



**WEST BASIN MUNICIPAL WATER DISTRICT**  
17140 S. Avalon Blvd., Suite 210  
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**AGENDA NO. 4**

**NOVEMBER 13, 2008 – Water Resources**  
Smith (Chair), Little  
**NOVEMBER 24, 2008 – Board Meeting**  
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Approved by: Rich Nagel

## INFORMATION CALENDAR

### METROPOLITAN WATER DISTRICT ACTIVITIES UPDATE

#### SUMMARY:

This report on Metropolitan Water District (MWD) issues is intended to brief the Board on activities and issues relevant to West Basin 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 West Basin. 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 ISSUES**

##### Water Supply Actions and Allocation Plan

**Purpose:** The Water Supply Allocation Plan was approved by the MWD Board in February 2008. MWD executives have stated that a 2009-10 allocation is likely if the 2009 State Water Project allocation stays below 35%. For the balance of 2008, MWD will rely on heightened conservation and continued withdrawals from storage accounts both in-region and in the Central Valley to meet anticipated gaps between supplies and demand. A "Five-Year Supply Actions" process was kicked off in four (4) different areas of focus early in 2008: Water Transfers, Interim Delta Fixes, Conservation, and Local Resources. Member agency and MWD staff are working jointly on the Conservation and Local Resources areas by identifying opportunities where additional MWD investment, financial or otherwise, can lead to gains in either demand management or local supply production within the next five (5) years.

**Update:** New developments in the Five-Year Supply Actions process through October:

Local Projects Workgroup: In response to requests by MWD for project concepts that can add new water to the region within the next five (5) years, member agencies have submitted \$250 million worth of requests that could yield an additional 200,000 AFY. Of course, MWD would not simply fund these projects. Instead, several financing alternatives have been presented for consideration by the member agencies and ultimately the Board:

1. MWD could provide up-front funding, with re-payment either occurring over time through the rate difference between the local production (i.e. recycled water) and imported water, or perhaps through a reduced Local Resources Program (LRP) incentive payment.
2. MWD could direct-fund some projects, and offset their costs through the sale of the local water produced, by either purchasing an equity share of the local project, purchasing the

project or supply outright – or through partnership with the local agency, or contract for the supply in necessary tie-in facilities.

3. MWD staff could provide non-reimbursable in-kind services, either through staff time or laboratory services, etc.

The goal for MWD is to accelerate new local supply in the next few years to bridge an uncertainty gap until long-term solutions like the Bay Delta fix can be implemented, but to accomplish that at a minimum of financial risk and rate increases.

Conservation Workgroup: While the Local Projects Workgroup seeks to increase supply over the next five (5) years, the Conservation Workgroup is looking at ways to lower demand in a cost-effective manner. One of the assumptions in the Plan is a roughly 200,000 AFY reduction in demand from ordinances and conservation-based (tiered) rate structures. At a Board Workshop on the Five-Year Supply Actions on October 28, staff floated a proposal that would recommend that adoption of local ordinances be a prerequisite to accessing future conservation funding through programs such as the Public Sector Program, Enhanced Conservation Program (grants), and the Local Resources Program. MWD has introduced a “model ordinance” for those cities that have not yet passed new ordinances or updated existing ones, and hosted two (2) regional workshops to promote the model ordinances.

The MWD Board will consider the model ordinance and funding prerequisite policy, as well as renewal of the Public Sector Program, in November.

### Long Range Finance Plan Update

**Purpose:** The current update of the MWD’s Long-Range Financial Plan (LRFP) was initiated subsequent to the adoption of the Calendar Year 2008 water rates (March 2007). Now over a year in progress, a group of member agency representatives continues to meet regularly to discuss rate structure issues as part of the final phase of the LRFP. MWD plans to finalize the updated LRFP, including any policy recommendations to the Board, by the next rate setting cycle.

