



**DISCUSSION ITEM**  
February 9, 2022

**TO: Board of Directors**

**FROM: Administration & Finance Committee**  
**(Directors Seckel, Dick, Thomas)**

**Robert Hunter**  
**General Manager**

**Staff Contact: Hilary Chumpitazi**

**SUBJECT: Fiscal Year (FY) 2022-23 First Draft Budget**

**STAFF RECOMMENDATION**

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Staff recommends the Administration & Finance Committee, MWDOC Board of Directors, Member Agencies, and the public review, discuss and provide input and comments on the first draft of MWDOC's budget for FY 2022-23 (Fiscal Year Ending 2023, FYE'23).

Pertinent aspects of the fourth draft budget include:

1. The first draft budget includes a proposed increase of \$0.75 (5.8%) to the retail service charge bringing the retail rate to \$13.75 per retail meter. The groundwater customer charge to OCWD increases by \$32,084 (9.6%) to \$367,469. These charges are calculated under the new rate structure adopted by the MWDOC Board last year.
2. The first draft has a budget total of \$194,460,964 (revenue) including Core & Choice, water sales, outside funding, and WEROC. This is an increase of 5.2%. This estimate is likely to increase pending Metropolitan's adoption of new rates. This MET rate increase will not impact the MWDOC rates.
3. The consolidated general fund budget is \$11,159,793 (revenue) with an increase of \$607,507 (5.8%).
4. The total revenue amount for the Core budget is \$9,401,841; an increase of \$486,224 (5.5%) over the current year's budget.
5. Interest revenues are budgeted with a \$74,029 reduction (33.6%) to reflect decreased returns.
6. The proposed first draft budget includes a net planned reserves contribution of \$289,685 consisting of contributions to the Election Reserve of \$300,728 and the Building Reserve of \$437,590 offset by a budgeted draw of \$448,633. This will result in the reserves being approximately \$374,529 below fully funded target levels.

<b>Budgeted (Y/N): NA</b>	Budgeted amount:	Core __	Choice __
<b>Action item amount:</b>	Line item:		
<b>Fiscal Impact (explain if unbudgeted):</b>			

7. The unfunded CALPERS liability annual payment of \$207,000 is proposed.
8. The proposed salary contribution pool is at 7.1% of salaries and wages and reflects the rate of inflation (CPI = 3.84%) and merit considerations. No COLA (Cost of Living Adjustment) is being proposed.
9. There is an increase (1.41 FTE) in the Full-time Employee staffing level (33.66 FTE) driven by an increase in Choice program staffing (1.45 FTE). The total staffing level increases by 1.31 FTE.
10. The Building Improvement expenses are reduced \$656,489 from the current budget and the carryover funds are expended in the current budget year. The Seismic Retrofit and Remodeling project will be completed in the current fiscal year. FYE'23 includes the remodel of the kitchen and breakroom and the replacement of the wooden trellis in the atrium (termite damage).
11. The Capital Acquisition expenses decrease by \$197,059 in the FYE'23 budget and the prior year carryover funds are expended in FYE'22.
12. Outside funding for Water Use Efficiency (WUE) from rebates and grants is budgeted at \$8,545,274; an increase of \$5,926,522 over this year's budget.
13. Total outside funding (WUE & Local Resource Project (LRP) sources) is budgeted to be approximately \$14,053,268. This is 143% of MWDOC's Core total expenses.
14. LRP funding is budgeted to be \$1,371,906 (33%) greater than in the previous year's budget.
15. Expenses are increased for the Core Professional Fee expenses \$47,616 (5.5%) and Outside Consulting Expense \$30,000 (7.9%).
16. Software Support & Expenses increase by \$65,813 (80%) and Computers and Equipment by \$20,500 (87%) largely related to cybersecurity actions and accelerated computer replacement.
17. Conference & Travel expenses return to pre-COVID conditions as it is anticipated that in-person meetings will be the norm again in FYE'23.
18. Similar to last year, the schedule for the budget process impacts the timing of Choice budget elections by Member Agencies. Therefore, the Choice budget estimates in the first draft budget should be considered preliminary.

Proposed new items that are not incorporated in the budget pending Committee discussion include:

- A. The SAWPA funding request of \$20,000 for the Santa Ana Watershed Weather Modification Pilot Program
- B. Capital funding of the WEROC Primary Emergency Operations Center.

The fixed Retail Meter Charge and Rate and the Ground Water Customer Charge presented in this budget are based on the rate structure approved by the MWDOC Board of Directors and implemented for FYE'22.

A reminder that memberships outlined in the Budget (Exhibit D) are approved by the Board with approval of the budget and therefore, each membership will not be brought to the Board for approval on an individual basis. Any new memberships not included in the budget will be brought to the Board for consideration.

Similar to memberships, budget approval for conferences includes Board and Staff approval for attendance at “standard conferences”. Standard conferences are those listed on Exhibits E and F and approval includes staff travel/attendance at any out of state conferences listed on Exhibits E and F. Subsequent to the budget adoption, any new, out of state conferences will be brought to the Board for consideration.

The detailed draft budget is included as Attachment A.

## **COMMITTEE RECOMMENDATION**

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Committee recommends (To be determined at Committee Meeting)

## **CHANGES FROM THE PRIOR DRAFT TO CURRENT DOCUMENT**

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This is the first draft budget. Therefore, there is no prior draft or changes.

## **MAJOR YEAR-TO-YEAR CHANGES IN THE CURRENT BUDGET**

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The budgets and rates for the last two years, FYE'21 & FYE'22, have been significantly impacted by COVID-19. FYE'21 had an actual rate reduction last year for both the Retail Meter Rate (-\$0.20/meter) and the Groundwater Customer Charge (-\$2,925). Under the prior rate structure, the FYE'22 rates would have had relative minor changes for the Retail Meter Rate (increase of \$0.40/meter (3.3%)) and the Groundwater Customer Charge (reduction of \$24,072 (4.0%)). For the proposed FYE'23 budget, COVID-19 impacts are expected to decline but inflation is a more prominent factor, particularly for salary costs.

The year-to-year (YTY) changes in the Core Operating Expenses are an increase of \$257,279 (3.0%). The addition of building and election costs and reserve expenses yields a YTY Core Total Expense increase of \$839,110 (9.3%).

- The largest Core expense is the combined cost categories for Employee, MWDOC Director and MWD Director salaries, wages and benefits with a YTY increase of \$223,092 (4.1%). These combined expense categories constitute 56.8% of the total core expense budget.
- The multi-year seismic retrofit and office remodel project will complete the planned phases in FYE'22. Building expenses are included in the FYE'23 budget for comparatively small projects and significantly lower than in recent years. The Building Reserve is replenished with a \$437,590 contribution.
- The other large core expense increases in descending order are Software Support & Expense (\$65,813), Professional Fees (\$47,616), WEROC Contribution (\$35,944), Outside Consulting Expense (\$30,000), Computers and Equipment (\$20,500), and Staff Travel & Accommodations (\$20,500).
- The Membership/Sponsorship expenses only include items previously approved by the Board of Directors.

