

The Municipal Water District of Orange County



Elected Officials Forum
April 5, 2018



California WaterFix Update

Larry D. Dick, Director Div. 2
Municipal Water District of Orange County

Elected Officials Forum - April 5, 2018



Project Overview



- Protects water supplies with Delta system upgrades
- Uses dual tunnel facilities and environmental mitigation
- Financed by investments from water users



- Improves long-term health of native fish and wildlife
- Restores vital habitat
~ 30,000 acres in 5 years
- Supported by broader public funding



Sea Level Rise



Seismic



Delta Risks

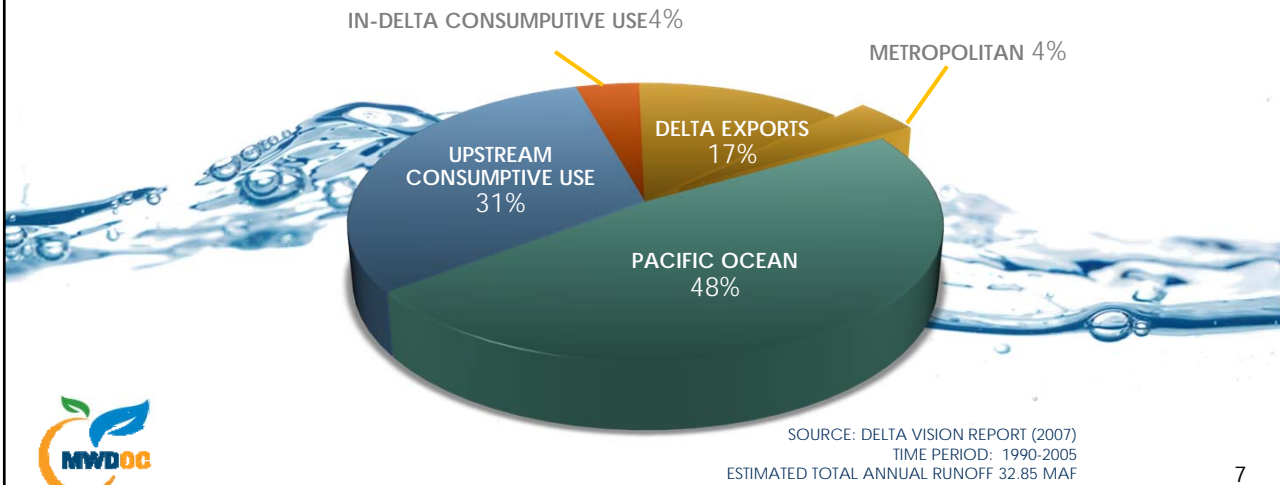
Fishery Declines



Subsidence

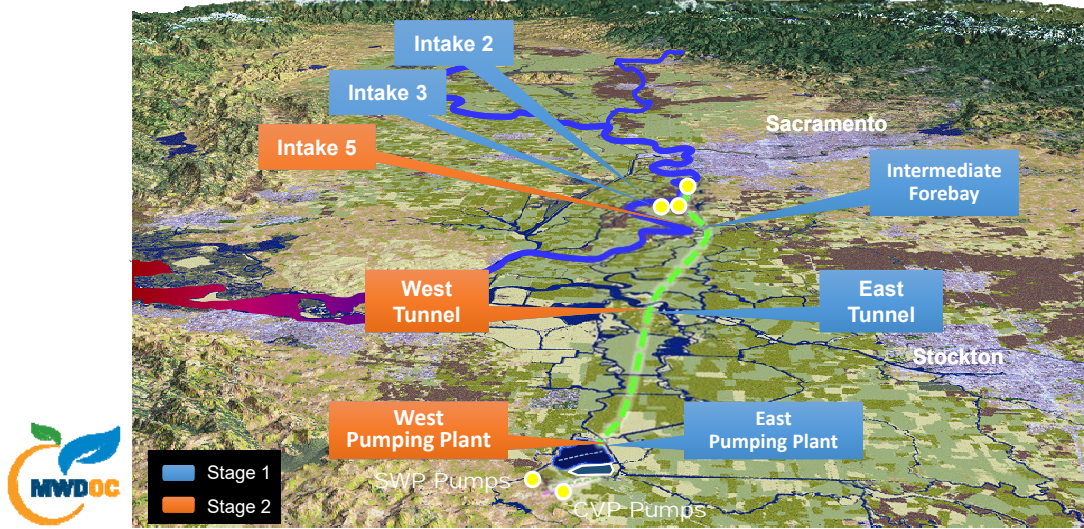


Water Flowing from Delta Watershed



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California WaterFix Full Project – Staged Approach



