



# WEST BASIN

Municipal Water District

*Fiscal Year 2025-2026  
Budget Workshop # 1*

Special Board Meeting  
March 28, 2025

[www.westbasin.org](http://www.westbasin.org)



# Workshop Agenda

---

1. FY 2025-26 Budget Workshop Schedule
2. FY 2024-25 Challenges and Opportunities
3. FY 2024-25 Budget vs FY 2024-25 Projections
4. FY 2025-26 Key Budget Drivers
5. FY 2025-26 Proposed Expenses
6. Next Steps

# Proposed FY 2025-2026 Budget Workshop Schedule

Date	Time	Topic
March 28, 2025	10:00 AM	<u>Workshop #1</u> : FY 2024-25 Financial Overview and Key Budget Drivers, and FY 2025-26 Proposed Expenses
April 26, 2025	11:00 AM	<u>Workshop #2</u> : FY 2025-26 Proposed Detailed Budget Revenues, Expenses, and Rates
May 2025	TBD	Customer and Stakeholder Workshop
May 23, 2025	10:00 AM	<u>Workshop #3</u> : CIP, R&R and Funding Options
Early June	TBD	Final Proposal: Budget, Rates & Charges

# Review of FY 2024-25 Challenges and Opportunities

---

## Challenges

1. FY 2022-23 and FY 2023-24 potable water sales declined due to strong water conservation efforts.
2. Recycled Water O&M costs are increasing.
3. Recycled Water Agreements are not recovering costs.
4. Net Revenues after paying off debt service are not sufficient to cover the CIP and R&R projects.

## Opportunities

1. Five Recycled Water Agreements schedules for renewal, providing the opportunity to recover future costs.
2. Cost of Service Study underway with a scheduled completion for implementation in the FY 2025-26 Proposed Budget.
3. Adjust the collection of MWD RTS from a Commodity Rate to a Fixed Monthly Charge.

# FY 2024-25 Key Takeaways

---

1. Potable Water Sales – Higher than budgeted.
2. Recycled Water Sales – Budgeted amount is tracking with projections.
3. Operations and Maintenance Expenses – Lower than budgeted.
4. Salary and Benefits – Lower than budgeted.



## Financial Overview

---

FY 2023-24 Actuals vs.  
FY 2024-25 Projections

[www.westbasin.org](http://www.westbasin.org)





# Potable and Recycled Water Sales (AF)

Potable Water Sales	FY 2023-24 Actual	FY 2024-25 Budget	FY 2024-25 Projection	FY 2024-25 Variance
Retail Customers	83,887	80,000	85,793	5,793
WRD Dominguez Gap Barrier	1,776	1,800	1,835	35
WRD West Coast Barrier	8,157	4,250	6,264	2,014

Recycled Water Sales	FY 2023-24 Actual	FY 2024-25 Budget	FY 2024-25 Projection	FY 2024-25 Variance
Recycled Water Sales	27,673	32,221	32,039	(182)

# Potable Water Sales and Reliability Service Charge

	FY 2023-24 Actual	FY 2024-25 Budget	FY 2024-25 Projection	Variance
Retail Customers (AF)	83,887	80,000	85,793	5,793
WRD Dominguez Gap Barrier (AF)	1,776	1,800	1,835	35
Reliability Service Charge Revenues	\$23,557,325	\$24,785,400	\$26,551,284	\$1,765,884



# Recycled Water Sales Volumes and Revenues

	FY 2023-24 Actual	FY 2024-25 Budget	FY 2024-25 Projection	Variance
Recycled Water Sales (AF)	27,673	32,221	32,039	(182)
Operating Revenues	\$38,939,562	\$50,399,701	\$53,100,129	\$2,700,428
Operating Expenses	\$56,770,189	\$55,993,625	\$55,585,677	\$407,948
Net Gain/(Loss)	(\$17,830,627)	(\$5,593,924)	(\$2,485,548)	\$3,108,376