Choice YTY expenses are largely unchanged at this early point in the budget process. The year-to-year changes in the total Choice expenses between FYE'22 and FYE'23 are an increase of \$121,283 (7.4%).

## **DETAILED REPORT**

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This committee and board item presents information and discusses the MWDOC FYE'23 budget. There is a simultaneous process being conducted to review the MWDOC Reserve Policy that was last updated in June 2017. The Metropolitan District of Southern California (MET) is also working through their budget process. MET's new rate structure may modify MWDOC's budget estimates of the value of water sales but it will not impact the proposed rates and charges in the MWDOC budget.

MWDOC's budget process normally includes three versions of draft budget with the final budget being approved at the April Board of Directors meeting. It is anticipated that the proposed changes to the rates will be approved at the same April 20<sup>th</sup> meeting. The first draft budget presents revenue figures based on the current rate structure.

The FYE'23 MWDOC Budget is developed through a transparent and iterative process. Key topics discussed below include:

1. MWDOC Budget Process & Schedule
2. Budget Principles
3. Reserves
4. Compensation Pool Guidelines
5. Budget Input from Member Agencies
6. Key Priorities & Initiatives for FYE'23
7. Core/Choice Programs
8. Water Rates and Charges
9. Proposed New Items Not Included Pending Committee Discussion

A short discussion on each item follows:

### **1. MWDOC Budget Process & Schedule**

MWDOC's budget schedule is designed to accommodate the budget and rate schedules of our Member Agencies. Under this schedule, the Year-End Projections and Conceptual Budget were discussed at the January Administration & Finance (A&F) Committee. The first draft budget is presented at the February A&F Committee meeting. The second and third draft budgets are scheduled for the March and April committee meetings. The final budget is scheduled for approval by the MWDOC Board of Directors at the April 20, 2022 Board meeting.

Similar to last year, the Choice budget elections and commitments will lag behind this proposed schedule and staff will bring back to the Board a revised Final Choice Budget in September or October 2022 to reflect the reconciliations and final program commitments of our Member Agencies. Changes in Choice programs do not impact the rates and charges passed in April for Core activities.

A budget schedule is included in Attachment A.

## 2. MWDOC Budget Principles for FYE'23

Staff continues to utilize the following Budget Principles to develop the draft budget:

- **Principle #1: Budget Investments Align with MWDOC's Priorities & Values**  
The Budget should reflect the mission and goals of MWDOC and align proposed activities with the valued benefits of the Board and our stakeholders. The budget process should be transparent and readily facilitate public review and input.
- **Principle #2: Activities Based on a County-wide Perspective**  
MWDOC's service area extends to Orange County's borders and the budgeted activities must comprehensively address issues, needs, and benefits for the entire service area and our regional involvement in the service area and operations of the Metropolitan Water District of Southern California (MET).
- **Principle #3: Efficient Program Design & Performance**  
The budgeted programs must consider complementary and cooperative designs to maximize benefits from other regional and local water resource programs to maximize value.
- **Principle #4: Full Cost Recovery**  
The budget will be developed so as to support full cost recovery of all expenses via the rates and charges without the unplanned use of reserves.
- **Principle #5: Compliance with Administrative Code**  
The proposed budget and budget process should fully comply with applicable sections of the MWDOC Administrative Code.

FYE'23 Goals and objectives for the eight MWDOC departments (Cost Centers) are included as Attachment D. It is anticipated that these goals and the associated funding levels will be discussed at MWDOC committee meetings. The input from these public meetings are incorporated into future budget drafts.

## 3. Projected Year-End Reserve Fund Balances, Reserve Targets, and Budget Goals

One goal of the budget process is the early identification of Reserve Fund impacts. A parallel process is being conducted to review the current MWDOC reserve policy which was adopted by the MWDOC Board of Directors in June 2017.

A stepwise process is utilized to update the target reserve amounts, project expected reserve amounts at the end of the fiscal year, and then determine whether the budget should add to or draw from the reserves to achieve the targets.

### Reserve Targets

Table A summarizes the initial step of updating the reserve target for the FYE'23 budget.

<b>TABLE A: Year-to-Year Reserve Target Adjustment</b>			
<b>Designated Reserves</b>	<b>FYE'22 Target Reserve</b>	<b>Adjustment Factor</b>	<b>FYE'23 Target Reserve</b>
General Operations	\$ 3,727,775	# Days Cash	\$ 3,751,085
Grant & Project Cash Flow	1,500,000		1,500,000
Building Reserve	435,648	# Days Cash	437,590
Election Reserve	362,406	Cycle	762,406
OPEB Reserve est. 9/2018	297,147	Actuarial	297,147
<b>TOTALS</b>	<b>\$ 6,322,976</b>		<b>\$ 6,748,228</b>

The first column of Table A lists MWDOC's specific designated reserve accounts as established in the Administrative Code and the second column lists the reserve account targets from the FYE'22 approved budget. An annual adjustment is made to each account to calculate the new target for the upcoming budget (FYE'23).

General Operations and Grant & Project Cash Flow: The reserve targets for these two accounts are pooled under the reserve policy. The combined total target reserve is set at 180 days cash. The calculation is the Operating Budget divided by 365 days per year multiplied by 180 days. Therefore, the annual reserve target fluctuates with the previous year's operating budget.

Building Reserve: The target reserve is set at 15 days cash and is calculated in a similar fashion (Operating Budget divided by 365 days per year multiplied by 15 days).

Election Reserve: The district needs to be prepared to fund seven director elections every four years. The election cycle has either three or four directors coming up for election every two years. In order to smooth the rate impacts of the election cycles, the funding of the Election Reserve is set at one fourth of the total potential election cost for seven directors at the unit cost of the last election. The calculation is cost of last single director election multiplied by seven directors divided by four years. The calculation is corrected for elections where a director does not have an opponent and no election costs are incurred. The cost per election has been rising over the last few cycles.

OPEB Reserve: The OPEB Reserve was established in 2018 as part of the mechanism to fund "Other Post-Employment Benefits" in combination with a trust account. Actions regarding the reserve target are taken after review of the biennial actuarial report on the OPEB liability and assets. This budget is in the off-year for the actuarial report.

The calculation for the FYE'23 budget indicates that the designated reserve targets increase by \$425,252 to a total of \$6,748,228. The increase in the Election Reserve target is \$400,000 (94%) of the total target increase.

## Reserve Balances

Table B summarizes the information on current and projected reserve balances.

<b>TABLE B: Current &amp; Projected Reserve Balances</b>			
<b>Designated Reserves</b>	<b>FYE'22 Beginning Reserve Balances</b>	<b>FYE'22 Projected Year End Reclass to Reserves</b>	<b>FYE'22 Projected Ending Reserve Balances</b>
General Operations	\$ 3,738,505	\$ 12,580	\$ 3,751,085
Grant & Project Cash Flow	1,500,000	-	1,500,000
Building Reserve	436,542	(436,542)	-
Election Reserve	461,678	74,104	535,782
OPEB Reserve est. 9/2018	297,147	-	297,147
<b>TOTALS</b>	<b>\$ 6,433,872</b>	<b>\$ (349,858)</b>	<b>\$ 6,084,014</b>

FYE'22 Beginning Reserve Balances: The beginning year balances originate from MWDOC's FYE '21 reserve amounts as modified by the actual revenues and expenses from that year. The reported balances are reviewed in the annual financial audit and then brought forward as the beginning reserve balances for the following fiscal year (FYE'22).

