



**WEST BASIN MUNICIPAL WATER DISTRICT**  
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**AGENDA NO.** \_\_\_\_\_

**APRIL 16, 2009 – Water Resources**

Little (Chair), Gray

**APRIL 27, 2009 – Board Meeting**

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Approved by: Rich Nagel

## INFORMATION CALENDAR

### METROPOLITAN WATER DISTRICT ACTIVITIES REPORT

#### SUMMARY:

This report on Metropolitan Water District (MWD) issues is intended to brief the Board on activities and issues relevant to West Basin Municipal Water District (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. In 2008, MWD began a Five-Year Supply Actions initiative to increase water supply through transfers, exchanges and other programs on both the Colorado River and State Water Project. These additional supplies have helped to decrease the gap between supply and demand projected for 2009. However, MWD executives have stated that a 2009-10 allocation is still likely if the 2009 State Water Project allocation stays below 35%.

**Update:** As of April 1, 2009, the Northern Sierra precipitation total stands at just under 38" or 91% of seasonal average to date. The month of March was 120% of average, which followed a February that was 150% of average. Storage in key reservoirs is roughly 75% of average to date. Historically, these conditions would translate into a higher State Water Project allocation, but given the Delta pumping restrictions in place, the Department of Water Resources raised the allocation in March only 5%, to a total of 20%. With only one snow survey left in April and no significant precipitation forecasted for this watershed, it is likely that the SWP allocation will remain at 20%.

MWD staff has indicated that it will recommend to the Board at the April meeting that it implement the Water Supply Allocation Plan at Stage 2, or 10% regional shortage level. The projected 2009 water supply totals show the reasoning for this decision:

Colorado River Aqueduct Supply:	1,100,000 AF (including CR transfers & exchanges)
State Water Project Supply:	415,000 AF (20% SWP)
Storage and Transfers:	<u>385,000 AF</u> (Water Bank + storage reserves)
<b>TOTAL PROJ. SUPPLY</b>	<b>1,900,000 AF</b>

**PROJECTED DEMAND**                      **2,100,000 – 2,200,000 AF**

**ANTICIPATED SHORTAGE**              **200,000 – 300,000 AF (~10% - 15%)**

In past droughts, public response in lowering water use has exceeded expectations. MWD feels that a call for 10% mandatory rationing will result in at least 10-15% lower demand. According to the MWD allocation plan, a Stage Two 10% requires a 1.5 times, or 15%, wholesale allocation to its member agencies, including West Basin.

Long-Range Financial Plan Update, Proposed Fiscal Year (FY) 2009-10 Budget, and Proposed 2010 Water Rates

**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 more than two years in progress, any policy changes as a result of the update will be considered together with the proposed budget and rates, which have been deferred until April 2009.

**Update:** The MWD Board held a third workshop dedicated to the proposed FY 2009-10 budget and 2010 water rates and charges on March 24. Highlights from the workshop include:

- **Additional cost reduction options** beyond those already included, with an indication of support or non-support by MWD staff:
  - Cut \$3.8 million in budget contingency and insurance premiums – Supported
  - Cut \$4.5 million in operating equipment and treatment costs – Supported
  - Cut \$0.5 million by eliminating Solar Cup and closing DVL marina – Not supported
  - Cut \$0.5 million in outside services – Supported
  - Cut \$0.5 million in memberships, travel and training – Supported
  - Cut \$30.1 million in conservation incentives, advertising, and fluoridation – Not supported
- **PAYGO level:** Staff also supports reducing PAYGO funding of capital R&R projects an additional \$3.3 million down to \$36.7 million for FY 2009-10, then restoring PAYGO levels to \$95 million annually per Board policy.
- **Sales projections:** Reduced to 1.9 million from 2.1 million, reducing some variable costs but pushing rate increases higher because of less expected revenue.

- **Timing of rate increases:** New option added (Option 4) that would increase rates on September 1, 2010, followed by January 1, 2011, and each year thereafter. Option 1 maintains the current schedule of January rate increases.

Although subject to change prior to the April 14 vote, MWD staff is presenting Options 1 and 4 and will likely support Option 4. The proposed increases for these options are as follows:

	2010	2011
Option 1	33.9%	5.4%
Option 4	19.7%	21.5%

MWD staff is not projecting rate increases beyond 2011 at this time. The "Delta Surcharge" concept was not included in the March 24 presentation but remains a realistic option if certain member agencies can agree as to its application to the rate structure. The Delta Surcharge represents approximately 10% of the rate increases shown above for 2010.

#### Bay-Delta/State Water Project

**Purpose:** MWD pays for, and is entitled to deliveries from, roughly half of the State Water Project (SWP). Less Colorado River supplies since 2004 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-going regulatory restrictions curtail pumping from the Delta for the state and federal projects by as much as 40% annually.

**Update:** No update.

#### 2009 Integrated Resources Plan Update

**Purpose:** The original Integrated Resources Plan (IRP) was developed in 1994 and has served as a blueprint for long-term water resource planning for MWD and its member agencies. The 1994 Plan was updated but not re-evaluated in 2003. The 2009 IRP will be a new plan that addresses a set of challenges to imported water sources not present in 1994. MWD and member agency staff comprise several technical workgroups focusing on specific resource strategies, as well as a Technical Oversight Committee, to review and evaluate various analyses and issue papers. Technical Workgroups include Conservation, Recycled Water, Ocean Desalination, Groundwater, Stormwater, and Graywater. The 2009 IRP is expected to conclude in the Fall 2009 timeframe.

**Update:** MWD staff is organizing "synergy meetings" of Integrated Resources Plan workgroups dedicated to groundwater basin issues, stormwater use, and recycled water use, to discuss overlapping issues and objectives. The Conservation Issues Paper will be the first paper to be submitted to the Technical Oversight Committee in late April.

## **CURRENT MONTH'S ISSUES**

The following key action items were approved at the April Committee and Board meetings:

- 2010 water rates and charges and FY 2009-10 Budget; and
- Implementation of the Water Supply Allocation Plan.

## **UPCOMING ISSUES**

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

- Review participation in funding agreement for the pilot operation of the Yuma Desalter.

## **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 April 16, 2009 and agendaized to the April 27, 2009 Board meeting under Metropolitan Water District Activities Update.

## **RECOMMENDED MOTION:**

This item is for information only.

## **LIST OF EXHIBITS:**

None.