CENTRAL BASIN MUNICIPAL WATER DISTRICT
ENGINEER'S REPORT

FISCAL YEAR 2016-17 STANDBY CHARGE

PREPARED BY:

CENTRAL BASIN MUNICIPAL WATER DISTRICT

April 2016

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INTRODUCTION

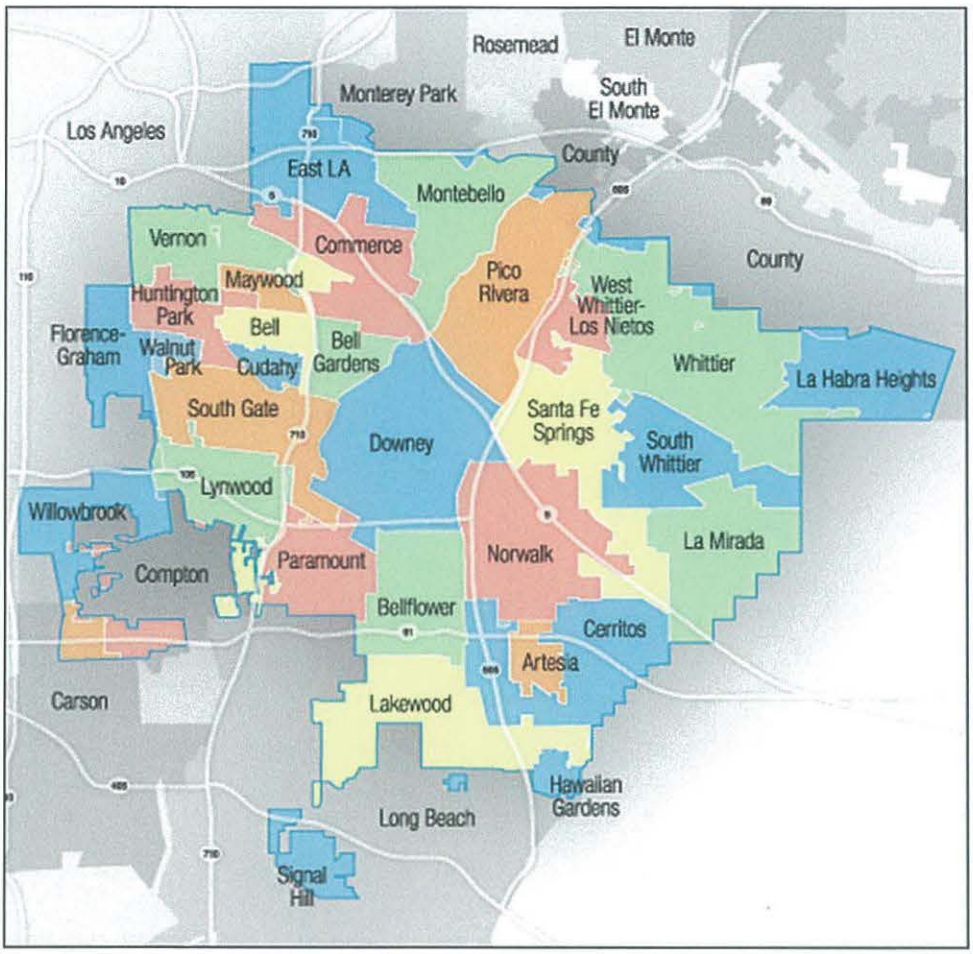
The Central Basin Municipal Water District (District) is a public agency in southeast Los Angeles County. The District was formed in 1952 by popular vote to provide supplemental imported water supplies to local retail agencies throughout the District's 227-square-mile service area. Figure 1 shows the District's service area, including cities and political subdivisions.

The District has been a leader in changing the manner in which scarce water resources are managed in Southern California. The District continues to implement plans to reduce the need for imported water from Northern California and the Colorado River, and insulate its service area from future water shortages. This "drought-proofing" plan is founded on aggressive water conservation, including flow-reducing plumbing hardware and education, and water recycling.

