Moulton Niguel Water District Board Workshop

Fiscal Years 2014/15 and 2015/16 Budget

Wednesday, June 11, 2014

Moulton Niguel Water
Leading the Way in Service

Agenda

- Process Overview
- Budget Document
- 10-Year Cash Flow Update
- Next Steps

2

Budget Process

- Feb./March – Budgets Developed
- April – Internal Review
- May – Multiple Budget Presentations
  - Long Range Financial Plan – May 2nd
  - Capital Improvement Program / JPA Budgets – May 12th
  - Salaries and Benefits Budget – May 14th
  - Budget Workshop – May 27th
- June 11th: Budget Review
- June 19th: Budget Adoption

3

Budget Document

- Transmittal Letter
- Section 1:
  - Fund Summary
  - Budget Summary (General and Water Efficiency Funds)
  - Debt Repayments
  - Capital Outlay Requests
  - Staffing Plan
- Section 2, 3 and 4 – Division Budgets
- Section 5 – Capital Improvement Program
- Section 6 – Policy Documents

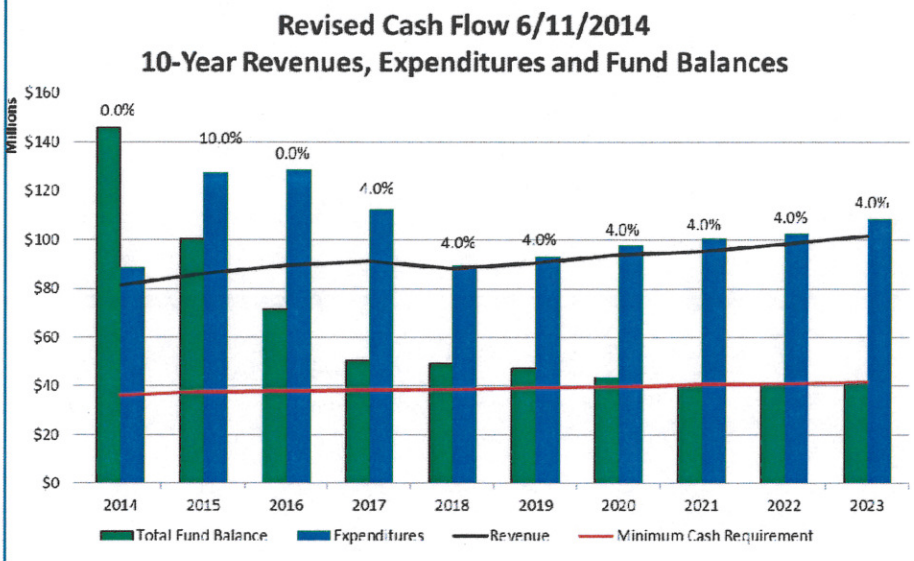
4

10-Year Cash Flow Model

- Updated based on FY 2013/14 projected actuals (as of 4/30/14)
- Incorporated proposed FY 2014/15 and 2015/16 budgets
- Revenue Adjustments begin 5/15
- Coverage minimum equals 1.75x
- Debt Issues delayed until needed (2020, 2023)
  - This will be the basis of the Long Range Financial Plan

