |
| Water Recycling O & M | 3,337,292 | 2,646,772 | (690,520) |
| Water Resource & Planning | 401,717 | 507,512 | 105,796 (4) |
| WQPP Operation | 622,500 | 622,500 | - |
| Grants | | | |
| Dept of Energy Block Grant Program | - | 1,000,000 | 1,000,000 |
| Other Conservation Grant Programs | 574,000 | 574,000 | - |
| Total Grant Expenses | 574,000 | 1,574,000 | 1,000,000 |
| Total Operating Expenses | <u>10,853,855</u> | <u>11,017,412</u> | <u>163,557</u> |
| Total Non-Grant Operating Expenses | <u>\$ 10,279,855</u> | <u>\$ 9,443,412</u> | <u>\$ (836,443)</u> |

(1) Bond related fees and costs moved from debt service for transparency.

(2) 1 FTE moved from Administration to Human Resources

(3) Reflects Other Conservation grants moved to separate line item.

(4) Engineering manager moved from Recycle O&M to Resources & Planning

(5) Program costs to be funded through grants



Expense Category Comparison

| Expenses | FY 2014 5.10.13 Proposed Budget | FY 2014 6.7.13 Proposed Budget | Change |
|---------------------------------|--|---|---------------|
| Personnel | \$ 3,695,743 | \$ 3,573,154 | \$ (122,589) |
| Personnel- Grants Reimbursement | - | (125,000) | (125,000) |
| Contractual | 3,168,343 | 2,542,643 | (625,700) |
| Advertising | - | 5,000 | 5,000 |
| Bond Costs | - | 171,300 | 171,300 |
| Customer Development Fees | 60,000 | 57,500 | (2,500) |
| Election Costs | 260,000 | 260,000 | - |
| Electricity | 415,500 | 415,500 | - |
| Equipment Rental | 24,000 | 24,000 | - |
| Insurance | 82,000 | 82,000 | - |
| Leases | 615,549 | 565,100 | (50,449) |
| Legal | 500,000 | 500,000 | - |



Expense Comparison (Continued)

| Expenses | FY 2014 5.10.13 Proposed Budget | FY 2014 6.7.13 Proposed Budget | Change |
|--|--|---|---------------------|
| Licenses | 88,850 | 84,850 | (4,000) |
| Memberships and Certifications | 84,845 | 107,285 | 22,440 |
| Other | 221,029 | 228,430 | 7,401 |
| Outreach | 194,276 | 136,050 | (58,226) |
| Permits & Licenses | 61,000 | 26,500 | (34,500) |
| Recycled Water | 286,200 | 286,200 | - |
| Repairs & Maintenance | 213,900 | 201,400 | (12,500) |
| Supplies | 73,600 | 68,100 | (5,500) |
| Travel | 71,420 | 61,800 | (9,620) |
| Utilities | 107,600 | 115,600 | 8,000 |
| Water Master Fees | 56,000 | 56,000 | - |
| Total Operating Expenses before grant Programs | \$ 10,279,855 | \$ 9,443,412 | \$ (836,443) |



Terminated/Not Renewed Contracts

-Value of Contracts Terminated/Not Renewed in FY13

| | |
|-------------------|------------------|
| •FY 12-13 | \$211,075 |
| • <u>FY 13-14</u> | <u>\$716,916</u> |
| •Total | \$927,991 |



Central Basin
Municipal Water District

Personnel



FY 2014 Organization Chart





Personnel 2014

- Merit increases are frozen
- No change in salary ranges
- Per District policy, no cost of living adjustment (COLA)

| Department | FY 2013 FTE Count | FY 2014 FTE Count |
|-----------------------------------|----------------------|----------------------|
| Board and Administrative Services | 5 | 3 |
| Budget and Finance | 4 | 4.25 |
| Engineering & Operations | 2.38 | 3 |
| Human Resources | 1 | 2 |
| Information Technology/Building | 2 | 2 |
| Public Affairs | 6.38 | 6 |
| Water Resources & Planning | 1 | 1 |
| Total FTE Count | 21.76 | 21.25 |



Central Basin
Municipal Water District

FY 2014 Rates



MWD Water Rates

On April 10, 2012, MWD approved a two-year budget that included:

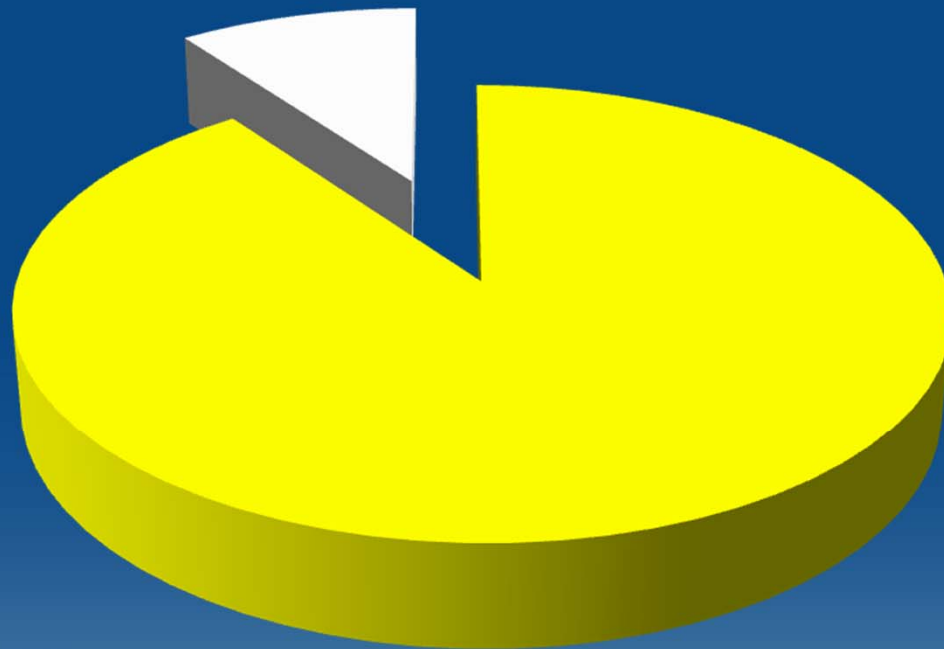
- **5.0% increase** in Tier 1 commodity rate effective January 1, 2014 (\$847 / AF increasing to \$890 / AF)
- **54% increase** in Readiness-to-Serve (RTS) charge to Central Basin effective January 1, 2014 (\$117,101 / mo. increasing to \$179,923 / mo.)
- **34% Capacity Charge increase** effective January 1, 2014



