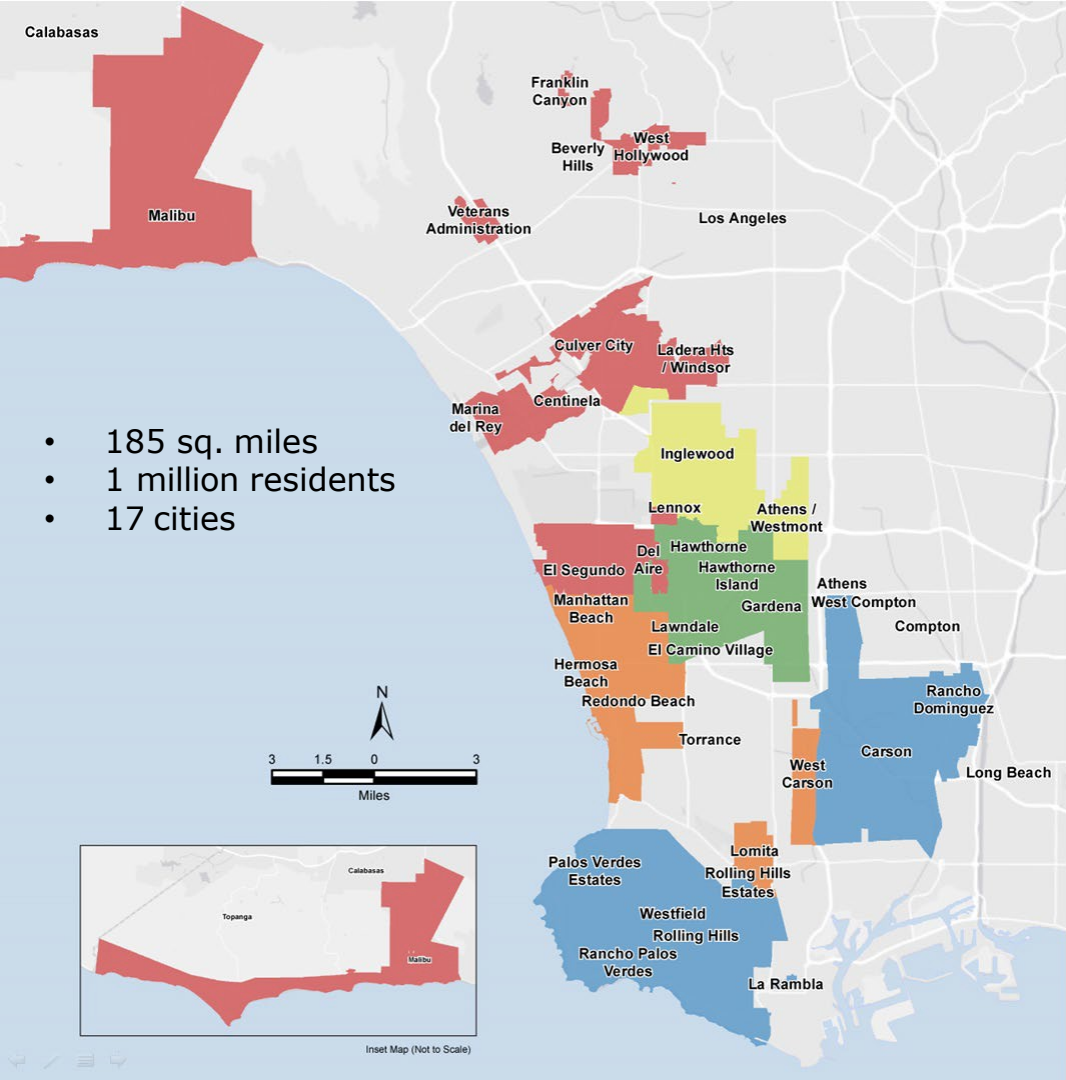




# Improving Financial Reporting for Water Infrastructure Facilities

*An Asset Management Case Study*



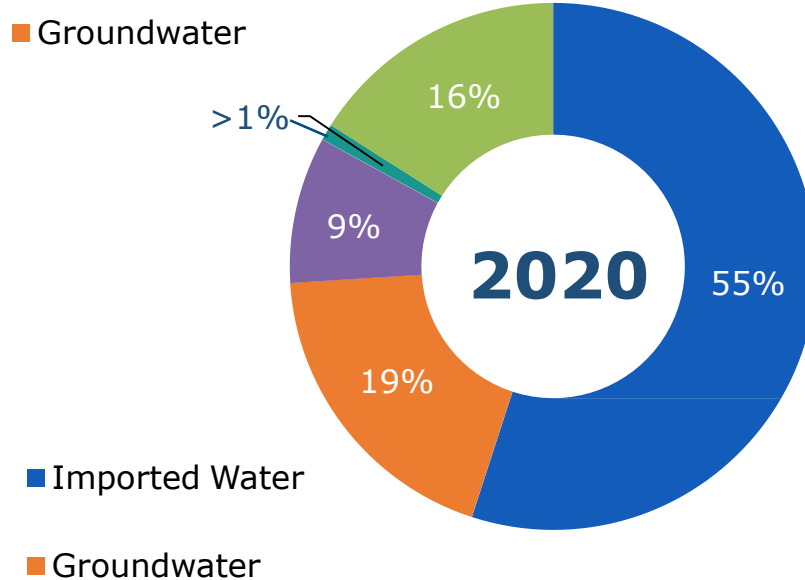
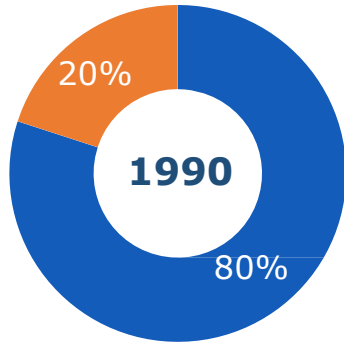
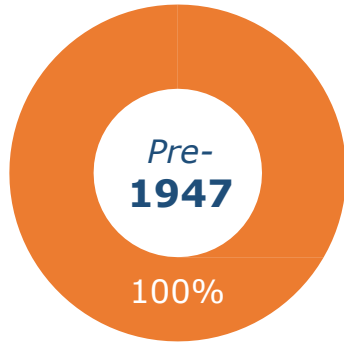


- 185 sq. miles
- 1 million residents
- 17 cities

# Service Area

-  Carson, Palos Verdes Estates, Rancho Palos Verdes Estates, Rolling Hills, Rolling Hills Estates, and unincorporated LA County areas of Rancho Dominguez
