

# It's About



Las Virgenes Municipal Water District  
Annual Report to the Community for  
Fiscal Year 2010-11  
Published June 2012

## Board of Directors

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Glen D. Peterson	Division 2
Lee Renger	Division 3
Joseph M. Bowman	Division 4
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John R. Mundy	General Manager
David R. Lippman	Director of Facilities & Operations
Carlos G. Reyes	Director of Resource Conservation & Public Outreach
Sandra S. Hicks	Director of Finance & Administration

## Legal Counsel

Wayne K. Lemieux	Law Offices of Lemieux & O'Neill
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## District Profile

### Established

1958

### Governance

Five member board of directors, publicly elected by geographic division

### Service area

122 square miles

### Population served

70,000 residents of Agoura Hills, Calabasas, Hidden Hills, Westlake Village, and unincorporated areas of western Los Angeles County

### Customer connections

Potable Water	
Residential	18,753
Commercial	812
Recycled Water	622

### Water served 2010-11

Potable	19,002 acre feet
Recycled	5,000 acre feet

### Budget 2010-2011

\$58.1 million

Las Virgenes Municipal Water District

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# Executive Summary

## Today

Las Virgenes Municipal Water District (LVMWD) provides safe, dependable water service to some 70,000 residents in 122 square miles that include four cities and the surrounding unincorporated areas of Los Angeles County.

Formed in 1958 to import and distribute drinking water to a region that has no usable potable water sources, LVMWD became a member agency of the Metropolitan Water District of Southern California, which is the sole supplier of water we deliver to our customers. To fulfill its mission, the District uses nearly 400 miles of water mains, 24 pump stations, 24 storage tanks, the Westlake Filtration Plant and Las Virgenes Reservoir in Westlake Village. Challenges to reliable service include significant elevation changes, earth movement due to slides or seismic

activity and aging infrastructure.

Through the Las Virgenes – Triunfo Joint Powers Authority, LVMWD also operates a wastewater collection and treatment system that relies upon the Tapia Water Reclamation Facility and Rancho Las Virgenes Composting Facility to provide high quality recycled water and USEPA “Class A - Exceptional Quality” compost to the region and provides a viable local solution to biosolids handling.

LVMWD’s recycled water distribution system provided just over 20 percent of all the water delivered by the District last year, providing a gallon-for-gallon saving in potable water that would have otherwise been used for irrigation, while at the same time reducing the amount of water that would have been imported from northern California.



LVMWD Founders circa 1958

Front row (left to right): Murray Strauss, Earle Brookins, Elizabeth Ossetgnska Hughs.

Second row (left to right): Unidentified, Clarence Straight, Unidentified, Gordon Miner, Frank P. Doherty, Attorney

The system they created has now been entrusted to a new generation. Today, you turned on the tap and clean reliable water appeared.

LVMWD is working to ensure it is there for all your tomorrows.

## Tomorrow

LVMWD must be positioned to maintain its infrastructure, replacing components approaching the end of their service lives, expanding the capacity of the system where needed and improving operating efficiency wherever it makes sense to do so.

While growth in the service area has slowed due to the economy, demand continues to increase. However when the economy strengthens, Las Virgenes Municipal Water District must plan ahead and be prepared for growth when it occurs.

The District must also recognize shifts in usage patterns. High demand customers such as hotels and agriculture, including vineyards, have become a reality in the region. Only a few years ago, there were very few hotel rooms in the service area, now the US 101 corridor is lined with lodging that was constructed to meet the needs of local businesses and the growing amount of tourism attracted by the Santa Monica Mountains National Recreation Area and other nearby attractions.

Perhaps more than any other component in modern life, water infrastructure requires great care and foresight; is not designed or built overnight. It is costly, much of it is underground and it is expected to have a lifespan of forty years or more.

When properly engineered, it will stand the tests of efficiently meeting today's needs, with the reserve capacity to meet those of tomorrow. The recent slow economy has provided the District with an opportunity to reflect upon the future of the agency. This is done through a five-year planning process that assesses the current state of the system, the need for replacements and an evaluation of anticipated needs and a projection on the resources necessary.

The primary mission of LVMWD is to provide high quality, safe, dependable water that is protective of public health and safety. Over a half-century ago the founders of LVMWD put into motion the design and construction of the agency that serves you today. The system they created has now been entrusted to a new generation. As a public agency, it is our collective responsibility to continue planning for the future, in partnership with the customers we serve, the elected Board of Directors that guides the District and the staff that implements the programs that make LVMWD a utility of excellence, transparency and trust.

On the following pages, you are invited to view how LVMWD's Board, management and staff work to ensure those standards are met.