# FY 2024-25 Investment Income and Other Revenues

	FY 2023-24 Actual	FY 2024-25 Budget	FY 2024-25 Projection	Variance
Investment Income	\$3,766,230	\$2,544,677	\$2,544,761	\$84

	FY 2023-24 Actual	FY 2024-25 Budget	FY 2024-25 Projection	Variance
Standby Revenue	\$5,909,390	\$5,751,000	\$5,751,000	-
Grants and Partner Funds	\$6,770,850	\$8,025,504	\$8,025,504	-
Refinery Fixed Charge	\$8,397,310	\$4,117,424	\$9,507,696	\$5,390,272

# FY 2024-25 Expenses

Expense Category	FY 2024-25 Budget	FY 2024-25 Projection	Variance
Labor and Benefits	\$11,178,495	\$10,977,310	(\$201,185)
CIP/R&R Costs	\$42,349,111*	\$14,191,110	(\$28,158,001)

\* \$12,109,940 identified in FY 2024-25 budget as cash available for CIP.

# Debt Coverage

	FY 2023-24 Actual	FY 2024-25 Budget	FY 2024-25 Projection	Variance
Net Revenues	\$26,507,928	\$35,361,812	\$38,611,858	\$3,250,046
Debt Payment	\$20,903,900	\$21,616,922	\$21,616,922	-
Debt Coverage	1.27	1.64	1.79	

# Revenues – FY 24-25 Budget vs. FY 24-25 Projections

Revenues	FY 2024-25 Budget	FY 2024-25 Projections	Variance
Imported Water Sales	\$161,869,096	\$168,897,462	\$7,028,366
Recycled Water Sales	\$50,399,701	\$53,100,129	\$2,700,428
Torrance O&M Reimbursement	\$198,761	\$1,294,423	\$1,095,662
Investment	\$2,544,677	\$2,544,761	\$84
Water Use Efficiency	\$862,505	\$450,000	(\$412,505)
Other Revenue/Grant	\$8,025,504	\$8,025,504	-
Purveyor Water Quality Monitoring	\$5,700	\$5,700	-
Fixed Revenue Charges	\$4,849,159	\$9,507,696	\$4,658,537
Standby Charges	\$5,751,000	\$5,751,000	-
<b>TOTAL REVENUES</b>	<b>\$234,506,103</b>	<b>\$249,576,675</b>	<b>\$15,070,572</b>

# Expenses – FY 24-25 Budget vs. FY 24-25 Projections

Expenses	FY 2024-25 Budget	FY 2024-25 Projections	Variance
Imported Water Purchases	\$130,014,430	\$143,298,765	\$13,284,335
Recycling Operations	\$55,993,625	\$55,585,677	(\$407,948)
Water Policy & Resource Dev.	\$2,274,556	\$1,901,820	(\$372,736)
Public Information & Education	\$4,794,710	\$4,653,730	(\$140,980)
Water Use Efficiency	\$2,427,268	\$1,996,725	(\$430,543)
Technical Planning	\$979,473	\$835,155	(\$144,318)
Purveyor Water Quality Monitoring	\$20,564	\$17,962	(\$2,602)
Potable West Coast Barrier	\$189,338	\$189,338	-
IT and CIP Labor & Benefit	\$2,450,327	\$2,485,645	\$35,318
Debt Service (Payment)	\$21,616,922	\$21,616,922	-
<b>TOTAL Expenses</b>	<b>\$220,761,213</b>	<b>\$232,581,739</b>	<b>\$11,820,526</b>

# FY 2024-25 Year End Projections

FY 2024-25	
Projected Revenues	\$249,576,675
Projected Expenses	\$232,581,739
Variance	\$16,994,936