In 1990, the District took a significant step in its drought-proofing plan by commencing construction on a recycled water distribution system. This new system was envisioned to provide a source of non-potable water completely independent of drought-sensitive imported supplies, for use in non-potable applications, such as irrigation and industry. Today, the District's recycled water system serves over 328 individual sites with a water supply of more than 5,015 acre-feet that would otherwise be served by potable sources such as groundwater and imported water that are used by all customers in the service area. During future imported water shortages, recycled water will not be subject to reduction – essentially a water supply insurance policy for all residents.

Pursuant to the provisions of the Municipal Water District Act of 1911 (Water Code Section 71638, *et seq*), the District began levying an assessment in 1991. The assessment, called a "standby charge", is levied on all property owners within its service area to help recover the cost of drought-proofing the service area. The purpose of this Engineer's Report is to 1) describe the District's recycled water program and its benefits to all residents within the District's service area, and 2) explain the standby charge, and how it is calculated and imposed. To this end, the report also gives historical context to the water recycling program and describes the water supply outlook in Southern California as well as the District's water resource management approach.

FIGURE 1, MAP OF CBMWD SERVICE AREA



HISTORICAL CONTEXT

Much of the impetus for the current water recycling efforts statewide, and particularly in Southern California, began after the drought of 1976-77. These two years are the fourth and first driest years, respectively, in California recorded history. The socioeconomic impact of those two years was significant with economic losses of $2.5 billion[1] statewide. The drought of 1987-92 strongly reinforced the need for recycled water programs because the supply is not subject to hydrologic variability or other uncertainties as imported water sources. These sources, the Colorado River and the Sacramento-San Joaquin River Delta are significant because they provide Southern California with about 50 percent of its water supply. At the same time, environmental and hydrologic conditions highlight the long-term trend toward decreasing reliability of these imported supplies while the state's population continues to increase in every region.

The State Legislature realized the potential for recycled water to play a significant role in mitigating future water shortages when it set a goal in 1991 of 1 million acre-feet of water recycled by 2020. Today, California's water agencies recycle about 669,000 acre-feet annually[1]. The California Department of Water Resources (DWR) estimates that statewide, there is a potential of 1.35 million to 1.75 million acre-feet annually of additional water supply from recycled water.

In February 2008, the California legislature introduced a seven-part comprehensive plan for improving the Sacramento-San Joaquin Bay Delta. As part of that effort, several state agencies were directed to develop a plan to reduce per capita water use state wide by 20 percent by the year 2020. Legislation titled the "Water Conservation Act of 2009" (SBx7-7) enacted the 20 x 2020 concept. As part of the 20 x 2020 plan, all retail water agencies in the state are required to detail how they plan to achieve the mandatory reductions through their Urban Water Management Plan (UWMP). Retail water agencies who have either 3,000 or more connections or provide 3,000 AF or more of water per year, are required to be in compliance with SB7x7 either individually, as part of an alliance, and demonstrate they have a plan or have secured funding to be in compliance in order to be eligible for water related state grants and loans on and after July 16, 2016.

As a wholesale agency, Central Basin is not required to establish and meet baseline and targets for daily per capita water use. However, it is required to provide an assessment of its present and proposed future measures, programs and policies that will help its retail water suppliers achieve their SBx7-7 water use reduction targets. The Gateway Integrated Regional Water Management group includes retail water agencies within Central Basin's service area formed the Gateway Regional Water Conservation Alliance with the goal to meet SBx7-7 requirements as a region.

Water Supply Outlook

It is Central Basin's mission to ensure a safe, adequate and reliable water supply for the region it serves. Historically, retail water agencies within Central Basin's service area relied completely on groundwater. Today, water supply portfolios are more diverse, relying on a combination of groundwater, imported water, and recycled water. It has been projected that by 2040, the region will depend less on imported water, with increased local water resources, recycled water development, and conservation programs.

[1] "WateReuse Association 2011

Since 1952, Central Basin has provided its retail agencies with supplemental supplies to reliably meet their demands. Diversification is key to a reliable future water supply. Central Basin's retail agencies plan to continue diversification of their water resources with recycled water system expansions along with increased conservation efforts. Central Basin's dependence on imported sources will continue to decrease with the expansion of these alternative sources.

