Update on
State Water Resources Control Board’s
Proposed Regulation on
Prohibited Water Uses

Water Planning Committee
January 25, 2018

Presentation by:
Jeff Stephenson, Principal Water Resources Specialist
Sample of Proposed Prohibitions

- Application of potable water directly to hardscapes
- Application of water to landscapes in a manner that causes runoff
- Application of water to landscapes during or within 48-hours after measurable rainfall
- Irrigation of turf on public street medians and parkways unless the turf serves a community or neighborhood function
- Serving water except when requested in restaurants and bars
### Permanent Prohibitions Timeline

<table>
<thead>
<tr>
<th>Month/Year</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 2016</td>
<td>• Governor directed SWRCB to adopt permanent prohibitions (EO B-37-16)</td>
</tr>
<tr>
<td>November 2017</td>
<td>• SWRCB released proposed prohibitions</td>
</tr>
<tr>
<td></td>
<td>• Water Authority provided testimony at workshop</td>
</tr>
<tr>
<td>December 2017</td>
<td>• Water Authority submitted regional comment letter</td>
</tr>
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</table>
## Permanent Prohibitions Timeline (cont.)

<table>
<thead>
<tr>
<th>Month/Year</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 2018</td>
<td>• Initial release date for revised final draft</td>
</tr>
<tr>
<td></td>
<td>• Release being rescheduled</td>
</tr>
<tr>
<td>February 2018</td>
<td>• Planned adoption hearing</td>
</tr>
<tr>
<td>April 2018</td>
<td>• Planned effective date of regulation</td>
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</tbody>
</table>
Report on Water Utility Climate Alliance Activities

Water Planning Committee
January 25, 2018

Tim Bombardier
Principal Water Resources Specialist
Background

- Formed in 2007
- Twelve member utilities
- Serve over 50 million customers
Organizational Purpose and Structure

- **Mission**: Collaboratively advancing water utility climate change adaptation
- **Vision**: Climate–resilient water utilities, thriving communities
- Guided by long–range Strategic Plan and annual workplans
- Funding borne equally by members
- Historic annual financial contributions under $15,000 per agency
Leverage lessons learned and knowledge generated from climate change collaboration network

Develop and execute innovative projects that support climate adaptation efforts

Test new methodologies for assessing climate vulnerability
<table>
<thead>
<tr>
<th>Strategic Priority</th>
<th>Goal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovate and Lead</td>
<td>Leverage collective knowledge and experience to enhance climate change adaptation</td>
</tr>
<tr>
<td>Mainstream and Operationalize</td>
<td>Integrate climate change into water utility business practices</td>
</tr>
<tr>
<td>Knowledge Generation</td>
<td>Advance the state of climate change adaptation knowledge</td>
</tr>
<tr>
<td>Knowledge Transfer</td>
<td>Expand knowledge sharing and the reach of WUCA products</td>
</tr>
<tr>
<td>Sustain Coalition</td>
<td>Strengthen the alliance</td>
</tr>
</tbody>
</table>
2018 Workplan Projects and Budget

- 13 Workplan projects
  - 5 – technical
  - 2 – supporting administration of WUCA
  - 5 – staff education and planning initiatives
  - 1 – emerging opportunity initiative

- 2018 total budget – $198,000

- Financial contribution – $11,480 per member
Key Project Participation in 2018

- **Business Function Mapping**
  - Identify climate change impact on broader range of water utility business functions

- **Best Practices in Climate Adaptation**
  - Establish a set of best practices in climate adaptation based on WUCA members’ knowledge and experience
Water Authority Continued Engagement

- Continue to guide WUCA’s strategic priorities
- Participate in leading-edge adaptation projects
- Apprise Board on major WUCA initiatives and relevant project deliverables

https://www.wucaonline.org
Update on Water Supply Conditions

Water Planning Committee
January 25, 2018

Tim Bombardier
Principal Water Resources Specialist
Lake Oroville Storage Volume
Major Reservoir State Water Project System

Capacity

Historical Average

38% of Capacity
59% of Average
(January 23, 2018)

Million Acre-Feet

Source: Department of Water Resources
Status of Lake Oroville Spillway Repairs

- Extension of emergency spillway
- Installation of secant pile or “cut–off wall”
- Preparation of foundation for splashpad
San Luis Reservoir Storage Volume
Major Reservoir State Water Project System

Initial CY 2018 SWP Allocation: 15%

Source: Department of Water Resources
Precipitation 62% of normal as of January 24th

Snow water equivalent 65% of median, also as of January 24th
Local Conditions

### Water Year 2018 Precipitation

<table>
<thead>
<tr>
<th>Station</th>
<th>January 1–23, 2018</th>
<th>Since October 1, 2017 (WY 2018 to date)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actual</td>
<td>% Normal</td>
</tr>
<tr>
<td>Lindbergh Field</td>
<td>1.76 in.</td>
<td>120%</td>
</tr>
<tr>
<td>Ramona Airport</td>
<td>3.29 in.</td>
<td>121%</td>
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</tbody>
</table>

Total reservoir storage as of January 22\textsuperscript{rd} at 379,100 AF, or 51 percent of storage capacity.
What does a dry start mean?