FY 2025-26

## Key Budget Drivers

---



# Key Budget Drivers

---

1. Metropolitan Water District rate increases in CY 2025 and CY 2026
2. Fluctuating recycled and potable water demands
3. Five (5) refinery agreements renegotiated
4. Investment returns – Economic Update
5. Inflation
6. New O&M agreement – Increase production and decrease expenses
7. Concerted effort to reduce expenses

# Key Budget Drivers: MWD Imported Water Rates

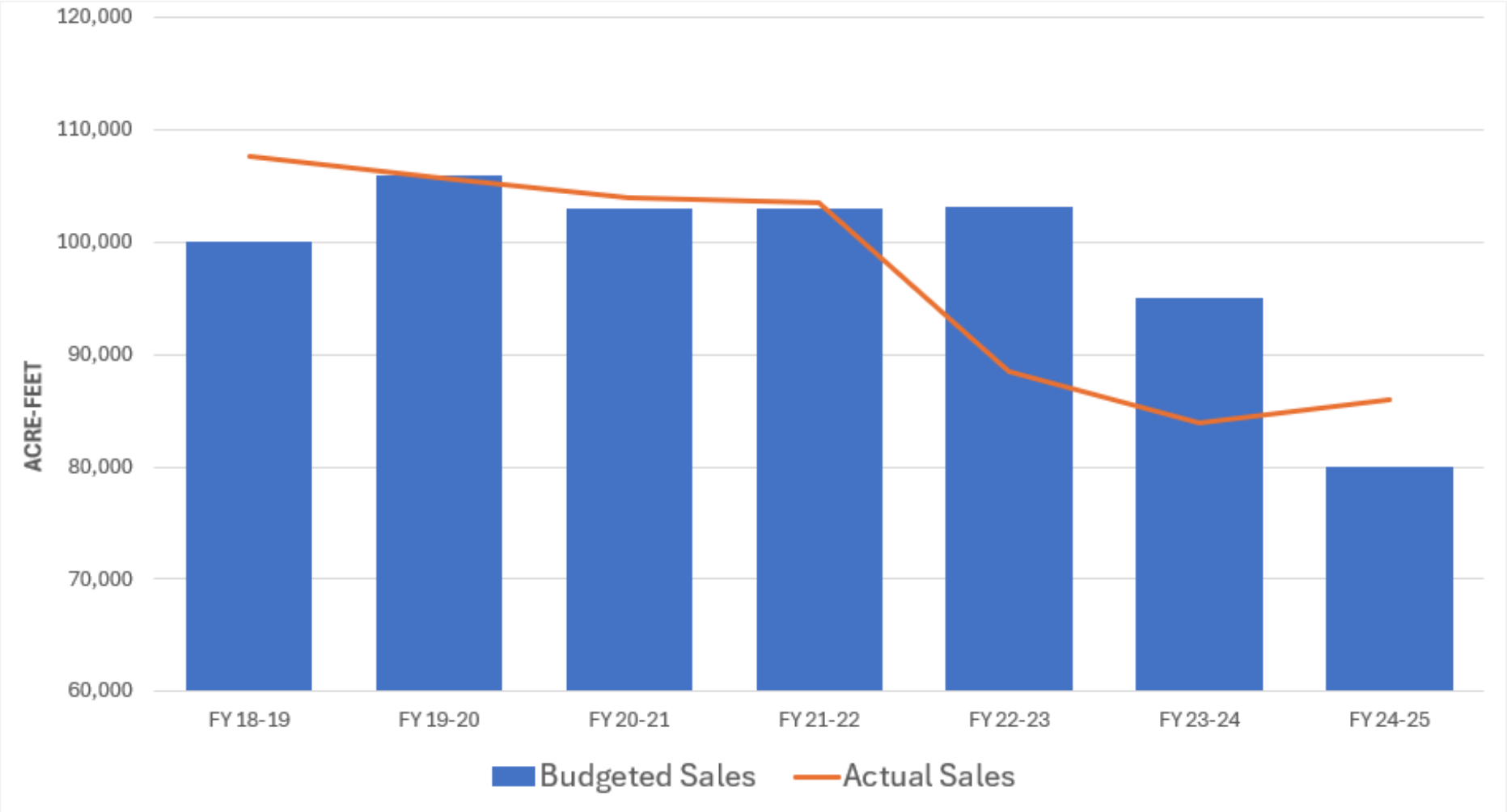
---



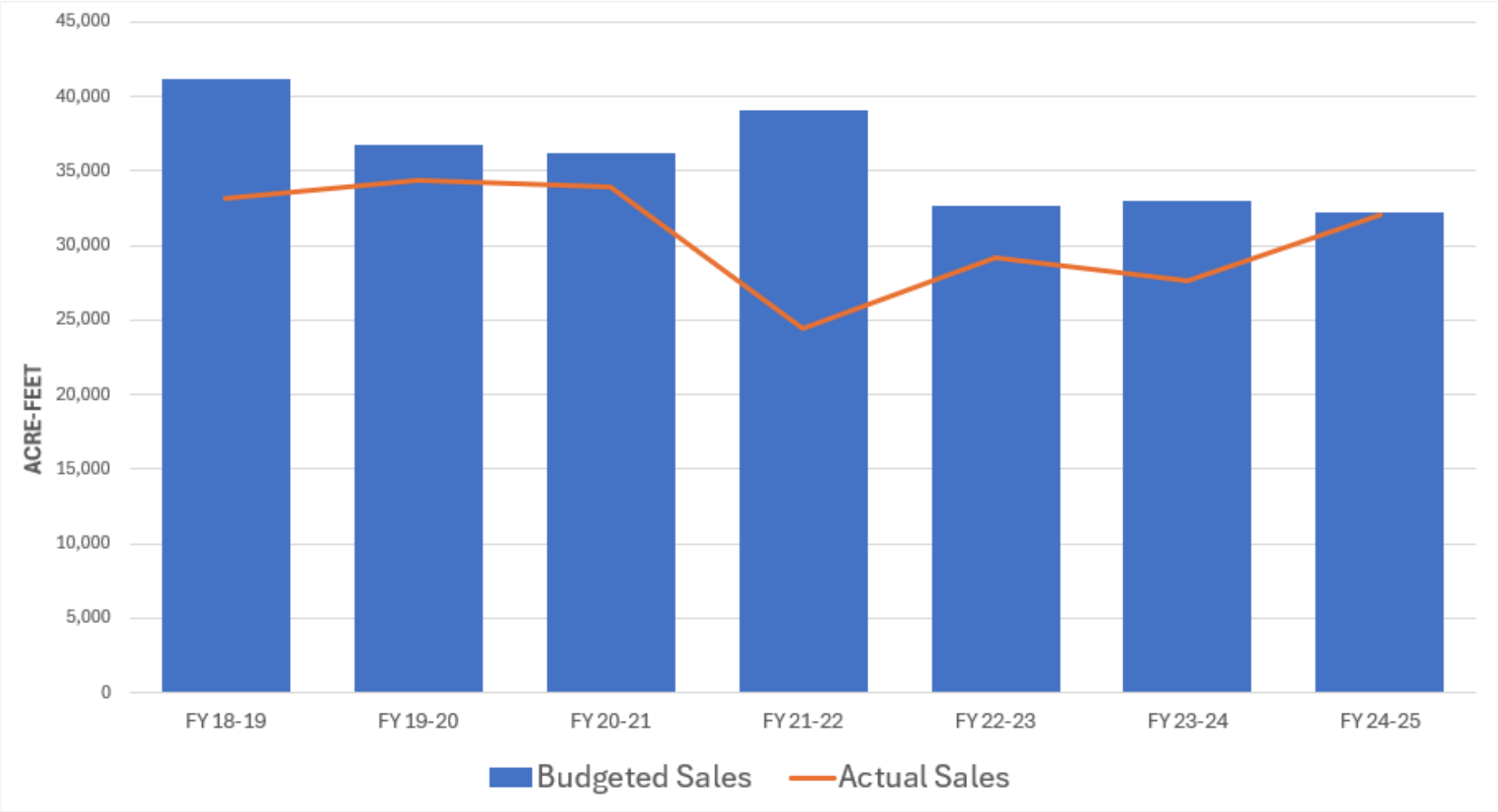
Metropolitan Water District adopted water rates and charges for Calendar Years 2025 and 2026 on April 9, 2024.

