



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

**JANUARY 15, 2009 – Water Resources**  
Smith (Chair), Little  
**JANUARY 26, 2009 – 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:

In November 2008, the MWD Board approved a \$15 million second phase of funding for the Public Sector Program, a \$7 million Turf Replacement Pilot Program, and an ordinance policy that would pre-condition access to the conservation funding by local jurisdictions on their adoption of local ordinances prohibiting water waste.

In December 2008, the MWD Board took action on another initiative identified in the Five-Year Supply Action Plan – the joint project with Los Angeles Department of Water & Power (LADWP) to restore groundwater production at the Tujunga Well Field. Under a reimbursable funding agreement with LADWP, MWD will front \$12 million in funding, as well as staff resources, to assist in the design, procurement, installation, and start-up of a temporary groundwater treatment

system that would expedite the production of 24,000 to 36,000 acre-feet (AF) over a two year period. Deliveries into LADWP's distribution system could begin as early as September 2009. Based on estimated capital and operating expenses, the resulting cost of water will range from \$450 to \$630 per AF (energy included).

### 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:** Rate stabilization reserve levels are projected by the end of the Fiscal Year 2008-09 to be well below the minimum level established by board policy. Current policy was established in 1999 during the last LRFP review, and MWD staff has presented several options for a new policy for board consideration. Through these policy options, staff is attempting to address a different financial reality with higher operating costs and greater potential swings in sales. All the options for new minimum and maximum reserve levels currently being considered would raise the minimum level and set the maximum at \$200 million above the minimum.

Because of the historically low reserve levels, MWD has almost no financial flexibility to mitigate rate increases. MWD has presented a 21% rate increase that will not cover operating expenses and will require another draw from reserves in 2010. Unless costs can be cut further, sales happen to be higher than expected, or PAYGO funding of rehabilitation projects can be reduced, the 2010 rate increase will need to be higher than 21% to cover expenses and begin to raise reserve levels. Factors that could force an even higher rate increase would be lower than expected sales (or a shortage allocation), and/or implementation of supply augmentation projects identified in the Five-Year Supply Plan.

The MWD Board will conduct a workshop on January 6 focusing on budget, rates and reserves to begin debating proposed policy changes and rate increases. The Board will consider action on these issues 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:** A new biological opinion for Delta smelt was issued on December 15, 2008. U.S. District Court Judge Oliver Wanger ruled in 2007 that the previous opinion was inadequate, and ordered state and federal fish agencies to issue a revised opinion. The opinion, which forms the basis for new operating rules for the State Water Project and federal Central Valley Project, could result in permanent restrictions on water deliveries through the Delta, reducing deliveries by up to 50% in some years.

MWD and ACWA released statements shortly after the opinion became public, urging for a departure from a “single-species, single stressor” approach to dealing with the Delta’s ecosystem health, and support for the recommendations within the Delta Vision Strategic Plan and Bay-Delta Conservation Plan. To that end, the MWD Board approved in December four agreements needed to implement the planning process for the “Delta Conservation and Conveyance Program”. The Program would accomplish the necessary environmental studies and preliminary designs needed to support a decision to construct Delta conveyance facilities. The Program is expected to take three years and cost in the range of \$140 million. The cost will be provided equally by CVP and SWP contractors.

The deadline for committing to the Governor’s Drought Water Bank by paying the \$75 option fee has been extended to January 15, 2009. MWD has informally requested 300,000 AF and the Board is expected to vote on a refined request and funding authorization at its January meeting.

#### 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:** The facilitated process of MWD and member agency staff, basin managers and other stakeholders held its fifth consensus-building workshop on December 19, 2008. The group began to consider alternative strategy proposals for enhancing groundwater management and conjunctive use.

### **CURRENT MONTH’S ISSUES**

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

- Authorize agreement and payment of initial fees for the Governor’s Drought Water Bank.
- Authorize approach for allocating a portion of MWD’s 2009 Drought Water Bank supplies to individual interested member agencies.
- Authorize entering into a Local Resources Program agreement with the City of Los Angeles.
- Preliminary recommendation of 2010 water rates and charges.

- Review conservation ordinance prerequisite procedures for participation in Phase II Public Sector Program, Turf Removal and Enhanced Conservation Programs.

## **UPCOMING ISSUES**

The following key item has been identified as an upcoming issue at MWD's Committee and Board meetings:

- Preliminary recommendation of 2010 water rates and charges.

## **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 reviewed by the Water Resources Committee on January 15, 2009 and agendaized to the January 26, 2009 Board meeting under Metropolitan Water District Activities Update.

## **RECOMMENDED MOTION:**

This item is for information only.

## **LIST OF EXHIBITS:**

None.