Rainfall at Lindbergh Field WY 1940-2016

Over 25% of dry starts ended as above average rainfall years

Dry Start

Wet Start

Annual Average
Sacramento Update

Legislation and Public Outreach Committee
January 25, 2018
Legislature

- January 3, 2018: Legislature reconvened to begin second year of 2017–2018 two–year session

- Upcoming deadlines
  - January 19: Bill proposals submitted to Legislative Counsel
  - January 31: Bills introduced in 2017 must pass through house of origin
  - February 16: Bill introduction deadline for 2018
Water Authority Sponsored Bills – 2018: Water Conservation

- Legislation will be co-sponsored in partnership with NRDC to advance several Independent Technical Panel (ITP) recommendations to improve landscape irrigation efficiency:
  - Irrigation system evaluation as part of home inspection
  - State facility leadership for new landscapes
  - Plant labeling
  - Contractor examination question update
  - Water needs of landscape plants
Water Authority Sponsored Bills – 2018: Disadvantaged Communities

- Legislation will be sponsored to fully address cashflow issues for non-profit organizations and DACS participating in IRWM programs

- The legislation will allow for a grant payment advance for the second half of the IRWM project cost if there is demonstrated accountability for the first half of the project (with final retention amount to be withheld until project sign-off)
Legislation will be co-sponsored with other Salton Sea interests to create a governance and administrative structure to manage the day-to-day implementation of the 10-year Salton Sea Management Program.

A reliable structure for receiving funding, contract management, invoice processing, and priority project implementation does not yet exist.
Governor Brown’s 2018–19 budget proposes $131.7 billion in general fund spending (4% increase)

Proposed state budget reflects anticipated one-time revenue surplus of $6 billion

Major proposed spending initiatives:
- Filling up the “Rainy Day Fund” – $5 billion proposed investment
- Implementation of public safety realignment – $8 billion in proposed flexible spending for local governments
- $3 billion in Prop 98 K–14 school funding
- $4.6 billion in new transportation funding
Governor’s Proposed State Budget – Natural Resources Funding

- Expenditure of $1 billion from SB 5 proceeds (assuming it is approved by voters at the June 2018 primary election), including:
  - $30 million for Salton Sea restoration
  - $63 million for safe drinking water projects
  - $146 million for ongoing implementation of the SGMA ($62M) and groundwater treatment ($84M)
  - $18 million for state water use efficiency and enhancement programs

- Establishment of a Safe and Affordable Drinking Water Fund
  - Assist DACs in paying for the costs of obtaining access to safe and affordable drinking water
  - Budget trailer bill – “…consistent with the policy framework of SB 623…”
  - $4.7 million for the SWRCB and Department of Food and Agriculture to begin implementing the new program
Anticipated Water Issues in 2018: Water Tax

- **SB 623 (Monning)**
  - Would generate approximately $160 million in annual revenue
    - Water tax: $135.4 million/year (85% of revenue)
    - Fertilizer tax: $16.8 million/year (11% of revenue)
    - Dairy tax: $5.7 million/year (4% of revenue)

- Proposed amendments circulated by proponents would not improve measure, and would exacerbate disproportionate impact on water users

- 2/3 vote bill – difficult politically in current environment and during election year

- Administration’s willingness to weigh-in and highlight funding need creates challenges for opposition
Anticipated Water Issues in 2018: Proposition 218 Relief/Reform

- SCA 4 (Hertzberg)
  - ACWA sponsored legislation to amend California Constitution to provide opportunity for establishment of “lifeline” rates for water customers
  - Introduced in 2017 – has not yet even advanced to its first policy committee

- Although Governor identified Prop 218 reform/relief as a priority in the California Water Action Plan, Administration has not indicated any priority to the issue since

- Prop 218 reform/relief will be challenging in current environment and during election year
Anticipated Water Issues in 2018: DACs

- Eastern Municipal Water District and CMUA have indicated they will co-sponsor legislation to provide a governance and service delivery solution for providing safe drinking water within DACs
  - Pitched as an alternative to a water tax under SB 623

- No author identified yet
Update on Long-Term Water Use Efficiency Legislation
AB 1668/SB 606: Two-Year Bills

- AB 1668 (Friedman) and SB 606 (Skinner/Hertzberg) did not get taken up on the Floor of either house by the 2017 legislative session deadline.