  
John R. Mundy  
General Manager



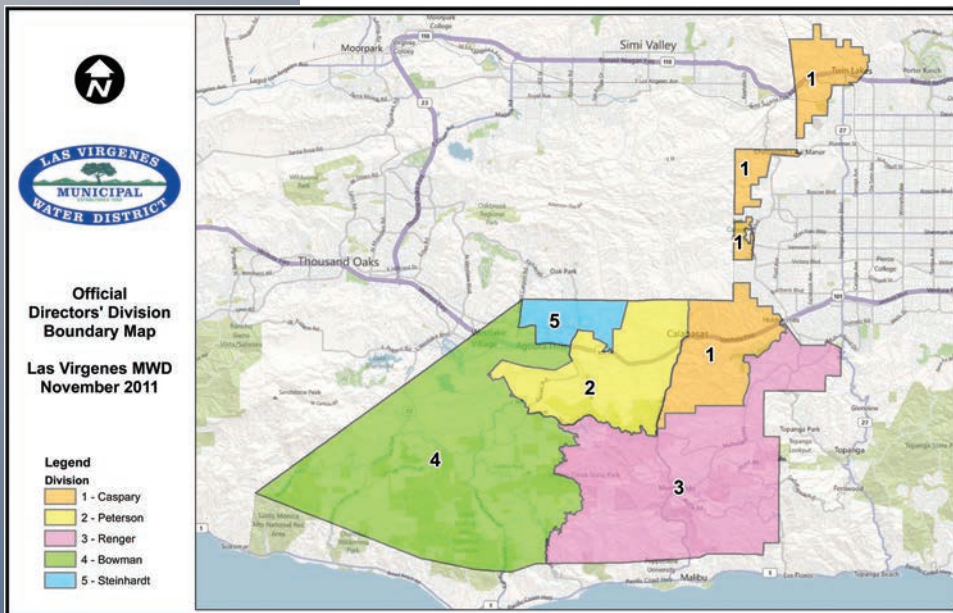
## Governance

LVMWD is a California Special District as defined in the state's government water code. It is a public agency that exists to provide service to the communities within its boundaries; there are no shareholders, profits or dividends distributed. The District is governed by a five-person Board of Directors, each is elected to represent a specific division within the District's 122 square-mile service area for a period of four years; the terms for Divisions 1 and 4 expire at the end of 2012; the terms for Divisions 2, 3 and 5 run through the end of 2014.

LVMWD Board meetings are scheduled to be held on the second and fourth Tuesday of each month at District Headquarters, 4232 Las Virgenes Road in Calabasas at 5 p.m. From time to time, the Board may also

hold workshops on specific topics such as major projects or financial planning. The meetings are open to the public and agendas are published and posted in advance in compliance with California's laws pertaining to public meetings. Agendas may be viewed on the District's website, [www.LVMWD.com](http://www.LVMWD.com) or at District Headquarters.

The Board is responsible for setting policy for the District. It is also responsible for overseeing finances including capital expenditures, rates, monitoring the agency's activities and it selects the District's general manager, legal counsel and an independent auditing firm that reports to the Board. The Board also selects a representative to a seat on the Board of the Metropolitan Water District of Southern California.



LVMWD's Board has made a standing commitment to transparency in the District's operations and finances.

# Transparency

As a public agency, the District's Board is committed to a policy of transparency in the District's operations.

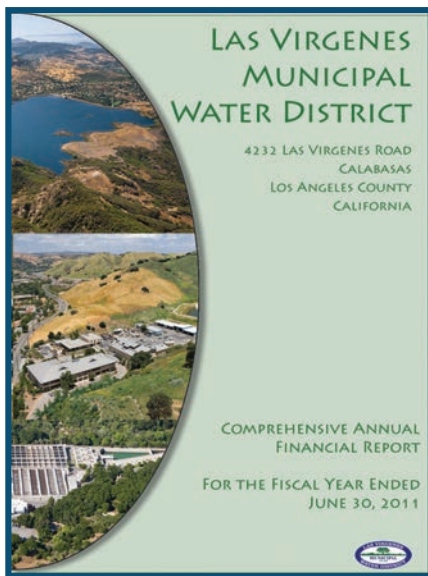
As such, LVMWD's books are open for public review; the adopted budget is published and posted on the

District's website, along with other key documents pertaining to the District's functions. In addition to its website, the District maintains an office of public information that is responsive to inquiries from customers, the general public, community organizations and media outlets.

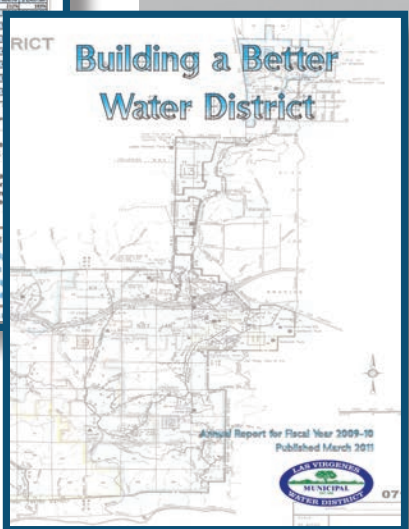
# Transparency for Tomorrow

As information choices continue to expand, LVMWD has been diversifying its means of communicating with the public. The website has been upgraded and the content expanded, making more materials available for public review. A special section has been added on timely information related to construction projects, both proposed and for those currently in progress. The District has engaged

in social media, with a presence on both Facebook and Twitter. LVMWD has active community outreach programs and frequent public tours of District facilities. And electronic distribution of District publications, such as The Current Flow customer newsletter is now available.



Agency	Rate (per 100 gallons)
San Diego	\$1.25
San Jose	\$1.15
San Francisco	\$1.10
LVMWD	\$0.85