5

Revised 10-Year Cash Flow



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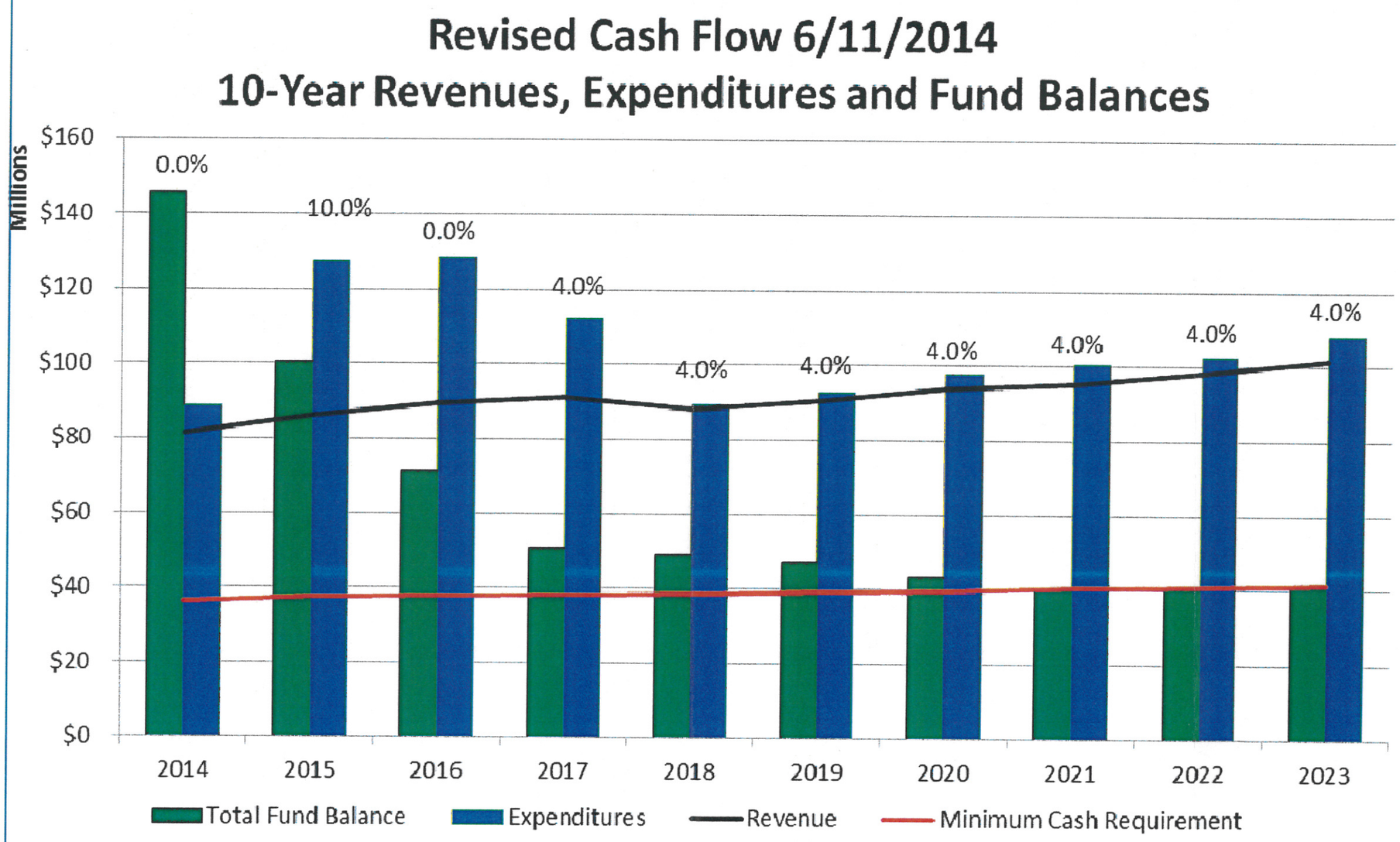
Next Steps

- Incorporate comments as appropriate
- Budget adoption scheduled for June 19th
- Budget resolution includes:
  - Appropriation of funds for General and Water Efficiency Funds
  - Approval of Capital Outlay Requests
  - Approval of FY 2014/15 Capital Improvement Program budget
  - Approval of staffing plan, including proposed positions
  - Approval of salary schedule for non-exempt and exempt positions

