

LAS VIRGENES MUNICIPAL WATER DISTRICT



Popular Annual Financial Report
Fiscal Year 2022-23



Los Angeles County, CA



Jay Lewitt
President, Division 5



Leonard E. Polan
Vice President, Division 4



Andy Coradeschi
Treasurer, Division 2



Gary Burns
Secretary, Division 3



Charles P. Caspary
Director, Division 1

Founded in 1958, Las Virgenes Municipal Water District (LVMWD) is a special district that provides potable water, wastewater treatment, biosolids composting and recycled water services for a 122 square-mile service area located in Western Los Angeles County. LVMWD is organized under the Municipal Water District Law of 1911 (California Water Code 71000).

What is a Popular Annual Financial Report?

This Popular Annual Financial Report (PAFR) represents LVMWD's ongoing commitment to transparency in its operations and governance. Additional information, including the District's Biennial Budget, Annual Comprehensive Financial Report (ACFR), planning documents and more can be found at www.LVMWD.com. For Fiscal Year 2021-22, the District has been awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association (GFOA) of the United States and Canada, for its ACFR.

**Our Mission:
Dedicated to providing
high-quality, reliable
water service in a
cost-effective and
environmentally
sensitive manner**

Las Virgenes Municipal Water District
4232 Las Virgenes Road
Calabasas, CA, 91302

818-251-2200

To the Customers & Communities We Serve



We are pleased to present the Las Virgenes Municipal Water District (District or LVMWD) Popular Annual Financial Report (PAFR) for the fiscal year ending June 30, 2023. The information presented here is a reader-friendly summary of financial data derived from the Annual Comprehensive Financial Report (ACFR),

which is prepared on the accrual basis of accounting and presented in conformity with Generally Accepted Accounting Principles (GAAP).

The PAFR is unaudited and is not intended to supplement the ACFR, nor does it include all information and disclosures required by GAAP; rather, it is a concise summary of the financial health of the District for Fiscal Year 2022-23. LVMWD's management is responsible for ensuring timely and accurate financial reporting that supports the water and sanitation operations of the District.

We are pleased to report that the District continues to issue timely and accurate financial reporting, as demonstrated by the continued receipt of the Certificate of Achievement for Excellence in Financial Reporting for 25 consecutive years by the Government Finance Officer's Association (GFOA).

LVMWD remains fiscally strong and continues to respond appropriately to fluctuations in the economy, as well as to climate-related impacts statewide and in the region. During Fiscal Year 2022-23, the District emerged from experiencing several years of ongoing drought conditions. Because of the impact of the drought on water supply in California, the District's water supplier, Metropolitan Water District of Southern California (MWD) required an emergency conservation program that became effective June 2022. District customers responded to the call for conservation by reducing water consumption by over 30% year over year in Fiscal Year 2022-23.

As the District looks forward to address the effects of climate change, it continues to look at ways to diversify its water portfolio. The most significant efforts to date in this area are the development of the Pure Water Project Las Virgenes – Triunfo that will provide an estimated 3,100 acre feet of water at build out through indirect potable reuse. More information on this project can be found on the District's website at lvmwd.com. The District continues to look at innovative ways to further diversify its water portfolio. One burgeoning partnership is with the California-based company OceanWell to study the feasibility of harvesting drinking water from desalination pods placed on the ocean floor, which if successful would add another layer of long-term water reliability to the District's portfolio.

During Fiscal Year 2022-23, the District prepared and submitted applications to federal, state, and local funding sources to provide financing for the Pure Water Project. Included in these funding sources was an invitation to the JPA to apply for Water Infrastructure Finance and Innovation Act (WIFIA) funding in the amount of \$184 million or up to 49% of the estimated project cost. Moving forward, the District will continue to develop this project and move towards construction within the next one to two years.

Information regarding the activities and financial health of the District can be found in the June 30, 2023 ACFR, which is available on the District's website at LVMWD.com

Please do not hesitate to email finance@lvmwd.com or call (818) 251-2224 with any questions, comments, or feedback related to the report.

Respectfully submitted,

A handwritten signature in black ink that reads "David W. Pedersen". The signature is fluid and cursive, with a long horizontal stroke at the end.