In July 2015, the Metropolitan Water District of Southern California (MWD) implemented the Water Supply Allocation Program (WSAP); this assigned each retail agency with an imported water service connection with a reduced water supply. The WSAP reduced historical average demands for each MWD member agency by about 15 percent in FY 2015-16.

WATER RESOURCE MANAGEMENT APPROACH

For more than four decades, the District was strictly an imported water wholesaler, purchasing supply from the Bay-Delta and Colorado River through MWD to supplement local groundwater supplies. Since the early 1990s, the District has embarked on an ambitious plan to help make its service area more drought resistant through more efficient use of supplies and resources already available. Water conservation and water recycling are at the heart of this resource management approach. The District also assists local groundwater producers and agencies in protecting groundwater supplies and optimizing the use of the groundwater basins.

Water conservation is a demand-management method aimed at reducing the consumption of potable water (groundwater and imported water) at the point where it is put to use. Water recycling is the beneficial re-use of wastewater for specific non-potable applications such as irrigation. Both conservation and recycling are effective tools for reducing reliance on imported water and extending the use of locally available supplies – essentially "drought-proofing" the area against future imported water shortages.

Water Conservation

In the last two decades, Central Basin has continued to achieve success through its water conservation efforts. In 1991, the District joined a state effort to conserve water and signed the "Memorandum of Understanding" regarding urban water conservation in California and agreed to implement the established conservation "Best Management Practices" (BMPs). The District is committed to implementing proven and reliable water conserving technologies and educational programs for conservation within its jurisdiction.

Since 2011, Central Basin has also received more than $10 million in grant funding from local, state and federal government agencies to develop and launch innovative water conservation programs. In 2014, Governor Brown declared a state of emergency in response to California's extended drought, and later issued Emergency Statewide Mandatory Water Restrictions in April 2015 requiring a statewide urban water use reduction of 25 percent by February 2016.

In 2014, Governor Brown declared a state of emergency in response to California's extended drought, and later issued Emergency Statewide Mandatory Water Restrictions in April 2015 requiring a statewide urban water use reduction of 25 percent by February 2016. Immediately following the Governor's state of emergency declaration, Central Basin expanded its existing conservation outreach campaign by launching its "In A Drought, Shut Your Tap!" public outreach and conservation campaign. This expansion was in an effort to address the 20 x 2020 water reduction mandate.

Retail agencies were directed to lower their individual potable use between 8 to 28 percent. The average conservation target for retail agencies within Central Basin's service area reflects a 16 percent water use reduction. Central Basin sought to provide additional resources for its retail agencies to assist them in meeting their conservation targets by providing drought management training including development of a Drought Response Plan and Tool for agencies to use to evaluate response programs. Through partnerships, grants and local funding, communities throughout our service area were able to lower water use on average by 24 percent.

DESCRIPTION OF WATER RECYCLING PROGRAM

The District wholesales potable water to cities, mutual water companies, investor-owned utilities, water districts and private water companies in the region. In addition, the District supplies recycled water to the region for municipal, commercial and industrial use. The District supplies imported and recycled water to its customer agencies to help protect the Central Groundwater Basin and develop a more diversified portfolio of water supplies.

The District has taken important steps during the past quarter century to reduce its service area's vulnerability to extended drought and other potential threats. The District's investments in recycled water to reduce imported water for non-potable uses and the implementation of conservation devices and school education programs have resulted in more self-reliance within the region. The District will continue to evaluate opportunities to increase its water supply portfolio within its service area in the future. Opportunities include the expansion of the recycled water system and additional

conservation programs. Recycled water is the basis of the District's efforts to augment local supplies and reduce dependence on imported water. Planning and construction of Central Basin's recycled water system began in the early 1990's.

In 1989, the District, in partnership with MWD and the County Sanitation Districts of Los Angeles County (CSDLAC), began planning the implementation of a program to deliver recycled water to a significant portion of the District's service area.