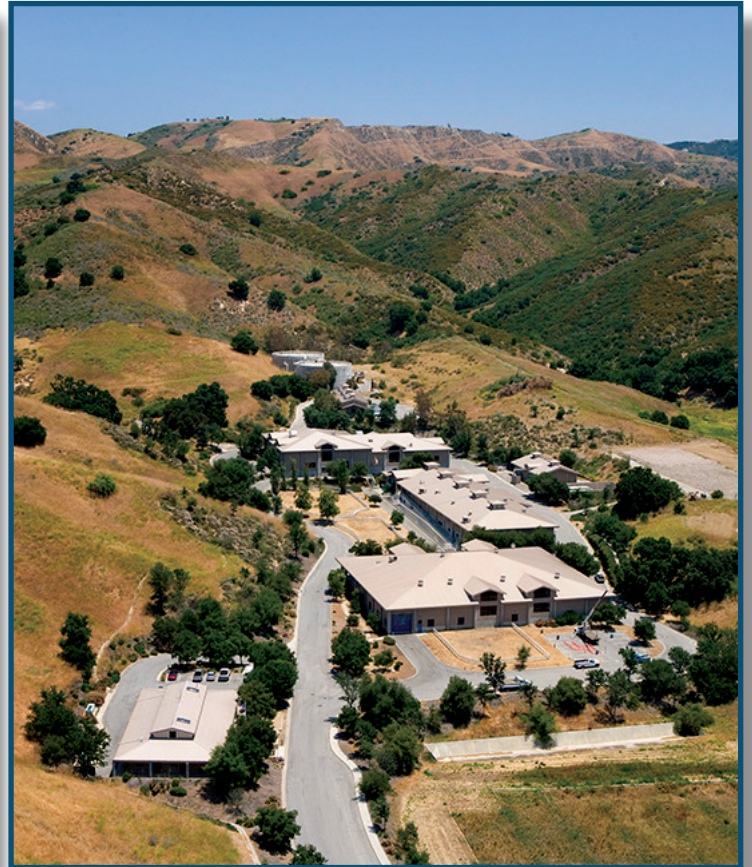


## The Las Virgenes – Triunfo Joint Powers Authority (JPA)

Wastewater treatment, recycled water production and operation of the composting facility are functions managed by a JPA, which is comprised of Las Virgenes Municipal Water District and Triunfo Sanitation District (TSD), the latter of which is located in Ventura County, abutting the LVMWD service area. The Las Virgenes – Triunfo JPA is overseen by the combined boards of both agencies. LVMWD manages and operates the facilities

associated with these functions.

The JPA Board regularly meets on the first Monday of most months; the agenda and meeting location is published on the LVMWD website. Meeting locations alternate between sites in the LVMWD or TSD service areas and are identified in the agenda.



The District's location in the sensitive Malibu Creek watershed carries added water treatment mandates – and expenses.



# LVMWD's Triangle of Services

## Water Supply

FY 2010-11 brought relief to the state's water supply situation. A lengthy drought was broken by a winter and spring that brought record amounts of rain and snow to the state, including the critical watersheds of Northern California where LVMWD's potable water originates. The state's water managers and, closer to home, the Metropolitan Water District of Southern California were able to store a significant amount of water, replenishing reservoirs and aquifers that had become severely depleted during the drought.

As a result of this bounty, the LVMWD Board suspended the District's water allocation program. During the fiscal

year, revenues from water deliveries increased somewhat but not to the levels prior to the implementation of conservation efforts related to the water shortage, reflecting several changes: a conservation ethic adopted by many customers through changes in their water use, such as reducing the amount of water used for irrigation; the technological efficiencies achieved through the wider use of more water efficient appliances and fixtures such as newer toilets, clothes washers and shower heads; and an effort by business operators and homeowners to more closely monitor the costs of their utilities during the nation's economic recession.

## Wastewater Treatment and Recycling

In late 2010 the Los Angeles Regional Water Quality Control Board renewed the five-year NPDES permit for the Tapia Water Reclamation Facility. This permit contained new elements representing compliance measures that have costs associated with goal attainment. While not unexpected, the JPA's governing board is satisfied the new conditions can be met using available financial resources.

Recycled water continues to play a key role in several District objectives. The reuse of treated wastewater for irrigation provides a direct offset to potable water imports. Second, it provides a means of disposing of treated wastewater, as the JPA is prohibited from placing effluent in Malibu Creek from April 15 to November 15 each year.



Water quality monitoring in Malibu Creek

# Facilities & Operations

## Potable Water

### *The Value of Water and the Costs of Providing Water Service*

In the aftermath of the recent water shortage, customers often ask, “If the drought is over, why have my water rates not gone down?” The District also frequently hears, “I’m using less water but paying more – why?”

These are fair questions and the responses do not lend themselves to simple “sound bite” answers. Customers often relate to commodity purchases, such as motor fuels, milk, bread or water, in terms of fixed costs but there is also vast infrastructure behind delivery of the product, in this case, water.

LVMWD must acquire water from the Metropolitan Water District of Southern California (MWD), which also provides water to some 19 million Southern California residents. Included in the costs from MWD are the transportation, storage, treatment and delivery of water through a vast network of pumping stations, treatment plants and delivery pipelines, all of which must be maintained. MWD takes delivery

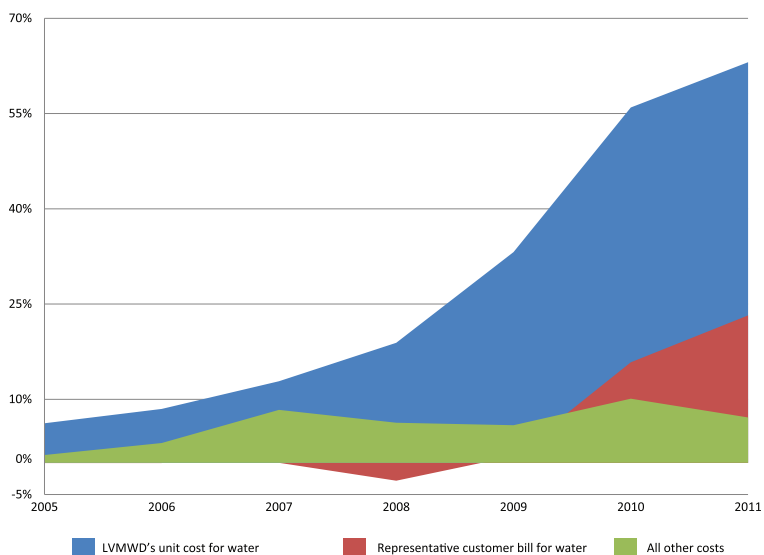
of water for our region from the State Water Project. It also operates the Colorado River Aqueduct, the large Diamond Valley Lake reservoir near Hemet, a number of other reservoirs and water treatment facilities including the Joseph Jensen Treatment Plant that serves our District near Sylmar.

The costs for maintaining and operating the system are substantial. Outside of labor, electricity is the largest single operating cost. During times of peak water demand, upwards of 20 percent of the state’s energy resources are devoted to the movement and treatment of water. In addition, during the recent drought, MWD entered into contracts to secure water from agricultural interests to assure reliable supplies if the shortage continued. And whether a customer uses very little water, or a great deal, the costs of the infrastructure behind those deliveries remain in place. Monies borrowed in the form of bonds to build a project such as Diamond Valley Lake must be repaid without regard to current water use.



Beside water itself, energy is the District’s largest operating cost.

