





 		
	<p>ELECTED OFFICIALS FORUM</p> <p>Municipal Water District of Orange County</p> <p>April 26, 2017</p>	

Elected Officials Forum

Agenda



-  **FY 2017-18 Proposed Budgets & Rates**
-  **Making Water Conservation a California Way of Life**
-  **San Diego County Water Authority Outreach Program**
-  **Roundtable Discussion**





FY 2017-18 Proposed Budget & Rates



Budget Process FY 2017-18



March 2017

- 🕒 A&F Committee (3-8) – 1st Draft Budget
- 🕒 CHOICE Program Discussions
- 🕒 Member Agency Manager's Discussion
- 🕒 Member Agency Presentations as Requested

April 2017

- 🕒 A&F Committee Meeting (4-12) – 2nd Draft Budget
- 🕒 Member Agency Formal Comments by April 15th
- 🕒 Member Agency Manager's Discussion
- ➡️ 🕒 Elected Officials Meeting (4-26)
- 🕒 Member Agency Presentations as Requested
- 🕒 Confirm CHOICE Participation

May 2017

- ➡️ 🕒 Final Draft Budget & Rates to A&F Committee (5-10)
- 🕒 Member Agency Formal Comments
- 🕒 Member Agency Manager's Discussion
- ➡️ 🕒 Board Approval (5-17) – Final Budget



Budget Summary – 2nd Draft

Year-to-Year Change

💧 Total Expenses:	\$ 182,561,984	\$ 29,502,485
💧 Water Purchases:	\$ 169,098,959	\$ 29,348,374
💧 Operating Expenses:		
💧 CORE	\$ 8,254,004	\$ 405,102
💧 CHOICE	\$ 1,199,448	- \$ 409,757
💧 CONSOLIDATED	\$ 9,453,452	- \$ 4,655
💧 Revenue + 1.4%	\$ 9,035,874	\$ 121,139
💧 Reserves	\$ <417,578>	\$ 125,794
💧 FY2017-18 Rates		
💧 Connection Charge	\$ 11.60/meter	\$0.65
💧 Groundwater Charge	\$ 435,050	\$ 83,410

CHOICE MWDOC Activities FY 2017-18



- 💧 <Communications Program>
- 💧 School Program
- 💧 Water Loss Reduction Program
- 💧 Water Use Efficiency



MWDOC OUTSIDE FUNDING

Water Use Efficiency

- \$22.8 M (FY 2014-15)
- \$25.2 M (FY 2015-16)
- \$ 4.3 M (FY 2016-17)
- \$ 4.2 M (FY 2017-18)

Local Resource Program

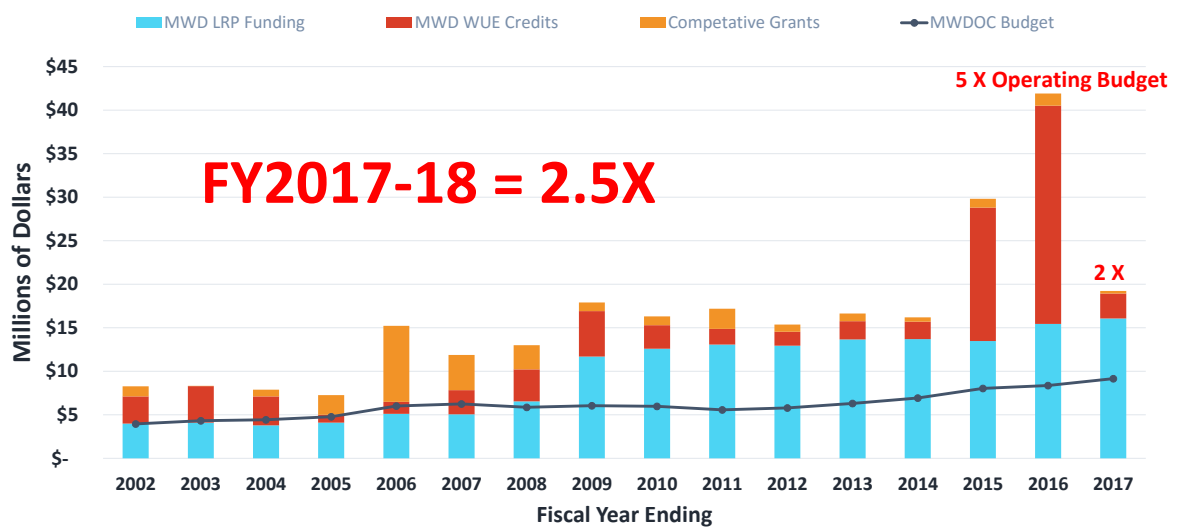
- \$12.2 M (FY 2014-15)
- \$15.5 M (FY 2015-16)
- \$16.1 M (FY 2016-17)
- \$16.6 M (FY 2017-18)