7

Moulton Niguel Water

Revised 10-Year Cash Flow



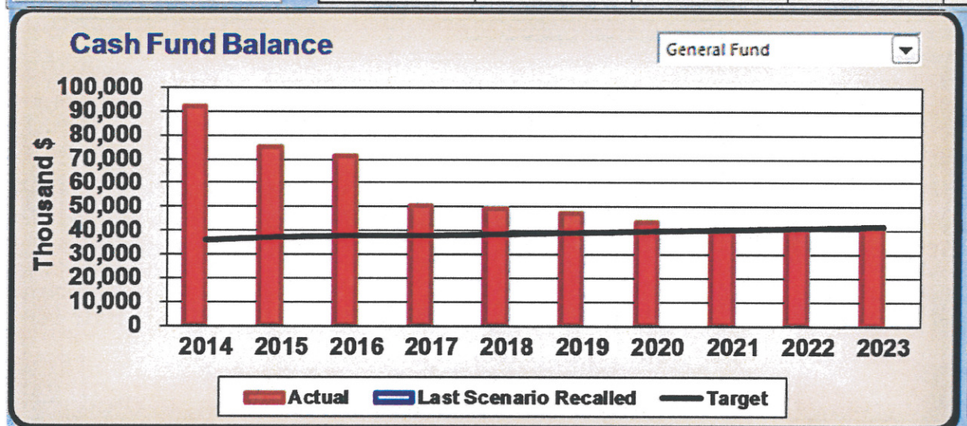
Financial Plan Update

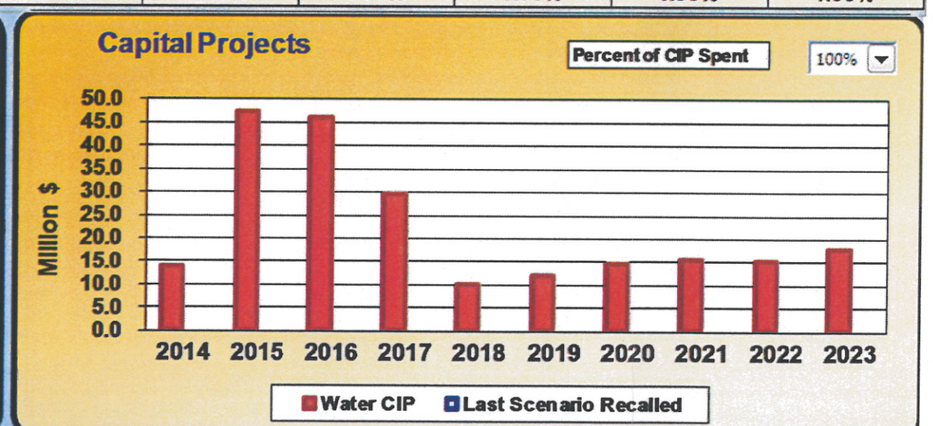
Moulton Niguel Water District
Financial Plan Update
DASHBOARD

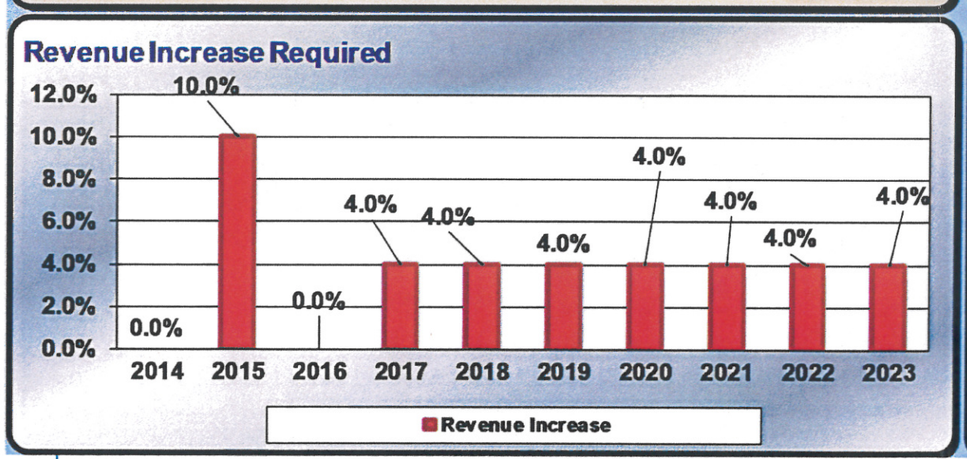
Model Integrity Test		Calc Error
Still Solving...	Balanced	OK!

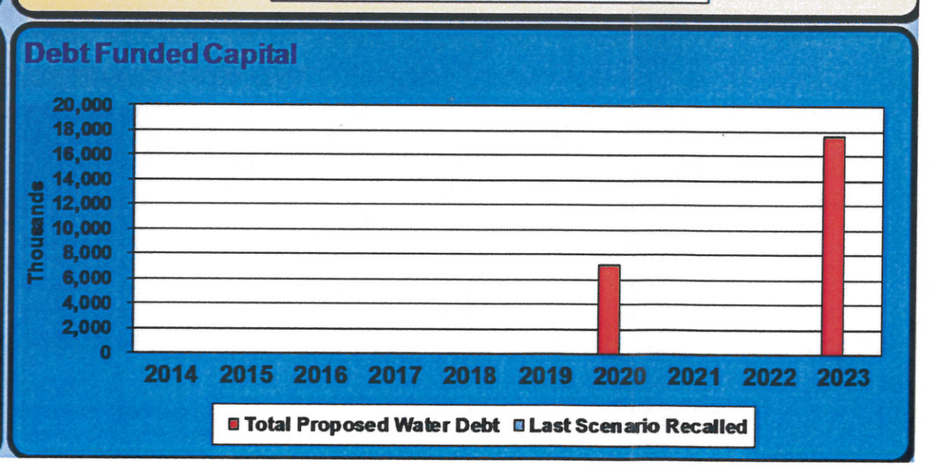
	Select Last Year to Solve	Actual Year Solved To	Time
	2023	2014	11 Seconds

