

LAS VIRGENES MUNICIPAL WATER DISTRICT



Budget in Brief
Fiscal Year 2022-2023



A MESSAGE FROM THE GENERAL MANAGER

It is my privilege to present the budget in brief for Fiscal Year 2022-23. The District prepares a biennial budget in order to improve long-range and strategic planning. The Board approves the two-year budget plan and adopts the Fiscal Year 2022-23 budget.

This budget represents the concerted efforts of staff over the past several months to estimate the financial needs of the District to continue to provide high quality water and sanitation services to the District's customers. This budget is also aligned with the District's adopted Strategic Plan Goals and Objectives and its Financial Policies.

The development of the budget coincides with historic drought conditions faced by the State of California which if weather patterns do not change will experience its fourth straight year of drought. An executive order was issued on March 28, 2022 by Governor Newsom to "further conserve water and improve drought resiliency", and a resolution was issued by Metropolitan Water District (the District's principal water supplier) on April 26, 2022 declaring a water shortage emergency and implementing an emergency waterconservation program to participating agencies. In turn, The District Board approved a resolution on May 17, 2022 declaring a continuing state of emergency due to water shortage from drought conditions in the State of California. The resolution is intended to be proactive in driving further water use reduction from potable and recycled water customers.

The District has taken several actions over the past several years to ensure financial resiliency for various economic and hydrological conditions. Steps taken include increasing the percentage of fixed cost recovered from fixed fees, implementation of water budgets to encourage making water efficiency a way of life, and creating an \$8 million rate stabilization fund to temporarily address any shortterm revenue shortfalls. The Fiscal Year 2022-23 budget utilizes \$946,021 from the Rate Stabilization Fund to minimize the effects of the drought on the District's operations and capital program.

In summary, this budget represents the continued efforts to provide safe, reliable water and sanitation services to customers by focusing on developing and supporting the District's workforce, improving water reliability by bringing water full circle, supporting customers to meet water-use efficiency standards, focusing on efficiency and financial resiliency and investing in the future. The District is well-positioned to improve its financial resiliency and continue to deliver reliable service to its customers.

Very Truly Yours,



The Budget in Brief is meant to provide you a simplified overview of LVMWD's complete budget document; it includes highlights, a breakdown of revenue and expenditures, the strategic plan, and other important and interesting information.

Board of Directors



Jay Lewitt
President,
Division 5



Len Polan
Vice President,
Division 4



Lynda Lo-Hill
Treasurer,
Division 2



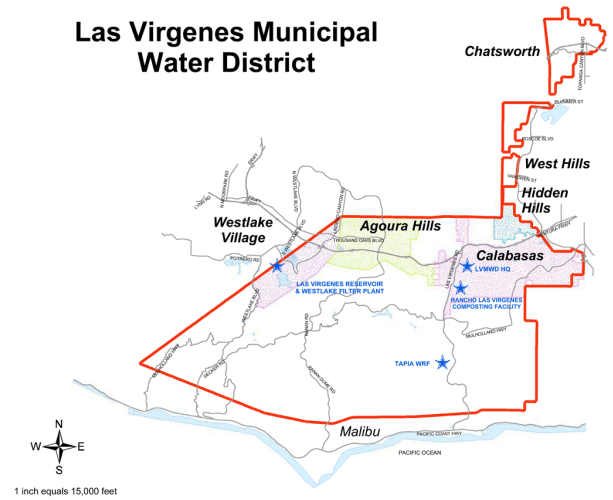
Charles Caspary
Secretary,
Division 1



Lee Renger
Director
Division 3

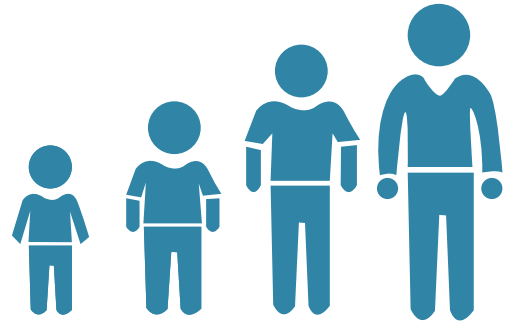
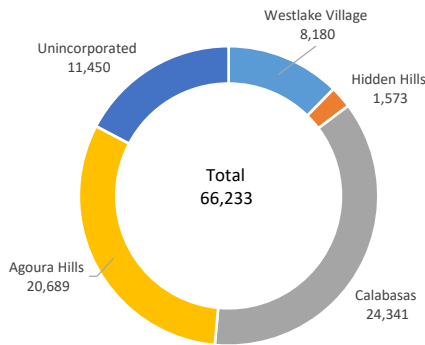
District Profile

Las Virgenes Municipal Water District (LVMWD) is a California Special District formed by local residents in 1958 to secure a reliable source of high-quality water for the portion of Los Angeles County located between the City of Los Angeles boundary at the west end of the San Fernando Valley, to the Ventura County line to the west and north, and south to the Malibu city limit. The District was created during a drought that saw local wells run dry. LVMWD rose from a grassroots effort to find a water supply without annexing to the City of Los Angeles. Upon its creation by voters, the District sought, and ultimately achieved annexation to the Metropolitan Water District of Southern California, which is currently the only source of potable water to LVMWD's 122 square-mile service area.