TOTAL OUTSIDE FUNDING

- \$20.8 Million



MWDOC Outside Funding

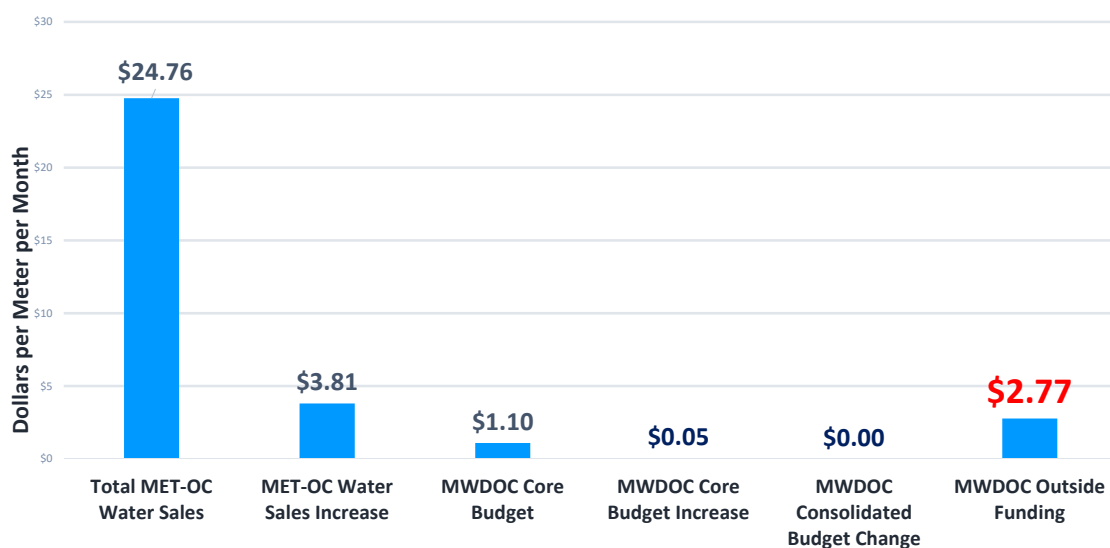


Metropolitan's Rates (Two-Year Budget: 4.0% + 4.0%)



Rate Type	2016 Approved	2017 Proposed	2018 Proposed	% Increase (2017-18)
Full Service Untreated Volumetric Cost (\$/AF)				
Tier 1	\$594	\$666	\$695	4.4%
Tier 2	\$728	\$760	\$781	2.8%
Full Service Treated Volumetric Cost (\$/AF)				
Tier 1	\$942	\$979	\$1,015	3.7%
Tier 2	\$1,076	\$1,073	\$1,101	2.6%
RTS Charge (\$M)	\$153	\$135	\$140	3.7%
Capacity Charge (\$/cfs)	\$10,900	\$8,000	\$8,700	8.75%

MET and MWD OC Total Cost per Meter per Month FY 2017-18



PROPOSED MWDOC RATES FY 2017-18

- 💧 Rates that are shown in the budget are based on the current rate structure
 - 💡 100% Fixed – 0% Variable
 - 💡 Retail Meter Basis (\$11.60/meter)
 - 💡 Groundwater Charge (\$435,050)
- 💧 Utilizing methodology from last year's rate study