Description	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Debt Service Coverage Test 1	*1.70*	*1.59*	1.78	1.99	1.97	2.15	2.25	2.18	2.29	2.17
Clear Rate Adjustments	0.00%	10.00%	0.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%









Water, Recycled Water, and Sewer Fund 1 – Operating Fund

Table 1
Moulton Niguel Water District
Water, Recycled Water, and Sewer
Fund 1 - Operating Fund

Line No.	Description	1 2014	2 2015	3 2016	4 2017	5 2018	6 2019	7 2020	8 2021	9 2022	10 2023	11 2024
	Revenues											
1	Potable Water Sales	$ 26,757,589	$ 27,780,417	$ 30,057,500	$ 31,259,800	$ 32,510,192	$ 33,810,600	$ 35,163,024	$ 36,569,545	$ 38,032,326	$ 39,553,619	$ 40,740,228
2	Sewer Sales	17,150,000	17,435,833	18,865,000	19,619,600	20,404,384	21,220,559	22,069,382	22,952,157	23,870,243	24,825,053	25,569,805
3	Recycled Water Sales	4,634,383	4,803,750	5,197,500	5,405,400	5,621,616	5,846,481	6,080,340	6,323,553	6,576,496	6,839,555	7,044,742
4	Connection Fees	117,000	68,000	68,000	68,000	68,000	68,000	68,000	68,000	68,000	68,000	68,000
5	General Obligation Property Tax	6,466,700	6,572,375	6,697,750	6,836,500	1,585,375	1,618,000	1,650,250	-	-	-	-
6	Ad Valorem Property Tax	21,560,432	21,848,500	22,063,500	22,284,135	22,506,976	22,732,046	23,186,687	23,650,421	24,123,429	24,605,898	25,098,016
7	Investment Income	639,472	2,973,207	2,301,672	1,833,943	1,501,882	1,450,966	1,819,254	1,680,950	1,628,448	1,650,900	1,675,095
8	Tax Credit Subsidy	1,434,642	1,434,642	1,434,642	1,434,642	1,434,642	1,434,642	1,434,642	1,434,642	1,434,642	1,434,642	1,434,642
9	Cell Tower Lease	1,685,978	1,740,000	1,790,000	1,843,700	1,899,011	1,955,981	2,014,661	2,075,101	2,137,354	2,201,474	2,267,518
10	AMP RPOI	211,940	214,884	218,505	221,525	-	-	-	-	-	-	-
11	Other Income	637,791	483,500	483,500	483,500	483,500	483,500	483,500	483,500	483,500	483,500	483,500
12	**Total Revenues**	$ 81,295,927	$ 85,355,108	$ 89,177,569	$ 91,290,744	$ 88,015,578	$ 90,620,775	$ 93,969,739	$ 95,237,869	$ 98,354,438	$ 101,662,642	$ 104,381,546
	Revenue Requirements											
13	Salaries	$ 8,381,119	$ 9,550,315	$ 10,177,137	$ 10,696,171	$ 11,241,676	$ 11,522,718	$ 11,810,786	$ 12,106,055	$ 12,408,707	$ 12,718,924	$ 13,036,897
14	Benefits	3,840,244	4,245,171	4,504,535	4,752,284	5,013,660	5,144,015	5,277,760	5,414,981	5,555,771	5,700,221	5,848,427
15	Water Purchases	27,133,330	27,976,295	29,577,841	27,102,003	28,003,058	29,011,262	30,261,933	32,941,621	34,273,680	35,662,255	37,297,352
16	Operations & Maintenance	10,592,873	12,537,131	11,839,303	12,147,125	12,462,950	12,786,987	13,119,448	13,460,554	13,810,529	14,169,602	14,538,012
17	SOCWA	7,835,574	8,450,820	8,630,000	8,630,000	8,630,000	8,630,000	8,630,000	8,630,000	8,630,000	8,630,000	8,630,000
18	JPA	1,032,753	1,231,370	1,415,000	3,233,750	3,317,828	3,404,091	3,492,597	3,583,405	3,676,573	3,772,164	3,870,241
	Debt Service											
19	Existing GO Bond Debt Service	$ 6,466,700	$ 6,572,375	$ 6,697,750	$ 6,836,500	$ 1,585,375	$ 1,618,000	$ 1,650,250	$ -	$ -	$ -	$ -
20	COPs	7,256,502	7,121,403	6,920,191	6,879,253	6,989,260	6,572,932	6,708,856	6,998,310	6,968,033	6,746,637	5,728,014
21	Loans	2,137,410	2,178,909	2,221,293	2,110,605	1,994,998	2,032,109	1,572,589	1,283,260	1,307,912	1,333,059	1,164,087
22	New Long Term Debt Service	-	-	-	0	0	0	463,559	463,559	463,559	1,610,352	1,610,352
23	**Total Debt Service**	15,860,612	15,872,687	15,839,235	15,826,358	10,569,633	10,223,041	10,395,254	8,745,129	8,739,504	9,690,048	8,502,453
24	Cash-Funded Capital	-	-	10,770,031	29,675,714	10,141,491	11,928,368	14,720,573	13,532,711	10,708,225	10,748,245	12,019,604
25	Transfer to Capital Fund	-	-	-	-	-	-	-	-	-	-	-
26	**Total Revenue Requirements**	$ 74,676,505	$ 79,863,789	$ 92,753,082	$ 112,063,405	$ 89,380,295	$ 92,650,482	$ 97,708,351	$ 98,414,456	$ 97,802,988	$ 101,091,459	$ 103,742,985
27	**Revenues Over (Under) Expenses**	$ 6,619,421	$ 5,491,319	$ (3,575,513)	$ (20,772,660)	$ (1,364,717)	$ (2,029,708)	$ (3,738,611)	$ (3,176,587)	$ 551,450	$ 571,183	$ 638,561
	Debt Service Coverage Calculated											
31	Debt Service Coverage Test 1	170%	159%	178%	199%	197%	215%	225%	218%	229%	217%	249%
	Debt Service Coverage Test 2	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
32	Fund 1 Ending Balance	91,782,861	75,093,262	71,517,749	50,745,089	49,380,372	47,350,665	43,612,054	40,435,467	40,986,917	41,558,100	42,196,661
	Check that Proforma Matches Fund Calcs	Ok	Ok	Ok	Ok	Ok	Ok	Ok	Ok	Ok	Ok	Ok
			8.80%	3.36%	0.63%	3.17%	2.66%	2.97%	4.88%	2.91%	2.93%	