Central Basin
Municipal Water District

Central Basin Water Rates

About 90% of the Central Basin Imported Water Rate is MWD Charges



- MWD Costs
- CB Surcharges



Central Basin Proposed Imported Water Rates

- Central Basin Administrative Surcharge on imported water proposed to be increased \$4 per Acre Foot
 - Translates to **\$0.17** increase in cost to the monthly water bill of an average household*
- Last increase was two years ago FY 2011-12
- Proposed increase represents a 5.7% escalation from FY 2011 Admin Surcharge
 - MWD rate increased 12.1% over same period
- Central Basin Infrastructure Surcharge will **NOT** be increased
- Central Basin will pass on all MWD charges per District policy

*Based on ½ AF annual household consumption



Central Basin Proposed Water Charges

- No increase in Water Meter Service Charge
- Decrease of \$600 per cfs (cubic feet per second) in Capacity Charge
- Pass-through of all MWD rate and charge increases including commodity charges and RTS



Comparison of Water Rates

| | FY 12 Agency Fees per AF | FY 13 Agency Fees per AF |
|------------------------------|--------------------------------|--------------------------------|
| West Basin MWD | \$230 | \$242 |
| Calleguas MWD | \$262 | \$272 |
| Las Virgenes MWD | \$315 | \$365 |
| Regional Average Cost | \$269 | \$293 |
| Central Basin MWD | \$121 | \$120 |
| \$ Difference | (\$148) | (\$173) |
| % Difference | (55%) | (59%) |



Proposed Central Basin Imported Water Rates

Imported Water Rate Per Acre Foot (AF)- Tier 1

| | Current | 7/1/2013 | 1/1/2014 |
|-----------------------------|---------------------|---------------------|-----------------------|
| MWD Commodity | \$847 | \$847 | \$890 |
| MWD RTS | \$30 | \$50 | \$58 |
| MWD Total | <u>\$877</u> | <u>\$897</u> | <u>\$948</u> |
| | | | |
| CB Admin Surcharge | \$70 | \$74 | \$74 |
| CB Infrastructure Surcharge | \$20 | \$20 | \$20 |
| CB Total | <u>\$90</u> | <u>\$94</u> | <u>\$94</u> |
| | | | |
| MWD & CB Total | <u>\$967</u> | <u>\$991</u> | <u>\$1,042</u> |

- The MWD Tier 1 Commodity Rate will increase to \$890 and the RTS to \$58 on January 1, 2014.
- The District Administrative Surcharge will increase to \$74 on July 1, 2013.



Proposed Central Basin Imported Water Rates

Imported Water Rate Per Acre Foot (AF) - Tier 2

| | Current | 7/1/2013 | 1/1/2014 |
|-----------------------------|-----------------------|-----------------------|-----------------------|
| MWD Commodity | \$997 | \$997 | \$1,032 |
| MWD RTS | \$30 | \$50 | \$58 |
| MWD Total | <u>\$1,027</u> | <u>\$1,047</u> | <u>\$1,090</u> |
| | | | |
| CB Admin Surcharge | \$70 | \$74 | \$74 |
| CB Infrastructure Surcharge | \$20 | \$20 | \$20 |
| CB Total | <u>\$90</u> | <u>\$94</u> | <u>\$94</u> |
| | | | |
| MWD & CB Total | <u>\$1,117</u> | <u>\$1,141</u> | <u>\$1,184</u> |

- The MWD Tier 2 Commodity Rate will increase to \$1,032 and the RTS to \$58 on January 1, 2014.
- The District Administrative Surcharge will increase to \$74 on July 1, 2013.



Central Basin Recycled Water Rates

- Proposed increased of \$4 per acre foot to Recycled Water Rate
- Last increase was two years ago FY 2011-12
- Increase represents less than 1% for first 0-50 AF within the District service area



Proposed Recycled Water Rates

Proposed Rates per Acre Foot (AF)- Effective July 1, 2013
Reflects increase of \$4 per AF over FY 2013

| Acre Feet | CB Service Area | Malburg Generating Station | Outside of CB Service Area |
|-----------|-----------------|----------------------------|----------------------------|
| 0 - 25 | \$540 | \$390 | \$562 |
| 25 - 50 | \$540 | \$363 | \$562 |
| 50 - 100 | \$492 | \$336 | \$513 |
| 100 + | \$492 | \$309 | \$513 |

- Malburg Generating Station is a contracted rate and will increase 3% annually as allowed by contract.



Central Basin
Municipal Water District

Discussion of FY 2014 Capital Improvement Plan



Capital Improvement Plan (CIP) Objectives

- Projects that are revenue generating or cost neutral
 - Expand the use of Recycled Water
 - Continue Recycled Water facility improvements
- Promote conservation (water and energy)
- Provide for ongoing system upgrades/replacements
- Create jobs within the District service area
- Total CIP: \$2.7 million (net) for FY 2014
 - \$2.9 million (52%) decrease from May 10th Budget



Capital Improvement Plan

| Project | Approved 2012-13 | Proposed 2013-14 |
|---|---------------------|---------------------|
| Total Water Resources Projects (WQPP) | \$ 170,000 | \$ - |
| Total Recycled Water Facilities Projects | | |
| District Funded Projects | 1,450,000 | 2,565,000 |
| Grant Funded Projects | 3,000,000 | 1,000,000 |
| Potential Grants | | (1,000,000) |
| Reimbursable Projects | 2,200,000 | 2,885,000 |
| Reimbursement | | (2,885,000) |
| Total Building and Software improvements | 100,000 | 90,000 |
| Total CIP Projects (net of grants and cost reimbursements) | \$ 6,920,000 | \$2,655,000 |



Response to Questions

- Why the increase?

A: The rate increase is necessary to help preserve the District's reserves and maintain its debt coverage for the protection of our bond holders.



Response to Questions (Continued)

- Why can't you tighten your belt?

