

## WEST BASIN MUNICIPAL WATER DISTRICT

MARCH 13, 2008 – Water Resources

Smith (Chair), Little

MARCH 24, 2008 – Board Meeting

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## INFORMATION CALENDAR

METROPOLITAN WATER DISTRICT ACTIVITIES UPDATESUMMARY:

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**Report on Groundwater Capabilities

**Update:** Now that the Report is complete, Metropolitan staff is procuring consulting services to facilitate a series of stakeholder meetings in Los Angeles with surface water and groundwater agencies to brainstorm solutions to the greatest impediments to enhancing groundwater storage within the Metropolitan service area. The current target for completing this phase of the study and reporting a framework of solutions to the Metropolitan Board is late summer 2008.

MWD's Long Range Finance Plan

**Purpose:** As part of MWD's adopted Fiscal Year 2007-08 water rates, the Board requested staff to review and update its Long Range Financial Plan (LFRP), which was last updated in 2004. Specifically, the Board and member agencies requested a review of MWD's financial policies, revenues, operating and maintenance costs, water supply alternatives, reserve levels, and water rate incentives. MWD's Chief Financial Officer, Brian Thomas, recommended a phased approach to the update process, including Phase 1 - Cost/Sales Forecast; Phase 2 - Financial Policies and Strategies; Phase 3 - Revenue Enhancements. An additional phase - Rate Structure Issues, was also added and will run concurrently with Phases 1 through 3. MWD plans to finalize the updated LRFP, including any policy recommendations to the Board, by December 2007. However, due to the complexity and history regarding rate structure issues (Interim Agriculture Water Program (IAWP), the replenishment program, Growth Charge, Treated Water Peaking Charge, and Tier 1 and Tier 2 Differential), the workgroup decided to present their list of recommendations and options to the MWD Board by May 2008.

Due to the Federal Court (Judge Wanger) decision, increased costs on the State Water Project (SWP), Quagga Mussels mitigation costs, and the need to purchase additional water transfers, the

proposed rates and charges for Fiscal Year 2008-09 are significantly above the normal increases for MWD. MWD staff proposed the following three options to the Finance Committee last month:

- Option 1 – 9.8% rate increase; plus a \$10 million increase for the Readiness-to-Serve Charge;
- Option 2 – 9.8% rate increase with an additional \$25/AF drought surcharge (totaling 14% rate increase); plus a \$10 million increase for the Readiness-to-Serve Charge; or
- Option 3 – 20% rate increase to recover the full cost of service over a twelve-month period; plus a \$18 million increase for the Readiness-to-Serve Charge.

All options above retain the Board policy of placing \$95 million of revenue into MWD's PayGo Capital Improvement Program.

**Update:** MWD held its FY 2009 Budget Workshop on February 26. In March, the Board plans to adopt its Budget and Rates & Charges for Fiscal Year 2008-09.

### 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.

On August 31, 2007, U.S. District Court Judge Oliver Wanger ordered interim protective measures for the endangered delta smelt. This ruling impacts the manner in which the state and federal pumps in the Delta should be operated on an interim basis until new biological opinions are completed and the resulting ESA and FESA permits are secured – most likely in late 2008. The impact to Metropolitan can be as much as a 30% reduction on average of SWP supplies for 2008 and beyond.

In November 2007, the California Department of Water Resources (DWR) announced their first SWP allocation for the 2008 water year. The result was a 25% initial allocation of the Table "A" contract amount. This allocation includes the Delta export restrictions resulting from the Judge Wanger decision. For MWD, the November allocation means a delivery of 478 TAF (normal deliveries average 1.2 MAF).

**Update:** In February, the SWP allocation to contractors was increased to 35%. Due to higher than average snow-pack in the northern Sierra Nevada for this time of year, DWR is expected to further increase the allocation after snow surveys in early March. A 35% allocation to MWD represents approximately 700,000 acre-feet; actual deliveries, however, will be subject to export restrictions in the Delta.

### Water Conservation Communication Plan

**Update:** MWD staff and consultants have been developing the next phase of conservation messaging using the remaining advertising budget for this fiscal year. On March 6, MWD will host a meeting of member agency public relations representatives to review three creative themes for advertising and community outreach efforts to be carried out in late spring/early summer 2008.

### Water Allocation Workgroup

**Purpose:** MWD staff and member agencies are working on a Drought Allocation Plan in the event water shortages reach the level that requires rationing. The Water Supply and Drought Management (WSDM) Plan, adopted by the MWD Board in 1999, included principles for the allocation of water but stopped short of an allocation formula. The WSDM Plan's omission of an allocation formula was predicated on the assertion that due to advancements in storage and local resources, an actual allocation would not be necessary for at least ten years (1997-2008). Meetings with MWD and member agency staff took place over several months with the goal of creating a formula that reflects the WSDM principles in a balanced manner for all member agencies. West Basin staff actively participated in all of these discussions and worked closely with other key member agencies in the development of the plan.

A draft water supply allocation was presented to the MWD board for review and comment in November 2007 that addressed many of the needs of the workgroup. The plan considered the impacts at the retail level, accounted for and addressed the issues of growth, local investment, changes in supplies, and demanding hardening aspects of recycled water and conservation. However, there were some member agencies that requested MWD to allow for a one-month "review period" prior to Board adoption in order to allow agencies the proper time to convey the plan to their respected governing bodies and sub-agencies.

**Update:** The Water Supply Allocation Plan was approved by the MWD board at the February 12 meeting. Given current hydrologic conditions and MWD option payments on potential water transfers, it is unlikely that a shortage would be declared. If declared, the recommended effective date would be July 1, 2008.

### **CURRENT MONTH'S ISSUES**

The following key items will be discussed at this month's MWD's Committee & Board meetings:

- Proposed water rate and charges for CY 2009
- Fiscal Year 2008-09 budget
- MWD's position on a "Dual Conveyance" option for the Delta Vision
- Actions to Develop and Implement Approaches to Advance MWD's Water Use Efficiency Program

## **UPCOMING ISSUES**

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

- Chairman Brick announced plans to hold another Board retreat on the weekend of March 29, 2008
- Future of the Interruptible Agricultural Water Program
- Integrated Resource Plan's Planning Issues and Process

## FISCAL IMPACTS:

Not applicable.

## ENVIRONMENTAL COMPLIANCE:

Not applicable.

## COMMITTEE STATUS:

This item was reviewed by the Water Resources Committee on March 13, 2008 and agendaized to the March 24, 2008 Board meeting under Metropolitan Water District Activities Update.

## RECOMMENDED MOTION:

This item is for information only.

## LIST OF EXHIBITS:

None.