



Elected Officials Forum

April 6, 2023
Harvey De La Torre
Interim General Manager



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Agenda



-  MWD OC's FY 2023-24 Draft Budget & Rates
-  Status of Water Supply Conditions
-  Metropolitan Board Retreat & Next Steps
-  MWD OC & OCWD Board Discussions & OCWD's LAFCO MSR Focused Study

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MWDOC's FY 2023-24 DRAFT BUDGET & RATES

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MWDOC FY 2023-24 Budget - Schedule

January 2023

- Year-End Projections & Conceptual Budget Review @ A&F Committee (1-11)
- Member Agency preliminary participation in Choice

February 2023

- First Draft Budget @ A&F Committee (2-8)
- Member Agency Managers Meeting (2-16)
- Initial Member Agency Choice participation confirmation (2-20)

March 2023

- Second Draft Budget @ A&F Committee (3-8)
- Choice Program discussions
- Member Agency Managers Meeting (3-16)
- Member Agencies submit formal comments on Budget (3-24)

April 2023

- Elected Officials Meeting (4-6)
- Third Draft Budget & Member Agency comments presented @ A&F Committee Meeting (4-12)
- Board approval of Final Budget & Rates (4-19)

June 2023

- Final Member Agency Choice participation confirmation (6-9)

August 2023

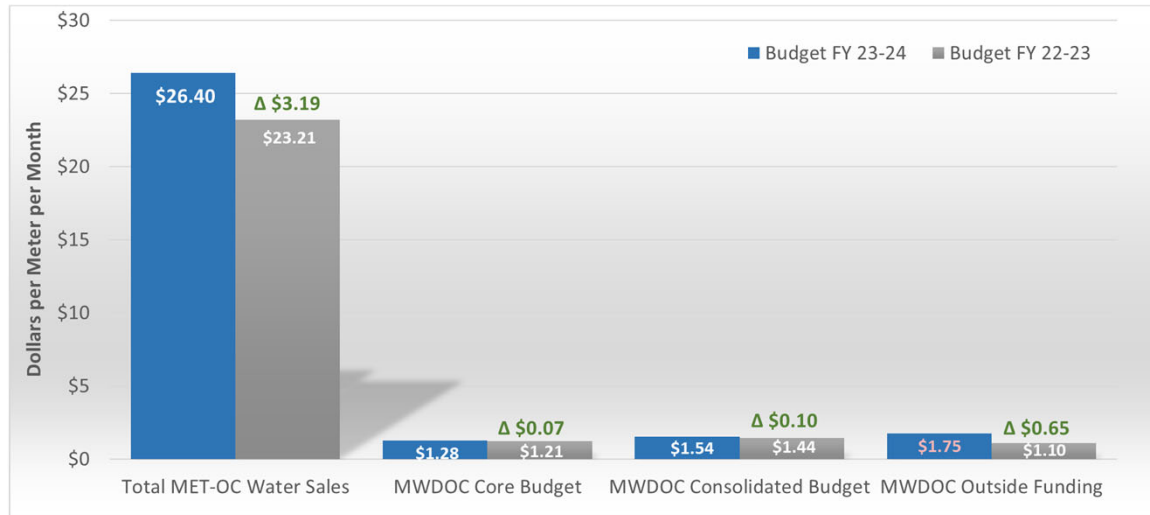
- Reconciliation of FY 2022-23 WUE & Choice Programs

September 2023

- Revised Final Choice Budget @ A&F Committee (9-13)
- Board approval of revised Final Choice Budget (9-20)

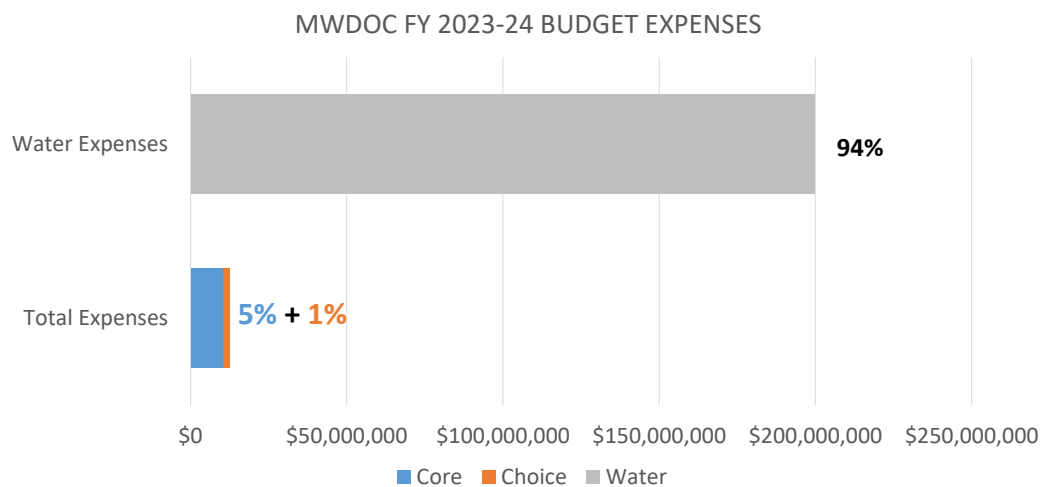
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MET & MWDOC Total Cost per Meter per Month