A: The District has worked to reduce operating expense by \$836,000 from the 5.10.13 proposed budget including:

\$248,000 in payroll costs

\$626,000 in contracts costs



Response to Questions (Continued)

- Can you present your budget information to the pumpers at least 3 times?

A: The District has three budget workshops on the calendar all open to the public including this purveyor's workshop.



Response to Questions (Continued)

- What would district finances look like without the proposed \$4 increase?
- A: District reserves would be reduced by \$183,200 for FY 2014. \$836,000 has already been cut from the proposed budget.



Response to Questions (Continued)

- Why are you budgeting for CIP projects that may not move forward in the next year?

A: District staff presents proposed projects and related costs likely to be undertaken in the year and are based on estimates. The CIP budget helps to complete the District's overall financial position. All CIP projects are subject to further review and approval by the Board.



Central Basin
Municipal Water District

Next Meeting

- June 10th
- Central Basin Purveyor Workshop of proposed FY2012-13
 - Budget
 - Rates
- Notices to Customers and Cities
- Budget documents available at:
 - www.centralbasin.org

Central Basin Municipal Water District
Amended Operating Budget *
Fiscal Year 2013-2014

| | Adopted 2013-14 | Amended 2013-2014 | Increase (Decrease) |
|--|---------------------|----------------------|------------------------|
| Operating Revenues (1) (2) | | | |
| Net Revenue from Treated Water Sales | \$ 3,420,363 | \$ 3,137,683 | \$ (282,680) |
| Net Revenue from Replenishment Water Sales | \$ 207,000 | \$ 207,000 | - |
| Recycled Water Sales | \$ 2,676,500 | \$ 2,905,760 | 229,260 |
| Water Service charge | \$ 895,896 | \$ 889,686 | (6,210) |
| District LRP Rebate | \$ 1,325,000 | \$ 1,430,000 | 105,000 |
| Water Quality Protection Program | \$ 622,500 | \$ 662,500 | 40,000 |
| Total Operating Revenue (Net) | <u>\$ 9,147,259</u> | <u>\$ 9,232,629</u> | <u>\$ 85,370</u> |
| Operating Expenses | | | |
| District Administration | \$ 1,237,878 | \$ 899,378 | \$ (338,500) |
| Finance & Support | \$ 897,823 | \$ 884,273 | (13,550) |
| Human Resources | \$ 567,476 | \$ 547,476 | (20,000) |
| Public Affairs | \$ 1,706,716 | \$ 1,296,216 | (410,500) |
| Water Recycling O & M | \$ 2,646,772 | \$ 2,139,772 | (507,000) |
| Water Resource & Planning | \$ 507,512 | \$ 438,912 | (68,600) |
| WQPP Operation | \$ 622,500 | \$ 662,500 | 40,000 |
| Building & IT | \$ 756,735 | \$ 743,235 | (13,500) |
| Legal | \$ 500,000 | \$ 1,500,000 | 1,000,000 |
| Personnel Costs | \$ - | \$ (478,175) | (478,175) |
| Total Operating Expenses | <u>\$ 9,443,412</u> | <u>\$ 8,633,587</u> | <u>\$ (809,825)</u> |
| Net Operating Revenue | <u>\$ (296,153)</u> | <u>\$ 599,042</u> | <u>\$ 895,195</u> |
| Non-Operating Revenue | | | |
| Standby Charge | \$ 3,194,133 | \$ 3,214,381 | 20,248 |
| Investment Earnings | \$ 80,000 | \$ 80,000 | - |
| Grant Income | \$ 1,574,000 | \$ 1,574,000 | - |
| Miscellaneous Income | \$ 28,750 | \$ 28,750 | - |
| Gain on Sale of Water Rights | \$ - | \$ 150,000 | 150,000 |
| Total Non-Operating Revenue | <u>\$ 4,876,883</u> | <u>\$ 5,047,131</u> | <u>\$ 170,248</u> |
| Non-Operating Expenses | | | |
| Dept of Energy Block Grant Program | \$ 1,000,000 | \$ 1,000,000 | - |
| Other Conservation Grant Programs | \$ 574,000 | \$ 574,000 | - |
| Debt Refinancing Issuance Costs | \$ - | \$ 300,000 | 300,000 |
| Total Non-Operating Revenue | <u>\$ 1,574,000</u> | <u>\$ 1,874,000</u> | <u>\$ 300,000</u> |
| Net Non-Operating Revenue | <u>\$ 3,302,883</u> | <u>\$ 3,173,131</u> | <u>\$ (129,752)</u> |
| Total Net Revenue | <u>\$ 3,006,730</u> | <u>\$ 3,772,173</u> | <u>\$ 765,443</u> |
| Debt Service Costs (Principal, Interest) | \$ 3,496,641 | \$ 3,281,641 | (282,680) |
| Less: Investment Earnings on Bond Funds | \$ (29,000) | \$ (29,000) | - |
| Net Debt Service | <u>\$ 3,467,641</u> | <u>\$ 3,252,641</u> | <u>\$ (215,000)</u> |
| Debt Coverage Ratio | 0.87 | 1.16 | |
| Net Effect on Reserve Balance | <u>\$ (460,911)</u> | <u>\$ 519,532</u> | <u>\$ (1,115,803)</u> |
| (1) Anticipated Sales | | | |
| Potable Sales Projection (AF) | 38,200 | 36,290 | (1,910) |
| Seasonal Spreading Projection (AF) | 2,300 | 2,300 | - |
| Recycled Water (AF) | 5,300 | 5,720 | 420 |
| WQPP (AF) | 2,500 | 2,500 | - |
| (2) CB Surcharge / AF | | | |
| Administration | \$ 70 | \$ 70 | - |
| Infrastructure | \$ 20 | \$ 20 | - |
| | <u>\$ 90</u> | <u>\$ 90</u> | <u>\$ -</u> |

*Amended as of 2/7/2014



Central Basin
Municipal Water District

6252 Telegraph Road, Commerce, CA 90040

| MEETING | TIME & DATE | LOCATION |
|---|---|-------------------------|
| Special Meeting of the Central Basin Municipal Water District Board of Directors | 1:00 p.m. Friday February 7, 2014 | Board Room 1st Floor |

WORKSHOP **AGENDA**

1. Roll Call

- Invocation
- Pledge of Allegiance
- Certification by the Board Secretary to the Board of Directors that the Agenda was posted in Accordance with the Brown Act

2. Public Comment and Presentations –

(Members of the public are invited to present comments to the Board on matters within the District's jurisdiction but not on the agenda. The public may present comments on agenda items when the matter is called. There will be a three (3) minute limitation per each member of the audience who wishes to make comments in order to provide a full opportunity to every person who desires to address the Board of Directors.)