Full service imported water Tier 1 rates increased by 11% on January 1, 2025, and will increase by an additional 10% on January 1, 2026.

# Key Budget Drivers: Potable Water Sales vs. Budgeted Sales



# Key Budget Drivers: Recycled Water Sales vs. Budgeted Sales



# Key Budget Drivers:

## Recycled Water Agreements and Cost of Service Analysis

Customer/Type of RW	Prod Date	Start Date	Termination Date
Chevron - Nitrification	6/1/1995	9/12/2024	9/12/2024*
Chevron - Boiler Feed	7/1/2001	8/1/2016	9/30/2027
Torrance - Nitrified	7/1/1997	3/1/2021	Extended to 8/31/2025
Torrance - Boiler Feed	9/1/1998	9/1/1998	Extended to 8/31/2025
Marathon - Nitrified	2/1/2000	11/17/1997	6/30/2025
Marathon - Boiler Feed	2/1/2000	11/17/1997	6/30/2025
WRD - Barrier	7/1/1997	4/1/2017	4/1/2037
LADWP - Irrigation	7/1/1997	7/1/1996	7/1/2026
NRG - Boiler Feed	7/1/2019	1/24/2011	4/1/2043

# Key Budget Drivers: Investment Market

---



1. Slower Growth in 2025
2. Greater Market Uncertainty
3. Inflationary Trends
4. Labor Market



# Key Budget Drivers: Inflation

	FY 2021-22 Actual	FY 2022-23 Actual	FY 2023-24 Actual
Reserves	\$82,204,783	\$72,538,046	76,538,395
Average Daily Spending	\$807,886	\$945,723	\$1,144,573
Days Cash on Hand	102	77	67
Debt Coverage Ratio	1.47	1.36	1.32

**\* The Target Debt Coverage Ratio is 1.75 per the West Basin Strategic Plan.**

## Key Budget Drivers: Savings with New O&M Contract

Fee Structure	Approved Contract Value	Related Current Expenses
Management Fee	\$4.67M	\$2.99M
Fixed Operations Fee	\$4.83M	\$5.08M
Fixed Maintenance Fee	\$1.66M	\$8.54M
Reimbursable Maintenance Fee	\$2.61M	
Reimbursable Items	\$17.56M	\$20.90M
Contractor Mark Up	9.7%/4.0%	12%
Annualized Transition Fee (Amount over five years)	\$0.16M (\$0.82M)	NA
Total Annual Fee (with Annualized Transition Fee)	\$31.52M	~\$37.51M

# Outstanding Debt Payment Schedule & Standby Revenue

FY (6/30)	Principal	Interest	Debt Payment	Standby Revenue
2025	12,405,000	8,367,225	20,772,225	5,751,000
2026	13,205,000	7,726,975	20,931,975	7,631,947
2027	13,635,000	7,055,975	20,690,975	7,631,947
2028	14,390,000	6,355,350	20,745,350	7,631,947
2029	15,110,000	5,617,850	20,727,850	7,631,947
2030	15,865,000	4,843,475	20,708,475	7,631,947
2031	13,230,000	4,116,100	17,346,100	
2032	13,890,000	3,438,100	17,328,100	
2033	10,200,000	2,835,850	13,035,850	
2034	10,720,000	2,312,850	13,032,850	
2035	11,260,000	1,763,350	13,023,350	
2036	11,830,000	1,186,100	13,016,100	
2037	12,435,000	579,475	13,014,475	
2038	1,240,000	243,800	1,483,800	
2039	1,290,000	193,200	1,483,200	
2040	1,340,000	140,600	1,480,600	
2041	1,395,000	85,900	1,480,900	
2042	1,450,000	29,000	1,479,000	
<b>Total</b>	<b>\$173,890,000</b>	<b>\$56,891,175</b>	<b>\$231,781,175</b>	<b>\$43,910,735</b>