David W. Pedersen, P.E.
General Manager

The Services We Provide

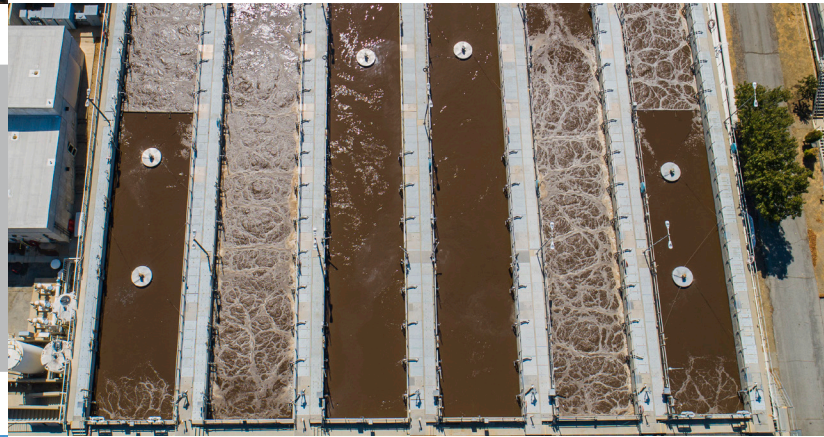


Potable Water

We reliably deliver high quality drinking water to approximately 70,000 residents and businesses throughout western Los Angeles County.

Sanitation

We take all the water that flows from homes and businesses and treat it to a water quality standard suitable for irrigation or discharge to the ocean via Malibu Creek.



Biosolids

Treated biosolids, a by-product of the wastewater treatment process, is transformed into EPA Class A compost at the Rancho Las Virgenes Composting Facility and is made available to the public.

Recycled Water

Recycled water is distributed through 68 miles of pipes to 11 parks, 17 schools, 52 common areas for homeowners associations, 3 golf courses, and street medians and parkways throughout the District



Las Virgenes - Triunfo Joint Powers Authority

The JPA provides sanitation services for about 100,000 customers in western Los Angeles County and eastern Ventura County. Wastewater is treated at the Tapia Water Reclamation Facility, and the biosolids generated during this treatment are processed at the Rancho Las Virgenes Composting Facility. Both facilities are jointly owned and operated by the JPA. This partnership creates an efficient means to serve residents within the Malibu Creek watershed. The sanitation enterprise charges in this report reflect the total cost and revenue to provide these services for LVMWD customers. Financial statements of the JPA can be found at LVMWD.com/Financial-Reports.

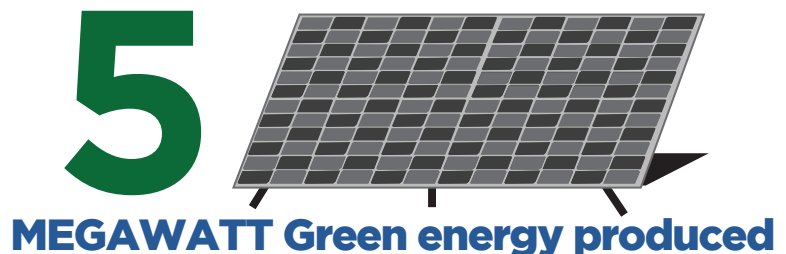
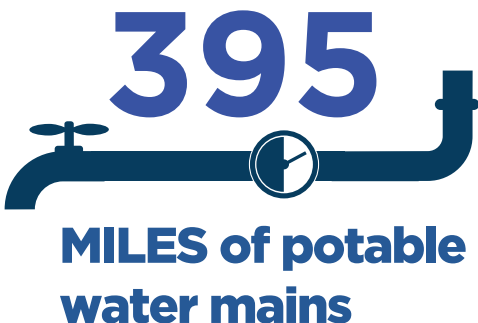
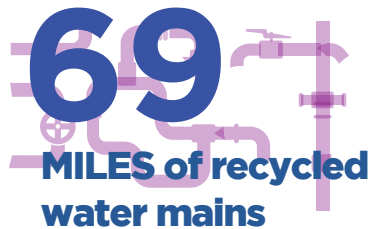
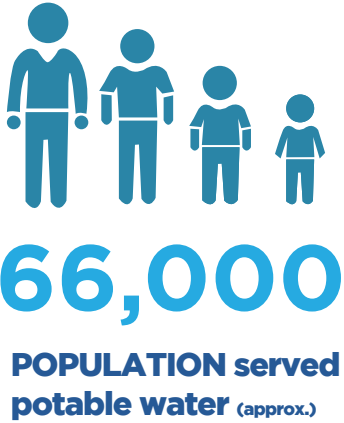


Did You Know?