WORKSHOP

3. Presentation, Discussion, and Adoption of Amended Fiscal Year 2013-14 Budget

RECOMMENDED MOTION: That the Board adopt the amended budget for fiscal year 2013-2014.

ACTION CALENDAR

4. Presentation and Discussion of Revision to the Appointment of Officers Policy

RECOMMENDED MOTION: That the Board approve one of the following actions:

1. Lift the current suspension and restore the existing codified policy as provided in Exhibit "A";
2. Formally modify and amend the existing policy as provided in Exhibit "B" and allow the Board to select the President and Vice President each year by motion and if the Board is unable to agree on the selection of officers in a given year; the Board will appoint such officers in accordance to the rotation established in the previous policy; or
3. Maintain the current suspension thereby maintain the existing complement of officers for one additional year. As provided in the Water Code, the Board will revisit the reorganization each January of each odd year.

5. Annual Board of Directors' Reorganization

A. Election of Board Officers

- President
- Vice President

6. Consideration and Approval of First Amendment to Special Legal Counsel Agreement with Alston & Bird, LLP for litigation representation in Central Basin Municipal Water District v. Pacifica Services, Inc., Los Angeles Superior Court Case No. BC516029; and Pacifica Services, Inc. v. Central Basin Municipal Water District, Los Angeles Superior Court Case No. BC516427

7. **Consideration and Potential Approval of Proposed Settlement Agreement between the Central Basin Municipal Water District and Veatch Carlson LLP for settlement of claim regarding legal fees dispute. (This matter will be addressed by the Board of Directors after the matter is first discussed in closed session)**

RECOMMENDED INFORMATION CALENDAR FOR DISCUSSION

8. **Request to Approve Unpaid Pending Legal Invoices - Report for Invoices Received as of January 29, 2014**

CLOSED SESSION

- 9A. **Pursuant to Government Code Sections: 54956.9(d)(2), 54956.9(e)(1) and 54956.9(e)(3) – Conference with Legal Counsel – Anticipated Litigation/Significant exposure to litigation [One (1) matter]**
- 9B. **Pursuant to Government Code Sections: 54956.9 (d)(1) Conference with Legal Counsel – Existing Litigation**
 - 9B1. Central Basin Municipal Water District v. Pacifica Services, Inc., Los Angeles Superior Court Case No. BC516029; and
 - 9B2. Pacifica Services, Inc. v. Central Basin Municipal Water District, Los Angeles Superior Court Case No. BC516427.
 - 9B3. Charles P. Fuentes v. Central Basin Municipal Water District; James Roybal; and Does 1 through 25, Los Angeles Superior Court Case No. BC533581
- 9C. **Pursuant to Government Code Section: 54956.9(d)(2) and 54956.9(e)(3) - Conference with Legal Counsel – Anticipated Litigation/Significant exposure to litigation [One (1) matter]**

COMMENTS

10. **General Manager's Report on District Activities**
11. **Director's Comments**
12. **General Counsel's Report**

ADJOURNMENT

NEXT MEETING: MONDAY, FEBRUARY 24, 2014 10:00 A.M.

Y:\CENTRALBASINBOARD\CENTRALBASINAGENDAS\2013\SPCB020714

Agendas and complete Agenda Packets (including staff reports and exhibits related to each item) are posted on the Central Basin Municipal Water District's ("District") Internet Web Site (www.centralbasin.org). These are also available for public review prior to a meeting in the Board Secretary's Office. Any public writings distributed to at least a majority of the Board regarding any items on this special meeting agenda will also be made available at the Board Secretary's Office at the District's headquarters located at 6252 Telegraph Road, Commerce, California, 90040-2512 – during normal business hours. In addition, the District may also post such documents on the District's Web Site at www.centralbasin.org. In accordance with the Americans with Disabilities Act of 1990, if you require a disability-related modification/accommodation to attend or participate in this meeting, including auxiliary aids or services please call the Board Secretary's Office at (323) 201-5527 at least 48 hours prior to the meeting.



Central Basin
Municipal Water District

FEBRUARY 7, 2014 – Sp. Board Meeting

Prepared by: Rick Aragon

Submitted by: Rick Aragon

Approved by: Antonio J. Perez

ACTION CALENDAR

**PRESENTATION, DISCUSSION, AND ADOPTION OF
AMENDED FISCAL YEAR 2013-14 BUDGET**

SUMMARY:

Although a significantly improved budget from the previous year was adopted for fiscal year 2013-14 back in June, it was clear from the beginning that an update would be necessary mid-way through the year to reflect actual results from water sales, to continue reducing operating expenses, and to provide for sufficient funds to cover unanticipated additional legal expenses. Staff has actively been working since the onset of the year to minimize consultant costs, renegotiate leases and other contracts more favorably, and shoulder extra work to allow for a smaller, more efficient workforce.

The amended budget as proposed in Exhibit “A”, reflects the revision of water sales revenues to match this year’s trends, expenditure reductions already made, commitments for future reductions, revised expense estimates based on current information, and inclusion of an additional \$1 million in funding for legal expenses to complete the year.

Any budget adopted by the Board must reflect its previous covenants to set rates at a level sufficient to achieve a net revenue that covers debt service by 1.15 times. This budget achieves that with a 1.16 debt coverage ratio and does so by including only conservative estimates focusing on major items. Actual results at the end of the year are likely to end at 1.5 or higher.

The following describe the major sections and highlights of the proposed amendments as shown in Exhibit “A”.

Revenues

Standby charge revenues were increased by \$20,248 to match the exact net amount assessed and the actual penalty and interest amounts received for delinquent payments.

Recycled water and related LRP revenues were increased to show an additional 420 AF or 7.9% in sales based on the actual trend through December. Imported water sales were reduced by 1,910 AF or 5.0% based on the slower start to sales in the year mitigated by an unusually dry winter.