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MWDOC's Total Budget Summary



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Adopted MET Rates and Charges

Rates & Charges Effective Jan. 1	2023 (Current)	2024 (Approved)
Tier 1 Supply Rate (\$/AF)	\$321	\$332
Tier 2 Supply Rate (\$/AF)	\$530	\$531
System Access Rate (\$/AF)	\$368	\$389
Water Stewardship Rate (\$/AF)	\$0	\$0
System Power Rate (\$/AF)	\$166	\$182
Full Service Untreated Volumetric Costs (\$/AF)		
Tier 1	\$855	\$903
Tier 2	\$1,064	\$1,102
Treatment Surcharge (\$/AF)	\$354	\$353
Full Service Treated Volumetric Costs (\$/AF)		
Tier 1	\$1,209	\$1,256
Tier 2	\$1,418	\$1,455
Readiness-to-Serve Charge (\$M)	\$154	\$167
Capacity Charge (\$/cfs)	\$10,600	\$11,200
Overall Rate Increase	5.0%	5.0%

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MWDOC's Role & Services

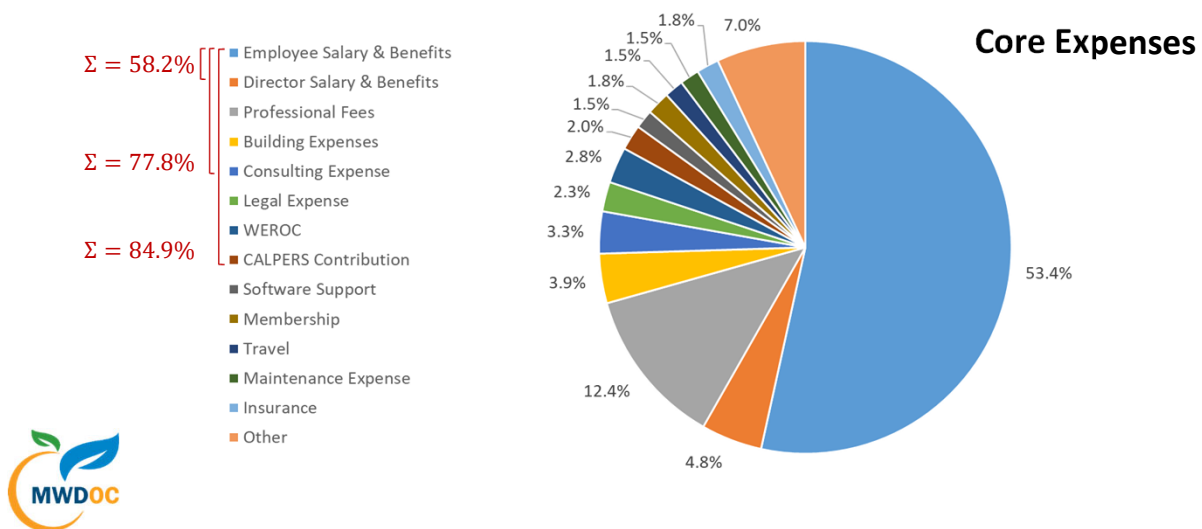
In Southern California, reliability and sustainability must be achieved through a joint effort of local and regional entities collaborating on studies, programs, and projects.

MWDOC has a long history of being a regional coordinator, facilitator, and leader to bring together local and regional agencies to achieve this goal.