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Top Five Reasons for Orange County



Ensuring a Reliable Supply



Supporting Local Water Storage



Protecting Orange County's Investment in Water Infrastructure



Preserving Jobs



Preparing for Drought, Emergencies

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Comparison of Metropolitan's Potential Investments

Metropolitan Share

Metropolitan Capital Cost

Overall Metropolitan Budget Impact

- Annual Increase
- Overall Increase (at end of 15-yr)

Metropolitan's Incremental Increase



Staged

6,000 cfs SWP (67%)
3,000 cfs CVP (33%)

31.6%

\$5.3 billion

1.1 %

16 %

410 TAF

Full Project

6,000 cfs SWP (67%)
3,000 cfs MWD (33%)

64.6%

\$10.8 billion

2.2 %

33 %

up to 840 TAF

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April 10th Metropolitan Decision

Approx. average household cost of California WaterFix in the MWD Service Area for Stage 1 with 6,000 cfs



MWD will consider recent activities associated with the California WaterFix financing the second tunnel in addition to funding its share of the staged project



1. Household impact based on 6.2 million occupied residential households in MWD Service area, 70% residential / 30% industrial split

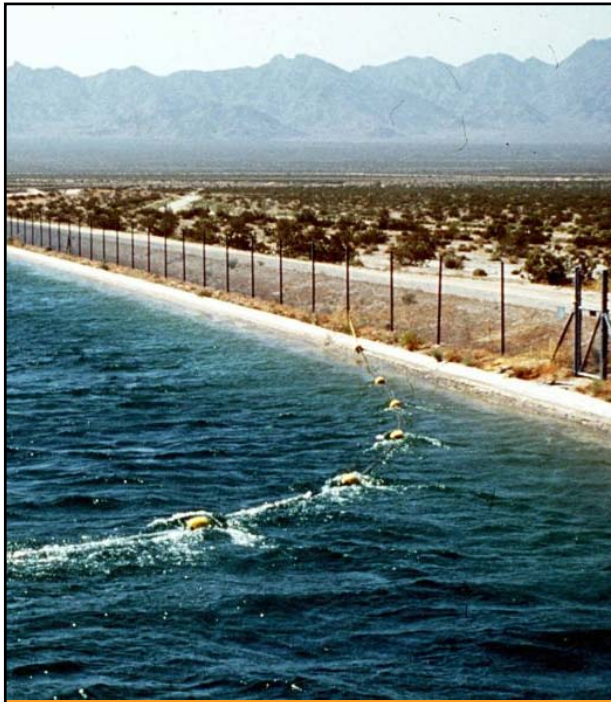
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Metropolitan Biennial Budget

Brett R. Barbre, Board President Div. 1
Municipal Water District of Orange County

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MWD's Biennial Budget and Rates Process Has Several Objectives

- 💧 Adopt a two-year budget, covering fiscal years 2018/19 and 2019/20
- 💧 Adopt rates and charges for calendar years 2019 and 2020
- 💧 Update ten-year financial forecast, including the biennial period



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Key Budget Assumptions

Fiscal Year Ending	Adopted	Proposed	
	2018	2019	2020
Overall increase January 1	4.0%	3.0%	3.0%
Total Water Transactions*	1.70 MAF	1.65 MAF	1.75 MAF
State Water Project Allocation	50%	50%	50%
Colorado River Aqueduct Diversions	1.04 MAF	0.84 MAF	0.92 MAF
Capital Investment Plan (CIP)	\$200 M	\$200 M	\$200 M
PAYGo (60% of CIP)	\$120 M	\$120 M	\$120 M