## Comparison of Cumulative changes 2005 -2011



## Tomorrow's Water Supply

LVMWD, MWD and water managers throughout California continue to pursue the elusive goal of supply reliability. That concept calls for multiple elements that include a solution to the problems posed by the fragile Sacramento-San Joaquin River Delta, additional storage including above and below ground facilities, increased water use efficiency by urban and agricultural water users and adequate funding to implement these expensive programs.

As a MWD member agency, and through its own efforts at legislative monitoring, LVMWD has been an active proponent for Delta solutions supportive of the adopted co-equal goals of water supply reliability and environmental protection.

California's economic climate poses additional challenges to resolving water issues. A referendum on issuing \$11 billion in new water project bonds scheduled for the 2011 election was deferred to 2012 and it is still uncertain that the amount of the

bond, or the date of the referendum are firm. The state does not have general fund resources to begin projects of any magnitude and even if the bond is enacted, it does not include funding for the construction of a reliable water conveyance around, through, or beneath the Delta. Instead, the state has adopted a policy referred to as "beneficiary pays" that will recover project costs from those downstream, which would include LVMWD customers.

Locally, during FY 2010-11 LVMWD commenced its long-planned "Backbone Improvement Program" that when complete, will provide a number of benefits to the service area. A multi-year project, this effort is designed to accomplish several goals, perhaps the most important being the ability to meet demand during peak periods of use, ensuring adequate fire flows when needed and providing secure supplies in the event of a larger emergency that interrupts the flow of water the District receives from Metropolitan.

The state has adopted a policy of "beneficiary pays" that will apply to major water project improvements.

Water policies decided in Sacramento determine water availability and costs in Southern California.



Community involvement was a key element in helping to obtain a reasonable operating permit for Tapia.

## Wastewater Treatment Today

Since the passage of the federal Clean Water Act during the Nixon administration of the 1970s, wastewater treatment standards have had a beneficial effect on most of the nation's waterways. Since that time, wastewater treatment facilities have been required to obtain National Pollution Discharge Elimination System (NPDES) permits that stipulate strict requirements for treated water. Over the years, those standards have become both more numerous and stringent. A key difference from those days is the absence of state and federal matching grants for the construction of facilities needed to meet those new standards. Instead, we are reliant upon ratepayers for nearly all of the necessary funds to construct treatment facilities that are costly to build and operate.

During FY 2010-11, the Tapia Water Reclamation Facility was granted renewal of its NPDES permit. Not unexpectedly, there are additional conditions and provisions in the permit that will require an investment in facilities and staff time to attain compliance. The good news is that we are on-track to achieve the prescribed measures and these steps can be taken without the need for costly borrowing. Instead, a "pay as you go" approach will continue to be used to control costs.

The renewal of the Tapia permit also stands as an accomplishment for members of the community who stated their concerns to the Los Angeles Regional Quality Control Board. Residents of the District's service area have a long and demonstrated history of supporting the region's environmental stewardship, including that of the Malibu Creek watershed. A significant number of citizens also expressed their concerns about the ever-increasing costs for meeting water

treatment standards that are not directly connected to improving conditions in the creek or the nearby waters of Santa Monica Bay. The Regional Board responded to their concerns by issuing a reasonable permit.

Currently, the Tapia Water Reclamation Facility treats approximately 9 million gallons of wastewater each day in compliance with the state's stringent Title 22 standards for tertiary-treated recycled water.

The conditions and complexity found in Tapia's operating permit are illustrated in part by the following-

From April 15 to November 15 each year, Tapia is not permitted to place recycled water in Malibu Creek. As a result, recycled water must be used for irrigation in the LVMWD and Triunfo Sanitation District service areas, with surplus water disposed of in spray fields or pumped over the Calabasas grade for disposal into the L.A. River system.

However, there are exceptions to the Malibu Creek prohibition. One allows for disposal during periods of rain when inflows may be greater and disposal options fewer, another mandates the District provide waters for endangered aquatic species in the Malibu creek system during periods of low water flow, typically during the hot, dry days of late summer, when demand for recycled water is greatest.

Compliance with stringent standards is costly and even with expanded automation, modern energy management and other controls, costs will continue to escalate into the foreseeable future for wastewater treatment as energy and support materials such as chemicals are key to the necessary processes.

## Tomorrow's Wastewater Needs

The Tapia Water Reclamation Facility is adequately sized in terms of its capacity to meet present and anticipated inflows over the next five years. While it is difficult to accurately predict what the future may hold in terms of regulations, federal and state authorities are placing a focus on “Constituents of Emerging Concern” (CECs) that are now being detected in the nation’s water in very small amounts. Some items include personal care product residue, antibiotics that find their way into the waste stream and some industrial compounds. It is not yet known how regulatory bodies will deal with these items and for some of the substances there are no known treatment methods at the present time. Wastewater treatment agencies,

including LVMWD, are working to educate the public on keeping these items out of the waste stream using educational campaigns such as “No Drugs Down The Drain” and safe pharmaceutical disposal drop off points, such as that found at the Lost Hills Sheriff station in Agoura and at some retail pharmacies.

As the costs to meet regulatory compliance mandates increase, wastewater treatment costs to wastewater customers have been steadily escalating across much of California. Another factor impacting wastewater rates is the cost of energy, and in the Las Virgenes – Triunfo JPA service area, there is a relatively small number of customers who must share the costs.

The presence of personal care products and pharmaceuticals in the waste stream have the potential to greatly increase wastewater monitoring and treatment costs.



## Recycled Water

LVMWD has long been a leader in the recovery of water from the waste stream and making significant beneficial reuse of recycled water to irrigate the region's parks, golf courses, common areas and highway landscapes. During FY 2010-11 a significant new recycled water pipeline was completed in Malibu Canyon, running from the Tapia Water Reclamation Facility to Mulholland Highway, providing added capacity for periods of peak demand while adding to the dependability of the recycled water distribution system. The District was able to take advan-

tage of a \$2 million federal grant for the pipeline, because it qualified under the American Recovery and Reinvestment Act as a "shovel ready" project.