Moulton Niguel Water
Leading the Way in Service

June 11, 2014

Ms. Saundra Jacobs, Chair
MET Representative Nomination Committee
27500 La Paz Rd.
Laguna Niguel, CA 92677

Subject: MET Representative

Dear Ms. Jacobs:

On April 21, 2014, the ten South Orange County Agencies received official notification from Municipal Water District of Orange County (MWDOC) that a seat on the Metropolitan Water District (MET) Board was vacant. According to the MET representative selection guidelines adopted by the South Orange County Agencies, each agency was asked to vet any candidates interested in the position and submit eligible candidates to the Nomination Committee. After completing a background check and reviewing the qualifications, Moulton Niguel Water District's Board of Directors submits Mr. Larry B. McKenney for further review by the Nomination Committee.

Mr. McKenney has worked in the water industry for over twenty years, covering a wide variety of issues from water rights to integrated resources planning in five of the six counties in the MET service area. He's been integrally involved with various regional and statewide entities to effect policies and promote water awareness. He is respected by his peers and continues to dedicate himself to our industry. The relationships he has built and his ability to lead not only in the work place, but in the community, make him an excellent candidate for the position. If chosen, Mr. McKenney will relinquish his seat on our Board of Directors.

Attached you will find his letter of interest and resume for your consideration.

Should you have any questions, please contact me at (949)533-4254. Thank you.

Sincerely,

MOULTON NIGUEL WATER DISTRICT

Brian Probolsky, Vice President
Board of Directors

Larry B. McKenney
88 Meridian Dr
Aliso Viejo, CA 92656

May 14, 2014

Brian Probolsky
Vice President
Moulton Niguel Water District
27500 La Paz Road
Laguna Niguel, CA 92677

Re: Nomination of Metropolitan Water District Director

Dear Director Probolsky,

I am writing to express interest in the subject nomination. I have attached my resume to provide details of my education and work history. This letter summarizes how I believe I meet all five of the criteria described in the selection criteria that the South County agencies have approved.

To summarize my experience in water, I have worked as a professional in the water resources industry for over twenty years in a variety of roles. I have been a government agency attorney and a water lawyer in private practice. I managed Camp Pendleton's water office and the County's Watershed and Coastal Resources Division (now OC Watersheds). I worked as a consultant with the engineering firm RBF Consulting. I have worked on water issues in five of the six counties in the MWD service area. I have addressed water issues from the perspectives of water rights, supply, water quality, natural resources, flood risk management, watershed protection, and integrated planning. My focus has been on law, sound policy, good governance, and environmental and economic sustainability.