The District's regional water recycling program is comprised of two distribution systems: the E. Thornton Ibbetson Century Water Recycling Project (Century Distribution System) and the Esteban Torres Rio Hondo Water Recycling Project (Rio Hondo Distribution System). These distribution systems are interconnected to operate as one recycled water supply system to deliver recycled water for landscape irrigation, commercial, and industrial uses throughout the District's service area. The District's recycled water system is comprised of over 80 miles of pipeline with diameters ranging from 4-inches to 48-inches, three pumping stations owned by the District, one pump station owned by the City of Cerritos, and service laterals.

The Century Distribution System began delivering recycled water in 1992. The system currently delivers tertiary treated recycled water from CSDLAC's Los Coyotes Water Reclamation Plant and serves the cities of Bell, Bellflower, Bell Gardens, Compton, Cudahy, Downey, Lakewood, Huntington Park, Lynwood, Norwalk, Paramount, Santa Fe Springs, South Gate, and Vernon. The Los Coyotes Water Reclamation Plant and uses the City of Cerritos' pump station and the Hollydale Pump Station to distribute recycled water through miles of pipeline. The Los Coyotes Water Reclamation Plant is located in Cerritos serving a population of 370,000 people. The plant has a wastewater treatment capacity of 37.5 million gallons per day and produces approximately 21.2 million gallons per day of recycled water.

In 1994, the Century Distribution System was extended into the northern portion of the District's service area. The extension, known as the Rio Hondo Distribution System, delivers tertiary treated recycled water from CSDLAC's San Jose Creek Water Reclamation Plant and serves the cities of Pico Rivera and Whittier in additional to all cities by the Los Coyotes Water Reclamation Plant. The San Jose Creek Water Reclamation Plant uses the Rio Hondo Pump Station to distribute recycled water through miles of pipeline. The San Jose Creek Water Reclamation Plant is located in unincorporated Los Angeles County adjacent to the City of Whittier. The San Jose Creek Water Reclamation Plant was built in the early 1970's and serves a large residential population of approximately one million people. The plant has a wastewater treatment capacity of 100 million gallons per day and approximately 62.5 million gallons

per day of recycled water is produced for use at locations throughout the region.

In FY 2014-15, the District's recycled water system delivered approximately 5,160 AF of water for non-potable uses. Over the next 25 years it is anticipated that the District will increase its sales with new connections. The District works toward connecting new customers to its recycled water system every year to further reduce demands on imported potable water. The program will continue to grow as additional customers are identified and expansion is determined to be economically feasible. The recycled water program provides the District's service area with a reliable, local water supply that reduces dependence on imported water.

Recycled Water Distribution and Use

In an attempt to drought-proof the area, the District has aggressively marketed and connected irrigation and industrial users to the recycled water system. Typical irrigation uses include landscaping for schools, golf courses, freeways, parks, cemeteries, nurseries, and street medians. Typical industrial uses include concrete mixing, carpet dying and cooling towers. Figure 2 shows the existing facilities of the recycled water system.