Due to recently communicated interest from the Water Replenishment District (WRD) in potentially purchasing replenishment water this year, the minimal 2,300 AF originally budgeted was left unaltered.

A gain on the sale of District's water rights was projected at \$150,000 based on current interest levels the District has received in purchasing the rights and the anticipation that these rights will be sold by the end of the year.

The net increase to revenues is proposed at \$255,618.

Expenses

Personnel costs overall were reduced by \$478,175 and largely reflect the savings from the hiring freeze on two positions and the transition to a different HRA benefit program that makes payments on actual usage versus pre-committed amounts.

Decreases to consultant expenses from adopted budget levels of \$666,500 derive mostly from the transition to performing engineering (\$420,000) and lobbying (\$250,000) services in-house. Additionally, consulting services assisting District Administration, Board Services, Human Resources, and Finance were reduced by another \$57,750. A provision for additional consulting expenses for the WQPP of \$70,000 to produce a requested exit plan were included as an offset to these cuts. However, it should be noted the WQPP is self-funded.

Payments for the District's most significant lease, a land rental for the Rio Hondo Pump Station, were renegotiated using an updated appraisal and sub-lease of land back for temporary construction needs. This resulted in an anticipated additional \$110,000 savings for the recycled water program.

Departmental discretionary expenses for items such as travel, meeting expenses, memberships, and professional development were reduced by \$65,600. Interest expenses on our variable rate debt came in lower than anticipated by an approximate \$215,000.

Due to a new accounting treatment of expensing election costs in the year of the election rather than over the life of the term of a director, the budgeted allowance for election expenses was able to be reduced by \$260,000.

Additionally, even though funding for the costs relating to issuing debt for the proposed refinancing will come from the proceeds of the debt itself, these costs, projected at a maximum of \$300,000, will be detracted from revenues when presented on our annual financial statements. As such, they have been included in the budget as well.

Lastly, the provision for legal expenses was increased by \$1,000,000 to \$1,500,000 for fiscal year 2013-14. This is based on actual expenses through December equaling \$840,000, and the projection that monthly expenses will trend downward for the

remainder of the year as two major cases relating to the WRD were resolved by December and the bulk of activity on most other legal matters has already been accomplished. This leaves a remaining provision of \$660,000 to cover expenses through year end.

The net decrease to expenses is proposed at \$724,825.

FISCAL IMPACTS:

The amended budget as presented is structurally balanced and reflects a debt coverage ratio of 1.16 that meets covenantal requirements. As projected, the amended budget would add an additional \$516,532 to the District's reserves.

ENVIRONMENTAL COMPLIANCE:

None.

COMMITTEE STATUS:

This item was not reviewed by the Finance Committee.

RECOMMENDED MOTION:

That the Board adopt the amended budget for fiscal year 2013-2014.

EXHIBITS:

EXHIBIT "A" – Proposed Amended Operating Budget for FY2013-2014

**Central Basin Municipal Water District
Proposed Amended Operating Budget
Fiscal Year 2013-2014**

| | Adopted 2013-14 | Increase (Decrease) | Proposed Amended 2013-2014 | % Variance | Actual as of 12/31/13 | Actual to Adopt. Budget |
|--|---------------------|------------------------|-------------------------------|---------------|--------------------------|----------------------------|
| Operating Revenues (1) (2) | | | | | | |
| Net Revenue from Treated Water Sales | \$ 3,420,363 | \$ (282,680) | \$ 3,137,683 | -8.3% | \$ 2,209,476 | 64.6% |
| Net Revenue from Replenishment Water Sales | \$ 207,000 | - | \$ 207,000 | 0.0% | \$ - | 0.0% |
| Recycled Water Sales | \$ 2,676,500 | 229,260 | \$ 2,905,760 | 8.6% | \$ 1,782,560 | 66.6% |
| Water Service charge | \$ 895,896 | (6,210) | \$ 889,686 | -0.7% | \$ 447,948 | 50.0% |
| District LRP Rebate | \$ 1,325,000 | 105,000 | \$ 1,430,000 | 7.9% | \$ 723,968 | 54.6% |
| Water Quality Protection Program | \$ 622,500 | 40,000 | \$ 662,500 | 6.4% | \$ 319,303 | 51.3% |
| Total Operating Revenue (Net) | \$ 9,147,259 | \$ 85,370 | \$ 9,232,629 | 0.9% | \$ 5,483,255 | 59.9% |
| Operating Expenses | | | | | | |
| District Administration | \$ 1,237,878 | \$ (338,500) | \$ 899,378 | -27.3% | \$ 406,139 | 32.8% |
| Finance & Support | \$ 897,823 | (13,550) | \$ 884,273 | -1.5% | \$ 502,403 | 56.0% |
| Human Resources | \$ 567,476 | (20,000) | \$ 547,476 | -3.5% | \$ 216,538 | 38.2% |
| Public Affairs | \$ 1,706,716 | (410,500) | \$ 1,296,216 | -24.1% | \$ 468,120 | 27.4% |
| Water Recycling O & M | \$ 2,646,772 | (507,000) | \$ 2,139,772 | -19.2% | \$ 987,433 | 37.3% |
| Water Resource & Planning | \$ 507,512 | (68,600) | \$ 438,912 | -13.5% | \$ 161,795 | 31.9% |
| WQPP Operation | \$ 622,500 | 40,000 | \$ 662,500 | 6.4% | \$ 319,303 | 51.3% |
| Building & IT | \$ 756,735 | (13,500) | \$ 743,235 | -1.8% | \$ 300,437 | 39.7% |
| Legal | \$ 500,000 | 1,000,000 | \$ 1,500,000 | 200.0% | \$ 839,913 | 168.0% |
| Personnel Costs | | (478,175) | \$ (478,175) | | | |
| Total Operating Expenses | \$ 9,443,412 | \$ (809,825) | \$ 8,633,587 | -8.6% | \$ 4,202,081 | 44.5% |
| Net Operating Revenue | \$ (296,153) | \$ 895,195 | \$ 599,042 | 302.3% | \$ 1,281,174 | -432.6% |
| Non-Operating Revenue | | | | | | |
| Standby Charge | \$ 3,194,133 | 20,248 | \$ 3,214,381 | 0.6% | \$ 1,771,769 | 55.5% |
| Investment Earnings | \$ 80,000 | - | \$ 80,000 | 0.0% | \$ 31,104 | 38.9% |
| Grant Income | \$ 1,574,000 | - | \$ 1,574,000 | 0.0% | \$ 212,482 | 13.5% |
| Miscellaneous Income | \$ 28,750 | - | \$ 28,750 | 0.0% | \$ 11,915 | 41.4% |
| Gain on Sale of Water Rights | \$ - | 150,000 | \$ 150,000 | 100.0% | \$ - | 0.0% |
| Total Non-Operating Revenue | \$ 4,876,883 | \$ 170,248 | \$ 5,047,131 | 3.5% | \$ 2,027,270 | 41.6% |
| Non-Operating Expenses | | | | | | |
| Dept of Energy Block Grant Program | \$ 1,000,000 | - | \$ 1,000,000 | 0.0% | \$ 46,640 | 4.7% |
| Other Conservation Grant Programs | \$ 574,000 | - | \$ 574,000 | 0.0% | \$ 182,462 | 31.8% |
| Debt Refinancing Issuance Costs | \$ - | 300,000 | \$ 300,000 | 100.0% | \$ - | 0.0% |
| Total Non-Operating Revenue | \$ 1,574,000 | \$ 300,000 | \$ 1,874,000 | 19.1% | \$ 229,102 | 14.6% |
| Net Non-Operating Revenue | \$ 3,302,883 | \$ (129,752) | \$ 3,173,131 | -3.9% | \$ 1,798,168 | 54.4% |
| Total Net Revenue | \$ 3,006,730 | \$ 765,443 | \$ 3,772,173 | 25.5% | \$ 3,079,342 | 102.4% |
| Debt Service Costs (Principal, Interest) | \$ 3,496,641 | (215,000) | \$ 3,281,641 | -6.1% | \$ 1,655,718 | 47.4% |
| Less: Investment Earnings on Bond Funds | \$ (29,000) | - | \$ (29,000) | 0.0% | \$ (16,500) | 56.9% |
| Net Debt Service | \$ 3,467,641 | \$ (215,000) | \$ 3,252,641 | -6.2% | \$ 1,639,218 | 47.3% |
| Debt Coverage Ratio | 0.87 | | 1.16 | 33.8% | 1.88 | 116.7% |
| Net Effect on Reserve Balance | \$ (460,911) | \$ 980,443 | \$ 519,532 | | \$ 1,440,124 | 412.5% |
| (1) Anticipated Sales | | | | | | |
| Potable Sales Projection (AF) | 38,200 | (1,910) | 36,290 | -5.0% | 19,262 | 50.4% |
| Seasonal Spreading Projection (AF) | 2,300 | - | 2,300 | 0.0% | - | 0.0% |
| Recycled Water (AF) | 5,300 | 420 | 5,720 | 7.9% | 3,504 | 66.1% |
| WQPP (AF) | 2,500 | | 2,500 | 0.0% | 1,362 | 54.5% |
| (2) CB Surcharge / AF | | | | | | |
| Administration | \$ 70 | | \$ 70 | 0.0% | | |
| Infrastructure | \$ 20 | | \$ 20 | 0.0% | | |
| | \$ 90 | \$ - | \$ 90 | 0.0% | | |



Central Basin
Municipal Water District

FEBRUARY 7, 2014 – Sp. Board Meeting

Prepared by: Dina Hidalgo, SPHR

Submitted by: Dina Hidalgo, SPHR

Approved by: Antonio J. Perez

ACTION CALENDAR

PRESENTATION AND DISCUSSION OF REVISIONS TO THE APPOINTMENT OF OFFICERS POLICY

SUMMARY:

Per Part 2, Chapter 1, Article 2, Section 2.2 of the Administrative Code, the Board shall at its required reorganization meeting each January elect a new President and Vice President. According to this policy, the Directors holding the offices of President and Vice President, respectively, shall change annually on a rotating basis. This means that the second most senior member of the Board of Directors will assume the Presidency and the Vice President shall be the Director having the next highest amount of seniority.

The policy also states that the position of President and Vice President shall thereafter rotate each January to the Directors with the next highest amount of seniority in ensuing years who have not yet served in those positions. In the event a Director declines the position, that office shall fall to the Director next in line in the rotation. If Directors next in line in the rotation each have an equal amount of seniority, the Board shall elect a President and Vice President from those Directors.

At its Board meeting on January 24, 2013, and subsequently at its meeting on January 30, 2013, the Board suspended Part 2, Chapter 1, Article 2, Section 2.2 of the Administrative Code. To date, this policy continues to be suspended.

The Board may consider one of the three following actions to address the suspension of the policy.

1. Restore the existing codified policy: This option will require Board action to remove the suspension of the policy. The President and Vice President will be appointed according to the policy previously in place, as referenced in Exhibit “A”.
2. Revise policy to allow Board to elect officers: This option will require Board action and will remove the suspension of the policy. This action will amend the policy as provided in Exhibit “B” to allow the Board to select the President and Vice President once each year by motion in January. In the event the Board does not review the reorganization in January, the Board shall select the President and Vice President at a properly noticed District Board meeting once within the calendar year. If the Board is unable to agree on the selection of officers in a given year, the Board will appoint such officers in accordance to the rotation established in the previous policy.
3. Suspension of policy remains in place: This option will maintain the suspension of the policy. Should the Board decide this action, the appointment of Board officers will be in accordance to the Water Code which states that the Board will elect Board members

each January of each odd year. This action will require the Board to take up the appointment of Board Officers in January 2015.

FISCAL IMPACTS:

None.

ENVIRONMENTAL COMPLIANCE:

Not applicable.

COMMITTEE STATUS:

This item was reviewed by the Administration Committee on January 8, 2014 and per the direction of the Committee, the item did not move forward to the January 27, 2014 Regular Board Meeting.