When completed, the Pure Water Project Las Virgenes - Triunfo will provide LVMWD with up to 30% of its potable water needs.

About LVMWD

Every day, the employees and leadership at Las Virgenes Municipal Water District ensure the delivery of safe, clean, dependable water and environmentally protective wastewater treatment services in a cost-effective manner. LVMWD provides services to the cities of Agoura Hills, Calabasas, Hidden Hills, Westlake Village and neighboring unincorporated areas of Los Angeles County.



LVMWD Customers Continued Water Conservation

LVMWD had already positioned itself as an early adopter of unprecedented water use restrictions and had declared a local state of emergency to help stretch a drought-parched water supply through 2022 and into 2023.

The District implemented a 50% reduction in residential outdoor water budgets following the 3 driest months on record, implemented MWD's sweeping one day per week water use restrictions and established a strategic communications plan to educate, inspire and empower customers to meet this moment of emergency conservation.

LVMWD customers responded in a historic way. During the local drought emergency customers conserved 20% on average and 39 % in the latter part of the year compared to 2020, the last non-drought year available for comparison.

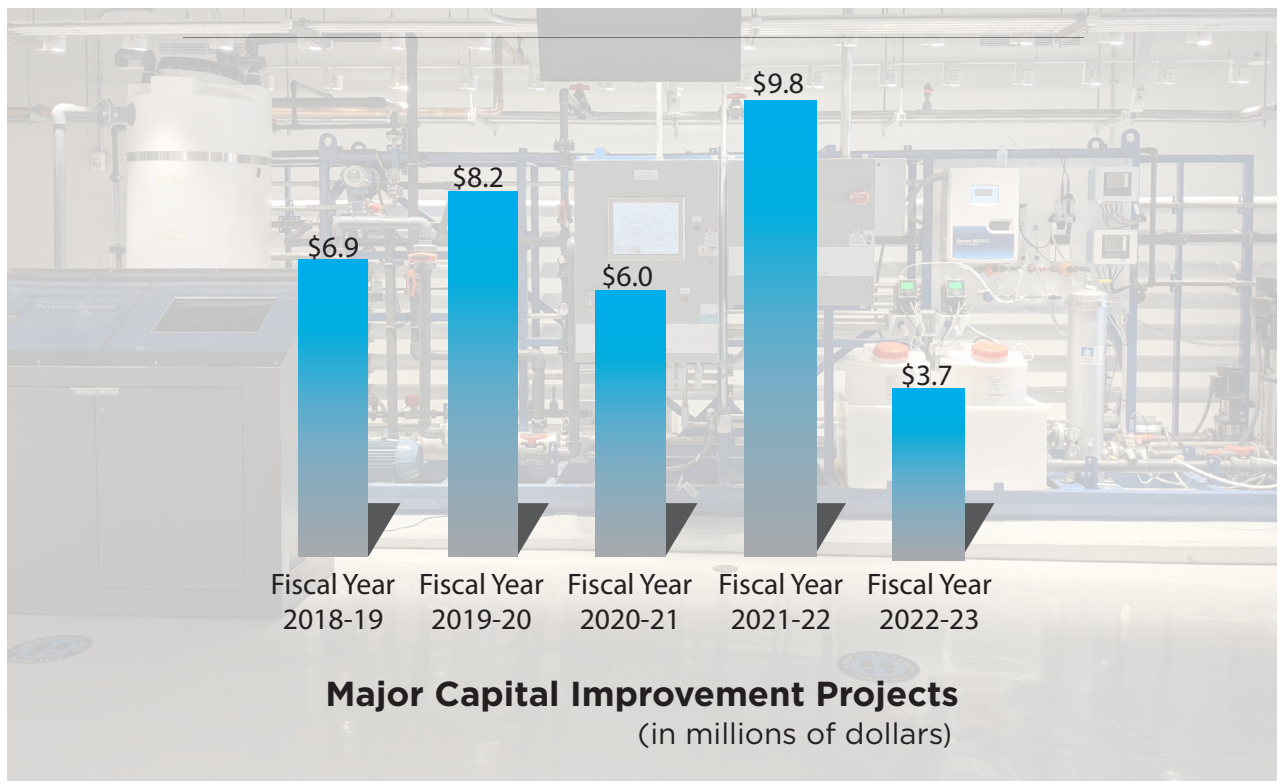
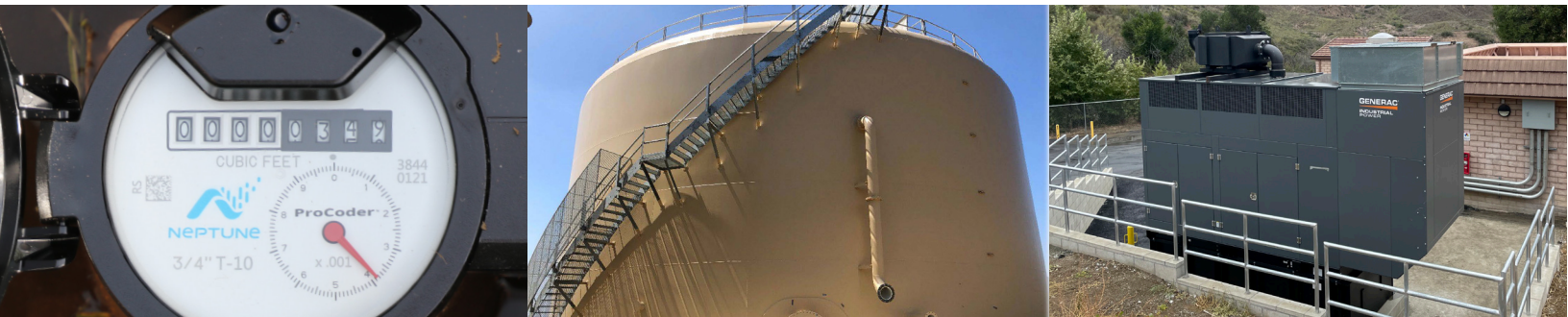