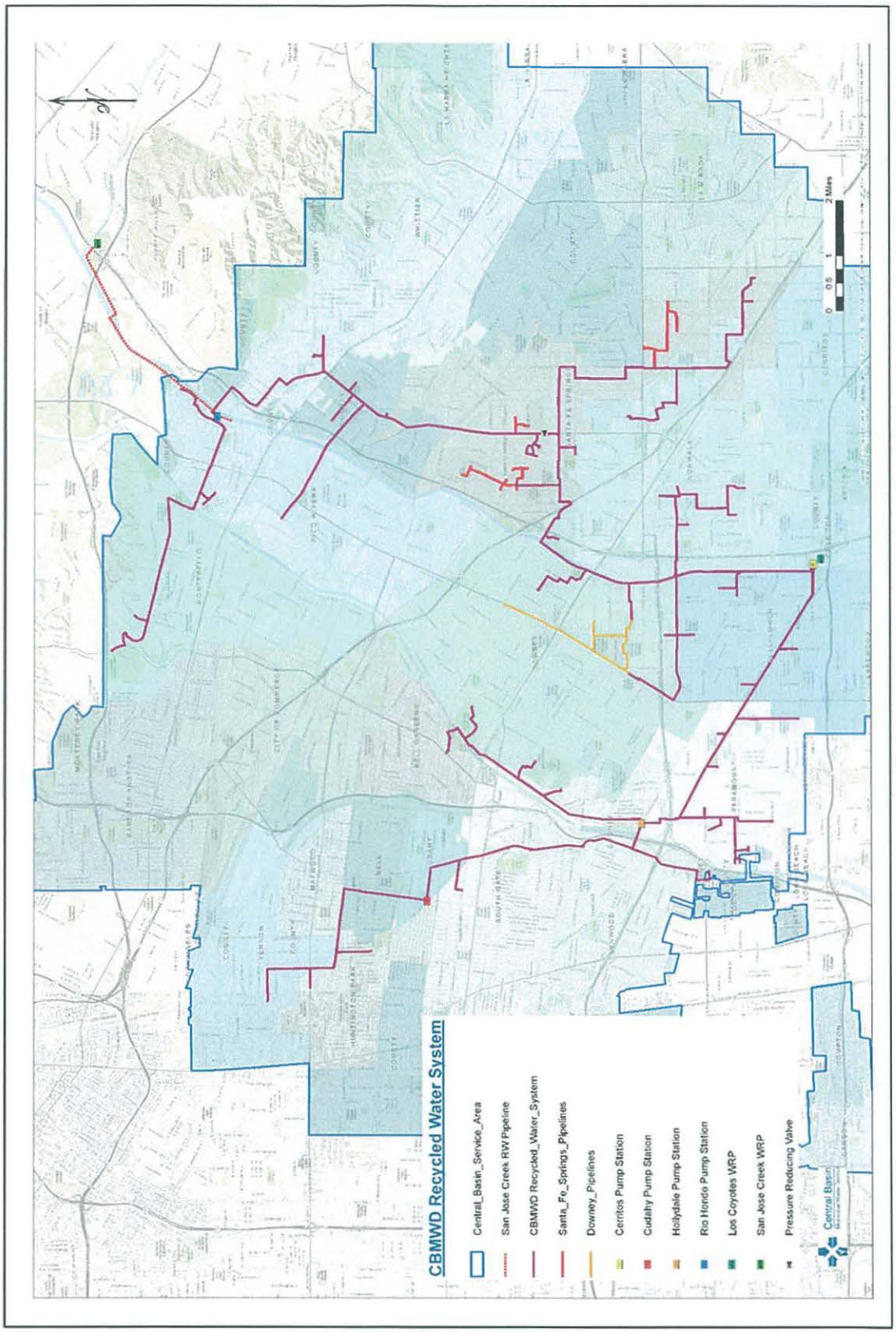

CBMWD Recycled Water System
Central_Basin_Service_Area
San Jose Creek RW Pipeline
CBMWD Recycled_Water_System
Santa_Fe_Springs_Pipelines
Downey_Pipelines
Cerritos Pump Station
Cudahy Pump Station
Hollydale Pump Station
Rio Hondo Pump Station
Los Coyotes WRP
San Jose Creek WRP
Pressure Reducing Valve
2 Miles

FIGURE 2

FUTURE RECYCLED WATER PROJECTS

The District's Capital Improvement Projects Plan and Five (5) Year Recycled Water Facilities Plan (Recycled Water Master Plan) seeks to expand the existing recycled water distribution system. Current drought conditions, new regulations, and available funding through Proposition 1 have accelerated the District's expansion efforts.

Projects included in the FY 2016-17 Preliminary Capital Improvement Projects Plan are described below.

Montebello Recycled Water Expansion Project - The District, Montebello Land Company, City of Montebello, San Gabriel Valley Water Company, and the City of Monterey Park are looking to construct a pipeline to bring recycled water supply into northern area of the City of Montebello, City of San Gabriel and the City of Monterey Park.

The recycled water pipeline will extend from the existing recycled water system in the City of Montebello. Currently, confirmed annual recycled water demand is estimated to be 800 acre-feet per year (AFY), including temporary irrigation estimated to be 200 AFY. Additional recycled water connections and demand estimated as 1,500 AFY are currently being investigated and will influence final pipe diameters and length. Final design diameter for the pipeline will be between 16-inches and 30-inches in diameter. The present design, for confirmed demands in the amount of 800 AFY, consist of 16-inch diameter piping for 20,500 (3.8 miles) linear feet. A pump station and master meter will also be constructed for this project.