- MET Representation
- Regional Leadership & Advocacy
- Regional Engineering, Planning, & Studies
- Development, Management, & Implementation of WUE Programs
- Emergency Preparedness, Coordination, Mutual Aid (WEROC)
- Facilitate Development of Local Resources
- Regional Public Messaging Coordination & Outreach
- Legislative Coordination, Advocacy, & Water Policy Clearinghouse
- Informational Hub & Inter-Agency Dialogue
- Facilitation of Collective Resources
 - CCRs, UWMPs, Water Loss, Leak Detection, AWIA, Research, Other Studies

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FY 2023-24 Core Expense by Line Item - 2nd Draft



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MWD OC FY 2023-24 Budget Overview

RATES

- Fixed Meter Charge @ \$14.25 Y-T-Y increase of 3.5% or \$0.50
- OCWD Contribution @ \$391,100 Y-T-Y increase of 5.96% or \$23,294

REVENUES

- Core Revenues @ \$9,919,765 Y-T-Y increase of 5.2% or \$517,587 (\$173,439 increase in Interest Revenue)

OPERATING EXPENSES

- Core Expenses @ \$9,858,801 Y-T-Y increase of 10.4% or \$1,023,367

CHANGE IN STAFF LEVELS (MWD OC + WEROC)

- Part-time staffing level increase (+1.71 FTE)
- Total staffing net increase (+0.77 FTE)

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FY 2023-24 District Priorities

KEY DISTRICT PRIORITIES

- Supplemental Reliability Analysis of Water Supplies
- Emergency Use of East OC Feeder #2 and MET Shutdown Planning
- MET Business Model, Long-Term Financial Plan, and IRP Implementation
- MET Drought/Surplus Resilience Planning
- WUE & Water Loss Program Implementation
- WEROC Response Readiness, Training, EOC, & Plan Development
- Legislation & Regulatory Leadership
- Education Initiatives & Media Engagement
- Performance Management
- IT Audit Implementation & Software Upgrades

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Workgroup Discussions on Reserve Policy

Workgroup meetings (total of 4) of Member Agencies & Ad Hoc Committee of MWDOC Board members which discussed and focused on:

- District's purpose and use of reserves
- Review of reserve fund targets
- Breakdown of monthly revenue and expenses
- Review of total cash reserves
- Estimated and projected need of reserves

Consensus on District's Revenue Stream & Financial Risk

- MWDOC's revenue stream is relatively stable under existing rate structure
- Financial risk is low
- Combine certain designated reserves to cover unanticipated emergencies



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Revisions to MWDOC's Reserve Policy

The Board adopted the following changes to the MWDOC Reserve Policy:

- Classify WEROC Reserves as a Restricted Reserve
- Combine certain Designated Reserves into one “**Operating Reserve**” to cover emergencies, unexpected or unbudgeted expenses, and building expenses
- Set this new “Operating Reserve” target equal to **120 days** cash on hand
 - 60 day reduction from the previous 180 days reserve target
- Classify OPEB Reserves as an Unrestricted Designated Reserve
- Remove the Tier 2 Contingency Fund
- Rename several of the District's Reserves line items for clarification and better understanding



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Use of Available Funds

The Board authorized staff to place the available \$2.527 million into the following categories at the following level/amounts:

- Reduce MWDOC's unfunded CalPERS liability by approximately \$1 million
- Provide a credit of \$500,000 to the member agencies in FY 2023-24
- Place the remaining funds (approximately \$1 million) into an undesignated fund for a project/program that can be utilized in the near future for local cost shares, such as a WEROC Emergency Operations Center, and/or MWDOC project/programs such as pre-purchase imported water to be placed into a groundwater storage or banking program, as directed by the Board



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STATUS OF WATER SUPPLY CONDITIONS

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Winter Storms Continuing to Hit California

Frigid storm to slam California: Blizzard warning for local mountains, snow at low elevations
Credit: Los Angeles Times

Rain, snow, high winds batter SoCal

Credit: CNN

Credit: Los Angeles Times

March 14, 2023 One Water and Stewardship Item #7c Slide 9

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Governor Newsom Eases Drought Restrictions

Recent storms have helped ease drought impacts. Order N-5-23 is responsive to current conditions while preserving smart water measures:

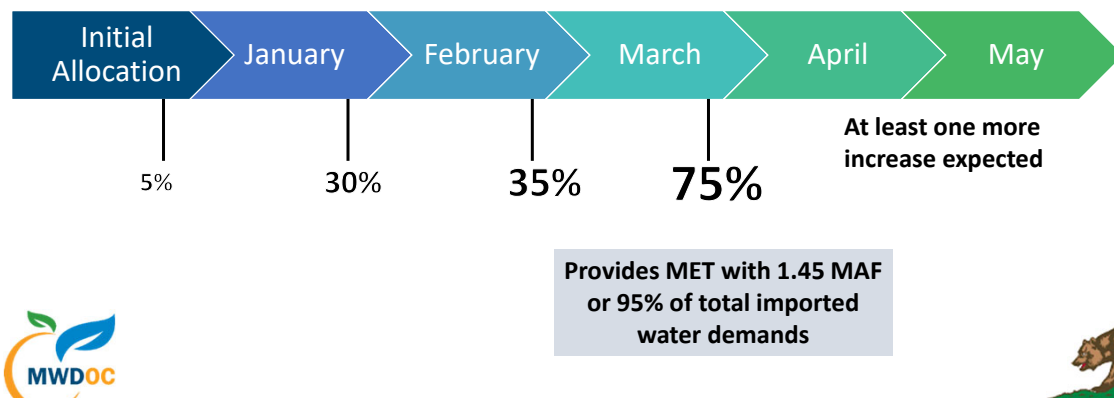
- **Ends** the voluntary **15% water conservation target**, while continuing to encourage Californians to make conservation a way of life
- **Ends** the requirement that local water agencies **implement level 2** of their drought contingency plans
- **Maintains ban** on wasteful water uses, such as **watering ornamental grass** on commercial properties
- Retains a state of emergency for all 58 counties to **allow drought response** and recovery efforts to continue