Building a Resilient Future

The District takes great pride in ensuring the delivery of water and sanitation services to our customers through a comprehensive capital improvement program. Adequate investments are made to maintain a reliable system to address emergencies and unplanned service interruptions.

In Fiscal Years 2022-23 the District spent \$0.9 million on finalizing implementation of the \$11.5 million Advanced Metering Infrastructure (AMI) project that allows customers to monitor their water usage in near real-time to support their efficient use of water. Additionally, LVM-WD spent \$1.5 million on installing Stationary Emergency Generators to improve reliability and \$1.4 million on Deerlake tank construction to serve new developments in unincorporated Los Angeles County..

In Fiscal Years 2023-24, the District is projecting to spend approximately \$13.4 million related to the Pure Water Project (more information can be found at [OurPureH2O.com](https://www.ourpureh2o.com)), along with \$6.3 million in pump station upgrades, and \$1.8 million on the rehabilitation of Jed Smith/Mc-Coy water tanks.



FY 2022-23 Financial Performance

Las Virgenes Municipal Water District (LVMWD or the District) uses the accrual method of accounting in accordance with generally accepted accounting principles to produce its financial statements. LVMWD operates a Joint Powers Authority (JPA) with Triunfo Water & Sanitation District for the transmission and treatment of wastewater, wholesale recycled water supply and biosolids composting. Additional information about the JPA can be found in both the District's Annual Comprehensive Financial Report and the JPA Audited Financial Statements on the District's website LVMWD.com/Financial-Reports.