FYE'22 Projected Year End Reclass to Reserves: Based on the year end projections from the current budget process a determination is made as the anticipated draw from or addition to the beginning reserves. The current projections are that the total reserves will have a draw (reduction) of \$349,963 which was allocated between the General Operations and Building Reserve reserves.

FYE'22 Projected Ending Reserve Balances: The projected reserve balance is the sum of the previous two columns.

Table B indicates that the reserve balances are projected to decrease by \$349,858 during FYE'22 to a total of \$6,084,014.

## Budget Reserve Funding Goal

The stated goals of the MWDOC Board of Directors include having the reserves fully funded and that the budget should be balanced relative to meeting those reserve targets. Table C summarizes information relative to funding requirements to meet these goals.

<b>TABLE C: FYE'23 Budget Reserve Funding Goal</b>			
<b>Designated Reserves</b>	<b>FYE'23 Target Reserve</b>	<b>FYE'22 Projected Ending Reserve Balances</b>	<b>FYE'23 Budget Reserve Funding Goal</b>
General Operations	\$ 3,751,085	\$ 3,751,085	\$ -
Grant & Project Cash Flow	1,500,000	1,500,000	-
Building Reserve	437,590	-	437,590
Election Reserve	762,406	535,782	226,624
OPEB Reserve est. 9/2018	297,147	297,147	-
<b>TOTALS</b>	<b>\$ 6,748,228</b>	<b>\$ 6,084,014</b>	<b>\$ 664,214</b>

FYE'23 Target Reserve: From Table A

FYE'22 Projected Ending Reserve Balances: From Table B

FYE'23 Budget Reserve Funding Goal: The amount of funding the proposed budget should generate to either increase or decrease the reserves to reach the target reserve levels.

Table C indicates that the FYE'23 budget should generate enough funds to contribute \$664,214 to the designated reserves in order to fully fund the reserve target levels.

### FYE'23 Budget Reserve Circumstances

As noted above, some of MWDOC's reserve targets are based on a "Number of Days Cash" basis and therefore change in proportion to the budget. The Building Seismic Retrofit and Remodeling Project expenses have been relatively large in magnitude and will be non-recurring in nature for MWDOC. We anticipate the budget growth and therefore the reserve targets growth to moderate in future budget cycles. Therefore, the FYE'23 budget does not plan to fully fund the reserves to the full target levels but is designed to reach the anticipated target level over two years and thereby smooth rate impacts.

Normally, the goal for rate setting in the FYE'23 budget would be to have a budget surplus of \$664,214 to fully fund the reserves. The first draft budget includes contributions to the Building Reserve of \$437,590 and the Election Reserve of \$300,728. These contributions



are partially offset by the planned draw from reserves of \$448,633 resulting in a net reserve contribution of \$289,685. This leaves an unfunded amount of \$374,529 necessary to fully fund the FYE'23 reserve target.

#### **4. Compensation Pool Guidelines**

MWDOC's compensation system includes both job classification-specific salary ranges and person-specific salaries. Annual modifications to both are implemented under different but inter-related practices. A common goal of both practices is to maintain competitive and appropriate salaries and benefits within the Southern California market.

##### Job Classification Salary Ranges.

MWDOC annually adjusts our salary ranges by the local Consumer Price Index (CPI) for the previous calendar year. The 2021 CPI for the LA/Long Beach/Anaheim area was 3.84%. This is 134% higher than the 2020 number. The CPI of 3.84% falls into MWDOC's moderate inflation range. Every three years MWDOC contracts for a Comprehensive Baseline Survey that reviews our job classifications with similar agencies and job functions. This Benchmark Survey was conducted last fiscal year, appropriate changes were incorporated in the FYE'22 budget and the budget impacts were minor. In general, MWDOC has found limited salary range corrections to be necessary and that the CPI adjustment process performs well. Therefore, we will continue the CPI-based salary range adjustment for FYE'23.

##### Employee-Specific Salaries

MWDOC does not have a Cost of Living Adjustment (COLA) and a COLA is not included or proposed in this budget. As part of the budget process, MWDOC establishes a Compensation Pool that facilitates employee salary increases allocated solely on merit. MWDOC conducts an annual direct labor market survey as part of the budget process and most of the water agencies in the survey have both defined merit and COLA components to their annual salary increases. The functional difference is that while both approaches cover both merit and inflation, other agencies will guarantee a COLA pay increase to all employees, while MWDOC employees are at risk of no salary increase depending upon their performance.

There is an objective comparison as to how well MWDOC's salary system has been performing relative to the market. As noted above, MWDOC's salary ranges have been generally tracking the labor market conditions. In addition, MWDOC salaries have largely maintained a mid-range position with predominately only long-tenured employees bumping up against the range ceiling for their position.

The MWDOC annual survey of approximately 20 water utilities is utilized as a comparison of proposed salary increases. As is usual for the first draft budget, this comparative information is not yet available from the other utilities but will be provided in later drafts.

MWDOC utilizes a system of CPI based formulas to calculate the proposed Compensation Pool. An analysis of 10-year compensation increases and CPI data was conducted to quantify the past practices that had successfully maintained MWDOC's salaries both competitive and within job classification ranges. The result was a system of four CPI ranges with associated Compensation Pool formulas as summarized below.

<b>COMPENSATION POOL CPI RANGES &amp; FORMULAS</b>		
<b>Category</b>	<b>CPI Range</b>	<b>Formula</b>
Negative	< 0%	2% + (CPI x 0.5)
Low	0% to 2.4%	2% + CPI
Moderate	2.4% to 4.7%	CPI x 1.85
High	> 4.7%	4% + CPI

The 2021 annual CPI was 3.84% for the region which is in the 2.4% to 4.7% “moderate inflation” effective range. Applying the CPI x 1.85 moderate inflation range formula to the 3.84% CPI yields a compensation pool of 7.10% which was used to calculate the employee salary expense increase in the first draft budget.

The Director per diem adjustment is determined by the lesser of the employee increase or 5.0%. The Board has not determined what increase if any they will adopt for FYE’23 and therefore no increase was included at this point of the budget process.

## **5. Budget Input from Member Agencies**

In November 2021, MWDOC sent a letter to all of its member agencies informing them of the start of the MWDOC FY 2021-22 Budget Process, and invited their formal participation in the process which can include suggestions of activities and general comments. The FYE’22 budget year-end projections and the conceptual FYE’23 budget were discussed at the January 2022 Administration & Finance Committee meeting as well as the January 2022 MWDOC Agencies Managers Meeting. Comment and request letters on the draft budget are included in Attachment C.