-  Inglewood, and unincorporated LA County areas of Lennox, South Ladera Heights, West Athens, and Westmont
-  Hermosa Beach, Lomita, Manhattan Beach, Redondo Beach, and a portion of Torrance
-  Culver City, El Segundo, Malibu, West Hollywood, and unincorporated LA County areas of Del Aire, Lennox, Marina del Rey, North Ladera Heights, Topanga, View Park, Windsor Hills and Wiseburn
-  Gardena, Hawthorne, Lawndale, and unincorporated LA County area of El Camino Village

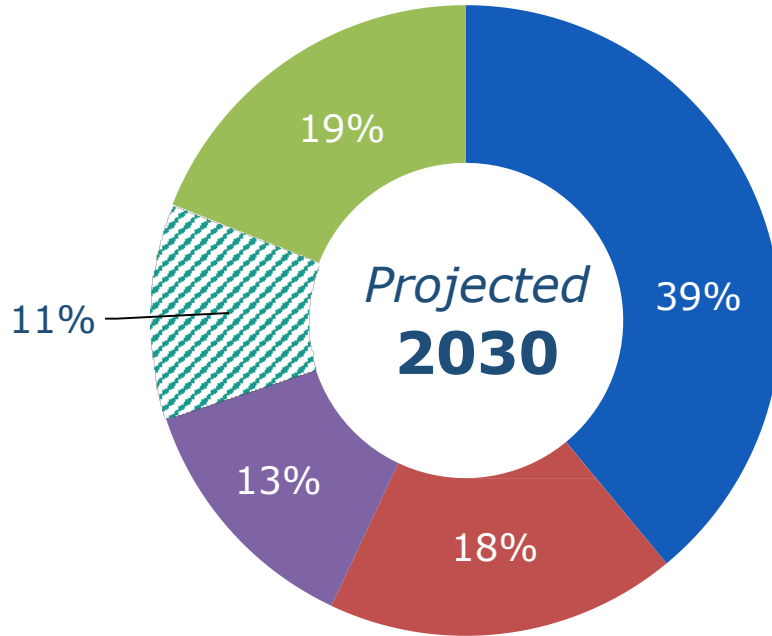
# Water Supply Diversification Over the Years