While I derive a great deal of fulfillment from my role on the board of the Moulton Niguel Water District, where we are responsible directly to individual ratepayers and community residents, I believe my skill set and my stronger interests are more aligned with the mission and role of MWD. MWD's policies and effectiveness have a profound effect on the entire diverse region. My experience will allow me to provide valuable input to the MWD board and valuable guidance to the agency. At the same time, I am very familiar with the interests and needs of Orange County and, in particular, of South Orange County with regard to water. MWD is the place where I can offer the greatest benefit to our community and the region.

Ability to effectively represent MWD. I have routinely educated myself about the issues, challenges, and accomplishments of MWD over the years, including its huge capital program in the 1990s, its pioneering efforts in groundwater storage and agricultural water transfers, its friction with the San Diego County Water Authority (of which my one-time agency, Camp Pendleton, was a member), the disputes over control and rates for wheeling transferred water, and the legislative pressures to reform the MWD board and reduce its size. I learned a lot about the history of MWD while, in the the mid-1990s, my law firm represented a family in litigation with MWD. During that time I met Colonel Foley and was able to attend one of MWD's Colorado River Facilities Inspection Tours. Colonel Foley and I remained close friends from then on. I have since been on the Colorado River trip three times, the Lower Colorado River tour once, and the State Water Project and Delta tour twice. In my law firm days, my clients

it is now in South Orange County. I interacted extensively with the San Diego County Water Authority, where high dependence on imported supplies was the dominant factor in the water industry, just as it is in South Orange County. I played a critical role in the development of the South Orange County IRWMP. I initiated and chair the ad hoc working group of the ten South County water agencies. My experience working for the County, for an Orange County consulting firm, and on the board of Moulton Niguel have made me as familiar as anyone with South Orange County's water supply situation, its limited alternatives, and its relationship with the northern part of the county.

Ability to forge relationships and partnerships. I have a history of creating partnerships, overcoming agency silos, fostering regional collaboration, and forging settlements to resolve disputes. Representing the Marine Corps in the adjudication of the Santa Margarita River, I led the effort to settle the major issues between Camp Pendleton, Fallbrook Public Utilities District, and Rancho California Water District, 51 years after the litigation was initiated. I was also instrumental in forming a multiple-agency partnership to being watershed planning in that watershed, in partnership with San Diego and Riverside Counties and other agencies, and initiated a regional collaboration for water quality monitoring that is still ongoing. At the County of Orange, I brought cities and water agencies together for the first time to develop a strategic plan for water resources management that led to the current approach being used for Integrated Regional Water Management Planning. My efforts also led to South Orange County writing one of the first IRWMPs and being the first entity in California to execute an IRWMP grant contract with the Department of Water Resources under Proposition 50. While working for RBF Consulting, I facilitated meetings between scrap metal recycling yard operators, Orange County Coastkeeper, the Regional Water Quality Control Board, and other experts and stakeholders to develop a region-wide industry sector stormwater permit that avoided litigation and prompted major investment in water quality improvements. After joining the Santa Ana Watershed Project Authority, I was able to help that agency find a path to settle a long-running dispute with the Orange County Sanitation District and begin a new era of collaboration and cooperation.

I have good working relationships with many of the current MWD board members, and count no enemies in that group. In deciding to pursue this position, I conferred with all three current MWDOC MWD representatives, and also sought the advice of Dan Griset, who represents Santa Ana, and Randy Record, who represents Eastern Municipal Water District and who may be the next MWD chairman, both of whom are friends. I know Kris Murray (Anaheim) from her days at the Orange County Business Council, with whom I have worked for many years. I am acquainted with Jennifer Fitzgerald (Fullerton), whose husband I have known for at least ten years. I have strong relationships with the other two Inland Empire members, Tom Evans (Western Municipal) and Michael Camacho (IEUA), as those agencies are also SAWPA members. I work very closely with Rich Atwater (Foothill Municipal) in connection with the Southern California Water Committee. I have a strong relationship with Keith Lewinger (SDCWA) dating to my Camp Pendleton days. Glenn Brown (Burbank) was a groundwater expert with whom my law firm collaborated in the 1990s. I am acquainted with several other directors who I see regularly at water conferences and events.