- Both bills are eligible to be acted upon at any time now – as of beginning of legislative session on January 3.

- San Diego legislative delegation remains solidly supportive of the region’s perspectives.
AB 1668/SB 606: Advocacy

- **Supporters**
  - Governor
  - Several major water agencies, including MWD
  - Environmental groups

- **Opponents**
  - Several major water agencies representing key regions of the state
    - San Diego
    - Orange County
    - Sacramento
    - San Francisco

- **Business Community**
  - Industrial users are mostly neutral ("process water" exempt from regulation)
  - Commercial users have remaining concerns regarding "cost effectiveness" of CII performance measures
Little progress made toward resolving outstanding issues during Legislature’s Interim Recess

- Four “listening sessions” held to discuss narrow scope of technical issues
- Amendments resulting from sessions have not yet been released or shared

San Diego region’s remaining issues include:

- Technical/Implementation issues
- Substantive policy issues
  - Potable reuse credit
  - Enforcement
  - Drought resilient supplies

New legislation in this area anticipated
Federal Legislative Priorities

Legislation and Public Outreach Committee
January 25, 2018
Developing a Federal Legislative Action Plan

- Carpi & Clay actively represents the Water Authority and its interests in Washington, D.C.
- Federal advocacy based on Board policy direction within the Legislative Policy Guidelines
- The purpose of this product is to outline the implementation program to advance the Board’s policy objectives
- Staff will look for opportunities to coordinate with Member Agencies to advance regional federal legislative agenda
## Proposed Federal Legislative Priorities

<table>
<thead>
<tr>
<th>Federal Legislative Priorities (At-A-Glance)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Protect the Water Authority’s Colorado River supplies and ongoing implementation of the QSA.</td>
</tr>
<tr>
<td>2. Continue a relationship-building campaign with the new Administration and with new members of the California congressional delegation and key committees.</td>
</tr>
<tr>
<td>3. Engage with Administration to implement federal drought legislation, including pursuit of federal funding appropriations for regional projects.</td>
</tr>
<tr>
<td>4. Closely monitor and engage in issues relative to federal infrastructure policy, including financing and funding options.</td>
</tr>
<tr>
<td>5. Continue to inform the regional congressional delegation regarding the Water Authority’s energy needs and contributions, and explore options for federal funding support or regulatory relief to reduce energy costs.</td>
</tr>
<tr>
<td>6. Communicate the interests of the Water Authority and its member agencies in promoting potable reuse as a major regional water supply initiative.</td>
</tr>
</tbody>
</table>
Actions to Implement Board’s Policy Direction

- Actions identified to advocate the Water Authority’s interests in Washington
  - Close coordination with San Diego congressional delegation – regular program of education/information
  - Work with industry associations to build strong advocacy coalitions
  - Engage with congressional delegation and relevant legislators/staff to pursue Water Authority project-specific financial assistance
Actions to Implement Board’s Policy Direction

- More actions identified to advocate the Water Authority’s interests in Washington
  - Monitor legislative and regulatory actions to ensure prompt and timely receipt of information
  - Identify opportunities for Water Authority’s direct advocacy – Board and management – with congressional delegation locally and in Washington
Next Steps on Federal Legislative Priorities

- Staff is requesting suggestions for revisions and modifications from Board members and member agencies

- Please return to Glenn Farrel by February 5

- Staff will present the proposed FINAL Federal Legislative Priorities for the Board’s consideration on February 22
Update of the Water Authority’s Statement of Debt Management Policy

Lisa Marie Harris, Director of Finance

Administrative and Finance Committee
January 25, 2018
Overview of the Policy

- Provides written guidelines for debt management that focus on:
  - Approved types of debt
  - Issuance process, and roles and responsibilities
  - Refunding guidelines & Post-issuance activities

- Serves as the Debt Policy required by Government Code Section 8855

- Periodic updates are a GFOA best management practice
  - Last updated in May 2017

GFOA – Government Finance Officers Association
Policy Core Elements Include:

- Long established debt issuance process
  - Issue debt at the lowest possible risk/cost
    - Issued solely for CIP purposes
  - Method/manner of sale – requires Board approval

- Refundings used to maximize savings and minimize cost when Market opportunity arises

- Integrated CIP planning and debt activities
  - Guided by debt service coverage policies and the Long-Range Financing Plan
Key Issues Addressed in Policy:

- Formation of a Disclosure Working Group
- Process for approval of disclosure
- Public Statements
- New reporting requirements under California law
- Disclosure training – Offered Securities Law training to member agencies 11/17
- General updates, Table of Contents, Glossary
Recent Developments

