

WEST BASIN MUNICIPAL WATER DISTRICT**JANUARY 11, 2007 – Water Resources**
Little, Smith**JANUARY 22, 2007 – Board Meeting**

Prepared by: Fernando Paludi

Submitted by: Paul Shoenberger

Approved by: Rich Nagel

INFORMATION CALENDAR

METROPOLITAN WATER DISTRICT ACTIVITIES UPDATESUMMARY:

This staff report on Metropolitan Water District (MWD) issues is intended to brief West Basin Municipal Water District (District) Directors on activities and issues relevant to the District and its customer agencies. The first section, "On-Going Issues" is a status update on current studies, reports, and/or policy work groups that staff is involved with. The second section, "Current Month's Issues," is a report on noteworthy items that are being covered at the current month's MWD board meeting. The last section, "Upcoming Issues" is a preview of new and forthcoming issues important to the District. This format is intended to keep the Board informed about current and future items at MWD in order to provide direction to staff and its MWD Representatives in a timely manner, if required.

ON-GOING ISSUESLocal Resources Program (LRP) Working Group

Purpose: MWD formed a Work Group to re-assess the policy framework that determines how often and in what manner LRP projects are selected, the incentive payment structure, and the total project yield needed to meet supply development targets. The District holds one of the largest LRP contracts with MWD, and our water recycling program has delivered more local water than any other single LRP-funded project by far. Therefore, we have a keen interest in the future of the LRP process.

Update: Last month a group of member agencies presented to MWD staff an LRP straw proposal outlining changes in the current LRP's selection process and project yield. The District played an instrumental part in developing this proposal. MWD staff is currently reviewing these recommendations and comparing them with some of their proposed changes. MWD has committed to present to the working group a new proposal at the next meeting in January.

Report on Groundwater Capabilities

Purpose: Earlier in the year MWD's Board directed its staff to prepare a report documenting the use and status of groundwater resources within the Metropolitan service area. The goal of this regional study is to compile existing baseline information that summarizes production, recharge, water quality, and water level trends of the groundwater resources within the Metropolitan service area. This baseline assessment study is anticipated to lay the groundwork for future policy discussions relating to the integration of local groundwater and imported water resources.

Update: MWD is expected to present its draft report to the Water Planning and Stewardship Committee the first quarter of 2007.

Diamond Valley Lake Recreation Facilities

Purpose: MWD Diamond Valley Lake (DVL) Recreation Program includes an array of projects ranging from the development of hiking trails, recreational facilities, commercial and residential property, to the potential sale of surplus property on land surrounding DVL totaling over 3,000 acres. MWD staff is currently asking the Board for policy guidelines pertaining to its DVL recreation program in the key areas of recreation development, business planning, and commercial/residential development.

Update: A workshop on DVL recreation is scheduled for January where District staff plans to attend and update the Board on MWD's proposed recommendations.

The Center for Water Education

Purpose: The Center for Water Education (The Center) is an educational museum facility located near DVL dedicated to public education on water supply, reliability, and sustainability in Southern California. The Center is an independent non-profit entity developed to support and facilitate the museum. At the November Asset and Recreation Committee, MWD staff reported The Center's financial shortfall of approximately \$3.7 million in construction funds and \$3 million for two years of operation and maintenance for the facility. MWD staff presented four options to mitigate the shortfall, ranging from a \$6.7 million grant to negotiate transfer of ownership to MWD. The Committee recommended deferring any action until an independent audit is conducted on The Center's finances, and the business plan is presented to the Committee. In addition, Chairman Brick called for a special committee to review the Center's financial situation and offer options to remedy the shortfall.

Update: The special committee held its first meeting in December where they reviewed the Center's current finances and projected revenues. The committee plans to hold its second meeting in January.

CURRENT MONTH'S ISSUES

MWD Board Committee Structure

The new proposed Committees and general duties are:

Executive Committee (Chair-Tim Brick, City of Pasadena)

- Oversight and management of the organization;
- Review board and committee agendas; and
- Oversight of the Audit and Ethics Subcommittees.

Engineering and Capital Program Committee (Chair-Gene Koopman, Inland Empire Utilities Agency)

- Oversight of engineering and capital programs; and
- Capital Investment Program.

Business and Finance Committee (Chair-James Bond, San Diego County Water Authority)

- Continue the functions of the Budget, Finance, Investment and Insurance Committee as well as the functions of the Asset and Real Property Committee.

Communication and Legislative Committee (Chair-Isadore Hall, City of Compton)

- Continue the functions of the Communication and Legislative Committee.

Legal and Human Resources Committee (Chair-Jesus Quinonez, City of Los Angeles)

- Continue the functions of the Legal and Claims Committee; and
- Issues relating to Human Resources i.e. Bargaining units, District employee relations, etc.

Water Planning and Stewardship Committee (Chair-Nancy Sutley, City of Los Angeles)

- Focus on resource management and sustainability; and
- Continue the functions of the Water Planning, Quality and Resource Committee except water quality issues.

Water Quality and Operations Committee (Chair-Glenn Brown, City of Burbank)

- Energy issues;
- Water Quality issues (i.e. statutes and regulations) pertaining to imported, reclaimed, reused, and stored water; and
- Operations.

Chairman Tim Brick's Board Activities and Initiatives:

At the December MWD Board meeting, Chairman Brick proposed the following Board Activities for 2007:

- Board Retreat (Spring);
- Chairman's bike ride at DVL (Spring);
- Water Congress (Summer/Fall); and
- Sustainability initiative (immediate).

Chairman Brick further announced his "Sustainability Initiative" would include:

- Reduce carbon footprint;
- Ensure wise resource use;
- Engage the Board and staff in an exciting expanded mission;
- Provide reliable, sustainable service to Southern California; and
- Form a task force including Academics, Community Leaders, and Business Leaders.

UPCOMING ISSUES

MWD's Water Rates and Charges for 2008

Summary: MWD is proposing to increase its effective rate for non-interruptible service water by 6.9% in January 1, 2008. The key contributing factors for this rate increase is the:

- Greater than anticipated power costs associated with conveyance, in particular along the State Water Project;
- Shift in supply from Colorado River to State Water Project;
- Continued rise in chemical cost associated with treatment operations;
- Continued rise in construction costs; and
- Previous under collection of partial deferment of increase treatment surcharges.

The impact to the District will be a net increase of \$35/AF to our Tier 1 MWD Commodity Rate. Some member agencies have expressed concern over MWD's proposed rate increase, arguing that the proposed 6.9% increase is above the projected average range of 3% - 5% as described in MWD's Long Range Financial Plan. On average over the past five years, however, the MWD rate has increased 3.7%, well within the projected range, and less than the average rate of inflation over that same time.

FISCAL IMPACTS:

Not applicable.

ENVIRONMENTAL COMPLIANCE:

Not applicable.

COMMITTEE STATUS:

This item was reviewed by the Water Resources Committee on January 11, 2007 and agendized to the January 22, 2007 Board meeting under Metropolitan Water District Activities Update.

RECOMMENDED MOTION:

This item is for information only.

LIST OF EXHIBITS:

None.

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