Time commitment. Finally, I am prepared to resign my position on the Moulton Niguel Water District board of directors with a date effective prior to being sworn in to the MWD board, in accordance with MWDOC's letter of April 21, 2014, announcing the MWD vacancy. I currently spend at least 60 hours per month on Moulton Niguel matters, so I view the time commitment to serving MWD as being comparable to the position I would be departing. Therefore, I am confident I can provide the time that is required to do the job well at MWD.

included a group of Riverside County farmers in a discussion with MWD about mitigating for impacts of the Diamond Valley Reservoir. My MWD counterpart in those negotiations was Jeff Kightlinger, then new to MWD's General Counsel's office, later to become General Counsel and, now, General Manager of the agency. We have been good friends for nearly twenty years.

MWD was created to bring supplemental water into a new region with enormous potential for development and growth. Over the decades, it has evolved into a regional resources management agency, taking on responsibility for overall water supply reliability in an urbanized and heavily populated region. This fundamental change in mission occurred because of decisions made by an unelected board, and while I believe the decisions were sound and have been beneficial, I believe the MWD board must always bear in mind its unique form and must take care not to overreach its proper authority. The MWD board's ability to influence the shaping of the region, our quality of life, and our potential for the future require that MWD directors work cooperatively as a group taking into account all of the interests of the region, and that they reach out to the communities MWD serves to stay in touch with the elected leaders who are accountable to the People.

In achieving its mission, MWD's major current challenges include leading the State to a successful renovation of the State Water Project by fixing the problem of the Delta, resolving the festering dispute with San Diego and ensuring that MWD's rate structure is fair, adequate, and legally sound, ensuring the long term financial security of the agency including its employee costs, and continuing to develop long-term plans for water resources that include the effects of climate change. To borrow an over-used phrase, failure at MWD is not an option for Southern California today, and in particular for South Orange County.

Ability to effectively represent MWDOC. MWDOC has one of the largest contingents on the MWD board and carries almost 17% of the weighted vote of the agency. The MWDOC representatives do a good job of coordinating their efforts, and while I don't think unanimity is always required, thorough coordination is essential in order to act strategically. The success of MWDOC in coordinating with the representatives of the three MWD-member Orange County cities has been uneven, and I believe there are gains to be made there. Across the whole MWD board, the pace of turnover has increased and the average tenure of directors is now much lower than it was ten years ago. I believe this presents a great opportunity for seasoned water industry professionals representing MWDOC to have great influence at MWD, and to provide respected leadership and to form new and strong relationships on the board, in order to fulfill the needs of MWD and Orange County.

Orange County's highest priorities for MWD are supply reliability and fiscal sustainability. MWD's primary mission today is to ensure a reliable supply for Southern California. Our region and lifestyle, and indeed the economy of the state, depend on MWD accomplishing this mission, which touches the Delta fix, new State Water Project concepts, dealing with the tightening supplies from the Colorado River, managing the MWD infrastructure to support banking and transfers, and deciding how MWD can most appropriately involve itself in supporting local projects and promoting water use efficiency. In parallel to this primary mission, MWD must keep itself viable, which means its rate revenue must suffice and its expenses must be appropriately managed.

Ability to represent the interests of South Orange County. I have lived in South Orange County since 1994. I have been involved in Aliso Creek and San Juan Creek planning issues almost from the date of my arrival, and I am aware of the difficulty of developing meaningful local supplies. While living here, I also worked at Camp Pendleton, where recycling of water is a critical part of the supply scenario, just as

My current regular employment is with the Santa Ana Watershed Project Authority, a joint powers agency. While three of SAWPA's member agencies are MWD members, SAWPA is not involved in water importation, purchases, or delivery. I see no existing, potential, or apparent conflict between representing MWDOC at MWD and my SAWPA employment, and I have verified this with the SAWPA General Manager, the SAWPA Commissioners who represent MWD members, and Phil Anthony, who represents the Orange County Water District on the SAWPA Commission and is currently its chair.

I would appreciate you supporting my interest in this MWD role in the nominating committee. I am, of course, available to provide any further information that you think would be helpful in this considering this request.

Sincerely,

Larry B. McKenney

Cc: Joone Lopez, General Manager

Larry B. McKenney

Education:

1985-88	Univ. of Texas School of Law	Juris Doctor (honors)
1978-82	U. S. Naval Academy	Bachelor of Science (History)

1988	Admitted to Texas Bar
1994	Admitted to California Bar

Work History:

Dec 2010 – Present. Executive Counsel, Santa Ana Watershed Project Authority. In-house general counsel to joint powers authority of five large water agencies for water resources planning and regional infrastructure in the Santa Ana River watershed. Also staff for legislative advocacy, strategic planning, government relations, and certain aspects of Integrated Regional Water Management Planning.