Key MWDOC Priorities & Projects FY 2017-18



- 💧 Metropolitan Focus
 - 💡 Integrated Resource Plan Policy Issues
 - 💡 LRP Funding
 - 💡 SDCWA Lawsuit
 - 💡 Budget & Rates
- 💧 OC Regional Reliability
 - 💡 Regional & Local Projects
 - 💡 Supply & System Reliability
- 💧 Water Use Efficiency
- 💧 Water Emergency Response (WEROC)
- 💧 Public Affairs/Communications
- 💧 Government Affairs Activities



Budget FY 2017-18 Proposed Staffing Levels



Two Potential Staff Additions

- Database Technician
- Government Affairs

Headcount

- Full Time Employees: $29 + 2 = 31$
- FTE's: $35.64 + 1.78 = 37.42$



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DISCUSSION

FY 2017-18
Proposed Budget & Rates



Making Water Conservation a
California Way of Life - Update



Implementing Executive Order B-37-16

- 💧 **Final Report Released – April 7 (not February)**
- 💧 **Trailer Bill Language – April 7**
- 💧 **Friedman Bills (AB 1667, 1668, 1669)**
- 💧 **Rubio Bills (AB 869, 968, 1654)**
- 💧 **Hearings on Assembly Water, Parks, & Wildlife – April 25**



Executive Department
State of California

EXECUTIVE ORDER B-37-16
MAKING WATER CONSERVATION A CALIFORNIA WAY OF LIFE

WHEREAS California has suffered through a severe multi-year drought that has threatened the water supplies of communities and residents, devastated agricultural production in many areas, and harmed fish, animals and their environmental habitats; and

WHEREAS Californians responded to the drought by conserving water at unprecedented levels, reducing water use in communities by 23.9% between June 2015 and March 2016 and saving enough water during this period to provide 6.5 million Californians with water for one year; and

WHEREAS severe drought conditions persist in many areas of the state despite recent winter precipitation, with limited drinking water supplies in some communities, diminished water for agricultural production and environmental habitat, and severely-depleted groundwater basins; and

WHEREAS drought conditions may persist in some parts of the state into 2017 and beyond, as warmer winter temperatures driven by climate change reduce water supply held in mountain snowpack and result in drier soil conditions; and

WHEREAS these ongoing drought conditions and our changing climate require California to move beyond temporary emergency drought measures and adopt permanent changes to use water more wisely and to prepare for more frequent and persistent periods of limited water supply; and

WHEREAS increasing long-term water conservation among Californians, improving water use efficiency within the state's communities and agricultural production, and strengthening local and regional drought planning are critical to California's resilience to drought and climate change; and