Only one comment letter has been received from a MWDOC Member Agency and it deals with the MWDOC reserve policy. General Manager Markus of OCWD requested additional information on the reserve calculation, that the MWDOC Board engage in discussions regarding the reserve policy, and that the MWDOC reserves remain at current levels until such discussions take place.

The reserve section of the first draft budget has been modified so as to clarify the target and funding process. The foundation of the current MWDOC reserve policy is the June 2010 reserve account categories established by the MWDOC Board and the 2011 settlement agreement between MWDOC and its Member Agencies. That reserve targets and adjustment procedures from the five-year settlement agreement were modified during that period to address specific conditions and were publicly discussed at committee and board meetings. A third party review of the reserve policy was conducted in 2017 and the recommendations were adopted by the MWDOC Board following public discussions. These discussions have continued since then with particular focus during the budget process. The MWDOC reserve policy is currently being reviewed again and the recommendations of that study will be presented and publicly discussed. The reserve policy issue was also specifically included in the interview questions for the Member Agency Facilitated Discussion Project currently underway and every Member Agency was invited to present their views.

## 6. Key Priorities & Initiatives for FYE '2023

### MWDOC's MISSION

To provide reliable, high quality supplies from MWD and other sources to meet present and future needs, at an equitable and economical cost and to promote water use efficiency for all of Orange County

MWDOC was formed in 1951 to serve the majority of Orange County as its MET member agency representative and make imported water available within Orange County. This remains MWDOC's primary purpose. Although this purpose has taken various forms and has evolved over the decades, the emphasis continues to be MET representation and advocacy on behalf of the retail water districts, to provide water reliability, and to provide value to the residents and ratepayers in Orange County. All functions included in the annual budget address components of MWDOC's mission

MWDOC's key priorities and initiatives are discussed for the following major departments and cost centers:

- Reliability Planning & Engineering (Cost Center 21)
- Metropolitan (MET) Issues & Water Policy (Cost Center 23)
- Water Use Efficiency (WUE) (Cost Centers 35, 62 & 70)
- Water Emergency Response (WEROC) (Cost Center 25)
- Communication/Public Affairs (Cost Center 32 & 63)
- Government Affairs Department (Cost Center 31)
- Administration Department (Cost Centers 11, 12, 13, & 19)
- Finance & Information Technology (Cost Centers 41 & 45)

While MWDOC is organized into several functional departments or cost centers, operationally, there is significant internal support and cooperation on the different tasks of our mission. For example, a critical issue like the Delta Conveyance Project will involve Reliability Planning & Engineering, MET Issues, Government Affairs, Public Affairs, the Board of Directors and Administrative Support.

It should be clear from the following discussion that many of the issues are not addressed in departmental silos but are shared responsibilities under various departments in carrying out MWDOC's overarching mission.

### Reliability Planning and Engineering (Cost Center 21)

The Reliability Planning and Engineering (Engineering) Department efforts are varied and aimed at helping MWDOC member agencies navigate and understand the implications of long-term supply and emergency planning as well as the numerous intricacies involved in coordinating with MET to provide imported water (e.g., service connections, metering of

water, pipeline operations, water quality, etc.). Engineering Department activities tie directly back to MWDOC's Mission Statement. Engineering activities include:

- shutdown planning,
- coordination of operations and maintenance activities and responsibilities of various regional pipelines in Orange County,
- identification and resolution of water quality issues in the regional distribution system, and
- analysis and planning for Orange County water reliability,
- coordination of MET's pipeline relining program (particularly the AMP),
- developing the ability and protocols to allow for pumping of local water supplies into the East Orange County Feeder #2 pipeline (EOCF#2),
- work on integration aspects of potential, future local water supply projects into the regional water distribution system including Poseidon, Doheny and San Juan Watershed projects.

The Engineering Department also provides internal support to other MWDOC departments; most notably Administration and WEROC by providing project management for MWDOC's office building and EOC improvements. Support is also provided to MET Issues and Water Policy Department as many MET issues overlap between the two departments in covering MET activities and their implications to MWDOC member agencies.

Areas of overlap with MET Issues and Water Policy include:

- analysis of various reliability improvement projects and MET initiatives including the MET Regional Recycled Water Program (Carson Project),
- MET's Local Resources Program (LRP),
- water quality issues in the regional distribution system that may impact MWDOC member agencies,
- MET emergency storage planning,
- emergency use of MET pipelines in circumstances when MET is unable to supply water,
- MET's Water Supply Allocation Plan (WSAP),
- MET System Resiliency Study,
- MET's Integrated Resources Plan (IRP),
- MET rates,
- Coordination with OCWD in examining opportunities to refill the groundwater basin.

### **Regional Water Reliability and OC Water Reliability Studies**

The completion of the OC Water Reliability Study in 2016, which comprehensively evaluated the then current and future water supply and system reliability for all of Orange County, established much of the analysis methodology for supply and system reliability planning in Orange County. As conditions continued to evolve, and understanding of climate and ecosystem changes improved, an updated Study was completed in 2018.

Now in FYE'22 and FYE'23, efforts to further enhance the OC Water Reliability Study continue through updates to water demand forecasts and additional analysis of the economic impacts of drought reductions and catastrophic disruptions (earthquakes) to Orange County's water supplies. Efforts to mitigate these impacts require that Orange

County have a credible estimate of the value of water supply reliability to avoid over-investing or under-investing in water supply projects. This additional economic benefits analysis, currently underway, includes quantification of the impacts these circumstances may have on the economy for both residents and businesses.

### **FYE'23 Priorities**

#### **Emergency Use of East OC Feeder #2**

Complete the necessary water quality impact analyses and develop an operating strategy to put local water supplies into the MET system consistent with MET Administrative Code 4519 - Emergency Deliveries of Member Agency Water Supplies in Metropolitan's System. MWDOC has volunteered to be the first 'test case' for the recent policy to allow emergency use of MET pipelines. A detailed work plan for a pilot project has been developed with MET this year. It is anticipated that this technical demonstration project and the associated development of legal agreements will require substantial effort in FYE'23. This is likely a 2-3 year effort

#### **MET Shutdown Planning**

Continue to coordinate a number of shutdowns this year and to continue work on phasing of the Allen McColloch Pipeline Prestressed Concrete Cylinder Pipe (PCCP) Rehabilitation Program.

- Diemer Shutdown – 7-day plant shutdown to repair a chlorine diffuser pipe – Rescheduled from Feb 2022 but in active discussion as to alternate schedules
- OC Feeder & OC Feeder Extension
- Continue AMP Shutdown Working Group meetings

#### **Reliability Study and Demand Forecast Update**

Periodic updates of the OC Water Reliability Study are anticipated as new information becomes available regarding changing conditions and projects. MET is completing the update of its IRP. Information from Economic Studies and the MET IRP will be included in this update.

#### **GIS – Member Agency and Division Boundary Refinement**

Work with LAFCO, CDR, and member agencies to clear up legacy boundary discrepancies. GIS capabilities have greatly improved and both legal and service area boundaries are in need of refinement. Goal is a common basis for legal and service area boundaries going forward.