**Update:** The next milestone of the LRFP process will be a review of MWD’s reserve policy. The following questions are all relevant to rate setting over the next several years: Is the minimum reserve level (discretionary reserve funds only) appropriate? Is the maximum level appropriate? What is the level that the LRFP should target for rate projections? How quickly should we ramp up to the desired reserve level? Currently, reserve levels are well below the currently policy minimum and MWD has almost no financial flexibility to mitigate rate increases. Reserve policy will also have a great influence on MWD’s credit rating, which continues to be strong despite the global credit crisis.

The MWD Board will first consider staff’s reserve policy proposals at the November 17 Budget & Finance Committee. Board approval of any changes to the reserve policy will likely be grouped with the LRFP rate projections, Fiscal Year 2010 budget and 2010 rates and charges in March 2009.

Bay-Delta/State Water Project

**Purpose:** MWD has entitlement to, and pays for, roughly half of the State Water Project (SWP). Less Colorado River supplies in recent years has meant that MWD has become increasingly reliant on supplies from the SWP to meet demands. The Bay-Delta, from which the SWP and the federal Central Valley Project (CVP) draw their deliveries, is a strained eco-system of competing needs, and extremely vulnerable to seismic or other catastrophic event.

**Update:** The Department of Water Resources announced the initial allocation of State Water Project deliveries to MWD and other SWP contractors on October 30 – about a month earlier than usual. The advanced announcement is meant to comply with the Governor’s Drought Executive Order and give more time for local water districts to prepare for what could be another dry winter and potential shortages in 2009. The initial allocation is typically conservative given that most precipitation occurs after December, but this allocation of 15% is the second lowest in the history of the SWP (the lowest was 10% in 1993 but rose to 100% by the spring of 1994). The 15% allocation takes into account pumping restrictions from the Judge Wanger-decision and very low reservoir levels in Northern and Central California.

The Governor’s Delta Vision Blue Ribbon Task Force completed and adopted a Strategic Plan that proposed an integrated approach to the problems in the Delta. An implementation plan with specific actions will be presented to the Governor and Legislature by the end of 2008.

Process to Increase In-Region Groundwater Storage

**Purpose:** At the request of its Board, MWD staff is conducting a study of the groundwater basins within its service area to identify strategies to enhance conjunctive use storage. In-region groundwater storage is a component of the current Integrated Resources Plan (IRP) that has fallen short of targeted need, and will play a major role in the 2009 IRP process now underway.

**Update:** No update.

**CURRENT MONTH’S ISSUES**

The following key items will be discussed at the November Committee and Board meetings:

- Consideration of “Extraordinary Conservation” initiatives, including renewal of the Public Sector Program and a model ordinance policy
- Consideration of a 2009 Pilot Program for member agency participation in up to 20% of MWD’s reservation in the 2009 State Drought Water Bank (December action on DWB option payment)
- Discussion of financial impacts of Five-Year Supply Actions and decision process for allocating supplies in 2009
- Discussion of MWD’s legislative proposals for the 2009 Legislative Session

## **UPCOMING ISSUES**

The following key items have been identified as upcoming issues at MWD's Committee and Board meetings:

- Position on California Urban Water Conservation Council's Best Management Practices (BMP) revisions;
- Continuing Five-Year Supply Actions Plan recommendations;
- Delta Vision report.

## **STRATEGIC BUSINESS PLAN IMPLEMENTATION:**

Goal 1, Reliability – Maintain a level of local water reliability that supports the regional economy, our community and customer agency needs.

Goal 5, Customer/Community Services – Provide for the needs of our customer agencies and the communities we serve in a way that reflects their needs.

## **COMMITMENT STATEMENT:**

Water Reliability – West Basin is committed to innovative planning and investments to provide water supply reliability and drought protection.

Customer Service – West Basin is committed to providing value by understanding and meeting the needs of our customers and the communities we serve.

## **FISCAL IMPACTS:**

Not applicable.

## **ENVIRONMENTAL COMPLIANCE:**

Not applicable.

## **COMMITTEE STATUS:**

This item was not reviewed. The Water Resources Committee referred this item to the November 24, 2008 Board meeting under Metropolitan Water District Activities Update.

## **RECOMMENDED MOTION:**

This item is for information only.

## **LIST OF EXHIBITS:**

None.