

**SPECIAL MEETING OF THE
BUDGET ADVISORY COMMITTEE (BAC)
WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA
4040 PARAMOUNT BOULEVARD, LAKEWOOD, CALIFORNIA 90712
10:00 A.M., TUESDAY, MARCH 14, 2017**

AGENDA

EACH ITEM ON THE AGENDA, NO MATTER HOW DESCRIBED, SHALL BE DEEMED TO INCLUDE ANY APPROPRIATE MOTION, WHETHER TO ADOPT A MINUTE MOTION, RESOLUTION, PAYMENT OF ANY BILL, APPROVAL OF ANY MATTER OR ACTION, OR ANY OTHER ACTION. ITEMS LISTED AS "FOR INFORMATION" OR "FOR DISCUSSION" MAY ALSO BE THE SUBJECT OF AN "ACTION" TAKEN BY THE BOARD OR A COMMITTEE AT THE SAME MEETING.

- 1. DETERMINATION OF A QUORUM**
- 2. PUBLIC COMMENT**
Pursuant to Government Code Section 54954.3
- 3. APPROVE THE MINUTES OF APRIL 19, 2016 AND FEBRUARY 28, 2017**
Staff Recommendation: Approve the minutes as submitted.
- 4. 2017-18 DRAFT BUDGET**
Staff Recommendation: For discussion and possible action.
- 5. NEXT MEETING**
- 6. ADJOURNMENT**

Agenda posted by Sherri Brown, Senior Administrative Specialist on March 13, 2017. In compliance with ADA requirements, this document can be made available in alternative formats upon request.

In compliance with the Americans with Disabilities Act (ADA), if special assistance is needed to participate in the meeting, please contact Senior Administrative Specialist Sherri Brown at (562) 921-5521 for assistance to enable the District to make reasonable accommodations.

All public records relating to an agenda item on this agenda are available for public inspection at the time the record is distributed to all, or a majority of all, members of the Board. Such records shall be available at the District office located at 4040 Paramount Boulevard, Lakewood, California 90712.

Agendas and minutes are available at the District's website, www.wrd.org.

EXHAUSTION OF ADMINISTRATIVE REMEDIES – If you challenge a District action in court, you may be limited to raising only those issues you or someone else raised at the public hearing described in this notice, or in written correspondence delivered to the District office at, or prior to, the public hearing. Any written correspondence delivered to the District office before the District's final action on a matter will become a part of the administrative record.



MEMORANDUM

ITEM NO. 3

DATE: MARCH 14, 2017

TO: BUDGET ADVISORY COMMITTEE

FROM: ROBB WHITAKER, GENERAL MANAGER

SUBJECT: MINUTES OF APRIL 19, 2016

MINUTES OF APRIL 19, 2016 SPECIAL BUDGET ADVISORY COMMITTEE MEETING WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA

A special meeting of the Budget Advisory Committee (BAC) of the Water Replenishment District of Southern California was held on Tuesday, April 19, 2016 at 12:43 P.M. in the District Office located at 4040 Paramount Boulevard, Lakewood, California, 90712. Chairman Mark Grajeda called the meeting to order. Acting Deputy Secretary, Sherri Brown recorded the minutes.

1. DETERMINATION OF A QUORUM

A quorum was present, which included:

Mark Grajeda, Pico Water District
Jeanne-Marie Bruno, Liberty Utilities (formerly Park Water Company)
Jason Wen, City of Lakewood
Rob Beste, City of Torrance
Anatole Falagan, Long Beach Water Department
Greg Reed, Los Angeles Department of Water and Power

California Water Service was excused

WRD included:

Director John D. S. Allen
Chief Financial Officer Scott Ota
Manager of Finance and Administration Jenna Shaunessy

2. PUBLIC COMMENT

Pursuant to Government Code Section 54954.3

None.

3. APPROVAL OF MINUTES OF MARCH 22, 2016

Upon a motion duly noted by Ms. Bruno, seconded by Mr. Falagan, the minutes of March 22, 2016 were approved.

