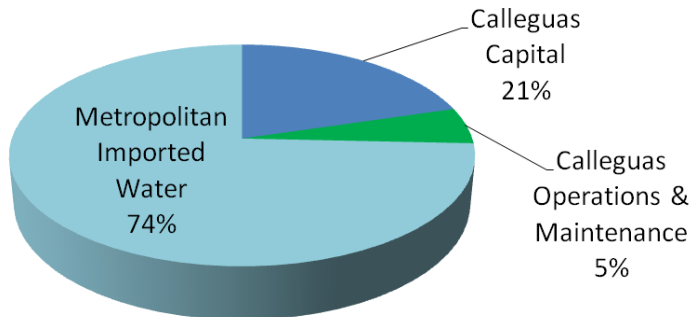


How Calleguas MWD Controls Costs to Minimize Rate Impacts

What Water Rates Pay For

The chart below provides a breakdown of what the rates pay for.



- **About three-fourths (3/4) of the cost of water goes to buy imported water** from Metropolitan Water District of Southern California (Metropolitan) and includes the cost to store, treat, and transport water from Northern California and the Colorado River to the West San Fernando Valley. It also includes the cost to build and maintain groundwater and surface water storage facilities that minimize the effects of drought.
- **Roughly one-fifth (1/5) pays for Calleguas to build capital projects** to store, treat, and transport water to 19 retail water agencies in Ventura County; and to build a salinity management pipeline to facilitate development of new, local sources of supply from brackish groundwater.
- **One-twentieth (1/20) pays for Calleguas' operations, maintenance, and management costs.**

Managing Imported Water Costs

(74% of total = \$45/month for the average family*)

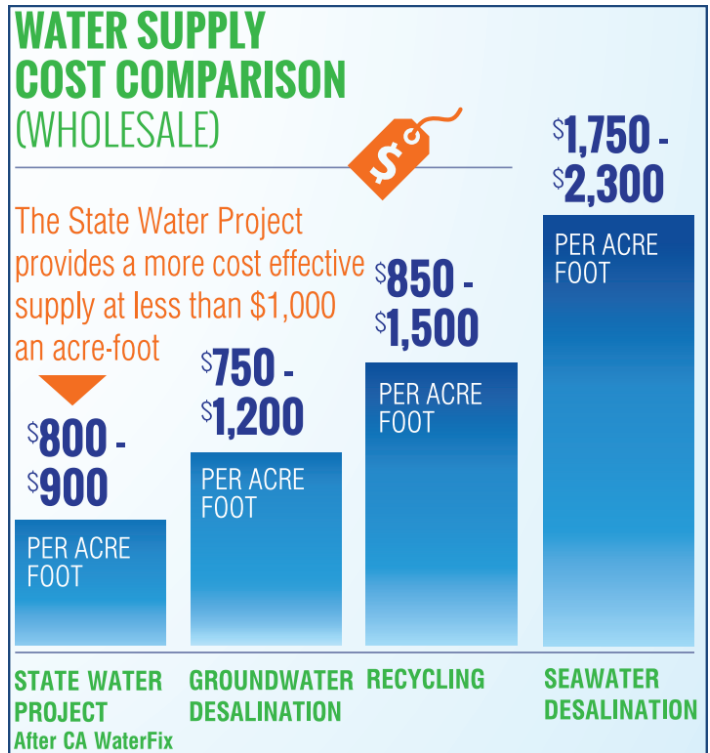
Calleguas' representative on the Metropolitan Board of Directors carefully reviews expenditures and rates. He consistently votes with consideration for cost.

Calleguas' staff manages imported water costs by commenting on Metropolitan's rates and budgets and inviting Metropolitan staff to local meetings to hear the concerns of Calleguas and its purveyors.

The General Manager and her staff attend dozens of meetings each year with Metropolitan staff and member agency general managers to review decisions affecting costs and rates.

Calleguas consistently sends a message of austerity and prudent rate setting.

Calleguas staff does extensive public outreach to promote the California WaterFix, which includes construction of two tunnels beneath the Sacramento Delta to regain water supplies lost in recent years due to Endangered Species Act requirements. As shown on the chart below, this is the least costly supply available to the area.



Source: Southern California Water Committee

Managing Capital Costs

(21% of total = \$12/month for the average family*)

In recent years, Calleguas has pursued and received over \$40 million in federal and state grant funding to defray the costs of water reliability projects.

Calleguas defers capital projects until they are needed. With the recent decrease in water system demands, a planned pump station to maintain pressures in the Conejo Valley has been deferred.

Calleguas aggressively inspects its infrastructure so that, to the extent possible, rehabilitation projects are planned and bid rather than being performed on an emergency basis.

Calleguas maintains a lean engineering and construction management staff, contracting out for services on an as-needed basis.

Managing Operations & Maintenance Costs (5% of total = \$3/month for the average family*)

Calleguas aggressively manages energy costs.

- Calleguas has built four hydroelectric generators which provide a revenue stream of \$500,000 per year. Calleguas is currently building a fifth hydroelectric generating station to further increase revenues.
- Calleguas has built reservoirs and configured its automated controls systems to minimize pumping during expensive, on-peak periods.
- Calleguas staff works closely with Edison to:
 - ⇒ monitor power costs and makes changes to facility rate plans as they benefit the District.
 - ⇒ take advantage of their free efficiency testing program to evaluate pumps and motors.
- As fuel prices have risen, Calleguas has:
 - ⇒ rotated its fleet so that the least costly and most efficient vehicle is used for each purpose.
 - ⇒ enrolled in the Statewide Commodity Contract for the most competitive prices available.



Springville Hydroelectric Generator



Thousand Oaks Reservoir

Calleguas has adopted policies to reduce employee benefit costs.

- In 2012 Calleguas reduced benefits for employees hired after December 31, 2012 as follows:
 - ⇒ dropped the retirement formula from 2% at 55 to 2% at 62.
 - ⇒ eliminated payment for retiree medical insurance, replacing it with a lower cost contribution to a health savings account.

Calleguas has automated processes to manage and reduce labor requirements.

- Metering and billing are fully automated.
- Calleguas has a comprehensive, automated preventive maintenance program which optimizes labor allocation and extends the life and efficiency of facilities and equipment.
- Operations are fully automated for remote monitoring and control.
- Water quality monitoring is increasingly automated.

These measures have been highly effective in both improving efficiency and decreasing costs.

Fiscal management is part of Calleguas' culture.

- Managers and first-line supervisors prepare annual budgets and receive monthly feedback from the Finance Department on budget status.
- Staff does not maintain a large stock of materials which can be readily acquired elsewhere.
- Staff outsources non-mission critical services such as security and fire safety abatement.
- The Board of Directors consistently maintains a sound fiscal strategy, with a conservative investment policy and debt service ratios better than industry standard. As a result, Calleguas has Standard & Poor's and Moody's bond ratings of AA and Aa2, respectively, and pays lower costs to issue bonds than most public agencies.



* Annual water usage for a single family residence is estimated to be one-half acre foot (163,000 gallons).