La Mirada Recycled Water Expansion Project - The District is planning to expand the existing recycled water system in south Santa Fe Springs into the City of La Mirada in order to serve recycled water to several large landscaped facilities including La Mirada Park, La Mirada Golf Course, La Mirada High School, Olive View Cemetery, Biola University, La Mirada City Buildings, Behringer Park and many more recycled sites that are currently being investigated. The number of potential recycled water customer connections is estimated to be around 24 sites. These sites are estimated to use a cumulative total of approximately 900 AFY of potable water for landscape irrigation. Facilities needed consist of approximately 9,100 linear feet of 8-inch diameter piping, 10,100 linear feet of 12-inch diameter piping, 20,900 linear feet of 16-inch diameter piping.

Gateway Cities Recycled Water Expansion Project - The cities of South Gate, Bell Gardens, and Lynwood and the District are looking into partnering

to expand the District's existing recycled water system into their cities to supply more sites with recycled water. Under a bundled project named the Gateway Cities project, submitted for Proposition 84 funding, the benefit will be providing 453 AFY of water savings and water quality improvement. This will be done by preparing planning, design, and environmental documentation for pipelines that will extend the District's recycled water system. After completing this portion of the project, the partnering agencies plan to look to Proposition 1 funding for the design and construction of the project. The Project will provide 453 AFY of recycled water to irrigate nine parks and schools, reducing the need for potable water supply at these facilities.

City of Monterey Park Recycled Water Expansion Project - This project expands the recycled water system into the City of Monterey Park. Water services within the City is served by the City of Monterey Park, California Water Service Company and San Gabriel Water Company. The expansion consists of approximately 11,500 linear feet of pipeline construction. The recycled water demand is approximately 750 AFY.

Projects anticipated in the District's Five-Year Plan beginning in FY 2017-18 and beyond are described below:

Pico Rivera Mines Avenue Recycled Water Expansion Project - The District is seeking to construct a pipeline to expand the recycled water supply within the City of Pico Rivera. The recycled water pipeline will extend from the existing recycled water system located on Mines Avenue to sites located within the City. Previous capital projects implemented a 12-inch and 8-inch recycled water lateral in Mines Avenue. Several potential sites require additional expansion to be connected and supplied recycled water. This project will connect the identified sites with estimated recycled water use of 275 AFY. Additional construction needed for the previous Mains Avenue Phase 1B Project is a 6-inch to 8-inch diameter recycled water lateral extending from Mines Avenue for 5,700 linear feet.

City of Downey Recycled Water Expansion Project - The District and the City of Downey are looking to construct a pipeline to expand the recycled water supply into the City. The recycled water pipeline will extend from the existing recycled water system located on Garfield Avenue to sites located within the City.

Currently, recycled water demand is estimated to be 125 AFY. The District currently has a 12-inch pipeline along a public alley and Garfield Avenue. The District plans to extend a 16-inch diameter pipeline for approximately 2,250 linear feet along south boundary of Los Amigos Golf Course and Quill Drive from Garfield Avenue and Gladys Street to Old River School Road in order to connect Rancho Los Amigos Medical Center. Subsequently, to connect Apollo

Park, the District plans to extend a 12-inch pipeline for approximately 2,810 linear feet along Quill Drive from Old River School Road to the east side of Apollo Park.

Pico Rivera North Recycled Water Expansion Project - This project expands the recycled water system into north of Pico Rivera. Water services within the City of Pico Rivera is served by three water retailers: 1) City of Pico Rivera; 2) Pico Water District; and, 3) The San Gabriel Valley Water Company. Water is additionally conveyed to the Rio Hondo Spreading Grounds and San Gabriel Spreading Grounds in Pico Rivera. The expansion on the Northern portion of the service area consists of approximately 3,000 linear feet of pipeline construction. The recycled water demand is approximately 150 AFY.