A significant new connection was made to the recycled water distribution system at the large community park being constructed in the City of Westlake Village. As mentioned elsewhere in this report, just over 20 percent of the water delivered by LVMWD in FY 2010-11 was recycled, making the District one of the largest per capita recyclers in the nation.

## Tomorrow's Recycled Water System

LVMWD has been exploring means to further expand the recycled water distribution system. Significant expansion will require a major investment in a seasonal storage facility that would be filled in the winter and drained in the summer, most likely a small reservoir, which will be costly and a challenge to locate. The storage facility

would be necessary because present summer peak demands exceed the supply available. With a projected cost of some \$50 million, it is not likely a recycled water storage facility would be constructed until the economy improves, perhaps opening the door to the possibility of state or federal assistance on a project of that magnitude.



Recycled water system expansion is a key to more efficient resource management.

Las Virgenes Municipal Water District

## Biosolids Treatment and Disposal

Facing the uncertainties of land application of biosolids or reduced access to landfill disposal as an option for dealing with these materials, in the early 1990s, the Las Virgenes – Triunfo JPA made a commitment to deal with biosolids on the local level. The result was the construction of the Rancho Las Virgenes Composting Facility, which has been in service for nearly two decades, converting biosolids removed during the wastewater treatment process into compost graded by the US EPA as “Class A – Exceptional Quality.”

Composting has many benefits. It provides a local solution to waste materials created in the service area, without depending upon the acceptance of other communities. Rancho Las Virgenes compost has an excellent reputation among professional landscapers and on most Saturday mornings through the year, area residents take advantage of its availability by picking up some free material for use at their homes and businesses.

Operating the compost facility is not without expense however; those costs are partially mitigated by

not having to contract for disposal with commercial firms and other communities. In addition, some energy is recovered during the process to generate heat and electricity used at the compost facility. Much of the process is automated and energy-intensive operations are scheduled for off-peak demand hours. On several different occasions the JPA has investigated the possibility of commercial entities distributing compost from Rancho Las Virgenes, but to date, there have been no viable proposals.



The creation of high-grade compost provides a local solution to the challenge of dealing with biosolids.

## Tomorrow's Biosolids Management

As technology advances, there is renewed effort in proactive biosolids management. Future plans call for the construction of a third digester unit at the Rancho Las Virgenes facility. The new unit would serve multiple purposes, allowing for

the needed maintenance of the other two digesters and to possibly incorporate some new technologies that would increase energy recovery from the biomass, reducing the facility's dependence upon commercial power sources.

## Planning

LVMWD is subject to the planning decisions made by local agencies. The Planning unit does not engage in activities traditionally associated with planning functions such as those found with cities or county governments. The District examines plans for the impacts new development will generate and determines whether the existing infrastructure is adequate to serve a given project, or if additional infrastructure is necessary to meet the day-to-day needs in addition to those of fire-flow requirements,

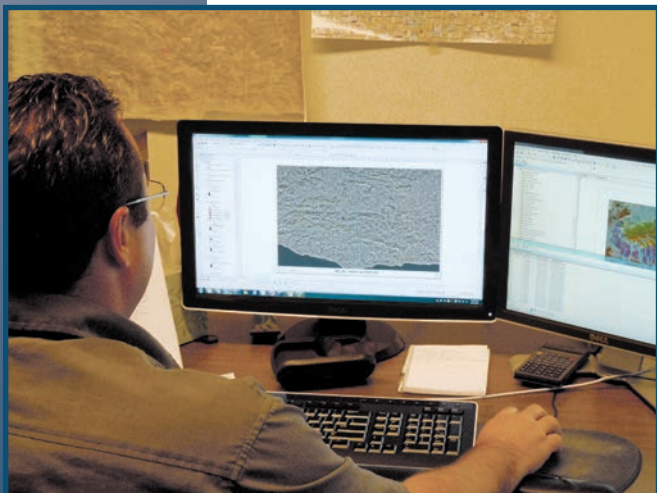
and if required, sewer service.

The Planning unit also maintains the District's Geographic Information System (GIS) that maps the region, property lines, political boundaries and importantly, the locations of pipelines, valves, hydrants, pump stations, pressure control devices and other District equipment. GIS has evolved as an important tool in managing the District's assets in a more efficient manner and has numerous uses across each department and other agencies.

## Tomorrow's Planning Functions

As the need for water use efficiency escalates due to changes in state law and to conserve limited resources, so will the need for careful examination of proposed projects. Closer attention to building efficiency in new construction for both potable water and recycled water usage will be necessary in order to share limited water supplies.

GIS will be a useful tool in evaluating areas designated for system expansion, assisting field personnel with their responses to service interruptions, analyzing areas where greater operating efficiency can be achieved, and evaluating water use by customers.





# Resource Conservation and Public Outreach

The District provides a number of key roles in addition to water and sewer service.

Customer Service functions include Office Services that opens and maintains customer accounts, performs the billing and posting of revenues received for water service, and responds to customer inquiries. Field Services provides at-home water use conservation surveys, meter-reading service and field service support for the District.

Other functions include assisting with wastewater permit compliance programs, conducting research on and engaging in the stewardship of the Malibu Creek watershed, oversight of the District's spray fields used for surplus recycled water disposal, administration of water

conservation rebate programs available to customers and engaging in public education through special classes on such topics as efficient gardening and water conservation.

Public Outreach activities include the District's communications and school education programs, generates publications such as informational brochures, the District's Annual Report, the Current Flow newsletter for customers, manages the District's website and social media, conducts media relations, operates public information booths at community events, conducts tours of District facilities, operates a speaker's bureau, monitors state and federal legislation and responds to customer inquiries and requests.



## Customer Service – FY 2010-11

Billings:	\$45.1 million
Account inquiries:	21,680
Customer Service Orders:	6,411
Water use surveys completed	129
Turn on / Turn offs	3,864
AMR/AMI meters installed	3,289

## Customer Service Tomorrow

Technology will continue to add to the efficient handling of customer service functions. The District has been implementing Automated Meter Reading / Automated Meter Infrastructure (AMR / AMI) that greatly reduces time spent actually reading meters, reduces risks to field workers, decreases vehicle miles travelled and is very effective at assisting customers by alerting them to leaks that waste water and money.