Demographics

Total Population



Median Age: 47.3

Employment and Economy



Total Personal Income: \$4,295,500

Per Capita Income: \$88,116

Education



High School Graduates - 97.2%

College Degrees - 64.6%

Las Virgenes Municipal Water District Strategic Plan

Developed in 2016, and updated in April 2022, the Strategic Plan describes LVMWD's strategy to address the opportunities, challenges and needed investments likely to arise in the next 20 years. The plan provides the basis for making decisions and allocating resources to ensure consistent direction moving forward. The Strategic Plan is intended to be a high level document containing broad goals.

Specifically, the Strategic Plan is designed to meet the following objectives:

- Set a clear path forward for LVMWD, building on its mission and vision.
- Identify and address the opportunities, challenges and needed investments likely to arise during the next 20 years.
- Provide a high-level framework for making decisions on the allocation of resources.
- Prepare LVMWD for the future.
- Establish service commitments for LVMWD's customers.
- Implement a standards-based approach to meet service commitments.
- Establish values for conducting LVMWD's business and interacting with others.
- Identify strategic objectives for action.
- Describe a process for reviewing and updating the plan.

Development of the Plan

The District hired a consultant to assist with the development of the Strategic Plan. The consultant held one-on-one interviews with 27 employees, from Department Head to Water Reclamation Plant Operator I. Employees were encouraged to provide their perspectives on the most important challenges facing the District over the next 20 years and opportunities for improvement. The interviews resulted in valuable feedback and insights that became the basis for key elements of the draft Strategic Plan.

A Strategic Planning Workshop was held with the Board to review a summary of the interview results, terminology for the strategic plan, the District's mission and vision, proposed behavioral and business values, and draft strategic objectives. At the meeting, nine strategic objectives were discussed and vetted using breakout groups lead by a Board Member working with key staff. Each breakout group presented its feedback on their assigned strategic objectives, which was incorporated into the draft Strategic Plan.



Elements of the Strategic Plan

Strategic Foundation – The strategic foundation consists of LVMWD's mission, vision and behavioral values. The mission describes our purpose or what we do. The vision describes what we want to be, or be known for, in the future. The behavioral values describe how we conduct our business and interact with others. Together, the mission, vision and behavioral values provide the foundation for all of LVMWD's activities, both now and well into the future.

Business Values – The business values describe the commitments LVMWD makes to its customers. Examples include transparency and community engagement, reliable water supplies and service, and sound financial management. Business values provide fundamental focus areas for the organization.

Standards – Standards are simply rules or service levels that put the business values in operational terms. To provide consistent service and value to customers, it is important to take a standards-based approach. LVMWD's standards will drive its activities, decisions and proposed investments. Some standards are driven by legal or regulatory requirements (i.e. compliance with the Safe Drinking Water Act); however, others are developed internally to meet the needs of customers.

LVMWD reviews its strategic plan annually in conjunction with the budget preparation process. At that time, progress toward accomplishment of the strategic objectives is evaluated and the plan is evaluated to ensure relevance.

Budget Overview

Las Virgenes Municipal Water District remains fiscally strong and the proposed budget positions the District well to respond appropriately to fluctuations in the economy as well as continuing drought conditions. The proposed operationally balanced budget continues to maintain the high level of service expected by the District customers it serves. The Fiscal Year (FY) 2022-23 Budget and Operational Plan presents a responsible financial strategy.

The proposed budget plan includes \$81.2 million for Fiscal Year (FY) 2022-23, an increase of \$1.6 million or 2.0% over the FY 2021-22 budget of \$79.6 million.

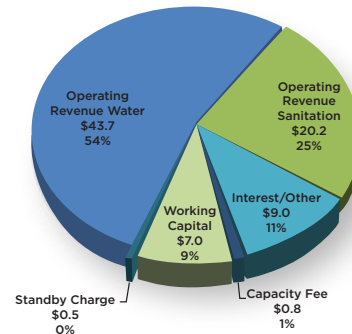
The total operating budget for FY 2022-23 is \$58.9 million, an increase of \$115 thousand or 0.2% over FY 2021-22. FY22-23 Budgeted Capital Improvements total \$21.0 million; including \$9.1 million FY22-23 appropriations, \$11.9 million Carry Forward, and \$3.3 million reimbursement offsets.