4. 2016-17 DRAFT BUDGET

Chief Financial Officer Scott Ota presented the following highlights to the fiscal year 2016-17 Budget review:

1. The District incorporated the proposed cost increases to untreated Tier 1 imported water from the Metropolitan Water District (MWD) updated in Table 2 of the Engineering Survey and Report (ESR). MWD price increases were originally estimated to be \$979,200. Revised estimates now show an increase of only \$554,500, a decrease of \$424,800.
2. The pumping estimate for fiscal year 2016-17 increased from 230,000 acre-feet to 231,000 acre-feet based on further internal discussion and to be consistent with the ESR.
3. The District incorporated the use of \$1.8 million of reserves to provide rate stabilization the ensuing year's replenishment assessment, decreasing reserves from an estimated \$8.71 million to \$6.91 million.

Mr. Ota also stated that all other expenses have remained the same from the previous presentation.

These adjustments result in a \$19.00 or 6.7% increase to the replenishment assessment for fiscal year 2016-17 from \$283 per acre-foot to \$302 per acre-foot.

Mr. Ota then proceeded to discuss the District's five year replenishment assessment forecast which included both pumping estimates and reserve fund estimates over the five year period.

The general assumptions used in the forecast model were as follows:

- Revenue assumptions included the use of \$1.8 million in 2016-17 and the increase in pumping from 231,000 acre-feet per year back to 244,000 acre-feet per year over the five-year period.
- The District's reserve assumption was that the District would return to a \$10 million reserve level over five years.

Mr. Ota ended the presentation stating that the estimated reserves as of June 30, 2016 were as follows:

The California Water Code §60290 states that the reserve limit of \$10 million may be adjusted to reflect the percentage increases and decreases in the blended cost of water from district supply sources. The 2016-17 calculation results in a maximum allowable reserve balance of \$25.9 million. However, with the use of \$1.8 million to assist in rate stabilization, the projected June 30, 2016 general reserve balance is estimated at \$6.91 million, far below even the \$10 million level.

Finally, Mr. Ota stated that the Central and West Coast Basins (“the Basins”) are owed 41,626 acre-feet of water at the end of the year, assuming the delivery of the requested 23,970 acre-feet from MWD. The District has \$30.82 million in the Water Purchase Carryover Fund in order to purchase this water as soon as it becomes available.

BAC Committee recommendation to the Board of Directors of the Water Replenishment District on March 22, 2016 was a proposed increase of \$19.00 per acre-foot or 6.7% to the replenishment assessment utilizing \$1.8 million of District reserves.

5. BAC RECOMMENDATION TO THE BOARD OF DIRECTORS

Chairman Grajeda opened the floor to discussion which followed. The Budget Advisory Committee recommends to the Board of Directors a proposed increase of 5.0% or \$14.00 per acre-foot to the replenishment assessment utilizing \$2.80 million of District reserves. The BAC noted that the decrease from the original BAC recommendation of 6.7% down to 5.0% will increase next year’s 2017-18 replenishment assessment to 5.1%.

6. ADJOURNMENT

With no further business to come before the Committee, the meeting was adjourned at 1:43 p.m.

Chair

ATTEST:

Member

Approved in minutes of:



MEMORANDUM

ITEM NO. 3

DATE: MARCH 14, 2017
TO: BUDGET ADVISORY COMMITTEE
FROM: ROBB WHITAKER, GENERAL MANAGER
SUBJECT: MINUTES OF TUESDAY, FEBRUARY 28, 2017

**MINUTES OF TUESDAY, FEBRUARY 28, 2017
SPECIAL MEETING OF THE BUDGET ADVISORY COMMITTEE (BAC) OF
THE BOARD OF DIRECTORS
WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA**

A special meeting of the Budget Advisory Committee of the Board of Directors of the Water Replenishment District of Southern California was held on Tuesday, February 28, 2017 at 10:08 a.m., at the District Office, 4040 Paramount Boulevard, Lakewood, California 90712. Committee Chair Rob Beste called the meeting to order and presided thereafter. Senior Administrative Specialist Sherri Brown recorded the minutes.

1. DETERMINATION OF A QUORUM

The Committee Chair announced the presence of a quorum.

Meeting Attendees:

Jeanne-Marie Bruno, Liberty Utilities

Jason Wen, City of Lakewood

Rob Beste, City of Torrance

Anatole Falagan, Long Beach Water Department

Chris Repp, Los Angeles Department of Water and Power

Heather Yegiazaryan, Los Angeles Department of Water and Power

WRD included:

Robb Whitaker; Scott Ota; Jenna Shaunessy; David Alvarez; WRD Board Vice President John D. S. Allen

2. PUBLIC COMMENT

Pursuant to Government Code Section 54954.3

No public comment. Committee Chair Beste requested that the meeting participants go around the room and introduce themselves.