As financial services continue to evolve, the District has already adopted several payment options including online bill payment services available through several financial institutions; it is reasonable to think that trend may continue. The future may also hold "smart phone" or web applications that could allow customers to have greater access to current usage data and implement actions that achieve greater water-use efficiency.

It's About Tomorrow

## Conservation Programs

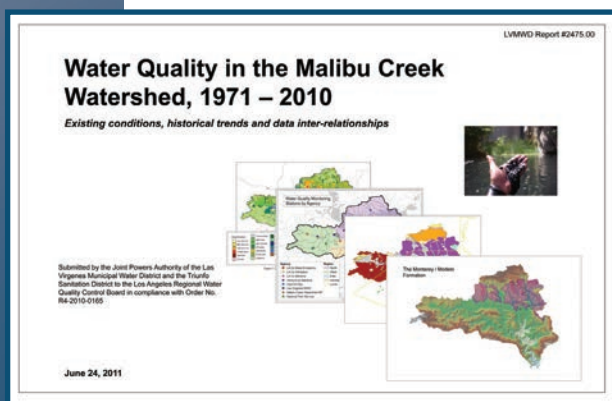
The District's conservation efforts, and those of its customers, were very effective tools in dealing with the water shortage that ended during the winter of 2010-11. Not only did customers cut their water use by over 20 percent, but their collective efforts helped the District avoid having to purchase very costly water from Metropolitan, in turn saving millions of ratepayer dollars. As those funds were not needed, the LVMWD Board chose to refund penalty fees to customers who paid them, as it was anticipated the funds would have been used to offset the costs of water acquired beyond the District's allocation from MWD.

Following the drought, it is apparent many customers have made lasting changes in their water use patterns, as deliveries continue at a level significantly below those in the time prior to the water shortage. While this is good news from the standpoint of conservation, it has also had a direct impact on revenues derived from potable water deliveries. The District has made up the shortfall by accessing a special reserve fund previously set aside for this purpose, which is one reason LVMWD customers had the lowest water commodity rates among agencies in the surrounding

area during FY 2010-11.

The District recently conducted scientific research into the causes of contaminants in the Malibu Creek watershed that result in its federal listing as an "impaired" waterway specifically for nutrients that encourage the growth of algae. The project has produced significant findings that point to the region's geology, specifically a deposit known as the "Monterey Formation" that is rich in natural phosphorus and other materials detrimental to the general health of the watershed. The outcomes of this research could have significant impacts on how regulatory bodies view the watershed with the potential to also affect the need for future requirements for advanced treatment processes at the Tapia Water Reclamation Facility.

The District has also been busy implementing a condition found in the most recent permit issued to Tapia, which requires a report on the collective monitoring efforts by various government agencies and non-government organizations in the Malibu Creek watershed and a summary of the findings associated with those efforts.



Natural sources of nutrients from geological formations appear to be impacting water quality in Malibu Creek.

## Tomorrow's Conservation Programs

As part of the state's landmark water legislation adopted in 2009, California has set a goal for urban water suppliers to achieve a reduction in water use of 20 percent by the year 2020, with "checkpoints" set at time intervals along the way.

It will be necessary for customers to engage in practices that have water use efficiency as a part of their daily lives. Some of these can be achieved through technologies such as new water-efficient washing machines, high-efficiency toilets, faucets and shower heads and new "smart" weather-based irrigation controllers that manage the amount of water applied to landscapes based on the specific needs of plants, rather than just a timer that turns sprinklers on and off.

The second level of efficiency will be achieved through behavior modification and investments in water-efficient landscapes better suited to the climate of the District's service area. For example, a square foot of turf lawn requires 60 inches of equivalent rainfall through the course of a year. Properly planned and maintained "California Friendly" landscapes will use significantly less water and actually be a greater asset to the appearance and value of the property.

For its part, the District will continue to engage in education efforts, such as its water-efficient gardening classes, and by offering rebate programs as

incentives to customers to adopt some of the newly available technologies that help reduce water use along with a new incentive on turf removal.

Research will continue on the Malibu Creek watershed, as will efforts to work cooperatively with communities in the District's service area and with other agencies engaged in water quality improvement programs in Santa Monica Bay.

20%  
by 2020



More accurate metering and the use of Automated Meter Reading / Automated Meter Infrastructure (AMR / AMI) can help reduce water losses due to leaks, while providing customers with timely usage information.

State law mandates a 20 percent reduction in urban water use by 2020.

## Finance & Administration

The LVMWD Board adopted a budget of \$58.1 million for FY 2010-11.

As noted elsewhere, the 2010-11 fiscal year covered by this report marked a transition in California's water supply from drought to surplus, with a corresponding shift in water policy by the District's Board of Directors, which took a series of actions to decrease, and later eliminate fees that were emplaced to discourage over-budget water use during the drought. The fee structure was enacted in anticipation that the District might have to acquire very costly water over the allocated amount from the Metropolitan Water District of Southern California. Because LVMWD customers responded so well to the call for conservation, the District avoided having to purchase higher-tier water. The Board then decided that the money would not be needed for the purpose it was collected and chose to refund or credit the over-budget funds to the customers who paid them.

The Board also chose to continue its policy of reducing the reserve funds in the potable water enterprise. Reflecting that decision, during FY 2010-11, the District's revenues increased to \$46.1 million, while expenses de-

creased to \$47.7 million; LVMWD's net assets decreased by some \$800,000 to \$229.9 million.

The District also saw a \$4.2 million reduction in its long-term debt to \$25.9 million, which is confined to the Sanitation enterprise.

The five-year rate structure adopted in 2007 covering all District enterprises was implemented according to schedule, with certain exceptions. Changes in the potable water rate charged to LVMWD by the Metropolitan Water District of Southern California made additional "pass through" adjustments necessary. Expenses associated with Tapia's permit compliance measures also made it necessary to implement the scheduled \$3 per month increase in sanitation rates after having chosen to forego a scheduled increase in FY 2009-10.