Pico Rivera South Recycled Water Expansion Project - This project expands the recycled water system into south Pico Rivera. Water services within the City of Pico Rivera is served by three water purveyors: 1) City of Pico Rivera; 2) Pico Water District; and, 3) The San Gabriel Valley Water Company. Water is additionally conveyed to the Rio Hondo Spreading Grounds and San Gabriel Spreading Grounds in Pico Rivera. The expansion on the Southern portion of the service area consists of approximately 7,000 linear feet of pipeline construction. The recycled water demand is approximately 200 AFY.

Projects in the planning and exploration process are described below.

Bell Gardens - The District and the City of Bell Gardens are looking to construct a pipeline to expand the recycled water supply into the City. The recycled water pipeline will extend from the existing recycled water system located on Park Lane to sites located within the City. Currently, confirmed annual recycled water demand is estimated to be 90 AFY. The District has an existing 16-inch pipeline on Park Lane before the cross section with Garfield Avenue. The District plans to extend a 16-inch pipeline for approximately 2,950 linear feet along Garfield Avenue from Park Lane to Florence Place and a 12-inch pipeline for approximately 2,320 linear feet along Florence Place to Sudan Avenue to connect Suva Elementary School. The plan is to also add an 8-inch pipeline along Emil Avenue from Florence Place to connect Bell Gardens Park.

Lynwood - The District and the City of Lynwood are looking into constructing a pipeline to expand the recycled water supply into the City. The recycled water pipeline will extend from the existing recycled water system located on Wright road to sites located within the City. Currently, confirmed annual recycled water demand is estimated to be 206 AFY. The District has an 8-inch pipeline along Wright Road. The District plans to extend a 12-inch pipeline for approximately 6,120 linear feet along Fernwood Avenue from Wright Road to

Bullis Road and a 12-inch pipeline for approximately 1,800 linear feet along Bullis Road to connect Lynwood City Park, Linear Park, and Lynwood City Hall Complex.

South Gate - Currently, confirmed annual recycled water demand is estimated to be 236 AFY. Final design diameter for the pipeline will be between 8-inch and 12-inches. The current design for confirmed demands of 236 AFY, consist of 12-inch diameter piping for 14,000 linear feet and 8-inch diameter piping for 1,860 linear feet. The City of South Gate Recycled Water Line Extension will start with a 12-inch line from Burke Avenue to Alameda Street and will serve Firestone Boulevard Medians, South Gate Middle School, San Gabriel Avenue Elementary, South Gate High School, Willow Elementary School, the East Los Angeles Community Education Center, and the Alameda Street Commercial Industrial Development Complex. There will be an 8-inch line along California Avenue from City Place to Southern Avenue that will serve South Gate City Hall and Cesar Chavez State Park.

BENEFITS OF WATER RECYCLING PROGRAM

The District's water recycling program creates multiple benefits for both potable and recycled water users within its service area:

- All property owners and residents benefit from the increase in the availability of potable water resulting from the use of recycled water for non-potable uses that would have otherwise been met with potable water.

- The extension of the potable supply due to its replacement with recycled water will be particularly beneficial during drought conditions, when the availability of imported water can be significantly reduced, thus impacting the potable supply. Drought-proofing will also help mitigate adverse economic impacts, which typically accompany a severe drought.

- Recycled water users benefit from a supply that is not subject to hydrologic variability locally or in other parts of the state that contribute to the imported supply. This is particularly beneficial to commercial and industrial users which rely on a firm, dependable supply of water for their operations. Water supply reliability is an incentive for industry to remain in, or locate in, the District's service area.

- Recycled water users can also benefit from a lower per unit water cost than potable, the difference depending primarily on the per unit water cost charged by the District's water retailers.

FINANCIAL PLANNING

The District has developed an approach to recovering the costs of its recycled water program. The approach has been to not only ensure that adequate revenue is recovered to fund the program, but also to create a blend of revenue sources that would equitably distribute the fixed and variable cost components of the program to the appropriate beneficiaries.

To this end, program costs were divided into two broad categories:
1) costs attributable to the development of the program (fixed) and,
2) costs attributable to operation and maintenance of the system (variable).