## Sources

- Imported Water (Metropolitan Water District)
- Groundwater (Cities & Retailers)
- Recycled Water (West Basin)
- Brackish Groundwater Desalination (West Basin)
- Conservation (West Basin & Retailers)

# Future Water Reliability Through Supply Diversification



## Sources

- Imported Water (Metropolitan Water District)
- Groundwater (Cities & Retailers)
- Recycled Water (West Basin)
- ▨ Brackish and Ocean Water Desalination (West Basin) (Potential)
- Conservation (West Basin & Retailers)

# Highlights of West Basin Municipal Water District

## FY20-21 Budget Overview

Total Revenues	\$224.1 Million
Total Expenditures	\$187.2 Million
Net Revenues	\$ 36.9 Million
Debt Service	\$ 23.7 Million

### Budget Objectives

- Achieve targeted debt coverage ratio
- Increasing fixed revenue
- Fund R&R projects with PAYGO
- Plan for future

### General Facts

- Service Area - Represent 17 cities and unincorporated areas in Los Angeles County, CA
- Population Served – Approx. 850,000
- Customers – Cities, Public Utility Companies, other public agencies
- Credit Rating AA-, Aa2
- Staffing – 56 FTE



## District's Infrastructure

History and  
Types of Water

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# West Basin's Recycled Water System



Phases	Year	Amount
Initial Recycling Facility + Satellite Facility	1993	\$200M
Expansion for Barrier Use and Introduction of Advance Treatment at Refineries (Industrial)	1999	\$54M
Expanded Use of Industrial Use	2004	\$111M
Expanded Use of Barrier Use + Converted Treatment Facilities	2009	\$65M
Enhancements for Advance Water Treatment	2013	\$80M

# 5 Recycled Water Uses



## Irrigation Water

Filtered and disinfected for industrial and irrigation use.



## Cooling Tower Water

Processed to remove ammonia for industrial cooling tower use.



## Low-Pressure Boiler Feed Water

Membrane filtration and reverse osmosis membranes



## High-Pressure Boiler Feed Water

Membrane filtration and passed through reverse osmosis membranes twice



## Groundwater Replenishment Water

Membrane filtration, reverse osmosis, and disinfection for use in a barrier against seawater intrusion, augmenting local well water supplies.