#### **Primary WEROC EOC Project**

- Support WEROC through completion of design phase of a new Primary EOC building. Notice to Proceed with design issued Nov 23, 2021.
  - 30% Design and Cost Estimate anticipated in March 2022.
- Completion of design and cost estimate anticipated in September 2022.

#### **Breakroom/Kitchen & Atrium Trellis Construction Projects**

Provide Project Management support to HR & Administration Department for remodel of the Breakroom/Kitchen and the repair or replacement of the atrium trellis due to termite damage.

### **Metropolitan (MET) Issues and Water Policy (Cost Center 23)**

The Metropolitan (MET) Issues and Water Policy Department leads the District on MET issues and policy, as well as water supply and demand program coordination and analysis. Over the years, this department of four full time employees (FTE) has also become the primary clearinghouse on local, regional, state, and federal water policy issues. It ensures all key policy issues are analyzed and thoroughly evaluated for the MWDOC Board of Directors, our MWDOC-MET Delegation and our member agencies. As it relates to MET issues, the Department represents and advocates for Orange County on local resource projects and programs, water costs and rates, regional storage, water supply reliability management, demand management programs, water use efficiency programs, and water policy implementation. The Department also provides analysis and advocacy for Orange County on water policy issues that extend beyond the scope of MET. Broader water policy issues covered include the State-wide water conservation regulations (such as the “stress-test”), progress and development of the Delta Conveyance Project, the development of additional regional and local resource projects, and the effects of Colorado River demand management measures.

Department routine functions include:

- Support for the MWDOC-MET Delegation in promoting Orange County objectives;
- To act as the District’s liaison for MET information and water policy issues;
- Collaboration with MET staff on the development and management of programs and policies;
- Collaboration with other fellow MET member agencies on MET water policy issues;
- Support and advocate on behalf of our member agencies for issues such as Local Resources Program (LRP) applications and certifications, shutdown coordination, and MET water use programs (e.g., Coastal Pumping and Transfer Program);
- Coordination and monitoring of water supply management projects and programs such as replenishment deliveries (e.g., Conjunctive Use Program (CUP) and In-lieu programs) and MET & MWDOC’s Water Supply Allocation Plan for times of drought;
- Development of countywide water supply and demand projections;
- Development of Water Reliability Studies and Reports (e.g., Urban Water Management Plan and water shortage contingency “Stress-Tests”);
- Assessment and calculation of MWDOC’s annual water rates and charges (e.g., Readiness to Serve, Capacity Charge, and Groundwater Service Charge).

In addition, the Department also provides internal support to other departments, such as water policy and water management review on legislative matters, water use efficiency rules and regulations, and public outreach efforts. The Department also provides critical involvement with WEROC in relation to MET and MWDOC member agency’s emergency planning and operations. The Department plays an essential role at both the WEROC Emergency Operation Center (EOC) and as liaisons at the County’s Operational Area (OA) emergency operation center to aid in County water and wastewater representation during a disaster.

## **FYE'23 Priorities**

### **Metropolitan's Business Model and Long Term Financial Planning**

As part of the General Manager's Strategic Priorities and the Post IRP Implementation Plan, Metropolitan will engage in reviewing its Business Model ("pay for performance") and its Long Term Financial Plan. This analysis will include its impacts to Metropolitan's future Rates and Charges as well as assess whether modifications to Metropolitan's rate structure are needed. In addition, there will be Cost of Service Assessment on Metropolitan's Regional Recycling Water Project's full-scale operation and financial configuration. The MWDOC staff will fully engage in this process.

### **MET's Post-Integrated Resource Planning (Phase 2) Implementation Plan and Adaptive Management Plan**

With the expected Metropolitan Board adoption of the 2020 IRP Regional Needs Assessment Report (Phase I) in March 2022, Metropolitan will begin a collaborative IRP implementation phase and adaptive management plan to identify specific actions informed by the needs assessment findings. This phase seeks to bring together imported and local supplies, storage, and demand management plans & activities into one strategic approach. It also expects to monitor core supply conditions, drivers of changes (i.e. population growth, water demands, economic conditions, etc.) as well as track the performance of MET's policies, actions, and programs through a set of metrics to assess whether future actions need to adapt.

MWDOC staff goals include:

- Ensure the outcome of these Post-IRP Plans promote a balance reliability portfolio of core water supply development, storage enhancement, local supply development and water use efficiency.
- Encourage a clear and efficient implementation strategies to achieve MET's 2020 IRP reliability goals (For example, clear understandable IRP metrics that guide the Board in policy discussions).
- Seek input from the MWDOC Board, MET Directors and member agencies on the development of these Post-IRP implementation plans.

### **Colorado River Issues**

The Department of the Interior declared the first-ever Colorado River Basin water shortage for 2022. The Level 1 Shortage Condition at Lake Mead underscored the value of the collaborative agreements we have in place with the seven basin states, Tribes, water users and Mexico in the management of water in the Colorado River Basin.

MET will also startup of discussions on the Colorado River Lower Basin's new interim guidelines. These new guidelines need to be agreed upon by 2026.

MWDOC staff goals are to:

- Monitor Drought Contingency Plan shortage reductions and water saving contributions.

- Monitor and attend key meetings and discussions on the Colorado River new interim guidelines.
- Advocate for suitable Colorado River salinity control measures and actions
- Encourage and advocate that MET maintains accessibility and reliability of its core Colorado River supplies, as forecasted in its 2020 IRP.
- Support MET in having access to its ICS storage during all hydrologic conditions on the Colorado River.

### **SWP Delta Conveyance & Infrastructure Improvement Activities**

Completion of the Environmental work, preferred alignment and Record of Decision (ROD) on the Delta Conveyance Project is in-progress. Draft environmental planning documents planned for public release and review in mid-2022. Then activity will begin on which SWP contractors are willing to financially participate in the Project. In addition, MET is currently engaged with the State and other water agencies in further expansion and investments in surface storage projects and groundwater water banking program along the California Aqueduct. As well as, make significant capital improvement investments in the SWP dependent areas of the MET system for operational flexibility.

MWDOC staff goals are to:

- Financially analyze the cost/benefit of MET's participation in the DCP, as well as its cost impact to MWDOC and the member agencies.
- Encourage MET's engagement and investment in further access to storage, in particular its involvement with Sites Reservoir.
- Advocate for MET staff to start renegotiate its current storage and banking programs along the SWP to improve its "take" capacity.
- Support the prioritization of improving the operational flexibility of the SWP dependent areas of the MET system to ensure a balance reliability to all member agencies.

### **Regional Recycled Water Project (RRWP) in Carson**

In partnership with the Sanitation Districts of LA County, MET is developing Regional Recycled Water Project (RRWP) that will purify up to 150 MGD of recycled water to be delivered to groundwater basins and industrial sites throughout the west and central part of LA County as well as Orange County; with the potential to be delivered to two MET treatment Plants (as Direct Potable Reuse, DPR). Prior to full scale Board approval, MET will conduct a Cost of Service Assessment to analyze the project's cost as well as how it will be configured in its rate structure.