RECOMMENDED MOTION:

That the Board approve one of the following actions:

1. Lift the current suspension and restore the existing codified policy as provided in Exhibit "A";
2. Formally modify and amend the existing policy as provided in Exhibit "B" and allow the Board to select the President and Vice President each year by motion and if the Board is unable to agree on the selection of officers in a given year; the Board will appoint such officers in accordance to the rotation established in the previous policy; or
3. Maintain the current suspension thereby maintain the existing complement of officers for one additional year. As provided in the Water Code, the Board will revisit the reorganization each January of each odd year.

EXHIBITS:

Exhibit "A" - Excerpt of existing codified policy that was suspended effective January 24, 2013, Administrative Code Part 2, Chapter 1, Article 2, Section 2.2, Officers of the Board
Exhibit "B" - Amended policy, Administrative Code Part 2, Chapter 1, Article 2, Section 2.2, Officers of the Board

Excerpt from Administrative Code Part 2, Chapter 1, Article 2, Section 2.2

2.2 Officers of the Board

The Board shall at its required reorganization meeting each January elect a new President and Vice President. The Directors holding the offices of President and Vice President, respectively, shall change annually on a rotating basis. Beginning in January 2009, the second most senior member of the Board of Directors will assume the Presidency and the Vice President shall be the Director having the next highest amount of seniority. The position of President and Vice President shall thereafter rotate each January to the Directors with the next highest amount of seniority in ensuing years who have not yet served in those positions. In the event a Director declines the position, that office shall fall to the Director next in line in the rotation. If Directors next in line in the rotation each have an equal amount of seniority, the Board shall elect a President and Vice President from those Directors.

The Board also may elect one of its members to the posts of Secretary and Treasurer or may select an employee to perform those functions.

The Board shall at its required reorganization meeting each January discuss its representatives to the Metropolitan Water District of Southern California (MWDSC) Board of Directors and retain or make changes to its appointments at that time. It should be noted that changing the District's MWDSC representatives can be made at any time at a properly noticed District Board meeting.

Policy Revision

Administrative Code Part 2, Chapter 1, Article 2, Section 2.2

2.2 Officers of the Board

The Board shall at its required reorganization meeting each January select the President and Vice President by motion. In the event the Board is unable to agree on the selection of officers in a given year, the Board will appoint the most senior member of the Board of Directors who has not yet served in the position as the President and the Vice President shall be the Director having the next highest amount of seniority who has not yet served in the position. In the event a Director declines the position, that office shall fall to the Director next in line in the rotation.

In the event the Board does not review the reorganization in January, the Board shall select the President and Vice President at a properly noticed District Board meeting once within such calendar year.

The Board also may elect one of its members to the posts of Secretary and Treasurer or may select an employee to perform those functions.

The Board shall at its required reorganization meeting each January discuss its representatives to the Metropolitan Water District of Southern California (MWDSC) Board of Directors and retain or make changes to its appointments at that time. It should be noted that changing the District’s MWDSC representatives can be made at any time at a properly noticed District Board meeting.

Annual Board of Directors' Reorganization

A. Election of Board Officers

- President
- Vice President

Consideration and Approval of First Amendment to Special Legal Counsel Agreement with Alston & Bird, LLP for litigation representation in Central Basin Municipal Water District v. Pacifica Services, Inc., Los Angeles Superior Court Case No. BC516029; and Pacifica Services, Inc. v. Central Basin Municipal Water District, Los Angeles Superior Court Case No. BC516427

Consideration and Potential Approval of Proposed Settlement Agreement between the Central Basin Municipal Water District and Veatch Carlson LLP for settlement of claim regarding legal fees dispute. (This matter will be addressed by the Board of Directors after the matter is first discussed in closed session)



FEBRUARY 7, 2014 – Sp. Board Meeting

Prepared by: Rick Aragon

Submitted by: Rick Aragon

Approved by: Antonio J. Perez

INFORMATION CALENDAR

**PRESENTATION ON UNPAID PENDING LEGAL INVOICES – REPORT
FOR INVOICES RECEIVED AS OF JANUARY 29, 2014**

SUMMARY:

In January, the Board approved the new policy of legal services and related costs. The policy is set to be effective as of March 3, 2014. Until its implementation, the prior practice of all legal invoices being brought for Board approval prior to payment is still in place. Board review and subsequent payment of legal invoices is necessary so as to maintain uninterrupted legal services and avoid breaches of contract with engaged legal firms.

Exhibit “A” details all unpaid legal invoices received as of January 29, for a total of \$128,755.29 in pending legal expense. The listed invoices are reviewed and approved by the General Manager with concurrent review, if applicable, by General Counsel prior to payment. All invoices listed are available to be reviewed in detail at any time during business hours upon request by Directors to the Finance Department.

The expenses listed below in the table represent professional legal counsel costs for the following:

| | | | |
|---------------------------------------|--|----|-----------|
| 1. Litigation Issues - | | \$ | 35,673.12 |
| 2. General Counsel - | | \$ | 38,751.39 |
| 3. Investigative/Consulting Services- | | \$ | 54,330.78 |

All invoices presented in Exhibit “A” for payment represent work already performed by the engaged firm and any non-payment would likely constitute a breach of contract resulting in arbitration or litigation to seek recovery of funds. Of the \$38,751.39 in fees from General Counsel, a large portion stems from review of public documents and the coordination of litigation special counsel and investigation services.

FISCAL IMPACTS:

Funds for the \$128,755.29 in legal expenses are included in the amended budget as presented to the Board during the workshop on February 7, 2014.

ENVIRONMENTAL COMPLIANCE:

None.

COMMITTEE STATUS:

There was no Legal Matters Committee for February 2014. This item is being presented as an information item for the Special Board meeting on February 7, 2014 for Board review and will be agendaed to the February 24, 2014 regular Board meeting for approval by the Board.

RECOMMENDED MOTION:

This item is for information only.