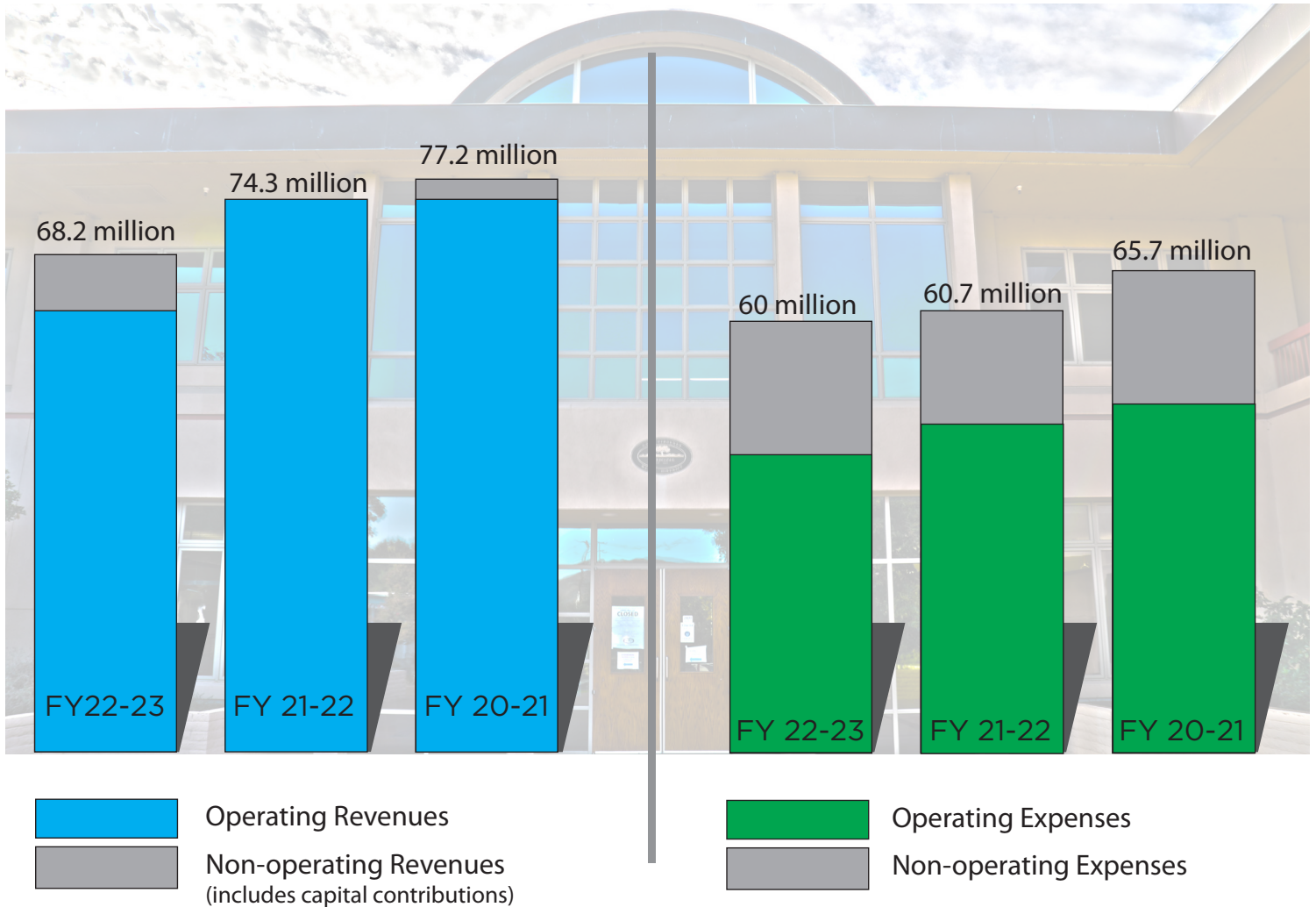
Financial Highlights

- On June 30, 2023, the District's net position (excess of assets and deferred outflows over liabilities and deferred inflows) was \$297.1 million. Of this amount \$131.2 million consisted of the District's net investment in capital assets while the remaining \$165.9 million was unrestricted and may be used to meet the District's ongoing obligations, fund capital projects, and meet policy-required reserves.
- The District's Fiscal Year 2022-23 net position increased by \$10.2 million, compared to an increase of \$17.3 million in Fiscal Year 2021-22.
- Total operating revenues in Fiscal Year 2022-23 were \$64.7 million, \$11.0 million (or 14.6%) below the prior year's revenues of \$75.7 million. The decrease in revenues as compared to the prior year was due to a decrease in Water sales and service fees of \$12.6 million (or 24.5%), offset by increases in Sanitation service fees of \$1.0 million (or 4.8%) and Other income of \$0.6 million (or 15.4%).
- Total operating revenues in Fiscal Year 2021-22 were \$75.7 million, \$1.2 million (or 1.7%) above the prior year's revenues of \$74.5 million. The increase in revenues as compared to the prior year was due to an increase in Sanitation service fees of \$1.5 million (or 8.3%), an increase in Other income of \$0.4 million (or 13.2%), offset by a decrease in Water sales and service fees of \$0.7 million (or 1.4%).
- Total operating expenses in Fiscal Year 2022-23 were \$41.4 million, \$3.8 million (or 8.5%) below the prior year's expenses of \$45.2 million. The decrease in operating expenses as compared to the prior year was due mainly from reduced source of supply costs, down \$6.5 million versus Fiscal Year 2021-22 (or 25.2%) due to lower customer potable water deliveries.
- Total operating expenses in Fiscal Year 2021-22 were \$45.2 million, \$2.3 million (or 5.0%) below the prior year's expenses of \$47.5 million. The decrease in operating expenses as compared to the prior year was due mainly from reduced source of supply costs, down \$2.2 million versus Fiscal Year 2020-21 (or 7.6%) due to lower customer potable water deliveries.

Revenue and Expenses FY 2022-23

Revenue

Expenses



AUDIT OF DISTRICT'S FINANCIAL STATEMENTS BY INDEPENDENT AUDITOR