# West Basin's Recycled Water System

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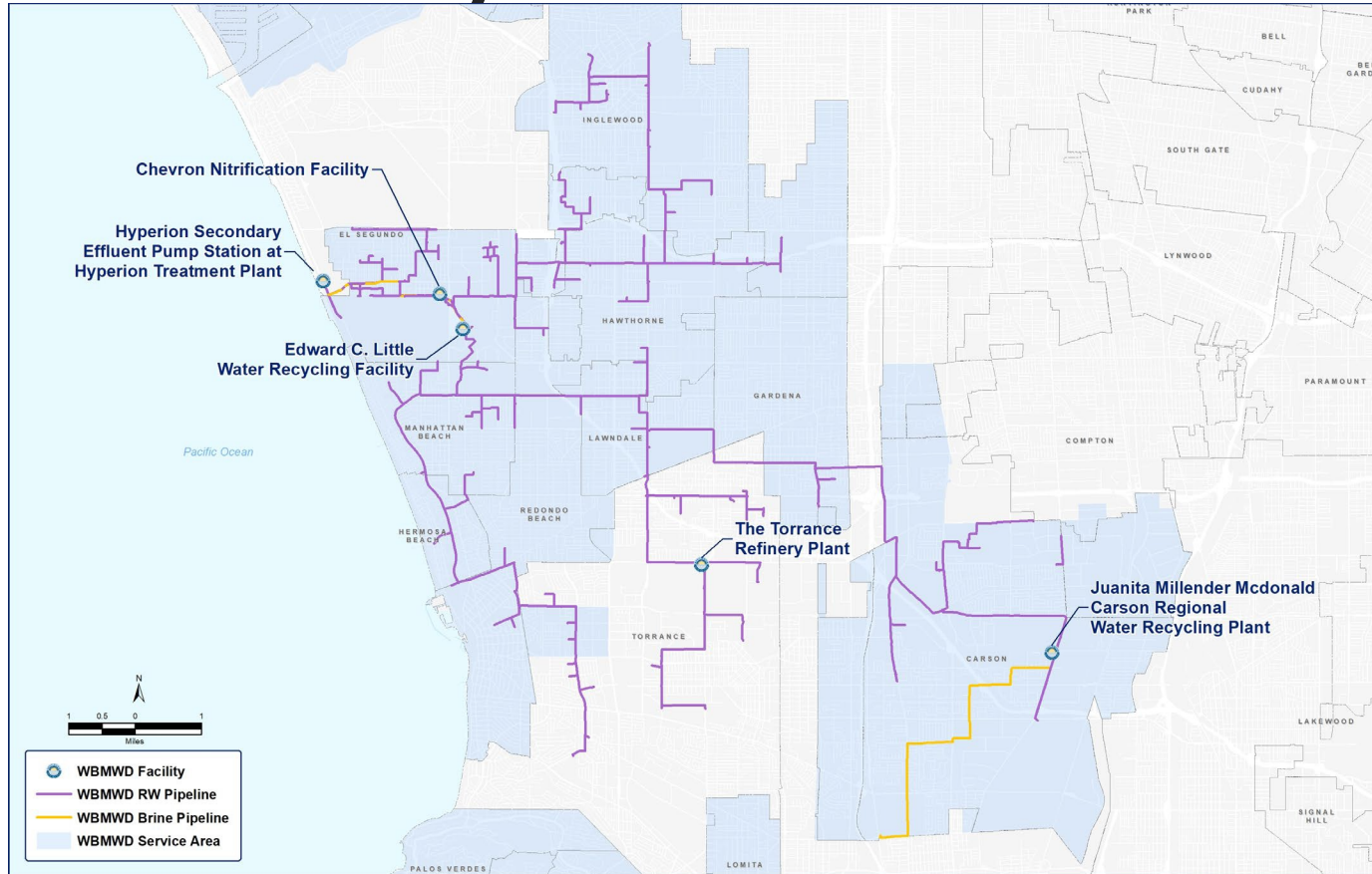
- A pump station in the southwest corner of the Hyperion Treatment Plant to pump secondary effluent to the ECLWRF
- The ECLWRF treats water for use one nearby refinery's high-pressure and low-pressure boilers, the West Coast Basin Barrier (Barrier), and disinfected tertiary water for irrigation and other industrial uses
- A satellite treatment plant in El Segundo to further treat disinfected tertiary water from the ECLWRF to produce nitrified water for refinery's cooling towers
- A satellite treatment plant in Torrance to further treat disinfected tertiary water to produce nitrified water for cooling towers and a separate Satellite Treatment Plant to produce boiler feed water for the refinery

