Governor Newsom’s executive order on April 29
- Develop strategy to build a climate-resilient water system and ensure healthy waterways
- Embrace success of regional investments in a diverse water supply portfolio
- Build on Calif. Water Action Plan
- Seek stakeholder input
Portfolio Analogy

PORTFOLIO SELECTION*

Harry Markowitz
The Rand Corporation

The process of selecting a portfolio may be divided into two stages. The first stage starts with observation and experience and ends with beliefs about the future performances of available securities. The second stage starts with the relevant beliefs about future performances and ends with the choice of portfolio. This paper is concerned with the second stage. We first consider the rules an investor does (or should) maximize discounted expected, or average, returns.

Beliefs about future performance of securities

Portfolio selection

Markowitz (1952)
The Journal of Finance
Portfolio Analogy (cont.)

Portfolio selection

- Maintain Colorado River Aqueduct Supplies
- Stabilize State Water Project Supplies
- Develop More Local Water Supplies
- Achieve Additional Conservation Savings
- Maximize Effective Storage & Transfers

Metropolitan’s Approach

- Build upon portfolio approach developed through Integrated Water Resources Plan
- Participate in state-wide effort with industry associations
- Receive and incorporate input
  - Member agency managers (July & August)
  - Water Planning & Stewardship Committee (August)
  - Review of draft letter
- Provided comment letter to State on August 30
- Continue participation as State’s plan develops
**Focused on Three Elements**

- Advancing Potable Reuse
- Resiliency Strategy for the Delta
- Vision for Inter-Governmental Collaboration

**Inter-Governmental Roles**

**State Roles**
- Provide leadership and establish priorities
- Align policy, regulations, and data

**Regional Roles**
- Leverage resources and collective will for watershed or basin-wide management
- Guide planning, develop regional infrastructure, and provide financial incentives
Inter-Governmental Roles (cont.)

- Local Roles
  - Closest service providers to the community
  - Speak best for local needs
  - Receive support from regional & state entities
  - Responsible for providing cost-effective and reliable service

Portfolio of State, Regional, and Local Actions

- Delta watersheds and the State Water Project
- Outdoor water use efficiency
- Recycling, seawater desalination, groundwater, and stormwater
- Colorado River Basin
Next steps

- Continue participation with statewide associations
- Comment and provide input on State’s draft portfolio