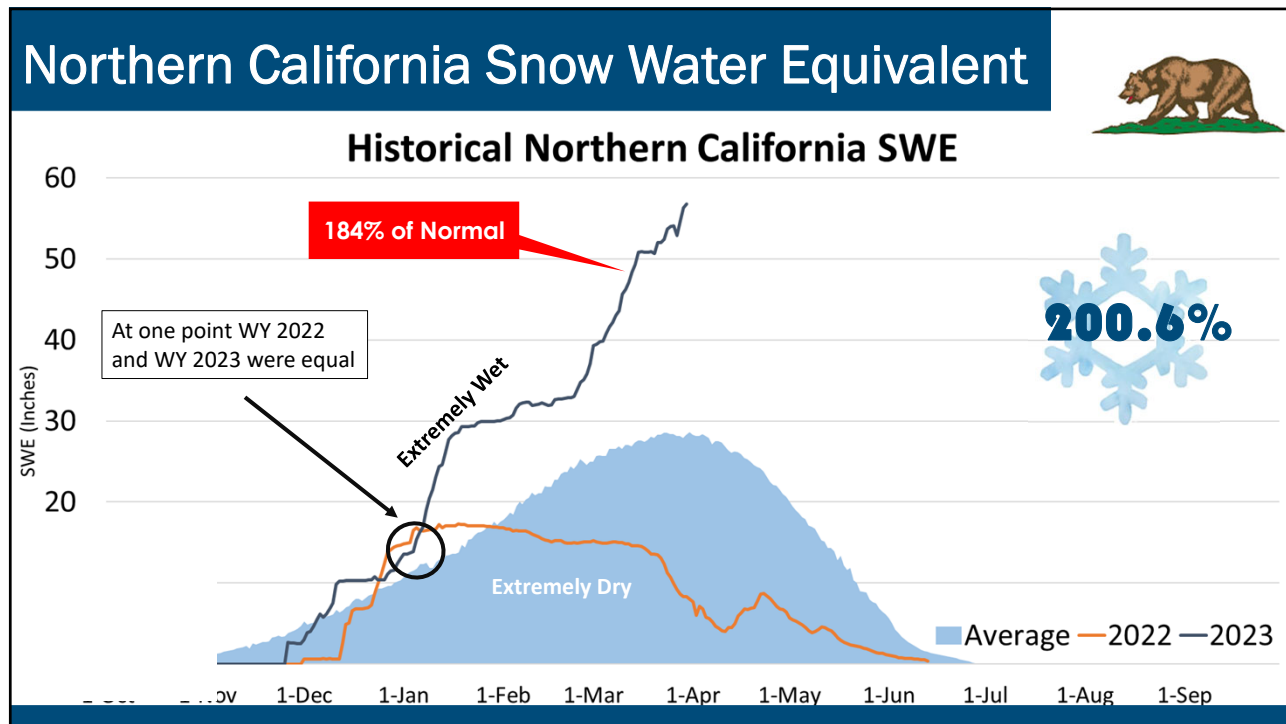
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State Water Project (SWP) Table "A" Allocation