MWDOC staff goals are to:

- Advocated & supported the preparation of environmental documentation and technical studies for the program.
- Ensure the option remains available for Orange County to ultimately receive water from the RRWP; either directly or indirectly.
- Evaluate and analyze the project's full-scale operational and financial configuration once it presented to the Board for consideration.



- Support the financial partnerships of Southern Nevada Water Authority (SNWA) and the Central Arizona Project (CAP) in the program, including a potentially water exchange program.

### **Metropolitan’s Drought Resilience & Planning**

As a result of the critically low SWP “Table A” allocations and low levels in Lake Mead these past years, MET plans to review and update their Water Surplus and Drought Management (WSDM) Plan. Changes can include the prioritization of “put and take” of MET storage, the location of storage and other water management actions under surplus and drought conditions. In addition, MET plans to prepare a Severe Drought Assessment that will include three consecutive low SWP “Table A” allocations.

MWDOC staff goals are to:

- Engage in the analysis of modification to MET’s WSDM Plan. The WSDM Plan was last updated in 1999.
- Ensure proper signals that result in fair and equitable distribution of water to the MET service area during times of drought allocation and system constraints.
- Promote a balance distribution of “put and take” supplies to ensure a regional reliability and operational flexibility.

### **Water Use Efficiency (WUE) Department (Cost Centers 35, 62 & 70)**

The Water Use Efficiency Department consists of both Core and Choice budgets and focuses primarily on two programs: Water Use Efficiency Program and Water Loss Control Shared Services Program. Both programs benefit from the Metropolitan Water District of Southern California’s Conservation Credits Program; a program that provides financial incentives to member agencies to implement water use efficiency programs. This funding is focused on programs that provide the broadest benefits throughout the service area and enhance developing long-term programs such as water loss control. Outside funding for WUE programs was budgeted at \$2,618,752 for FYE’22 but is projected to increase to \$8,307,490. The FYE’23 outside funding budget is \$8,545,274. This exceptional increase in funding is associated with rebates (MET + local matching funds) and increased BOR grant funding.

Water Use Efficiency mandates continue to evolve from the 20% by 2020 framework adopted in 2009 to the new efficiency standards-based approach. Providing the technical and policy expertise and program support along with securing funds for water use efficiency efforts is a priority for MWDOC. MWDOC has been providing this function since 1991. In partnership with our member agencies, MWDOC and MET will continue to implement a comprehensive portfolio of water use efficiency programs that include incentives and educational programs to all customer sectors. Emphasis will be on landscape water saving opportunities as irrigation accounts for approximately 50% of urban water use in Orange County. MWDOC will maximize access to Conservation Credits Program funding from MET and grant funding from the California Department of Water Resources (DWR) and US Bureau of Reclamation (BOR). Areas of focus include:

- Staff will continue to provide legislative and regulatory process leadership. California’s new Long Term Water Use efficiency framework will require significant

research to better understand and inform stakeholders and policy makers as the final standard setting occurs. This research may be focused locally or through partnerships beyond Orange County such as the California Water Efficiency Partnership and Alliance for Water Efficiency. Also, it is anticipated that new legislative proposals will be introduced. Staff will actively work to shape proposals in a way that benefits our member agencies.

- Metropolitan WUE policy development will be a main focus for the department especially in helping to prepare agencies for compliance with new state mandates. Staff will advocate for Program refinements at MET that ensure Orange County program needs are met and continue to evolve.
- Staff will participate in the update or establishment of device, appliance or fixture water use standards contained in the Cal Green Plumbing Code, Public Utilities Commission, and EPA WaterSense Program.
- MWDOC will continue to promote the Water Savings Incentive and Recycled Water Retrofit Programs including the addition of supplemental grant funding whenever available.
- MWDOC will continue to use the Droplet rebate administration platform for both Turf Removal and Spray-to-Drip rebate processing including electronic signatures.
- Staff will provide Landscape Design and Maintenance Assistance for rebate program participants.
- Staff will provide leadership for the California Water Efficiency Partnership Board and committees.
- MWDOC will work to secure program funding from outside sources.

### **Water Loss Control Shared Services**

Since 2016, MWDOC has been coordinating a water loss control program for our Member Agencies. This program has moved beyond water loss technical assistance such as audits into shared services field activities including meter testing and distribution system leak detection. Orange County is now a state leader in terms of experience and data. This has allowed MWDOC to provide hard data to state regulatory agencies to influence developing regulations. MWDOC's expertise has also been beneficial in workgroups addressing the numerous water use efficiency legislative and regulatory proposals. Implementation of Water Loss Control Shared Services per the business plan adopted by the Board in December 2018 will continue and expand. These services will be provided through a combination of Core services currently funded by MWDOC and Choice services funded by participating agencies. Core services that are currently funded by MWDOC include Water Balance Validation, Leak Detection Equipment lending, and state-wide water loss policy monitoring and development. The Choice Shared Services will include Meter Accuracy Testing, Distribution System Leak Detection, Distribution System Pressure Surveys and Distribution System Flushing. These Choice services will be provided by the combination of increased field staff and contracted services.

Looking toward the next 3 – 5 years, staff anticipates continued focus on three main areas. These include Member Agency compliance assistance with the new water use efficiency mandates, implementation of water loss control shared services and technical assistance programs, and legislative and regulatory process leadership.

## **Water Emergency Response (WEROC) (Cost Center 25)**

MWDOC provides the administrative umbrella for the Water Emergency Response Organization of Orange County (WEROC). The services and support provided by WEROC are intended to be an extension of Member Agency staffing in their preparedness efforts, and a resource during emergencies to ensure representation and recovery. WEROC staff works with its member agencies on emergency plans and standard operating procedure development and review; state and federal required trainings for grant eligibility and disaster readiness; disaster exercise development; grant identification and application; and response and recovery coordination. WEROC also maintains two emergency operation centers, its own response plans, and trained staff. In providing these services, WEROC continues to be a strong leader for regional water and wastewater emergency coordination and response.

The WEROC program provided major COVID-19 support function in FYE'21 and '22; all the while continuing to move projects forward while supporting water and wastewater agencies. WEROC staff continues to develop and provide the resources, tools, and trainings targeted at enhancing Member Agency preparedness and resilience.

### **Some of WEROC's Key Initiatives for FYE'23**

#### **Enhance Response Readiness**

Maintain WEROC and OC water and wastewater agencies in a state of readiness to respond to emergency situations. This priority is the foundation to build upon agency resiliency and is on-going. One major component is the implementation of the WEROC Assessment Report action items focusing on key aspects including training, exercises, and updating emergency plans as part of the revision and review schedule in coordination with member agencies.

#### **WEROC Emergency Operation Center Phase 2**

- Continue to seek funding from other mechanisms such as grants or appropriation requests.
- Once Design & Engineering (D&E) and Costs Analysis is completed, present to the MWDOC Member agencies and MWDOC Board of Directors.
- Approval D&E and Cost Analysis for this project to move forward.

#### **Cyber Security**

Implementation and training on the Regional Cyber Security Coordination Annex as part the WEROC EOP.