* Includes water sales, exchanges, and wheeling



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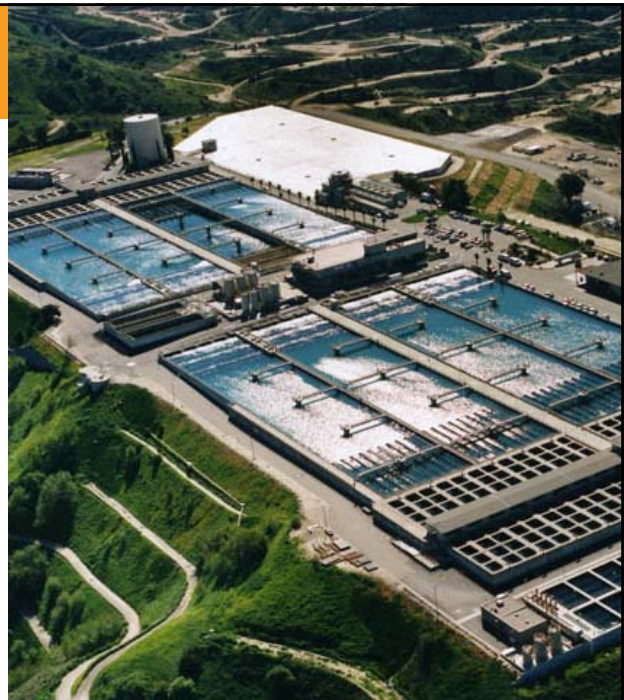
Proposed Metropolitan Rate & Charges

Rates & Charges Effective Jan. 1	2018 (Current)	2019	% Change	2020	% Change
Tier 1 Supply Rate (\$/AF)	\$209	\$209	0%	\$208	0.5%
Tier 2 Supply Rate (\$/AF)	\$295	\$295	0%	\$295	0.0%
System Access Rate (\$/AF)	\$299	\$326	9.0%	\$346	6.1%
Water Stewardship Rate (\$/AF)	\$55	\$69	25.5%	\$65	(5.8%)
System Power Rate (\$/AF)	\$132	\$127	(3.8%)	\$136	7.1%
Full Service Untreated Volumetric Costs (\$/AF)					
Tier 1	\$695	\$731	5.2%	\$755	3.3%
Tier 2	\$781	\$817	4.6%	\$842	3.1%
Treatment Surcharge (\$/AF)	\$320	\$319	(0.3%)	\$323	1.3%
Full Service Treated Volumetric Costs (\$/AF)					
Tier 1	\$1,015	\$1,050	3.4%	\$1,078	2.7%
Tier 2	\$1,101	\$1,136	3.2%	\$1,165	2.6%
Readiness-to-Serve Charge (\$M)	\$140	\$133	(5.0%)	\$136	2.3%
Capacity Charge (\$/cfs)	\$8,700	\$8,600	(1.1%)	\$8,800	2.3%
Overall Rate Increase			3.0%		3.0%



Highlights of the Proposed Biennial Budget

- Debt service costs decrease by \$13 million over the biennial budget period compared to the FY 2017/18 budget and trend lower over the remaining years of 10-year forecast
- Planned capital spending of \$500 million over the biennium to ensure facilities are well maintained and reliable



Highlights of the Proposed Biennial Budget (cont.)

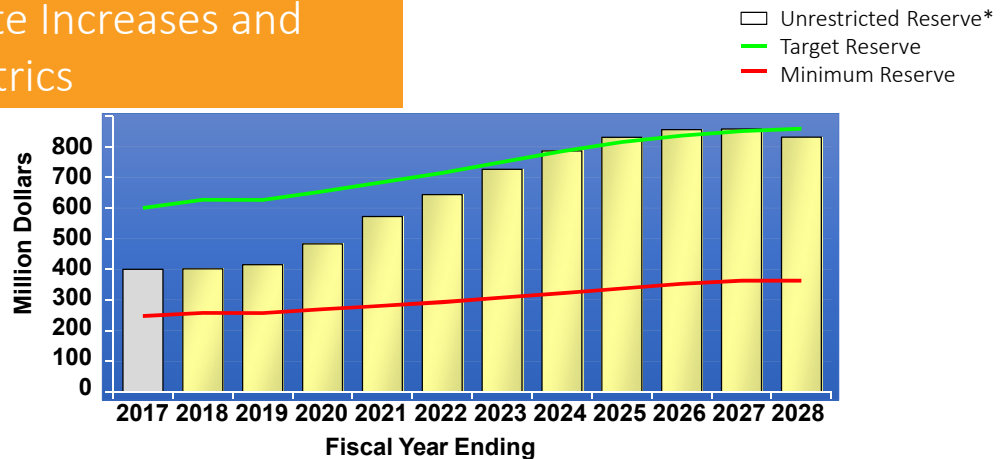
- Increased support for the Conservation Credits Program, with proposed spending to increase by \$5 million (to \$43 million) annually
- It is proposed that the remaining balance in the Water Management Fund be transferred to the Water Stewardship Fund to provide additional support for the Conservation Credits Program