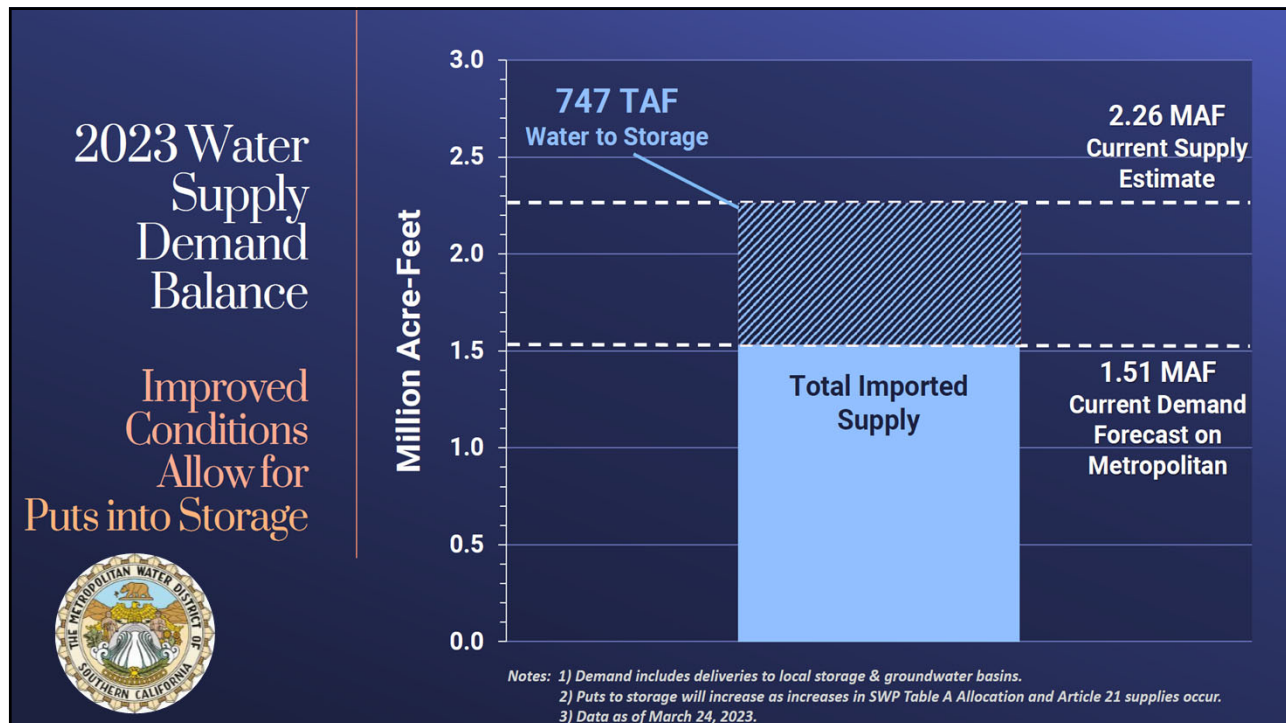
As a result of improving conditions, DWR continues to increase the SWP "Table A" Allocation



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Colorado River Basin Issues and Conditions



Metropolitan continues to prepare for long-term reductions and participate in negotiations on the 2026 Guidelines.



Colorado River Supply

- Deteriorating Colorado River supply has focused attention on California's water use
- Access to supply and payback obligations
- Metropolitan is not expecting to divert a full Colorado River Aqueduct next year

Improved Conditions

- Upper Colorado River Basin is at 152% of April 1 Peak
- Unregulated Lake Powell inflow higher than expected
- Lake Mead water level shows improvements for 2023

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METROPOLITAN BOARD RETREAT & NEXT STEPS

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MET 2023 Board Retreat

2023 Board Visioning Retreat

Intended to provide direction through agreement on a vision and planning framework as MET and its member agencies pursue a master plan for water and climate resiliency in its second century.

Took place on
February 13-14, 2023
in Temecula, CA.



Facilitated Discussions

- Emphasis on maximizing value and regional benefits
- Identify common and unique needs of the region's diverse member agencies

Goal of Retreat

To identify targets and timelines for resource & financial planning

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Context of Regional Benefits

The theory of regional benefits provides a framework to think about Metropolitan's past and future direction.



Laguna Declaration (1952)