The Fiscal Years 2022-23 budget reflects the realities of the State's current drought emergency. The District is mandated to achieve significant reductions in water usage or face potential penalties from the Metropolitan Water District. As a result, revenues derived from water usage were calculated based on a 35% reduction in Potable Water and a 25% reduction in Recycled Water. An additional \$1.5 million from one-time wasteful water use penalty revenue has been budgeted in Fiscal Year 2022-23 for one-time expenses related to the drought emergency including funds to increase enforcement of watering restrictions, addi-

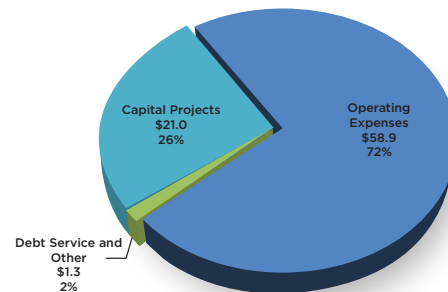
tional rebates for water saving devices, the installation of flow restrictors, and other efforts to ensure conservation mandates are met.

Use of Rate Stabilization reserves in the amount of \$0.9 million in Fiscal Year 2022-23 and \$0.6 million in Fiscal Year 2023-24 are budgeted as a source of funds in an effort to minimize the potential impact of the drought on customers.

Fiscal Year 2022-23 Sources of Funds
\$81.2 Million



Fiscal Year 2022-23 Uses of Funds
\$81.2 Million



Operating Budget

	FY20-21 Actual	FY21-22 Budget	FY21-22 Est Actual	FY22-23 Budget
OPERATING REVENUES	\$74,203,531	\$70,653,926	\$72,943,119	\$63,866,506
Source of Supply	28,036,264	28,498,681	25,672,606	20,957,009
Purchased Services	14,236,265	11,185,346	12,777,260	14,417,569
Operating Expenses	3,339,959	2,919,920	2,963,370	3,573,629
Maintenance Expenses	1,368,741	1,757,098	1,483,249	1,784,555
Specialty Expenses	486,141	677,995	475,933	561,837
Field Conservation	70,548	280,206	44,576	1,508,000
Resource Conservation	154,750	167,466	128,616	153,000
Administrative Expenses	9,994,522	12,922,970	11,716,351	15,950,279
TOTAL OPERATING EXPENSES	\$57,687,190	\$58,409,682	\$55,261,961	\$58,905,878
NET OPERATING INCOME (LOSS)	\$16,516,341	\$12,244,244	\$17,681,158	\$4,960,628

Capital Improvement Projects



Pure Water Project Las Virgenes – Triunfo - The Pure Water Project relies on indirect potable reuse, a water supply strategy now adopted by many cities and water agencies in California and across the United States to provide local, reliable water. The ultimate, full-scale project will minimize the discharging of usable recycled water into Malibu Creek and instead will convert this resource into a viable source for potable, locally-produced water. The full-scale project involves the construction of several pipelines and an advanced treatment plant that will convert recycled water into pure drinking water. The Pure Water Project creates an affordable and reliable local water supply that will be cost-competitive with imported water, help stabilize water rates, safeguard the local economy and significantly reduce the uncertainty of supply associated with importing water due to climate change and long-term and reoccurring drought conditions. The project will require public participation and acceptance, regional leadership, and the funding to move from concept to reality.

Interconnection with Calleguas Municipal Water District (CMWD) - This continues to be an imperative project that will enhance the reliability of both the District's and CMWD's water supplies. Once completed, this pipeline interconnection between the two agencies will provide a backup supply in the event either agency's main supply source is compromised. The interconnection facilities for the District include 5,000 feet of 30-inch pipe in Lindero Canyon Blvd from Thousand Oaks Blvd to the county line and a pressure reducing station.

Cornell Pump Station Upgrades - Pump station improvements to provide additional reliability and redundancy at a critical facility in the District's backbone potable water system. The improvements will replace the existing natural gas engine, electric motor, two pumps and emergency generator. This project will address deteriorating equipment, install a

bypass line, plus update electrical and HVAC components in the pump station. These upgrades collectively provide added security that the pump station will deliver water in both the west-east or east-west directions, during planned and unplanned water system outages.

Twin Lakes Pump Station Pipeline Project - The new pipeline is part of the District's strategy to increase water reliability by providing additional water supply to the Twin Lakes service area. The Twin Lakes Pump Station is currently supplied via the District's LV-3 interconnection with Metropolitan Water District of Southern California (MWD) West Valley Feeder No.2. Once design and easements are complete, a new 16-inch pipeline will be installed to connect to an existing 30 inch water transmission main, which is supplied by MWD's West Valley Feeder No.2 via LV-1. The pipeline will be used to provide additional capacity to the pump station.

Stationary Emergency Generator for Critical Potable Water Stations - The District plans to install four new stationary emergency generators at four critical water pump station facilities: Jed Smith, Cold Canyon, Seminole, and Twin Lakes. Due to the pump stations' remote location, these potable water pump stations were deemed critical for the reliability of the District's potable water system. The project will enhance water system reliability during power outages caused by Public Safety Power Shutoffs (PSPS) events, wildfires, earthquakes, or other natural and manmade disaster to ensure continuity of service to our customers. The District received a 404 Hazard Mitigation Grant from FEMA/CalOES which will cover up to 75% of the project costs.