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**Conservation Plus
Smart Regional
Investments Help
Southern California
Weather Drought**

Projected Rate Increases and Financial Metrics




Overall Rate Inc.	4.0%	4.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Water Transactions (MAF)**	1.54	1.55	1.65	1.75	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Rev. Bond Cvg	1.6	1.5	1.6	1.9	2.1	2.1	2.1	2.1	2.2	2.1	2.2	2.2
Fixed Chg Cvg	1.4	1.4	1.5	1.7	1.9	1.8	1.7	1.6	1.6	1.5	1.4	1.3
PAYGO, \$M	132	108	120	120	150	150	150	154	158	162	167	171

* Revenue Remainder and Water Rate Stabilization Fund

** Includes water sales, exchanges and wheeling







Next Steps

- April 10th
 - Board Actions regarding Biennial Budget, Calendar Year rates and charges, and Ten-Year Financial Forecast

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Budget

FY 2018-19 MWD OC Draft Budget

Jeffery M. Thomas, Director Div. 6
Municipal Water District of Orange County

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MWDOC FY 2018-19 Budget Schedule

- February 2018
 - First Draft Budget @ A&F Committee (2-14)
 - Initial Member Agency Choice Participation Confirmation (2-15)
 - Member Agency Managers Meeting (2-22)
- March 2018
 - Second Draft Budget @ A&F Committee (3-14)
 - Choice Program Discussions
 - Member Agency Managers Meeting (3-22)
 - Member Agency Formal Comments (3-28)
- April 2018
 - ➔ Elected Officials Meeting (4-5)
 - Third Draft Budget @ A&F Committee Meeting (4-11)
 - ➔ Board Approval of Final Budget & Rates (4-18)




- June 2018
 - ➔ Member Agencies Confirm Final Choice participation (6-15)
- August 2018
 - Reconciliation of FY 2017-18 WUE & Choice Programs
- September 2018
 - Revised Final Choice Budget @ A&F Committee (9-12)
 - Board Approval of Revised Final Choice Budget (9-19)

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C7 - F7 = \$28,368
NO SURPRISES