EXHIBITS:

EXHIBIT "A" – Pending Legal Invoices Report

Y:\centralbasinboard\cbmwmemos\2014\14feb007



Pending Legal Invoices Report

Invoices Received as of 01/29/2014

| Invoice Number | Vendor | Description | For Services Through | Invoice Date | Invoice Amount |
|----------------|------------------------|---|----------------------|--|----------------------|
| W 1345 | COHEN & BURGE LLP | Legal Counsel - Litigation Issues | 01/10/2014 | 01/22/2014 | 28,411.70 |
| 1503869 | ARENT FOX LLP | Legal Counsel - Investigative Services (External) | 11/31/2013 | 01/23/2014 | 15,415.78 |
| 1503870 | ARENT FOX LLP | Legal Counsel - Litigation Issues (Sealed) | 11/31/2013 | 01/23/2014 | 4,260.00 |
| 1503868 | ARENT FOX LLP | Legal Counsel - Investigative Services (Internal) | 11/31/2013 | 01/23/2014 | 26,585.00 |
| 1503868 | ARENT FOX LLP | Legal Counsel - Special Counsel | 11/31/2013 | 01/23/2014 | 12,330.00 |
| 25354 | DOUMANIAN & ASSOCIATES | Legal Counsel - Litigation Issues | 09/30/2013 | 11/25/2013 | 2,781.42 |
| 25387 | DOUMANIAN & ASSOCIATES | Legal Counsel - Litigation Issues | 10/31/2013 | 12/10/2013 | 100.00 |
| 766458 | BUCHALTER NEMER | Reimbursement - Case Anywhere Access Fee Inv#25268 | 06/03/2013 | 07/25/2013 | 120.00 |
| 12050 | OLIVAREZ MADRUGA, P.C. | General Legal Counsel | 12/31/2013 | 01/28/2014 | 38,751.39 |
| | | | | Total Invoices Pending Approval | \$ 128,755.29 |



Central Basin Municipal Water District
FY 2013-2014 Water Rates and Charges



| Rates Effective July 1 to December 31, 2013 | | | | | | | |
|--|-----------------------------|--------------------|-------------------|--------------------------|-----------------|----------------|-------------------|
| | Metropolitan Water District | | | Central Basin | | | Grand Total |
| | Commodity Rate | Readiness to Serve | MWD Total | Infrastructure Surcharge | Admin Surcharge | CBWD Total | |
| Non-Interruptible- Treated (Tier 1) | \$847/AF | \$50/AF | \$897/AF | \$20/AF | \$70/AF | \$90/AF | \$987/AF |
| Non-Interruptible- Treated (Tier 2) | \$997/AF | \$50/AF | \$1,047/AF | \$20/AF | \$70/AF | \$90/AF | \$1,137/AF |
| Non-Interruptible- Untreated (Tier 1) | \$593/AF | \$50/AF | \$643/AF | \$20/AF | \$70/AF | \$90/AF | \$733/AF |
| Non-Interruptible- Untreated (Tier 2) | \$743/AF | \$50/AF | \$793/AF | \$20/AF | \$70/AF | \$90/AF | \$883/AF |
| Seasonal Spreading | ** | - | ** | \$20/AF | \$70/AF | \$90/AF | ** |
| Seasonal Storage Long Term | ** | - | ** | \$20/AF | \$70/AF | \$90/AF | ** |

| Rates Effective January 1, 2014 | | | | | | | |
|--|-----------------------------|--------------------|------------------|--------------------------|-----------------|----------------|-------------------|
| | Metropolitan Water District | | | Central Basin | | | Grand Total |
| | Commodity Rate | Readiness to Serve | MWD Total | Infrastructure Surcharge | Admin Surcharge | CBWD Total | |
| Non-Interruptible- Treated (Tier 1) | \$890/AF | \$58/AF | \$948/AF | \$20/AF | \$70/AF | \$90/AF | \$1,038/AF |
| Non-Interruptible- Treated (Tier 2) | \$1,032/AF | \$58/AF | \$1090/AF | \$20/AF | \$70/AF | \$90/AF | \$1,180/AF |
| Non-Interruptible- Untreated (Tier 1) | \$593/AF | \$58/AF | \$651/AF | \$20/AF | \$70/AF | \$90/AF | \$741/AF |
| Non-Interruptible- Untreated (Tier 2) | \$735/AF | \$58/AF | \$793/AF | \$20/AF | \$70/AF | \$90/AF | \$883/AF |
| Seasonal Spreading | ** | - | ** | \$20/AF | \$70/AF | \$90/AF | ** |
| Seasonal Storage Long Term | ** | - | ** | \$20/AF | \$70/AF | \$90/AF | ** |

| MWD Non-Interruptible Treated Commodity Rate | | |
|---|----------------------------|------------------------|
| | <i>Effective Dates</i> | |
| | <u>July 1-Dec 31, 2013</u> | <u>January 1, 2014</u> |
| Supply Rate Tier 1 | \$140 | \$148 |
| Supply Rate Tier 2 | \$290 | \$290 |
| System Access Rate | \$223 | \$243 |
| Water Stewardship Rate | \$41 | \$41 |
| Treatment Rate | \$254 | \$297 |
| Power Rate | \$189 | \$161 |
| Total Tier 1 | \$847 | \$890 |
| Total Tier 2 | \$997 | \$1,032 |



Central Basin Municipal Water District
FY 2013-2014 Water Rates and Charges



| Capacity Charge | |
|--|----------------------------------|
| Designated Amount ¹ | |
| <i>Effective July 1, 2013 to Dec. 31, 2013</i> | <i>Effective January 1, 2014</i> |
| \$4,500/cfs | \$4,500/cfs |

(1) Designated amount is an Agency's highest peak (per cfs) from the past three summer periods (May 1-Sept. 30)

| Monthly Water Meter Service Charge |
|---|
| <i>Effective July 1, 2013</i> |
| CBMWD Water Service Charge |
| \$69/cfs² |

(2) Per cfs as determined by agency's meter capacity

| CBMWD Recycled Water Rates | | | |
|---|--------------------|----------------------------|-------------------------------|
| <i>Effective July 1, 2013 through June 30, 2014</i> | | | |
| Volume (AF/Month) | CBMWD Service Area | Malburg Generating Station | Outside of CBMWD Service Area |
| 0-25 | \$540/AF | \$390/AF | \$562/AF |
| 25-50 | \$540/AF | \$363/AF | \$562/AF |
| 50-100 | \$492/AF | \$336/AF | \$513/AF |
| 100+ | \$492/AF | \$309/AF | \$513/AF |

For treated and untreated water obtained from other sources, price per AF includes all water acquisition charges, treatment charges (if needed), and wheeling charges plus an administrative surcharge equal to the District's administrative surcharge or 10% of total costs, whichever is greater.