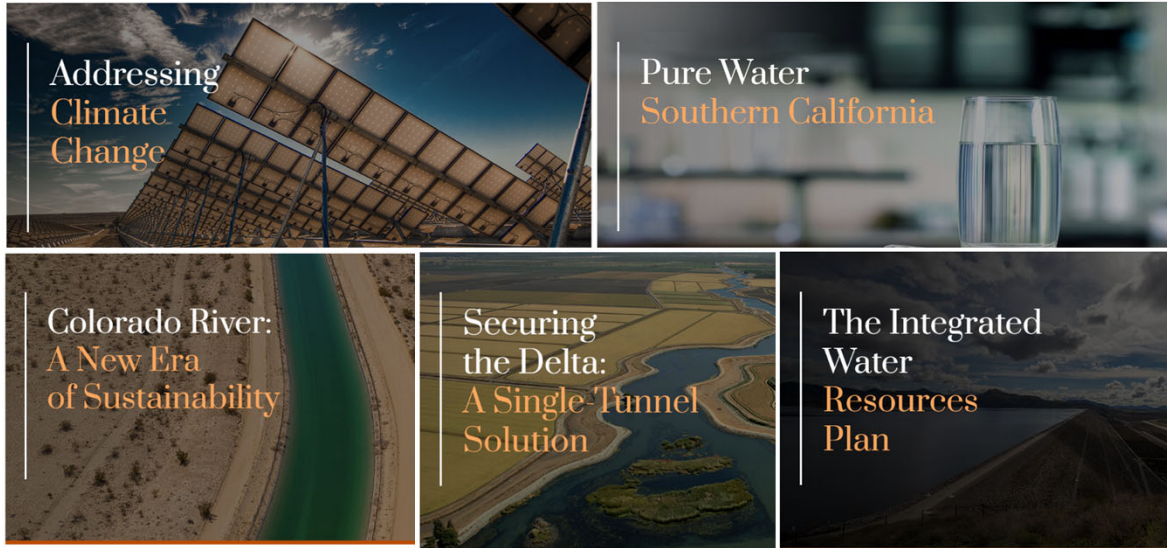
"The District is prepared, with its existing governmental powers and its present and projected distribution facilities, to **provide its service area with adequate supplies of water to meet expanding and increasing needs in the years ahead.** When additional water resources are required to meet increasing needs for domestic, industrial and municipal water, the District will be prepared to deliver such supplies."

San Pedro Principles (1995)

- No water supplier is an isolated, independent entity unto itself
- Metropolitan, as a collective, is the lead agency in regional water management
- **All water suppliers** are responsible to promote a strong water ethic

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2023 Uncertainties & Challenges



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Next Steps: Climate Adaptation Master Plan



Planning Process Goals

- Memorialize issues raised in the February Board Retreat
- Provide context and high-level goals
- Initiate mutual understanding around key terms
- Identify policy and planning issues to be addressed through the planning process

Key Terms

- Reliability
- Resiliency
- Financial Sustainability
- Affordability

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MET's Business Model Considerations

Metropolitan must consider the predictability of rate requirements, strategies to ensure cost-effectiveness, and how member agencies rely upon Metropolitan financial forecasts to inform their own resource and financial planning.

Priorities

One of the General Manager's strategic priorities is to sustain Metropolitan's mission with a strengthened business model.

Intentions

- Manage rate pressure on member agencies
- Programmatic costs
- Organizational efficiencies
- Efforts to secure external funding
- Projects with broad and multi-purpose benefits

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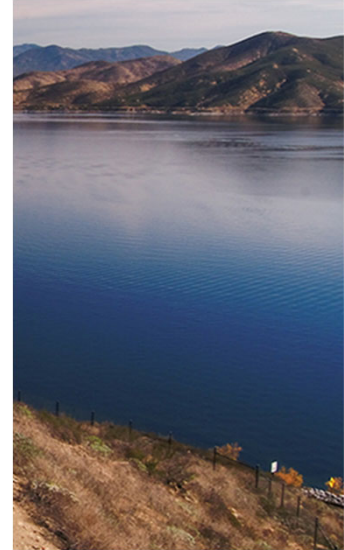
MWDOC & OCWD BOARD DISCUSSIONS
OCWD'S LAFCO MSR FOCUSED STUDY

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2022 O.C. Grand Jury Report

June 2022 OC Grand Jury Report – *Water in Orange County Needs “One Voice”*

- Report called for a “single leadership structure, whether through consolidation of existing dual entities (OCWD and MWDOC) or creation of a new water authority” to “lead all aspects of Orange County wholesale water”
- A number of OC Water Agencies and Cities were asked to respond to this recommendation:
 - MWDOC along with 8 other agencies disagreed
 - 5 Agencies responded that the recommendations would need to be studied further (in a cooperative manner)
 - 2 Agencies agreed – Mesa Water & OCWD



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Comparison of MWDOC & OCWD

Important to Note - MWDOC & OCWD were each formed to provide two distinct and unique services for the County and its retail agencies.