Unfunded Reserve Balance


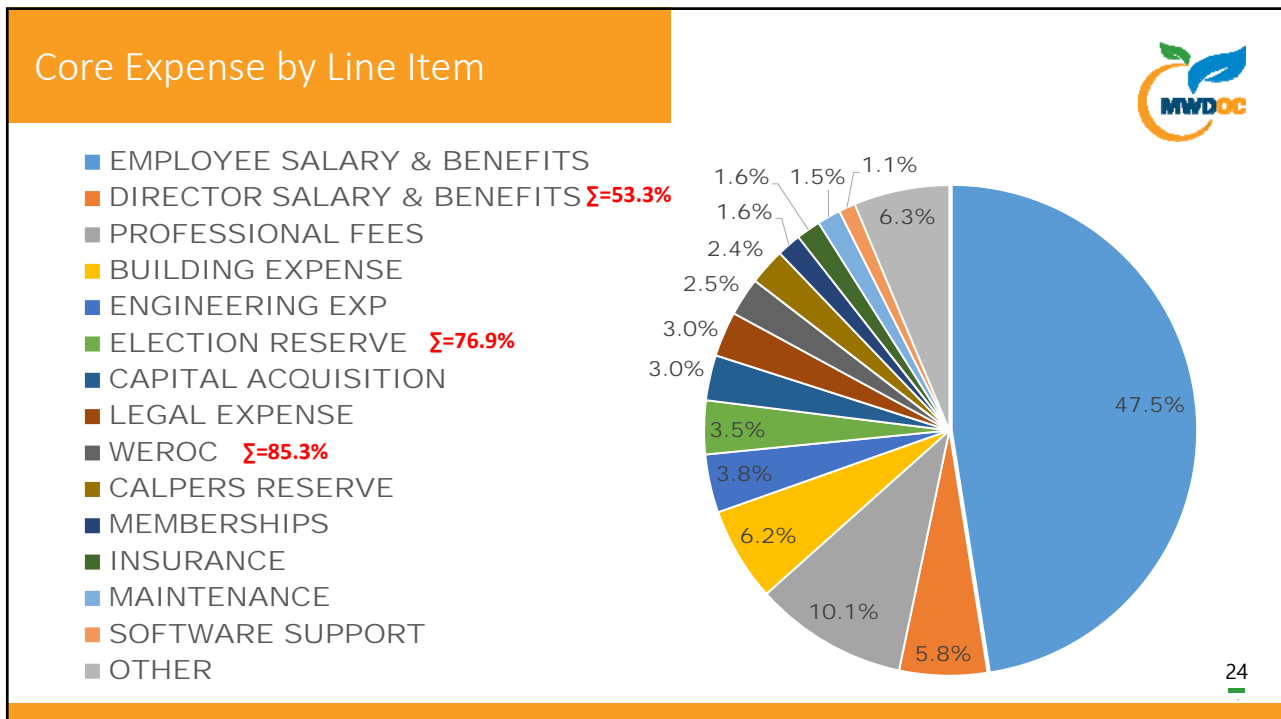
	A	B	C	D	E	F
1	Designated Reserves	# Days Cash	FY 2018-19 Target Reserve	FY 2017-18 Current Balance	FY 2017-18 Projected Year End Reclass to Reserves	FY 2018-19 Projected Reserve Balance
2	General Operations	90-180	\$ 3,377,754	\$ 3,156,569	\$ 221,185	\$ 3,377,754
3	Grant & Project Cash Flow		1,500,000	1,500,000	-	1,500,000
4	Building Reserve	10-15	406,479	350,407	27,704	378,111
5	Election Reserve	N/A	608,000	304,000	304,000	608,000
6	OPEB Reserve est.9/2016	N/A	209,006	209,006	-	209,006
7	TOTALS		\$ 6,101,239	\$ 5,519,982	\$ 552,889	\$ 6,072,871



MWDOC FY 2018-19 Budget

- RATES**
 - Fixed Meter Charge @ \$12.25 – Increase of 2.9% or \$0.35
 - OCWD Contribution @ \$499,204 – Increase of 6.5% or \$30,639
- REVENUES**
 - Core Revenues @ \$8,589,018 – Increase of 6.6% or \$531,619 (45% from interest)
- RESERVES**
 - Budgeted Draw of \$5,277
 - Reserves Essentially Fully Funded
 - CalPERS Unfunded Liability Payment of \$207,000
- EXPENSES**
 - Core Expenses @ \$8,594,295 – Increase of 4.9% or \$398,426

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Budget Summary – FY 2018-19

CONSOLIDATED



Total Expenses:	\$ 217,214,597	<u>Year-to-Year Change</u>
Water Purchases:	\$ 205,393,716	(19.9%) or (-10.4%)
Operating Expenses:		
Core	\$ 8,594,295	\$ 398,426
Choice	<u>\$ 1,276,781</u>	<u>\$ 30,126</u>
Consolidated	\$ 9,871,076	\$ 428,588
Revenue	\$ 9,865,799	\$ 561,781
Reserves	\$ <5,277>	
FY2017-18 Rates		
Connection Charge	\$ 12.25/meter	\$0.35 (2.9%)
Groundwater Charge	\$ 499,012	\$30,447 (6.5%)