State statute requires an annual audit by independent Certified Public Accountants which is filed with the California State Controller's Office. The Agency's Fiscal Year 2022-23 financial statements were audited by the Agency's auditor, Rogers, Anderson, Malody & Scott, LLP in accordance with GAAP auditing standards, and the statements met the State Controller's Minimum Audit Requirements for California Special Districts. The Agency's Audited Financial Statements and accompanying Independent Auditor's Report can be found in the Agency's ACFR, available at LVMWD.com/Financial-Reports.

Did You Know?

70% of the water used by LVMWD customers is used outdoors to irrigate landscapes.

The Financial Statements provide information on whether the District is in a stronger or weaker financial position compared to the last year. The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position provide a means to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. Considering other non-financial factors such as changes in economic conditions, population growth, weather, and new or changed government legislation is also vital. It is important to note that the District's goal is to have sufficient revenue to cover operating and capital expenses while maintaining affordable rates for its customers.

Condensed Statements Of Net Position (dollars in thousands)

	2023	2022	2021
Current and Other Assets	\$133,622	\$128,583	\$122,250
Capital Assets	139,698	137,266	129,230
Investment in JPA	68,089	68,942	67,140
Total Assets	\$341,409	\$334,792	\$323,620
Deferred Outflow of Resources	\$15,473	\$7,277	\$8,765
Long-Term liabilities	40,920	31,618	47,243
Other Liabilities	9,838	9,686	11,470
Total Liabilities	\$50,758	\$41,304	\$58,712
Deferred Inflows of Resources	\$9,037	\$13,921	\$4,439
Net Position:			
Net Investment in Capital Assets,	\$131,232	\$127,592	\$119,802
Restricted	0	0	0
Unrestricted	165,854	158,251	149,432
Total Net Position	\$297,087	\$286,843	\$269,234

Definitions:

Capital Assets: Includes land, buildings, including water and sewer lines, wastewater facilities, reservoirs, tanks, distribution facilities, compost facility, maintenance and administration facilities, vehicles, and equipment net of depreciation.

Currents and Other Assets: Assets easily converted to cash or consumed within one year: cash, investments, receivables, and prepaid expenses.

Deferred Outflow of Resources: Represents outflow of resources that apply to future periods and that, therefore, will not be recognized as an expense until that time.

Long-Term Liabilities: Long-term financial obligations and employee retirement benefits.