3. BAC APPOINTMENT TO CATEGORY A

WRD Chief Financial Officer Scott Ota reported that last year the Budget Advisory Committee (BAC) had a vacancy in Category B. He stated that the BAC had requested WRD to send out ballots to fill the vacancy; subsequently, there were two interested parties for the position. He stated that Pico Water District's Mark Grajeda will not be returning to the BAC; therefore, there is currently a vacancy in Category A, and there have been no volunteers to fill the role. Discussion followed.

Upon a motion duly noted by Ms. Bruno, seconded by Mr. Wen and unanimously approved, it was

RESOLVED: That staff may send an email for applicants for the Category A position on the Budget Advisory Committee. In the case that there are no applicants, the position will remain unfilled until the 2018 election. If there are one or more applicants, the item can be agendaized and a vote held or the Committee may appoint.

General Manager Robb Whitaker introduced WRD Board Vice President John Allen.

4. SELECTION OF BAC CHAIR

Upon a motion duly noted by Ms. Bruno, seconded by Mr. Wen and unanimously approved, it was

RESOLVED: That Mr. Beste will be the Chair of the Budget Advisory Committee.

Upon a motion duly noted by Mr. Wen, seconded by Mr. Falagan and unanimously approved, it was

RESOLVED: That Ms. Bruno will be the Vice Chair of the Budget Advisory Committee.

5. MIDYEAR 2016-17 BUDGET REVIEW/2017-18 DRAFT BUDGET

Chief Financial Officer Scott Ota presented the following highlights to the fiscal year 2016-17 midyear review:

- A deficit of \$6.32M is projected for 2016-17 ending June 30, 2017, due to decreased pumping, conservation and infrastructure issues;
- Pumping was estimated at 231 acre-feet (AF), actual is estimated to be 216.7 AF;
- Expenses were under budget by approximately \$2M;
- Therefore, there is an approximate \$4M projected loss.

Discussion followed. Mr. Ota stated that staff will come back to the BAC with plans of how to remedy the loss.

Mr. Ota presented the following highlights to the fiscal year 2017-18 draft budget:

- WRD will mail out Prop 218 notices with the Upper Limit which will hopefully be decided by the Board on Thursday, March 2nd;
- March 27th is the last day for the Budget Advisory Committee (BAC) to submit its recommendation to the Board based on the Water Code (must be 10 days prior to opening of the Public Hearing which is April 6);
- Anticipated Board of Directors adoption of the Rate Assessment (RA) and budget on April 27th;
- The final day to adopt based on the Water Code is Tuesday, May 9th;

Mr. Ota explained that the District had received a \$15M grant and 1% loan of \$80M from the California State Revolving Fund (SRF), which he said saves the District \$1.3M each year for a total of \$40M. He reported that the District must abide by the covenants within the SRF loan documents, which requires it to have a 1.2 times net revenue of what is needed to pay, without the use of reserves to balance the budget. He said the District must also retain a reserve fund, which it already has, in order to maintain the AA+ rating.

Mr. Ota provided a snapshot of last year. He stated that originally, the BAC recommended 6.7%; then it recommended 4.9% and 5.1% for 2017/18. He said that a worst case scenario would be 220,000 AF of production is estimated right now at 9%.

Mr. Ota reported that Leo J. Vander Lans, Goldsworthy Desalter and the Replenishment Assessment are the main operating revenues for the District. He provided status updates regarding expenses, projects and programs budgets, water purchases, administration, among other assumptions. He stated that no money from the SRF has yet been received, so anticipates only one half of a payment for 2017/18. Discussion followed.

Mr. Whitaker provided other possible options for cost savings. Discussion followed.

6. **NEXT MEETING**

The Committee reversed their prior motion regarding attempting to fill the Category A position.

Upon a motion duly noted by Mr. Falagan, seconded by Ms. Bruno and unanimously approved, it was

RESOLVED: That the Category A position on the Budget Advisory Committee shall remain vacant until the 2018 election.

The Committee unanimously agreed to March 10, 2017 at 10:00 A.M. as the next scheduled Special BAC meeting.

Discussion followed.

7. ADJOURNMENT

There being no further business to come before the Committee, the meeting was adjourned at 11:10 A.M.

Chair

ATTEST:

Member

Approved in minutes of:

Unapproved Minutes