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Budget Summary – FY 2018-19

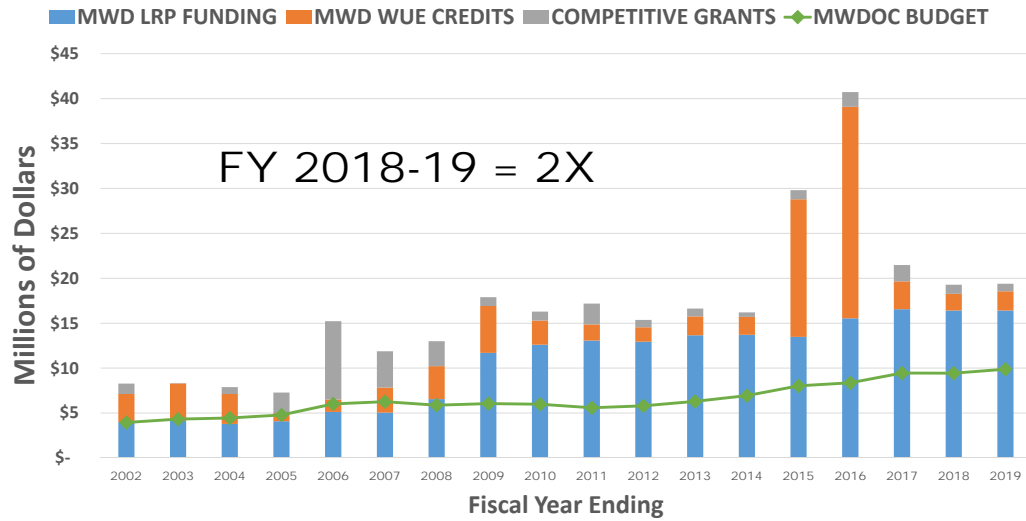
CORE



Operating Expenses:		<u>Y-T-Y Change</u>	
Core	\$ 8,594,295	\$ 398,426	(4.9%)
Election Reserve		\$ 304,000	
CalPERS Liability		\$ 207,000	
Building Expense		\$ 175,427	
Professional Fees		\$ <124,252>	
WERO		\$ <244,006>	
Core Revenue:	\$ 8,589,018	\$ 531,619	(6.6%)
Retail Meter Charge		\$ 261,172	
Groundwater Charge		\$ 30,447	
Interest Revenue		\$ 240,000	(45%)

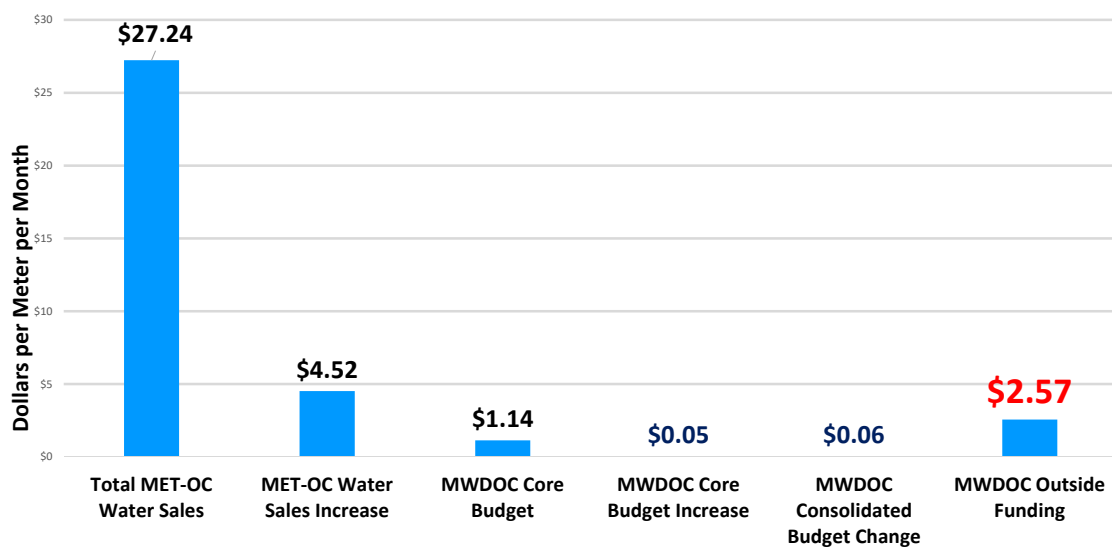
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MWDOC FY 2018-19 Outside Funding & Operating Budget