	MWDOC	OCWD
Formation	1951	1933
Purpose	Provide a reliable supply of imported water & representation to MET for the County	Ensure the health & management of the OC Groundwater Basin
Services	<ul style="list-style-type: none"> • Regional Planning & Studies • Management & Implementation of WUE • Countywide Shared Services (i.e., Leak Detection) • Emergency Preparedness, Coordination, & Mutual Aid (WEROC) • Regional Education, Water Awareness, & Outreach Coordination • Advocacy & Management of MET programs & Incentives 	<ul style="list-style-type: none"> • Operate Seawater Barrier • Protect Santa Ana River Water Rights • Operate Prado Wetlands & Green Acres Project • Manage the Groundwater Basin • Operate the Forebay • Operate the Groundwater Replenishment System • Conduct hydrogeology studies & plans • Operate the Water Quality Lab • Provide Basin wide PFAS Treatment & Services • Member of the Santa Ana Watershed Project Authority

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MWDOC & OCWD Discussions

Following the Grand Jury Report & Previous Studies (MA Facilitated Discussions)

- Both Boards formed Ad Hoc Committees to discuss the GJ Report & identify ways to improve collaboration between the two agencies
- A number of meetings were held, with a set of deal point terms developed for an agreement

On Oct. 4, OCWD's GM requested OC LAFCO conduct a Focused MSR Study on consolidating the two agencies

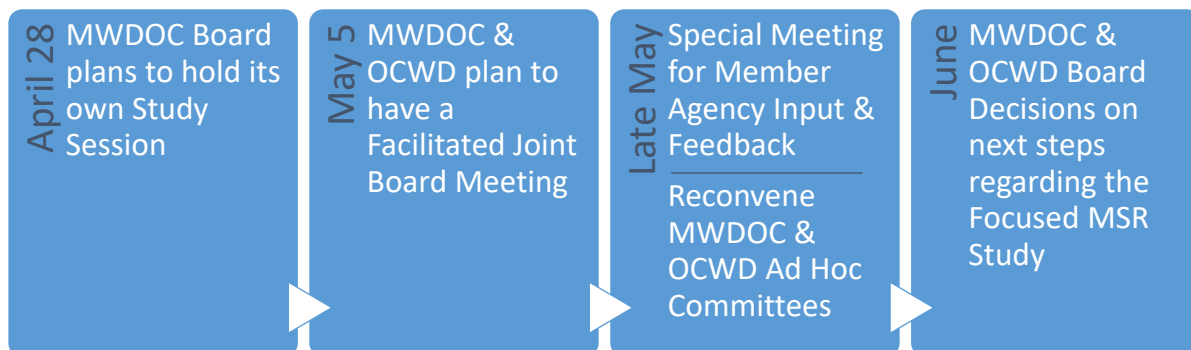
- OCWD would fund a consultant to study the feasibility of consolidation (est. \$300,000)
- After the feasibility study, a separate application of consolidation would need to be filed

On March 11, OCWD held a Board Study Session on the GJ Report & the benefits of consolidation

- OCWD invited MWDOC to be a Co-Applicant & Co-Funder of the Focused MSR Study
- A Joint Board Meeting between OCWD & MWDOC is being planned

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MWDOC's Proposed Schedule



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BACKUP SLIDES



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MWDOC FY 2023-24 Budget Overview

EXPENSE CATEGORY Y-T-Y CHANGES

- Staff & Director Salaries & Benefits (+) \$386,804 (6.3%)
- Professional Fees (+) \$274,850 (23.7%)
- Contribution to Election Reserve (+) \$80,272 (21.1%)
- Misc. Expense due to Reclassification (+) \$52,500 (29.9%)
- Insurance Expense (+) \$42,976 (23.4%)
- Maintenance Expense (+) \$24,460 (13.4%)
- Memberships (+) \$45,155 (23.6%)

TOTAL OUTSIDE WUE FUNDING

@ \$13,605,720 (+) 5,060,446 (37.2%)

INITIAL CHOICE Y-T-Y EXPENSES

@ \$2,019,820 (+) \$261,868 (12.9%)