Variable Costs

The District determined that operation and maintenance costs of the distribution system would be paid directly by those customers purchasing the recycled water. This is considered equitable on the basis that recycled water customers receive the direct benefit of the recycled water and pay in proportion to the quantity of water they purchase.

Fixed Costs

The District also determined that the benefit of this new water source could not be reflected through the sale of recycled water alone. As stated above, the increase in the availability of potable water is a benefit to every property owner within the District's service area. As such, it is appropriate that the capital and replacement costs of the recycled water program be partially recovered through a parcel charge known as a standby charge.

Table 1 shows the District's projected operating results for FY 2016 without addition of the standby charge, including operating expenses and debt service. Expenses are projected to exceed operating expenses. The operating deficiency and debt service are proposed to be recovered through the standby charge.

TABLE 1

Determination of Total Standby Charge Revenue Requirement

PROJECTED OPERATING RESULTS FOR FY 2015-16
($ millions)

Revenues (without standby)	48.36
Operating Expenses	(49.66)
Debt Service	(3.48)
Operating Results	(4.78)
Standby Charge Requirement	**3.27**

External Funding

The District has been aggressive in seeking external financial assistance to help defray the cost of the recycled water program. The federal, state and regional organizations that have contributed financially to the development of the program include the U.S. Department of Interior through the U.S. Bureau of Reclamation, the U.S. Department of Energy, Department of Water Resources, the Metropolitan Water District of Southern California, San Gabriel Valley Water Quality Authority and the State of California through the Greater Los Angeles County Integrated Regional Water Management Plan.

METHODOLOGY FOR CALCULATING STANDBY CHARGE

In the calculation of the standby charge, it is necessary to first define the Benefiting Unit. The number of total Benefiting Units is divided into the total standby charge revenue required to determine the standby charge per Benefiting Unit.

The definition of a Benefiting Unit for the purposes of this parcel assessment is founded on the determination that the economic value of one acre-foot of water, in terms of employment and production, is several times greater than the actual cost of that acre-foot of supply provided. Because the District is in the business of providing water, it was deemed appropriate that the Benefiting Unit be defined as one acre, or portion thereof.

As shown in Table 2, the District's service area includes 310,183 parcels encompassing 72,450 acres. For the purposes of this report, a Benefiting Unit is described as either (a) any parcel with 1 acre or less; or, (b) any acre, or portion thereof, within a parcel with 1 or more acres. Therefore, the District's service area has approximately 326,692 Benefiting Units. The FY 2016-17 parcel assessment (calculated by dividing the projected standby charge requirement by total Benefiting Units) is approximately $10 per Benefiting Unit.

PROPOSED STANDBY CHARGE FOR FY 2016-17

The proposed assessment level and methodology for FY 2016-17 will remain the same as FY 2015-16.

TABLE 2

Projected Benefiting Units

	ACRES =<1	ACRES >1	TOTAL BENEFITING UNITS
Improved Parcels			
Parcels	294,586	6,466	313,456
Acres	46,572	18,870	
Unimproved Parcels			13,235
Parcels	7,784	1,347	
Acres	1,556	5,452	
TOTAL			
Parcels	302,370	7,813	310,183
Acres	48,128	24,323	72,450
TOTAL BENEFITING UNITS			**326,692**

The method of, and formula for, this assessment is proposed as $10 per Benefiting Unit (i.e., $10 per parcel of 1 acre or less; or $10 per acre, or portion thereof, for parcels 1 acre or more). The estimated revenue for FY 2016-17 is approximately $3,266,920. The levy of this assessment is proposed under the Municipal Water District Act, Alternative Procedures.

SUMMARY

The benefits described in this Engineer's Report far exceed the recommended charge. Conservation of potable water through demand management and recycled water helps to "drought-proof" the entire service area by increasing the potable supply for all property owners within the District. The standby charge recognizes that there are economic benefits to land from extending potable water supplies through the use of recycled water, whether or not such lands are directly using the recycled water. The performance of the financial plan will be reevaluated annually to ensure that the program expectations are being realized.