# West Basin's Recycled Water System

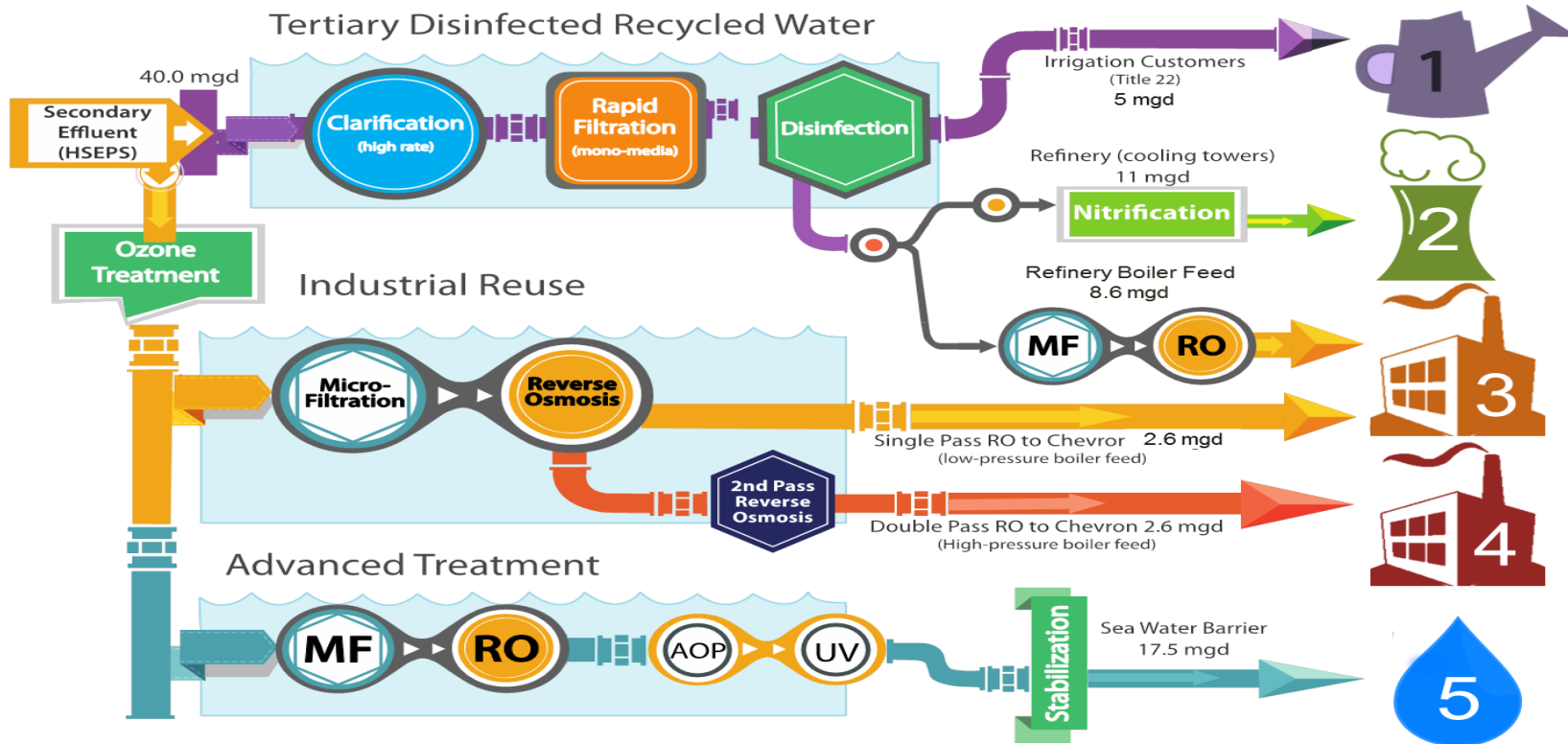
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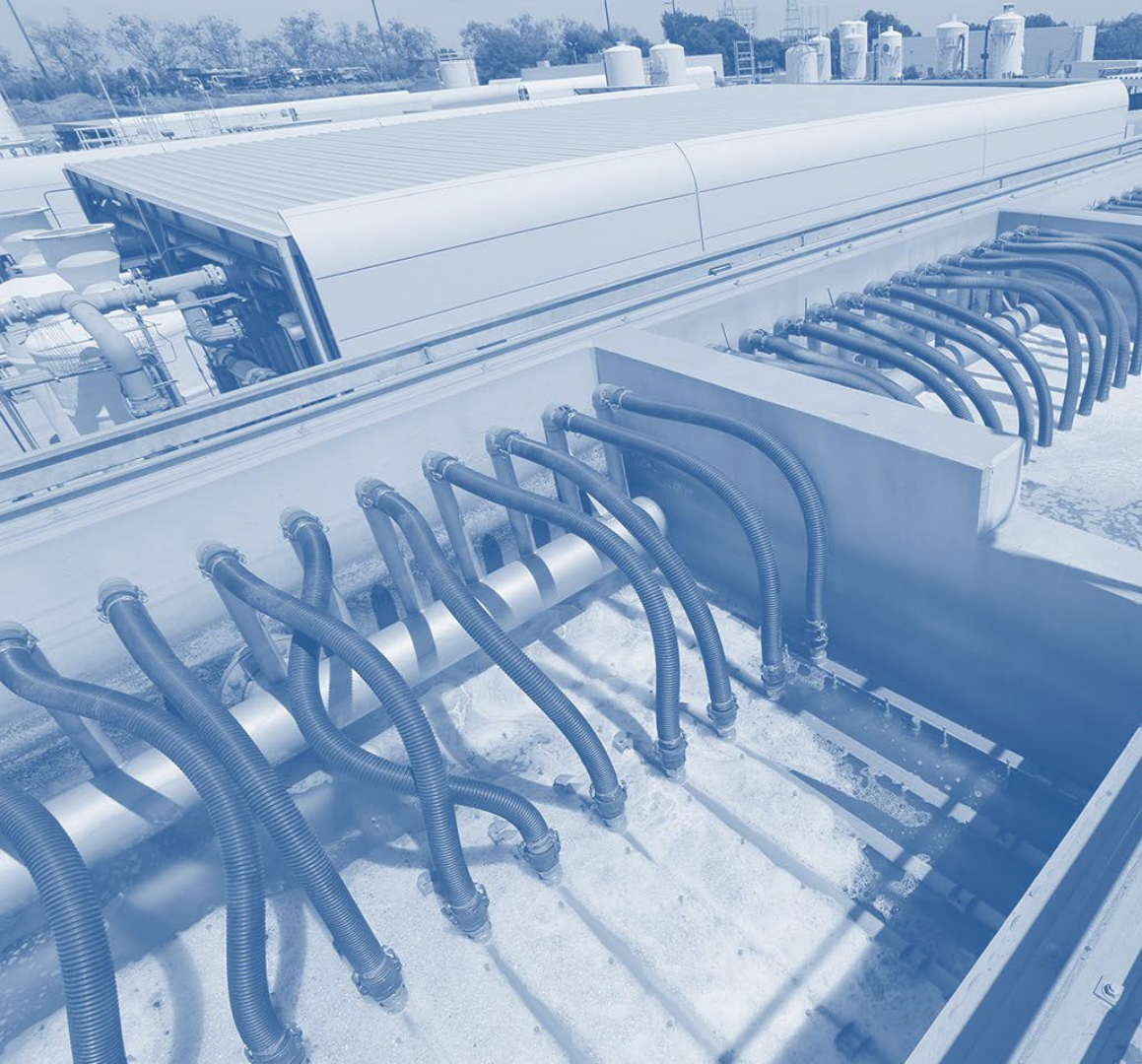
- A satellite treatment plant in Carson referred to as the Juanita Millender-McDonald Carson Regional Water Reclamation Plant (JMMCRWRP) to further treat disinfected tertiary water from the ECLWRF to produce nitrified water for cooling towers and produce boiler feed water for the nearby refinery
- Three re-disinfection stations to boost the level of chlorine disinfectant within the recycled water distribution system
- Two booster pump stations to boost service pressures to customers in the cities of Torrance and Carson
- Approximately 100 miles of pipelines to deliver recycled water to our customers