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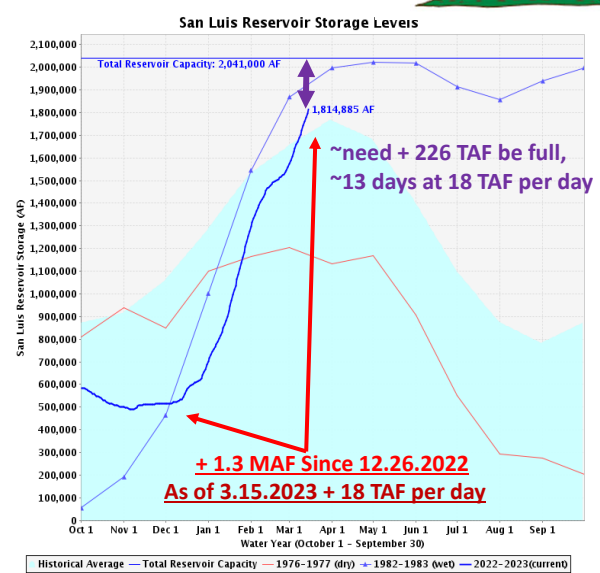
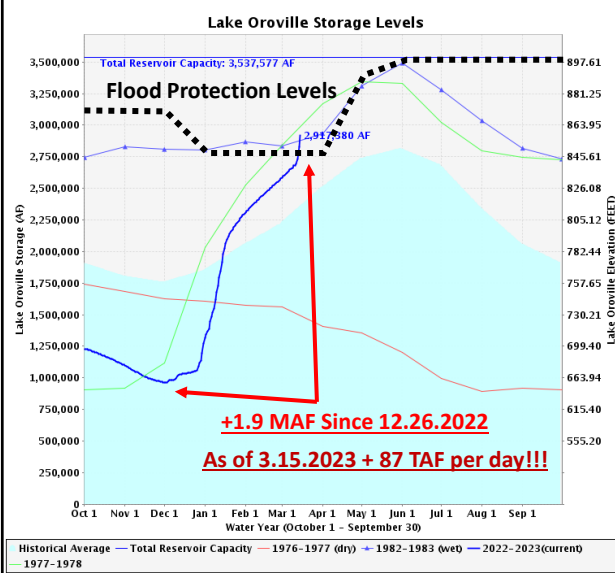
MET Key Budget Assumptions as Adopted

Fiscal Year Ending	2023	2024
Overall increase January	5.0%	5.0%
Total Water Transactions*	1.59 MAF	1.54 MAF
State Water Project Allocation	15% / 40%	40% / 50%
Colorado River Aqueduct Div.	1.007 MAF	0.923 MAF
Capital Investment Plan (CIP)	\$300 M	\$300 M
PAYGo (% of CIP)	45%	45%

* Includes water sales, exchanges, and wheeling

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Lake Oroville Storage and San Luis Storage



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Article 21 Surplus Supplies

Article 21 supplies are additional supplies above the SWP Table A Allocation

- Made available on a week-to-week basis
- First available week of March 22-28

MET has taken all Article 21 supplies allocated to them thus far

- 40 TAF first week
- 43 TAF second week (requested)

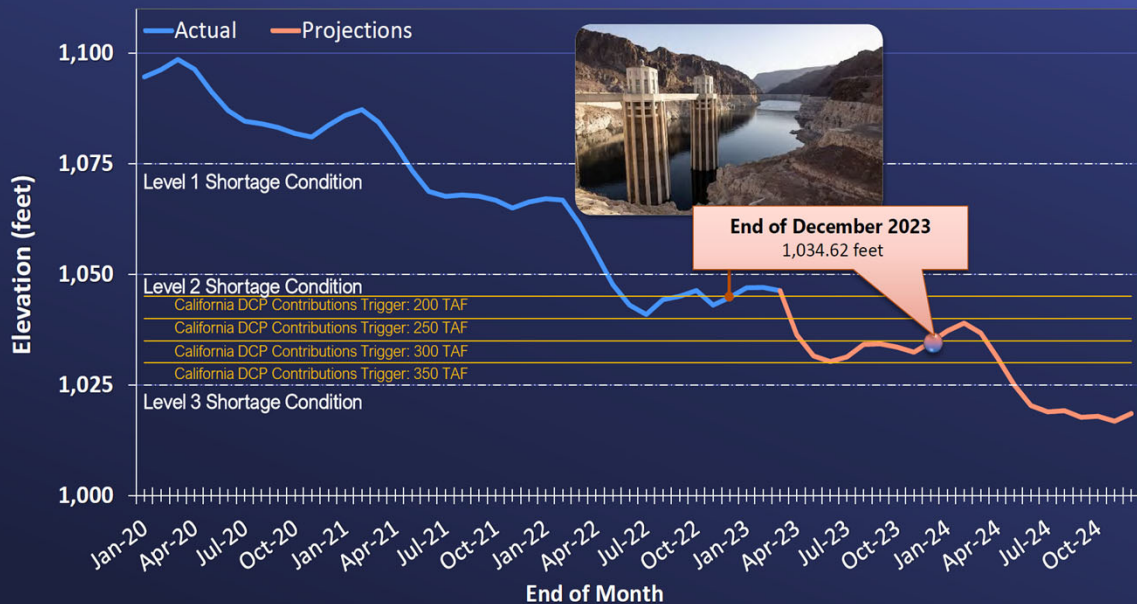
Improved conditions allow for puts into storage

- MET will store surplus supplies in reservoirs and groundwater basins across the state



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Lake Mead Water Level Declining Trend



Source: USBR's March 2023 24-Month study.

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