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

1. March 2017
   - A&F Committee (3-8) – 1st Draft Budget
   - CHOICE Program Discussions
   - Member Agency Manager’s Discussion
   - Member Agency Presentations as Requested
2. 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
3. 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

- Total Expenses: $182,561,984
- Water Purchases: $169,098,959
- Operating Expenses:
  - CORE: $8,254,004
  - CHOICE: $1,199,448
  - CONSOLIDATED: $9,453,452
- Revenue: $9,035,874
- Reserves: $<417,578>

Year-to-Year Change

- Total Expenses: $29,502,485
- Water Purchases: $29,348,374
- Operating Expenses:
  - CORE: $405,102
  - CHOICE: $409,757
  - CONSOLIDATED: $4,655
- Revenue: $121,139
- Reserves: $125,794

FY2017-18 Rates

- Connection Charge: $11.60/meter
- Groundwater Charge: $435,050

Budget Summary – 2nd Draft

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

FW2017-18 = 2.5X
Metropolitan’s Rates
(Two-Year Budget: 4.0% + 4.0%)

<table>
<thead>
<tr>
<th>Rate Type</th>
<th>2016 Approved</th>
<th>2017 Proposed</th>
<th>2018 Proposed</th>
<th>% Increase (2017-18)</th>
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<tr>
<td>Full Service Untreated Volumetric Cost ($/AF)</td>
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<td>Tier 1</td>
<td>$594</td>
<td>$666</td>
<td>$695</td>
<td>4.4%</td>
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<tr>
<td>Tier 2</td>
<td>$728</td>
<td>$760</td>
<td>$781</td>
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<tr>
<td>Full Service Treated Volumetric Cost ($/AF)</td>
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<tr>
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<tr>
<td>Tier 2</td>
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<td>$1,073</td>
<td>$1,101</td>
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<tr>
<td>RTS Charge ($M)</td>
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<td>$135</td>
<td>$140</td>
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<td>Capacity Charge ($/cfs)</td>
<td>$10,900</td>
<td>$8,000</td>
<td>$8,700</td>
<td>8.75%</td>
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MET and MWDOC Total Cost per Meter per Month FY 2017-18

<table>
<thead>
<tr>
<th>Component</th>
<th>Dollars per Meter per Month</th>
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<tbody>
<tr>
<td>Total MET-OC Water Sales</td>
<td>$24.76</td>
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<td>MET-OC Water Sales Increase</td>
<td>$3.81</td>
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<td>MWDOC Core Budget</td>
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<td>MWDOC Consolidated Budget Change</td>
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<tr>
<td>MWDOC Outside Funding</td>
<td>$2.77</td>
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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
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

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

Temporary Actions

- Jan 2014 – Emergency Proclamation
- Apr 2014 – Emergency Proclamation
- Sep 2014 – Executive Order B-26-14
- Apr 2015 – Executive Order B-29-15
- Nov 2015 – Executive Order B-36-15
- May 2016 – Executive Order B-37-16

Permanent Actions

- Urban Water Management Plan SBX7-7 20 x 2020
- Implementation of Executive Order B-37-16
Voluntary 10% reduction

Mandatory 25%, then 8%-36% reductions

Onetime Stress Test using 3 very dry years

Water Saving

Efficiency Targets

Current plus 1 Dry Year

Refinements to 5 Year Planning

Implementing Executive Order B-37-16

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**Current Legislation**

**Executive Order B-37-16**

**Trailer Bill 810**

**Friedman Bills**
- AB 1669
- AB 1668
- AB 1667

**Rubio Bills**
- AB 968
- AB 1654
- AB 869

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**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

- 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

This is not about opposing conservation or water use efficiency
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
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

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**

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**WHY - SDCWA Outreach Program**

SDCWA & MWDOC 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

ACTION REQUESTS
MWDOC & 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
DISCUSSION

San Diego County Water Authority
Outreach Program & Litigation

Roundtable Discussion
ELECTED OFFICIALS FORUM
Municipal Water District of Orange County
April 26, 2017