- Train agencies on the plan
- Conduct one regional workshop/tabletop on the plan specific
- Continue quarterly Cyber Security Working Group meetings.

#### **Planning and Operational Procedures**

Update and revision of WEROC Hazard or Functional Specific Annexes or Standard Operating Procedures in line with the WEROC revision schedule including Communications, Drought, Earthquake, and Tsunami.

### **Finish Development and Implementation of the Logistics Plan**

The Logistics Plan will incorporate how personnel, supplies, and equipment are requested, procured, tracked, and supported within the WEROC Organization.

### **Training & Test Exercises**

Maintain the training and test exercise programs to improve the state of readiness, capabilities and resiliency of member agencies by Increase training on basic emergency management.

### **Points of Distribution (PODS) – Commodities**

Work with the County, water and wastewater agencies by region to establish the responsibilities, process and procedures for Points of Distribution (PODS) for water, and other supplies to residents and businesses.

### **Communication - Public Affairs Department (Cost Centers 32 & 63)**

The MWDOC Public Affairs Department's (Department) charge is to elevate public awareness about critical water issues, showcase the District's activities and programs, and continue to provide opportunities and resources that offer significant value to the region. While the purpose is multifold, the priority is District transparency. The last decade has seen a dramatic shift in the way people receive information. In a world where truth is sacrificed or, in some cases, neglected to win the race of who publishes first, regardless of accuracy, content is available at lightning speed. Today, anyone, no matter their experience or expertise, can disseminate information to the public. With the public's trust of government and the media arguably at an all-time low, water providers are under pressure to prove themselves relevant, trustworthy, and necessary. We continue to garner public trust by communicating value to stakeholders using a wider variety of tools and channels to meet them where they are – online, at community events, in schools, on social media, and through an array of partnerships.

Establishing and maintaining credibility and creating confidence in the District's decisions, expertise, and offerings continue through MWDOC's outreach efforts. Additional support comes from award-winning recognition by reputable local and international organizations for outstanding programs and communications activities. Creating a memorable, meaningful impression with stakeholders and others establishes the trust and credibility needed to place MWDOC in a visible leadership position as the go-to voice for Orange County water.

Over the past few years, the Department has invested significant time, talent, and resources to build and enhance MWDOC's communications tools and programs. A reputable online presence has been established and supported through the District's website and social media platforms. The Department will evaluate the various essential tools, materials, and communications channels currently used and identify gaps or areas for improvement. The annual social media audit, new website auditing tool results, Search Engine Optimization (SEO) effort, along with recommendations provided by current contractors, will drive the progress or shifts needed in these areas.

## **Key Initiatives for Public Affairs 21/22**

### **Imported Water: Delta Conveyance Project & Colorado River Aqueduct**

MWDOC will continue the programs designed to educate stakeholders on the importance of reliable deliveries from the State Water Project and the Colorado River. This is a multi-faceted approach which includes social media, videos, the speakers bureau, and the Water Policy Forum. Priority target audiences will include Orange County elected officials, business leaders and organizations. This work will dovetail with the efforts of Government Affairs. In addition to the agreement negotiation and supply issues for the Colorado River information will also include salinity considerations.

### **Strengthen MWDOC Speakers Bureau**

As organizations begin to return to face-to-face meetings, Public Affairs is ready to strengthen and expand the MWDOC Speakers Bureau.

Presentations on various topics will be formalized, added to the Department event calendar, and incorporated into the Communications Program & Plan. These presentations will be available for the Board of Directors and staff for (virtual and in-person) presentations to be made to various target audiences.

The Speakers Bureau may also serve as the area for developing components for a future Orange County Water Academy for more comprehensive public programs.

### **Website Refresh**

MWDOC's "new" website is now five-years old and is scheduled for a refresh. This is a significant updating but short of a major overhaul to include content and performance improvements.

### **Public Sentiment Analysis for Orange County (Survey)**

Public Affairs plans to utilize FlashVote to perform scientific surveys with targeted audiences to gauge public sentiment regarding water issues. The information and data will be critical to MWDOC and our Member Agencies as we advance reliability issues and address public concerns.

### **Education**

For FYE'23, the Department will invest time and resources towards advancing the District's water education initiatives and implementing environmental literacy – an education strategy that uses the local environment as the context for learning. By guiding students towards a deeper understanding of how social, economic, and civic decisions affect the water resources Orange County depends on, sound investments in water infrastructure, resource planning, and good water stewardship will make more sense now and far into adulthood.

The Department will examine, evaluate, and amend all District outreach programs and activities that target MWDOC's youngest water users. These programs include the K-12 Choice School Programs, Scouts programs, Water Energy Education Alliance, community events, partnerships, and post-secondary education efforts. MWDOC and education

partners such as the Orange County Department of Education, the State Education and Environment Roundtable, and others will reintroduce the environmental literacy rollout plan initially proposed in FYE'21. The rollout, whose initial execution was impeded by COVID-19, includes formal instruction and materials for MWDOC Choice School Program contractors and select Orange County teachers and administrators.

The Water Energy Education Alliance (WEEA) has proven to be an extremely successful endeavor, supported by nearly 60 organizations across the State. These organizations are made up of water, energy, and education leaders working to build and strengthen workforce pathways for high school students in the Energy, Environment, and Utility Sectors (EEU). While this effort reinforces work being done across Southern California, Orange County is a notable beneficiary. New, commanding education and business connections have been made, and working groups are being formed and led through WEEA that are advancing workforce pathways for MWDOC and its 28 member agencies. Additional work is being done to implement environmental literacy guidelines into Career Technical Education programs at the state level, further securing the need and appreciation for water education in high schools.

MWDOC will continue to promote participation in the Wyland National Mayor's Challenge for Water Conservation. However, to reinforce the new direction of the MWDOC education programs, the incentive will shift from community city park to school project opportunity. This will include a new initiative linking schools, organizations and artists for public display programs.

Finally, the Department will identify opportunities through these partnerships and others that not only support and advance the goals and mission of the District but also provide value to the region.

### **Water Policy Forums/Dinners**

One of MWDOC's hallmark programs, Water Policy Dinners, will also be evaluated and refined. Maximizing relationships with entities such as OCBC, ACC-OC, local chambers, and others, the Department looks to increase event attendance by promoting a specific schedule and speakers/topics planned for the entire fiscal year. With a set schedule and speakers, attendees can calendar accordingly, and staff will be able to plan logistics, promotions, and secure appropriate speakers. This initially was a priority for the previous fiscal year, however, like most everything else, COVID-19 forced a transition to Virtual Water Policy Forums. The Department looks to establish a partnership with another venue to host the more formal dinners when social distance mandates are lifted.

### **Governmental Affairs Department (Cost Center 31)**

Governmental Affairs continues to work at the local, state and national levels with our Member Agencies, regional partners (three cities, Metropolitan, MET Member Agencies), organizations, delegations, regulatory agencies and bureaus to advance Orange County's agenda. Central to this effort are policy, legislative and regulatory developments and opportunities.