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MET & MWDOC FY 2018-19 Total Cost per Meter per Month



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State Legislation

Sat Tamaribuchi, Director Div. 5
Municipal Water District of Orange County

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Governor's Executive Order

- ▶ Directs state agencies to transition to permanent, long-term improvement in water use
 - ▶ Use water more wisely
 - ▶ Eliminate water waste
 - ▶ Strengthen local drought resilience
 - ▶ Improve Ag water use efficiency and drought planning



Governor's Executive Order

- 🔥 State agencies report on implementing Executive Order
 - 🟢 Establish new water use standards and targets
 - 🟢 Strengthen water shortage contingency planning
 - 🟢 Improve drought planning for small suppliers and rural communities
 - 🟢 Strengthen requirements for Ag water management



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AB 1668 (Friedman) and SB 606 (Skinner/Hertzberg)



- 💧 Much improvement in both bills and continuing efforts to clarify and make them more workable
 - 🟢 Drought resilient supplies
 - 🟢 Cost effectiveness and feasibility for CII standards
 - 🟢 Outdoor standards
 - 🟢 Enforcement
- 🔥 Status
 - 💧 AB 1668 - in Rules pending amendments
 - 💧 SB 606 - on Assembly floor
 - 💧 MWDOC position – Support
 - 💧 ACWA position – Oppose unless amended

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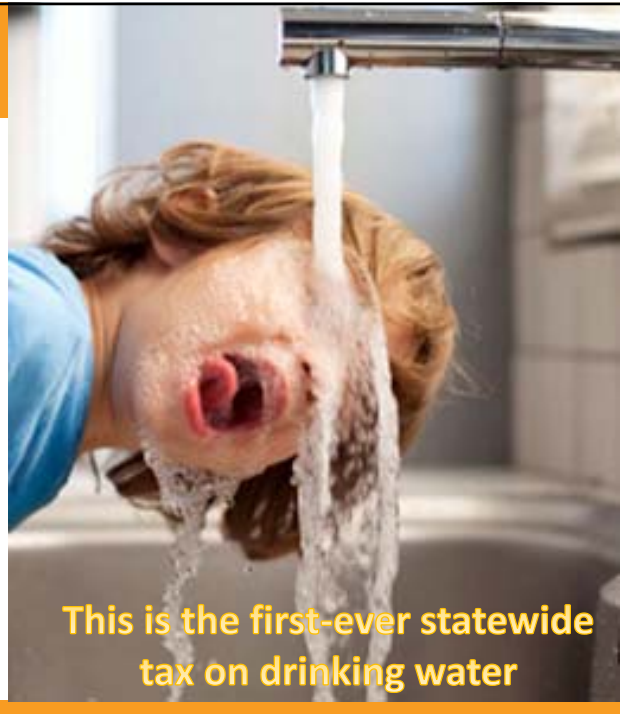
SB 623 (Monning) and Budget Trailer Bill Language

- 💧 Establishes “Safe and Affordable Drinking Water Fund” to take care of non-compliant small systems
- 💧 Raise \$100 million per year from:
 - 💧 Fertilizer and dairy tax (30%)
 - 💧 Retail water agencies (70%)
- 💧 \$0.95 per month for most residential service

🔥 Status

- 💧 SB 623 is still in play
- 💧 Trailer Budget Bill language released
- 💧 MWDOC & ACWA positions: Oppose
- 💧 ACWA opposition outreach project

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This is the first-ever statewide tax on drinking water



AB 2050 (Caballero)

The Small System Water Authority Act of 2018

- 💧 Establishes process to form Small System Water Authorities to bring chronically non-compliant water supply systems into compliance
- 💧 Most of the systems can be brought into compliance by consolidating resources