Dec 2008 – Present. Director, Moulton Niguel Water District. Board president. Chair, Personnel and Salary Committee. Former chair, Legal and Legislative Committee. Board Chair, San Juan Basin Authority (JPA). Organizer and ad hoc chair, South County Water Agencies working group.

Sep 2007 – Dec 2010. Vice President, Watershed Management, RBF Consulting, Irvine. Creating a new business line within an established engineering and planning company to assist clients with watershed planning, watershed management, and Integrated Regional Water Management Plans (IRWMPs). Clients include southern California cities and counties, water and wastewater districts, developers, environmental organizations, and regional transportation agencies. More significantly, assisting the company in changing its culture to integrate the efforts of many different disciplines to produce innovative, sustainable, and valuable plans and projects.

Feb 2002 – Sep 2007. Director, Watershed & Coastal Resources Division, Resources and Development Management Department, County of Orange. Managed the development and implementation of new programs to meet regulatory requirements and to protect water quality and coastal resources. Coordinated the efforts of multiple County departments and 34 cities. Led agencies and interest groups to cooperate in solutions, including new management practices, ordinances, and capital projects. Represented the County before State and Federal agencies, and advocated for or against legislation in Sacramento and Washington, DC. Obtained grant funding and created regional collaboration on grants. Represented the County as a board member for the Southern California Coastal Water Research Project Authority, the San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy, the Los Cerritos Wetlands Authority, and the American Shore and Beach Preservation Association.

1996 – 2002. Director, Office of Water Resources, Marine Corps Base, Camp Pendleton. Directed and coordinated all water resources programs at Camp Pendleton, including water rights, water supply, regional and watershed planning, water and wastewater utilities, storm water management, aquatic habitat and endangered species protection, and regulatory compliance under the Clean Water Act, Safe Drinking Water Act, Endangered Species Act, and the National Environmental Policy Act. Negotiated major water rights settlement to resolve long-standing litigation between the United States and Rancho California Water District. Represented the Base to all off-Base entities including State and local governments, other federal agencies, and public interest groups. Chaired San Diego County Project Clean Water Legal and Regulatory Advisory Committee 2000-2002.

1994 – 1996. Attorney, Law Offices of Susan M. Trager, Irvine, California. General legal practice specializing in water and environmental matters including water rights, water quality, habitat and species protection, CEQA, eminent domain, and administrative law related to water companies and water districts. Focus of practice was transactional and administrative law, but also worked on litigation involving water rights, CEQA, eminent domain, mutual water companies, and mechanics liens.

1991 – 1994. Attorney, Western Area Counsel Office, Camp Pendleton. Represented the U.S. Marine Corps bases in the western United States on matters including water rights, Clean Water Act, Safe Drinking Water Act, Endangered Species Act, land use, environmental planning, environmental litigation, and regional coordination such as watershed management. Drafted and filed administrative protests and petitions to the State Water Resources Control Board and worked closely with Department of Justice on litigation involving CEQA and water rights. Negotiated a long-term lease of groundwater rights with a neighboring water agency and drafted interagency agreements for interconnecting water systems.

1988 – 1991. Attorney, Office of the Staff Judge Advocate, Camp Lejeune, North Carolina. First as a Civil Law Officer, handling all civil law matters in the manner of a city attorney, including contracts, employment law, environmental law, constitutional law, etc. Later as the Base's chief trial counsel, prosecuting criminal law cases and managing a team of four prosecuting attorneys and support staff.

1982 – 1985. Artillery officer, U.S. Marine Corps. Served in an artillery battalion as a forward observer, safety officer, motor transport officer, and legal administration officer.

Other Board and Committee Experience:

Current:
Association of California Water Agencies, Region 10 board member
Southern California Water Committee, Board of Trustees; Chair of the Legislative Task Force, member of the Delta Issues, Public Education, Stormwater, Urban Water Planning, and Water Quality Task Forces

Urban Water Institute board member
Southern California Water Dialogue Steering Committee
California Water Policy Conference Planning Committee
Orange County Coastkeeper board member
Orange Coast Watershed and Education Center board member
University of California, Riverside, Water Science & Policy Center Advisory Committee

Previous:
Rivers and Mountains Conservancy board member
Los Cerritos Wetlands Authority board member
Water Advisory Committee of Orange County (WACO) president
Aliso Viejo Community Association board president
Flood Plain Management Association board member
American Shore & Beach Preservation Association board member
Newport Bay Naturalist and Friends board member (now Newport Bay Conservancy)