Other Liabilities: Payment due on obligations owed by LVMWD within the next 12 months.

Total Net Position: Represents the excess of assets over liabilities.

Did You Know?

LVMWD lacks a local groundwater supply, and instead relies 100% on imported water to meet our potable water needs.

Financial Analysis

The Condensed Statement of Revenues, Expenses, and Net Position summarizes LVM-WD's operating and non-operating revenues and expenses.

As shown in the comparative table below, the income before capital contributions was \$8.1 million in Fiscal Year 2022-23 versus \$13.6 million in Fiscal Year 2021-22 and \$16.8 million in 2020-21. The income plus capital contributions (\$8.1 million income plus \$2.1 million capital contributions) lead to the overall increase in net position of \$10.2 million, when compared to last year's ACFR.

Fiscal Year 2022-23 Water sales and service fees of \$38.9 million decreased 24.5% versus prior years fees of \$51.6 million. Though potable water rates increased 5.0% versus the prior year, the impact of additional revenues from rates was offset by lower potable water deliveries to customers year-over-year. On-going drought conservation messaging along with record setting rainfall in the winter of Fiscal Year 2022-23, resulted in lower customer demand for potable water supply versus the prior year. Potable water deliveries for the fiscal year of 12,257 acre-feet were down 32.3% versus prior year deliveries of 18,105 acre-feet.

Sanitation service fees were \$21.2 million in Fiscal Year 2022-23, up \$1.0 million (or 4.8%), as compared to Fiscal Year 2021-22 revenues of \$20.2 million. Per the District's adopted 5-year rate study, Sanitation Enterprise rates increased 3.75% versus the prior year, driving much of the increase in revenues year-over-year. Additionally, an increase in "household size" among the District's residential custom-

ers has resulted in higher revenues generated within the Sanitation Enterprise.

Water operating expenses were \$32.8 million in Fiscal Year 2022-23, lower than the prior year's operating expenses of \$37.3 million due to reduced source of supply costs. Source of supply costs of \$19.4 million were down \$6.5 million (or 25.2%) from reduced customer water deliveries year over year.

Sanitation operating expenses were \$3.4 million in Fiscal Year 2022-23, remaining consistent with prior year expenses of \$3.5 million.

Share of JPA net expenses reflected in the nonoperating revenues (expenses) section were \$18.6 million in Fiscal Year 2022-23, \$3.3 million (or 21.6%) above prior year's expenses of \$15.3 million. These expenses result from purchased sanitation services from the Las Virgenes-Triunfo Joint Powers Authority (JPA).

Capital contributions are irregular and consist primarily of capital grant contributions as well as water and sewer connection fees for capital development. In July 2019, the District adopted a new capacity fee structure that focuses contributions on maintenance and upgrading of existing infrastructure.

Did You Know?

Customers who signed up for the WaterSmart portal used 46% less water in fiscal year 2022-2023 compared to the same period in fiscal year 2019-2020.

Condensed Statements of Revenues, Expenses and Changes in Net Position (dollars in thousands)

	2023	2022	2021
Operating Revenues:			
Water Sales	\$38,914	\$51,564	\$52,306
Sanitation and Other	25,749	24,174	22,170
Non-operating Revenues:			
Taxes and Penalties	1,096	1,001	929
Interest Income and Gain (Loss)	2,384	(2,439)	1,818
Total Revenues	\$68,142	\$74,301	\$77,223
Depreciation Expense	5,157	4,413	3,831
Other Operating Expenses	36,202	40,779	43,714
Share of JPA Net Expenses	18,629	15,314	17,969
Non-Operating Expenses	74	209	194
Total Expenses	\$60,602	\$60,7158	\$65,708
Income (Loss) Before Capital Contributions	8,081	13,586	11,515
Capital Contributions	2,163	3,698	5,498
Change in Net Position	10,243	17,284	17,103
Net Position - Beginning of Year as restated	286,843	269,559	252,221
Net Position - End of Year	\$297,087	\$286,843	\$269,234

Definitions:

Capital Contributions: Funds that are used for capital and expansion projects.

Change in Net Position: The total of net income (loss) plus capital contributions.