The department will rely on our local, state, and federal advocates to track, monitor and assist in education outreach on these issues. In addition, our Grants Program continues to

be an asset for our Member Agencies and provide helpful information and tools for them, along with MWDOC to obtain funding for various programs and infrastructure. The shutdown of the California Legislature forced Government Affairs to adopt novel ways to advocate for MWDOC's interests. Lobbying over Zoom and social distancing requirements made for a challenging environment, but we successfully adjusted and achieved important goals. One of the most significant accomplishments of the past two years was learning how to be effective in an environment that prevented us from using most of the traditional tools of advocacy. There is no denying that the shutdown impacted our legislative efforts but we are now seeing the beginning of the reemergence of face-to-face meetings.

#### Priorities for FYE'23

- Actively engage on issues, legislative and regulatory, that will affect the Delta Conveyance Project
- Actively engage on the ongoing concerns with the indoor and total water use standards in cooperation with the WUE group and our Member Agencies and industry associations
- Actively engage and advocate for federal funding for the Army Corps of Engineers, the Bureau of Reclamation, the EPA, and WIFIA Programs
- Advocate for changes in the IRS Code with respect to turf removal programs.
- Advocate for cost effective reliability and local resources projects that benefit Orange County.
- Actively engage on regulations at SCAQMD related to wildfires and Public Safety Power Shutoffs (PSPS) that impact water districts.
- Actively engage on legislation and regulatory proceedings related to Constituents of Emerging Concern (CECs).
- Actively engage on regulations implementing the Low Income Rate Assistance, or "LIRA", program.
- Actively engage on SB 200 (disadvantaged and noncompliant water systems) implementation.
- Continue our outreach efforts with Orange County's delegation on the federal, state and local level.

#### **Administration Department (Cost Centers 11, 12, 13, &19)**

The Administrative Department is comprised of Board Administration, General Administration, Personnel and Overhead. The Administration Department provides support to the entire District to ensure operations run smoothly and efficiently. Fundamental activities include:

- Staff attendance, preparation and compilation of Board and Committee Agendas and minutes;
- Ensure compliance with the District Administrative Code, Contracts Manual and publication of required legal notices and coordination of all Public Records requests.
- The oversight and maintenance of the Electronic Records Management System for the District; ensure that all required documents are retained in accordance with the retention schedule and legal requirements as well as train staff on policies related to accessing, storing and transmitting electronic records;

- The oversight and maintenance of the District's Database Management System in an effort to provide a centralized database for staff in improving efficiencies;
- Personnel activities include recruitment, screening, selection, employee orientation, benefits and compensation administration, employee documentation, performance management, research and surveys, employee training and development;
- Oversight of the Safety and Risk Management and the District's Workers Compensation, Liability and Property Insurance Programs;
- Oversight of all items related to building facilities management.

Key initiatives in the coming year include:

- Continued COVID-19 policy evolution and transition back into the MWDOC office environment;
- Oversee building remodel improvements to kitchen area and atrium trellis (termite damage);
- Implement Individual staff training and development;
- Implementation and training of Performance Evaluation Process;
- Succession Planning for upcoming retirements (WUE);
- Increase Employee Engagement and implement Organizational Values;

#### MWDOC Building Improvements

Administration, Engineering, and WEROC staff have worked together to coordinate multiple improvement projects at the MWDOC Administration Building that will be completed in FYE'22. Comparatively minor construction projects in FYE'23 include the renovation of the Kitchen/lunchroom area and the likely replacement of the trellis in the atrium due to termite damage.

#### **Finance & Information Technology (Cost Centers 41 & 45)**

The Finance department includes Accounting and Information Technology (IT). The Department provides support to MWDOC through payroll, accounts payable/receivable, fixed assets, investments, grant funding, reconciliations and technology. Staff provides support to WEROC for disaster recovery at both the District office and the Emergency Operation Center. Finance and IT's priorities are Financial Stewardship and Auditing & Controls, which is demonstrated by receiving an unmodified opinion from our annual audit process.

Finance also provides monthly accounting to our Member Agencies through monthly billing of water deliveries, in-lieu credits, LRP payments, conservation rebates and choice programs.

IT provides uninterrupted service for our phones and computers with firewall protection to prevent threats, viruses and hackers from penetrating our system. As well as, providing & maintaining properly working office equipment. Significant modifications to the cybersecurity operations were identified and implemented in FYE'22 and will continue into FYE'23.



Key Initiatives in the coming year include:

- Maintain functional operations and support while staff is working remotely and hybrid meetings are being conducted;
- Implement the findings of the third-party IT audit;
- Upgrade the IT systems to Windows 11 and Microsoft Office 365
- Continue with IT's PC/Printer refresh program and security updates which, exchanges out equipment after it's useful like to prevent the loss of any data;
- Continue training on our new financial software;
- Continue with ongoing professional training;
- IT system security and back up testing;
- Continue to assist staff in maneuvering through our new financial software;
- Support the District with any future financing needs.

## **7. Core/Choice Programs for FY 2020-21**

As noted above, the Choice Programs for FY 2020-21 are offered in both the Public Affairs and Water Use Efficiency Departments. The programs include:

- School Program - As discussed above the School Program represents a continuum of options from kindergarten through high school. Substantial efforts are underway to with Orange County teachers and State organizations to integrate critical water messages within the required curriculum structure with the goal of increasing the utility and acceptance of our programs. Also included are programs focusing on career path recruitment and training.
- Water Use Efficiency - Will continue to access MET WUE funding and grants from other sources for implementation programs for OC.
- Water Loss Control Shared Services – This program was developed in conjunction with our Member Agencies and continues significant expansion with increase funding through MET.

## **8. Water Rates and Charges**

MWDOC's revenue funding for its Core Budget derives from the Retail Meter Service Charge and the Groundwater Customer Charge. The rate structure was initially developed as part of the 2016 rate study and was implemented by the MWDOC Board of Directors for FYE'17. The rate structure was reevaluated in 2021 and was adopted by the MWDOC Board for the FYE'22 budget and rate process. No changes are proposed to the rate structure and process.

### **Proposed New Rates**

Based on the Proposed Budget and the current rate structure:

For FYE'23 the proposed Retail Meter Service Charge is \$13.75 per meter.  
For FYE'23 the proposed Groundwater Customer Charge is \$367,469.

All other charges cover the cost of water supply including MET water purchases and MET associated charges (i.e. Readiness-to-Serve (RTS) and Capacity Charge). The proposed Total Water Purchases expense for FYE'23 is budgeted at \$174,477,132.

**9. Proposed New Items Not Included Pending Committee Discussion**

By convention, proposed new items are not incorporated in the budget until concurrence is reached at the committee level. These items for the first draft budget are:

- A. The SAWPA funding request of \$20,000 for the Santa Ana Watershed Weather Modification Pilot Program
- B. Construction funding of the WEROC Primary Emergency Operations Center

**Attachments:**

Attached hereto are the following:

- Attachment A - MWDOC detailed draft budget for the coming fiscal year
- Attachment B - Budget Schedule
- Attachment C - Comment and request letters
- Attachment D - Departmental goals for FYE'23