## Next Steps

---



# FY 2025-26 Proposed Operating Expenses

Category	FY 2024-25 Projection	FY 2024-25 Adopted Budget	FY 2025-26 Proposed Workshop #1
Recycled Water Costs (excludes WB labor benefit and overhead costs)	\$29,782,866	\$49,854,332	\$49,246,454
WB Labor and Benefits	\$10,977,310	\$11,178,495	\$11,400,295
Information Technology (IT)	\$398,670	\$925,300	\$742,248
Board Service (includes all Director costs)	\$324,020	\$1,516,868	\$1,124,020
District Other Costs	\$1,754,030	\$2,491,714	\$2,003,732
Conservation	\$678,500	\$1,178,700	\$1,073,500
Public Information and Education	\$839,964	\$640,884	\$829,109
Technical Planning	\$873,437	\$979,284	\$1,004,453
Water Policy & Resources Development	\$385,000	\$450,400	\$890,000
DLD Building	\$290,010	\$401,550	\$449,348
Loss on WRD West Coast Basin Barrier Potable	-	-	-
Human Resources	\$70,220	\$244,550	\$178,370
Finance and Procurement	\$161,538	\$199,108	\$250,770
Monitoring	\$12,202	\$11,621	\$12,434
<b>Total Expenses</b>	<b>\$46,547,767</b>	<b>\$70,072,806</b>	<b>\$69,204,733</b>

# FY 2025-26 Proposed Operating Expenses

Category	FY 2024-25 Projection	FY 2024-25 Adopted Budget	FY 2025-26 Proposed Workshop #1	FY 2025-26 April Adjustment	FY 2025-26 Final Proposed Budget
Recycled Water Costs (excludes WB labor benefit and overhead costs)	\$29,782,866	\$49,854,332	\$49,246,454		
WB Labor and Benefits	\$10,977,310	\$11,178,495	\$11,400,295		
Information Technology (IT)	\$398,670	\$925,300	\$742,248		
Board Service (includes all Director costs)	\$324,020	\$1,516,868	\$1,124,020		
District Other Costs	\$1,754,030	\$2,491,714	\$2,003,732		
Conservation	\$678,500	\$1,178,700	\$1,073,500		
Public Information and Education	\$839,964	\$640,884	\$829,109		
Technical Planning	\$873,437	\$979,284	\$1,004,453		
Water Policy & Resources Development	\$385,000	\$450,400	\$890,000		
DLD Building	\$290,010	\$401,550	\$449,348		
Loss on WRD West Coast Basin Barrier Potable	-	-	-		
Human Resources	\$70,220	\$244,550	\$178,370		
Finance and Procurement	\$161,538	\$199,108	\$250,770		
Monitoring	\$12,202	\$11,621	\$12,434		
<b>Total Expenses</b>	<b>\$46,547,767</b>	<b>\$70,072,806</b>	<b>\$69,204,733</b>		

# Next Steps

Date	Time	Topic
April 26, 2025	11:00 AM	<u>Workshop #2</u> : FY 2025-26 Proposed Detailed Budget Revenues, Expenses, and Rates
May 2025	TBD	Customer and Stakeholder Workshop
May 23, 2025	10:00 AM	<u>Workshop #3</u> : CIP, R&R and Funding Options
Early June	TBD	Final Budget, Rates & Charges