It should also be noted that many other water agencies impacted by the drought chose to encourage conservation among users by increasing the basic water rate structure. LVMWD chose a different path, retaining its basic rate structure but setting "water budgets" for all customers, which proved to be effective in achieving the District's conservation goals.



## Finance for Tomorrow

As noted above, the District's five-year rate structure will make its final scheduled adjustments in FY 2011-12. Accordingly, LVMWD has begun the process of studying the rate structures of all three enterprises against the backdrop of a comprehensive top-to-bottom review and projections of operating costs including those for water supply and energy, capital projects expenditures, permit compliance measures, mandatory conservation targets and the general economy. Currently purchased water amounts to 2/3 of the water fund's operating expenses.

MWD has informed its retailers that the cost of water will continue to increase, thereby demanding a larger percentage of water fund operating expenses. It is also known that any measures implemented by the state to achieve greater water supply reliability will be passed along to end users under the "beneficiary pays" concept.

The outcome of the comprehensive rate study will present the Board of Directors with several choices to consider in terms of the District's needs and an appropriate rate structure.

LVMWD customers had the lowest water commodity rates among those of surrounding agencies in FY 2010-11.



# Our Most Valued Asset

## Human Resources

Through the adoption of technology, restructuring and attrition, the District is decreasing the number of full-time employees necessary to provide service. In 1994, the number of employees peaked to 137, the District currently has under 119 to operate all three enterprises and the overarching management structure.

Existing labor agreements with the District's represented employees

provided stability in salaries and benefits through FY 2010-11. Per the terms of the agreements, there were no salary range adjustments.

The District's retirement funding is separate from those of state employees. With the reduction of full-time employees and the stability in salaries, pension costs in the district have remained stable and significantly below that of other public agencies.

### Authorized Positions

Fiscal Year	Connections-all Services	Authorized Positions
1991-92	32,369	133
1992-93	32,590	129
1993-94	32,462	137
1994-95	32,619	135
1995-96	32,938	135
1996-97	33,330	130
1997-98	34,283	121
1998-99	34,583	124
1999-00	34,756	123
2000-01	34,981	122
2001-02	35,648	125
2002-03	35,854	124
2003-04	36,059	123
2004-05	36,337	125
2005-06	37,306	124
2006-07	37,507	126
2007-08	37,591	126
2008-09	37,649	127
2009-10	37,542	128
2010-11	37,562	127
2011-12	37,702	119
(Source: LVMWD Accounting Department)		

Retirements of baby-boom era workers will pose a continuing challenge in recruitment and in the transfer of knowledge to the next generation of workers.

## Staffing for Tomorrow

While the complexity of water and wastewater utility management has increased, the size of our staff has decreased. Automation systems, more reliable equipment, active management that seeks to increase efficiency and equipment that allows for multi-tasking are some of the measures used by the District to “right-size” the personnel needed to serve the region.

Efficiencies have been achieved by operating three separate enterprises, potable water, recycled water and wastewater treatment with a management team that oversees administration, accounting, human resources, information systems technology, facilities management, conservation education, communications and operations.

The near future will see retirements of “baby-boom” era personnel. In response, the District has been planning for this transition, consolidating positions where appropriate, carefully selecting their successors and facilitating the transfer of institutional

knowledge to those new employees.

LVMWD employees must possess specialized skills and education. Field and operations personnel must pass state license tests and maintain their licenses through ongoing training. They must be tech-savvy, up-to-date on the latest safety standards, and have a good understanding of mathematics, chemistry and biology. Office personnel must be computer literate in multiple software platforms and possess exceptional communications skills. Supervisors and managers are often college graduates, many hold advanced degrees such as engineering certifications EIT, PE, CPA or graduate degrees.

The training, expertise, experience and dedication of these employees are all responsible for making LVMWD a well-run and efficient operation.



Yesterday, employees thrived in an analog world, used slide rules and manual measuring devices, collected meter readings with a pencil and notebook and individually posted service statements.

## Information Systems Technologies

FY 2010-11 saw the District continue the routine advancement of its technology infrastructure. There was

a modernization of the audio and visual communications systems at the headquarters Board Room facility.



The District enhanced its off site data storage and backup systems.

### The Future of IS

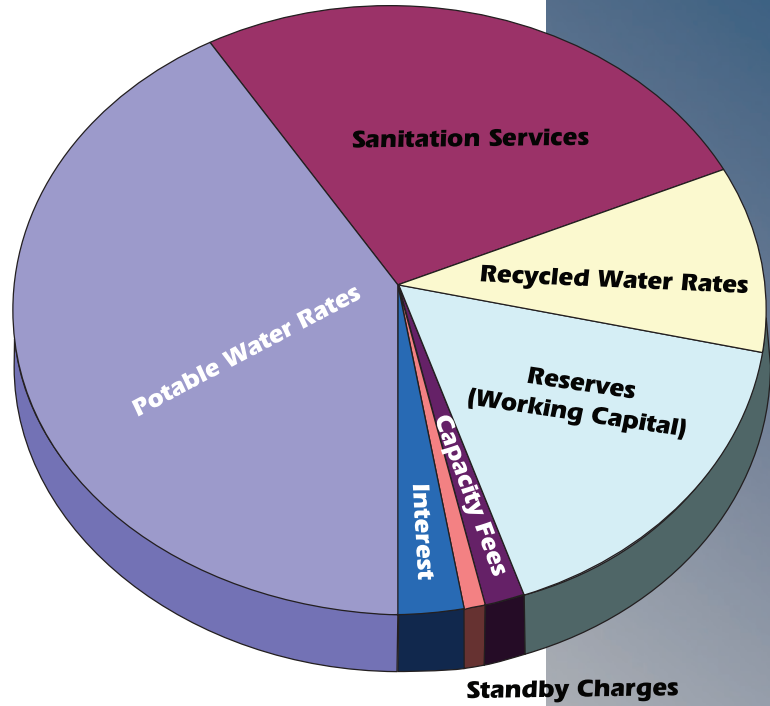
Computer based technology continues to advance at a fast and steady pace. The District will continue its routine and periodic upgrades to the computer network and user stations. Efficiencies rising from IT have been responsible for significant increases in

productivity, water system operating savings and more immediate leak detection through the staged adoption of the AMR / AMI metering system program. As these new technologies are adopted, security remains at the top of the list in terms of priorities.