# Recycled Water System



# 5 Designer Recycled Waters





## A Case Study:

Improvement of  
Financial Reporting  
through Asset  
Management

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# Improving Financial Reporting of Water System

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## The Issue:

- One Facility – Many Components
  - Auditor Comment
- 

## The Process:

- Capitalization Policy Updated
  - Operations Asset Management
  - Historic Cost Methodology
- 

## The Results:

- Disposal of Assets
  - Improved Process and Collaboration
-

# Improving Financial Reporting of Water System

## The Issue:



Initial phase was completed in 1995 for \$200M

- Recorded as one asset with one useful life
- Continued this practice with each phase until Phase IV

Auditor Management Comment

- New assets added but noticed no disposals
- Financial Statements may be overstated

# Improving Financial Reporting of Water System

## The Process:



BEST PRACTICES

### Capitalization Thresholds for Capital Assets

State and local governments should adhere to appropriate guidelines for capitalization thresholds.

#### Capitalization Policy Updated

- Evaluated components and determine individual useful lives
- Update Policy to provide clear instructions on how to record the capital assets

#### Operations Asset Management

- Identified location and acquisition year for all components
- Conducted condition assessments at all recycled water facilities
- Identified the equipment was replaced or no-longer in services

#### Historic Cost Methodology

$$= \frac{\text{Replacement Value X Original Year ENR Index Value}}{\text{Replacement Year ENR Index Value}}$$



# Improving Financial Reporting of Water System

## The Results:



BEST PRACTICES

### Role of the Finance Director in Capital Asset Management

State and local government officials should extend the involvement of the finance director through all phases of asset management. Finance officers should be involved by understanding and providing information to support decisions.

#### Disposal of Assets

- Disposed 236 capital asset components valued at \$27.1 Million in initial year
- Continue to identify original assets to be removed

#### Improved Process and Collaboration

- Prepared a detailed equipment assessment worksheet to be used by Engineering and Operations Team
- Developed a year-end capital asset disposal procedure



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West Basin Municipal  
Water District