Depreciation Expense: If an asset is expected to produce a benefit in future periods, some of these costs must be deferred rather than treated as a current expense. LVMWD records depreciation expense in its financial reporting as the current period's allocation of such costs.

Income (Loss) Before Capital Contributions: The difference between total revenue less total expenses.

Net Position: The sum of total net position at the beginning of the fiscal year plus the change in net position resulting in ending net position at the end of the fiscal year.

Non-Operating Revenues and Expenses: Revenues and expenses that are incidental to LVMWD's main purpose and derived from activities not directly related to LVMWD's operations: taxes and penalties, interest earnings and rental income, and costs associated with debt.

Operating Expenses: Expenses incurred in the provision of potable water, sanitation, and recycled water services.

Operating Revenues: Revenues received for the sale of water to customers, services, inspections, and programs provided by LVMWD.

JPA Expense: LVMWD and Triunfo Water & Sanitation District established a Joint Powers Authority (JPA) to construct, operate, maintain, and provide for the replacement of joint sewerage system. The share of JPA net expenses is LVMWD's allocation of combined net revenue and expenditure activity within the JPA.

Capital Assets

As of June 30, 2023, the District has invested \$273.4 million in capital assets, including a broad range of infrastructure such as water and sewer lines, wastewater facilities, reservoirs, tanks, distribution facilities, a compost facility, maintenance and administration facilities, vehicles and equipment, as well as an investment in the Las Virgenes-Triunfo Joint Venture of \$68.1 million.

Capital Assets (dollars in thousands)			
	2023	2022	Dollar Change
Land	\$6,915	\$6,915	0
Buildings and Improvements	22,095	22,095	0
Machinery and Equipment	12,806	12,170	636
Infrastructure	217,525	202,422	14,882
Construction in Progress	11,989	20,242	(8,253)
Intangible right-to-use asset	2,042	1,798	226
Subtotal	\$273,355	\$265,864	7,490
Less Accumulated Depreciation/Amortization	(133,657)	(128,598)	(5,058)
Net Property, Plant and Equipment	139,698	137,266	2,432
Investment in Joint Venture	68,089	68,942	(853)
Total Capital Assets	\$207,787	\$206,208	1,579

Did You Know?

In a nod to sustainability, the Pure Water Demonstration Facility is housed in the repurposed LVMWD headquarters building that had previously been vacant.

On June 30, 2023, the District had total long-term debt including lease liability and subscription liability of \$7.9 million, down from \$9.2 million on June 30, 2022. Excluding the District's subscription liability of \$0.5 million and minimal lease liability on the statement of net position of \$47 thousand, this remaining debt is solely the obligation of the Potable Water Enterprise and is for the Advanced Meter Infrastructure project.

Long-Term Debt (dollars in thousands)				
		2023	2022	Total Percent Change
Total Operating Revenues	\$	38,914	\$ 51,564	-24.53%
Total Operating Expenses (less depreciation)		32,900	37,191	-11.54%
Net Revenue		6,014	14,373	-58.16%
Maximum Annual Debt Service		1,129	1,127	.18%
Debt Coverage Ratio		5.33	12.75	-58.23%



Did You Know?

The Las Virgenes Reservoir holds enough drinking water to serve our customers for six months in case of an emergency.

Our Budget, Our Values and Our Customers



LVMWD is dedicated to providing high-quality, reliable water service in a cost-effective and environmentally sensitive manner. An important way we accomplish this mission is with the creation, adoption and execution of our operating budgets. These budgets reflect our core business values and provide our customers with a transparent way to see what the District's priorities are and how the policies, procedures and programs the dedicated staff executes is directly connected to our customers and the services we provide.

Additionally, LVMWD has elevated that commitment to another level with participation in the Open Finance portal. This platform is an open window into the financial workings of LVMWD and makes clear the highest priority that the dedicated staff of the Finance department puts on fiscal responsibility, excellence and transparency. For more information on the budget and to access the OpenFinance portal, scan the QR code to the right or visit LVMWD.com/Financial-Reports



Did You Know?

LVMWD's budget is adopted on an annual basis by the elected Board of Directors, but is created in two year cycles to better plan for future operations and expenses.