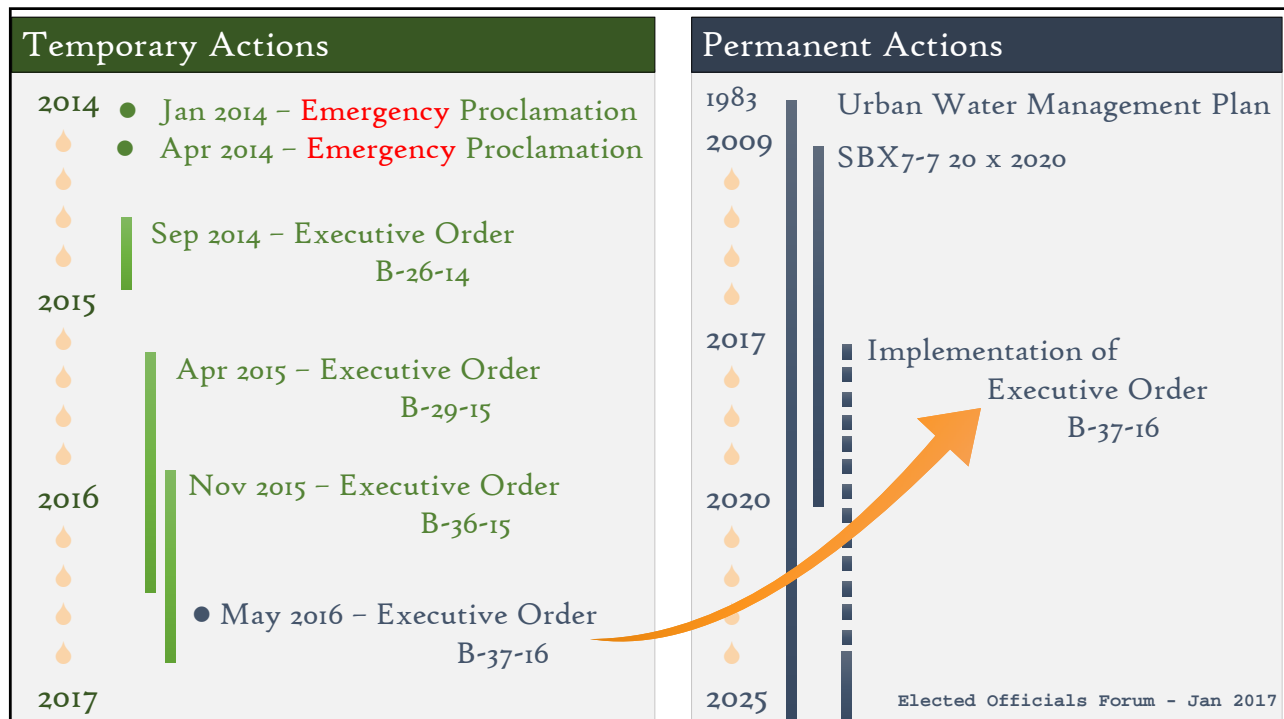
EO B-37-16: Making Water Conservation a California Way of Life