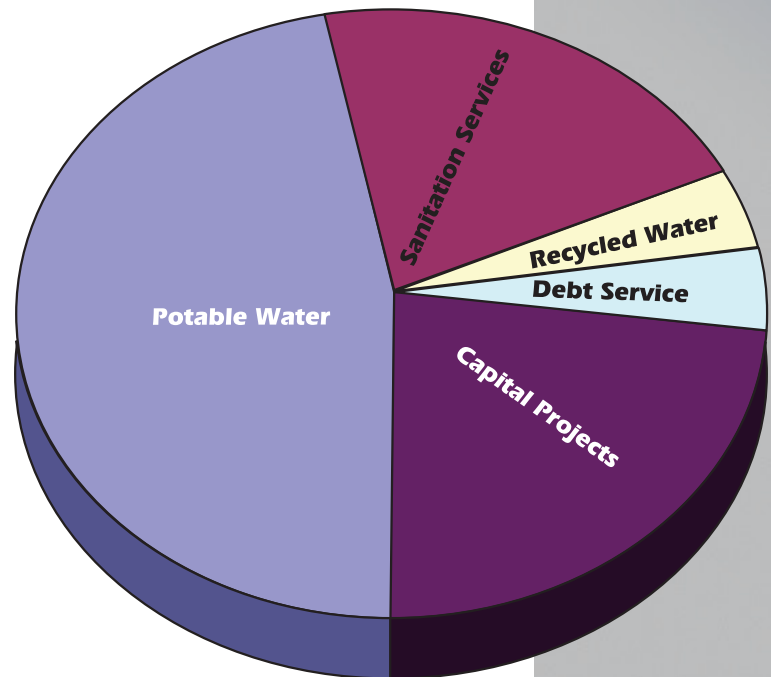
## FY 2011-12 Sources of Funds

Sale of Potable Water	\$25.5 million
Sanitation Services	\$16.7 million
Sale of Recycled Water	\$6.4 million
Working Capital	\$10 million
Capacity Fees	\$1 million
Standby Charges	\$0.5 million
Interest / Other	\$1.6 million



## FY 2011-12 Uses of Funds

Potable Water Operations	\$29 million
Sanitation Services	\$13.1 million
Recycled Water Operations	\$2.7 million
Debt Service / Other	\$2.8 million
Capital Projects	\$14.1 million



# Financial Reporting

## Statement of Net Assets (Condensed)

(In thousands of dollars)

	<u>FY 2011</u>	<u>FY 2010</u>	<u>FY 2009</u>	<u>FY 2008</u>
<b>Assets:</b>				
Current and Other Assets	86,170	88,649	96,054	96,101
Capital Assets	107,017	106,679	107,219	109,410
Investment in Joint Powers Authority	74,341	75,921	78,327	78,981
<b>Total Assets</b>	<b><u>267,528</u></b>	<b><u>271,249</u></b>	<b><u>281,600</u></b>	<b><u>284,492</u></b>
<b>Liabilities:</b>				
Long-term Debt Outstanding	25,975	27,644	36,429	37,999
Other Liabilities	11,635	12,905	12,560	14,170
<b>Total Liabilities</b>	<b><u>37,610</u></b>	<b><u>40,549</u></b>	<b><u>48,989</u></b>	<b><u>52,169</u></b>
<b>Net Assets:</b>				
Investment in Capital Assets, Net of Related Debt	79,319	77,351	68,886	69,595
Restricted	10,226	12,368	14,281	16,533
Unrestricted	140,373	140,981	149,444	146,195
<b>Total Net Assets</b>	<b><u>229,918</u></b>	<b><u>230,700</u></b>	<b><u>232,611</u></b>	<b><u>232,323</u></b>

# Financial Reporting

## Statement of Revenues, Expenses and Changes in Net Assets (Condensed)

(In thousands of dollars)

	<u>FY 2011</u>	<u>FY 2010</u>	<u>FY 2009</u>	<u>FY 2008</u>
<b>Operating Revenues:</b>				
Water Sales	26,974	26,160	29,708	30,419
Sanitation and Other	16,681	15,887	16,267	13,471
Non-operating Revenues:				
Taxes and Penalties	879	898	917	905
Interest Income and Other	1,568	1,654	2,988	4,942
<b>Total Revenues</b>	<u>46,102</u>	<u>44,599</u>	<u>49,880</u>	<u>49,737</u>
<b>Expenses:</b>				
Depreciation Expense	4,754	4,717	4,689	8,675
Other Operating Expense	28,750	28,534	28,799	37,013
Share of JPA Net Expenses	13,092	12,870	14,921	
Non-operating Expense	1,147	2,072	2,386	2,152
<b>Total Liabilities</b>	<u>47,743</u>	<u>48,193</u>	<u>50,795</u>	<u>47,840</u>
<b>Net Assets:</b>				
Income (Loss) Before Capital Contributions	(1,641)	(3,594)	(915)	1,897
Capital Contributions	859	1,683	1,203	4,167
Change in Net Assets	<u>(782)</u>	<u>(1,911)</u>	<u>288</u>	<u>6,064</u>
Beginning Net Assets	<u>230,700</u>	<u>232,611</u>	<u>232,323</u>	<u>226,259</u>
<b>Ending Net Assets</b>	<u><b>\$229,918</b></u>	<u><b>\$230,700</b></u>	<u><b>\$232,611</b></u>	<u><b>\$232,323</b></u>



“Water is good; it benefits all things and it does not compete with them.” – Lao-tzu