🔥 Sponsored by EMWD & CMUA as alternative to SB 623

🔥 Status

- 💧 Legislative committee hearings in April
- 💧 MWDOC position: Support



Water Education Programs

Megan Yoo Schneider, Director Div. 7
Municipal Water District of Orange County

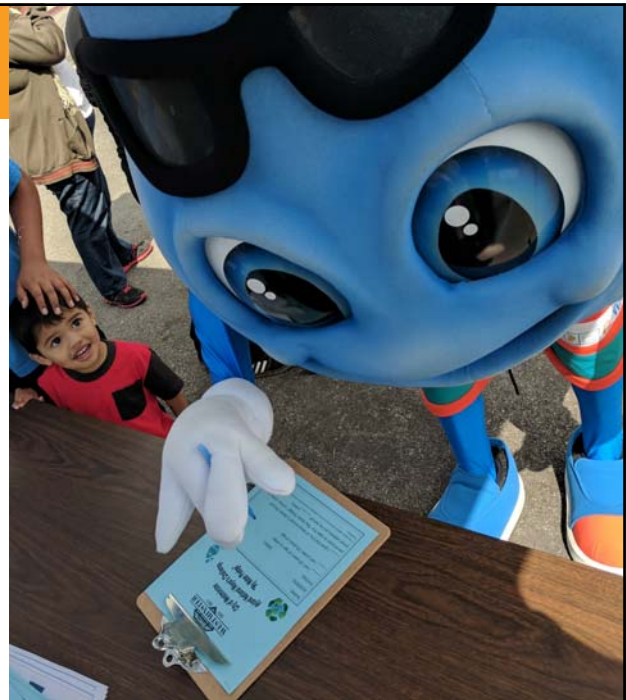
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MWD OC School Program

Since the school program's inception in 1973, more than 3 million Orange County students have learned about Orange County water resources.



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2016-17 Attendance by Member Agency

Member Agency	2016-17 Totals
City of Anaheim	7395
City of Brea	1555
City of Buena Park	2127
El Toro Water District	1201
City of Fountain Valley	1225
City of Fullerton	1868
City of Garden Grove	5440
City of Huntington Beach	5202
City of La Habra	1547
City of La Palma	461
Mesa Water	851
Moulton Niguel Water District	4053
City of Orange	2310
City of San Clemente	639
City of San Juan Capistrano	772
City of Santa Ana	11955
Santa Margarita Water District	2792
Serrano Water District	314
South Coast Water District	798
Trabuco Canyon Water District	53
City of Tustin	3343
City of Westminster	2408
Yorba Linda Water District	988

Elementary School Program

- Partnership with Discovery Cube of Orange County
- Program taught at the 1st through 6th grade level
- Since 2008, more than 745,000 students have been educated



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Elementary School Program

- Assembly led by Discovery Cube
- Keypad system used to gauge student learning
- Next Generation Science Standards
 - 1st Grade: Water cycle; states of matter
 - 2nd Grade: Water as a resource
 - 3rd Grade: Local climate and environment
 - 4th Grade: Local ecosystem; water sources
 - 5th Grade: Freshwater supply and sources
 - 6th Grade: Regional climate and environment



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High School Program

- 💧 Partnership with Orange County Department of Education – Inside the Outdoors
- 💧 Program targets 9th through 12th grade students
- 💧 Comprehensive classroom instruction: California water sources and water delivery
- 💧 Since 2015, more than 74,000 students have been educated



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High School Program

- 💧 Choice Funding
 - 💧 1st Visit: Orange County drinking water sources, water delivery challenges, and water use efficiency
 - 💧 2nd Visit: State water conveyance systems, California WaterFix debate, and water career pathways
 - 💧 Final Visit: Campus-wide expo
- 💧 Core Funding
 - 💧 Digital classroom resource guide available to all Orange County teachers
 - 💧 Availability for one-time, interactive "Traveling Scientist" presentation



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Scouts Programs

- 💧 Orange County Boy Scout Council
 - 🔥 Soil & Water Merit Badge
 - 🔥 Half-day clinics
 - 🔥 Tour of a water treatment plant
 - 🔥 Water industry career exploration
- 💧 Girls Scouts of Orange County
 - 🔥 Ambassador-level Water Badge



BOY SCOUTS OF AMERICA
ORANGE COUNTY COUNCIL

girl scouts
of orange county



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Discussion