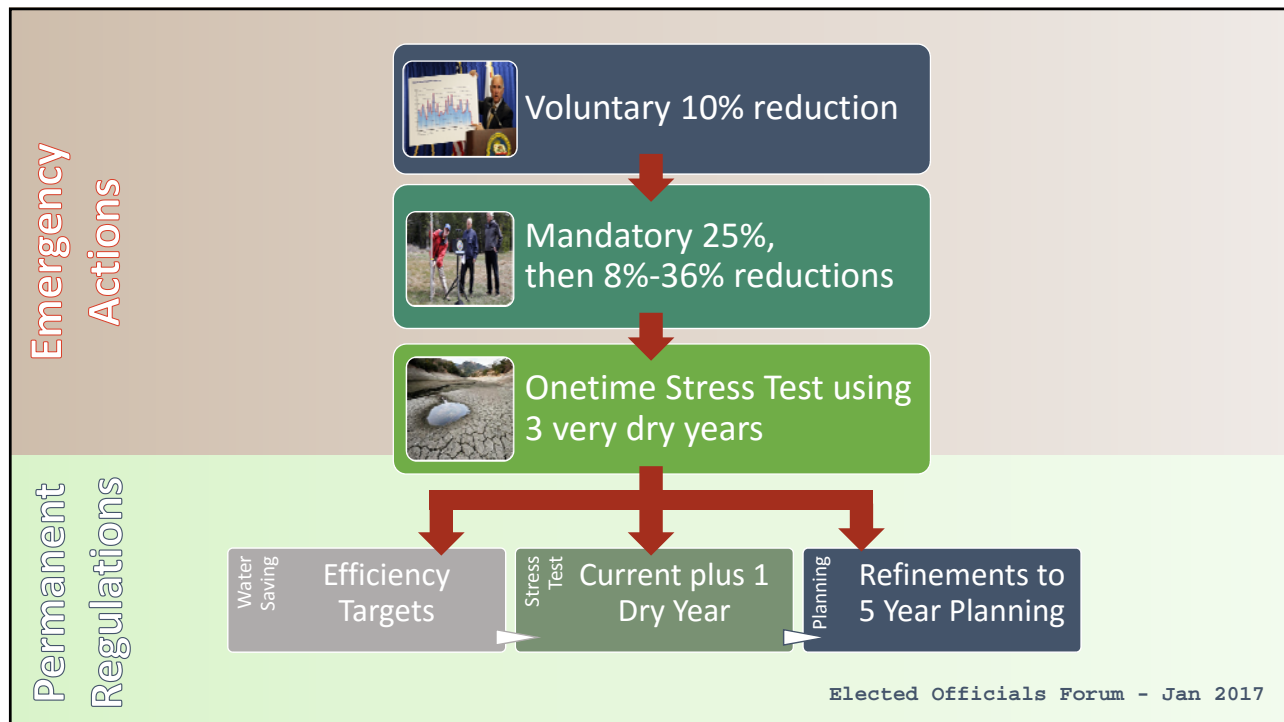
Elected Officials Forum - Jan 2017

Recap of Implementation Draft Report

- ✿ Draft report issued; comments & draft submitted to Governor's Office (January 20th)
- ✿ Final report to be published late January/early February
- ✿ Some initial proposals were modified with public input (Annual 5-year analysis)
- ✿ Peculiar approach to demonstrated planning problem

Elected Officials Forum - Jan 2017





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Current Legislation

Executive Order B-37-16

Trailer Bill
810Friedman
Bills

AB 1669

AB 1668

AB 1667

Rubio Bills



AB 968

AB 1654

AB 869

Trailer Bill 810

- Covers all legislative areas from Executive Order B-37-16

- Compliance Methods to Meet New Standards
 - Allows **SWRCB** to set interim standards
 - Allows **only one mechanism**, defined by the State Water Resources Control Board (SWRCB) via emergency and permanent regulations, with no oversight from the Legislature and no CEQA review
- Enforcement
 - Imposes **SWRCB** cease and desist order processes and misdemeanor penalties for failure to meet **ANY** efficiency planning targets
- Water Rights
 - Specifies that **state efficiency standards supersede water rights**, undermining over a century of precedent

- Drought Planning
 - Extends the duration of State mandates during a declared emergency to **one year (vs. 270 days)**
- Drought Response
 - Requires multiple arbitrary stages, **set by the SWRCB**, that may not reflect local conditions; requires drought emergency declaration at a certain undefined stage
- Water Infrastructure Investments
 - Conservation requirements are applied to all water supplies, stranding and **disincentivizing resiliency investments**



Friedman Bills – AB 1668 and AB 1669

- AB 1668 makes various updates to the Urban Water Management Plans and Water Shortage Contingency Plans:
 - Assigns six shortage levels (instead of allowing a supplier to determine their own shortage level)
 - Water shortage emergency declaration is required at “level 4” which is not defined
 - Requires DWR to prepare an annual report and submit it to the SWRCB for determination of noncompliance and possible enforcement
- AB 1669 Urban Water Conservation Standards and Use Reporting:
 - Full authority is given to the SWRCB to establish or change interim standards and long-term goals for urban water use and conservation
 - Silent on how the regulations could treat recycled water, but appear to leave the development of the standard solely up to the SWRCB
 - Extends drought emergency regulations adopted by the SWRCB from 270 days to one year






Rubio Bills – AB 869, AB 968 and AB 1654

- AB 869 requires recycled water use to be considered equivalent to other water use efficiency measures and prohibits water retailers from having to reduce the amount of recycled water it produces/uses at any time
- AB 968 and AB 1654 combine to “Make Water Conservation a California Way of Life”
- AB 968 allows local agencies to establish long-term goals, targets and standards; and allows for multiple compliance methods
- AB 1654 allows local suppliers to develop and report annual supply/demand assessment; develop and implement their own water shortage contingency plans; maintains water rights; and keeps the authority with the Legislature to establish or change long-term goals, targets or standards



Current Status









April 25th Assembly Water, Parks and Wildlife Committee Hearing – Special Order of Business: Making Conservation a Way of Life

-  8 related bills heard
 -  focus on Friedman and Rubio legislation
-  All legislation was passed out of committee with direction for **all parties to work cooperatively** towards agreed upon language



Areas of Concern

This is not about opposing conservation or water use efficiency

-  Power without accountability
 -  Legislature vs. Local Officials vs. **SWRCB**
-  Too much control
 -  Emergency type regulatory control granted to SWRCB
-  Process
 -  Trailer bill process removes legislative involvement
-  Potential violation of water rights
 -  Efficiency standards supersede water rights



Take Away Actions

- 💧 Respond to alerts and calls-to-action as the process continues
 - 📌 Adopt position of support to Rubio Legislation
 - 📌 Sign onto our Coalition Letters and/or send your own
- 💧 Keep us informed
 - 📌 Communicate your agency's position
 - 📌 What are your concerns?
 - 📌 Is there something you really like?
- 💧 Orange County as a whole should strive to be consensus-seeking through this process



DISCUSSION

Making Water Conservation a California Way of Life - Update





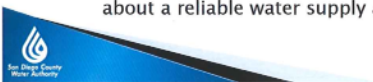
San Diego County Water Authority Outreach Program & Litigation



WHAT SDCWA Outreach Program

Expanded Information Campaign

- ▶ Board Officers' Expanded Public Outreach Program proposes to broaden scope of information campaign beyond San Diego County
 - Expand into other parts of MWD service area including Orange and Ventura Counties and Inland Empire
 - Key activities:
 - Work with MWD program on key issues and messages
 - Development of information materials
 - Meetings and communications with elected officials
 - Media relations
 - Outreach to civic, business and opinion leaders who care about a reliable water supply and the economy



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3 Letters

Jan 11, 2017

Out-of Control Spending

Jan 26, 2017

Overcharging Ratepayers

Feb 28, 2017

Fiscal & Governance Issues

Requests for Face-to-Face Meetings



WHAT SDCWA Outreach Program

Board Officers' Recommendation

- ▶ Authorize the General Manager to amend the professional services agreement with Southwest Strategies to extend the agreement through June 30, 2018 and to increase the total not-to-exceed amount to \$875,505, an increase of \$476,505.



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Increased
Professional
Services
Agreement by
\$476,505 to
\$875,505



WHY - SDCWA Outreach Program SDCWA & MWD OC Observations

Purpose

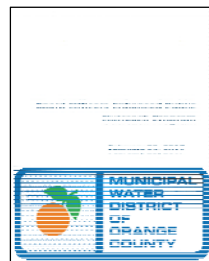
- ▶ Achieve near-term and long-term changes at MWD by informing and educating local elected officials
 - Engage public officials, civic and opinion leaders throughout MWD's service area
 - Get answers to the questions the Water Authority's MWD Delegates have been asking
 - Bring about changes in MWD's practices so that it is accountable and sustainable
 - Require transparency in MWD's business practices and decision-making
- ▶ Ultimately, resolve disputes and be part of a sustainable MWD



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- 💧 SDCWA Stated Reasons
- 💧 Effective MWD Communication Program
- 💧 SDCWA v MWD Lawsuit
 - 💧 Oral Arguments May 10th
- 💧 Sacramento Activity (?)
- 💧 MWD Supply Projects



WHAT is SDCWA Saying? What is Reality?

In general: MWD has out-of-control spending, overcharges ratepayers, is not transparent and is not fiscally accountable

- 💧 MWD has overcharged ratepayers by \$847 million (2012-2015)
 - 💧 Issue of budget demand estimates versus actual sales during drought
- 💧 MWD has unbudgeted spending of \$1.2 billion over 4-years
 - 💧 Palo Verdes Property @ \$264M, Turf Program @ \$350M, Delta Islands @ \$175M
- 💧 MWD has no Long Range Financial Plan
 - 💧 10-year Financial Plan in every 2-year budget
 - 💧 Bond Official Statements
- 💧 MWD issued \$900 million in new, unplanned debt
 - 💧 Refinancing @ low rates, PayGo versus Debt Issues

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ACTION REQUESTS MWD OC & SDCWA

“Ask your Water District or Provider to ask their MWD Representative for further details.”

Absolutely!

- 💧 Let us know if you are contacted
- 💧 If you have any questions we are available for discussions at any time

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DISCUSSION

San Diego County Water Authority
Outreach Program & Litigation



Roundtable Discussion



 		
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