- Registration of Municipal Advisors

- Increasing enforcement activities affecting broker-dealers and issuers

- New Annual California reporting requirements
  - Annual Debt Transparency Report under Government Code Section 8855

- December 2017, H.R. 1, “Tax Cuts and Jobs Act” – effectively eliminated the ability to issue tax-exempt advance refunding bonds
Best Practices Recommends Enhanced Disclosure Section in Debt Policy

Sections include guidance on Public Statements:

- Any communication expected to be accessible to and reasonably relied on by investors
- Offering Documents
- Annual and event reports filed with the Municipal Securities Rulemaking Board
- Information on the Water Authority’s website
- Statements and presentations by Water Authority officials, board members and employees that contain information that could reasonably be material to investors
Best Practice Recommends Disclosure Working Group

- The Director of Finance is the Disclosure Coordinator
- Other participants:
  - General Counsel
  - Disclosure Counsel
  - Financial Professionals
  - Department Heads, Staff and Others as designated
- The Disclosure Working Group coordinates timely and accurate preparation of Public Statements
- The Disclosure Working Group approves Offering Documents, Annual Filings, investor presentations and forward-looking Public Statements
Recommended Changes

- Rule 15c2–12 is the basis for the Water Authority’s bond continuing disclosure undertakings

- Change Policy title to Debt and Disclosure Policy emphasizing the role of disclosure

- The updated Policy includes an updated Section IX and Appendix F, relating to disclosure and compliance policies and procedures
Today’s Action

- Adopt the updated Statement of Debt Management and Disclosure Policy
Agenda

- Task Force Meeting Summary
- Energy Program
- Energy Storage Facility Overview/Budget Status
- Future Board Presentations and Actions
- Recommended Action
Energy Storage Facility Overview

- Guiding principle – In a risk-averse manner, generate revenues to off-set water rates for the Water Authority and City

- Project Components
  - San Vicente Reservoir (existing lower reservoir)
  - Upper reservoir
  - Up to 500 MW pumping/generating facilities
  - Transmission facilities
Budget Status

- Approved Budget: $7.0 million
- Expenditures (2014 – current): $3.6 million
  - Prior owners’ advisor work
  - Studies
  - Modeling
  - Staff labor
- Remaining Budget: $3.4 million

Note: City reimburses Water Authority for 50 percent of direct costs.
Recommended Action - 1

- Continued Owners Representative Support - $250,000
  - Organizing/leading negotiation sessions and working groups
  - Detailed pro-forma reviews
  - Term sheet review
Recommended Action - 2

- CAISO Application Preparation - $350,000
  - Pre-design work (identifying site limits, pumps, turbines, generators, and other electrical equipment)
  - Site and electrical drawing preparation
  - Transmission layout to connection point

- Application Deposits – in addition to preparation fees
  - Study Fee - $150,000
  - Additional $250,000 deposit or show site exclusivity
  - Maximum $400,000 shared cost with City
Future Board Presentations and Actions

- Recommend approving Owners’ Representative Amendment – January 25
- Term Sheet – April/May
- Project Development Agreement – Fall 2018
- San Vicente Energy Storage Task Force Meetings – February 27 and monthly
- E&O Committee Updates - Monthly
Recommended Action

- Authorize the General Manager to amend Black and Veatch’s Owners’ Representative Contract
  - Continued Project Development Agreement Negotiations Support
  - Prepare CAISO Interconnection Application
    - Excludes WA/City shared CAISO Application Fees
  - Total Amendment is $600,000 increasing the cumulative contract amount from $150,000 to $750,000
Water Transfer Implementation Update

Imported Water Committee
January 25, 2018

Kara Mathews
Senior Water Resources Specialist
Conserved Water Transfer Schedule

- 100,000 AF in 2017
- 130,000 AF in 2018
- 5-Year Transition from land fallowing to efficiency-based conservation complete
Farmland Fallowing Conservation

$175/AF paid to growers who voluntarily enroll in 9, 12, or 24-month programs

Fallowing no longer allowed as method to meet transfer volumes
Efficiency-based Conservation

1. $285/AF paid to growers for on-farm improvements
2. Additional investments in system efficiency projects funded through IID’s capital improvements program
Water Transfer Pricing

2017 - $641/AF
2018 - ~$650/AF
Annual price currently based on GDPIPD

$84.5 M for 130,000 AF in 2018

QSA Supply Rate Timeline

2003 - 2008 Price Schedule
2010 - 2016 5th Amendment Price Schedule
2016 - 2035 GDP Implicit Price Deflator
2035 - 2047 Options:
  - Price Formula
  - Blend Price Formula + Market Price
  - Market Price

2008 - 2010 Price Dispute → Annual Set Prices
Environmental Mitigation

- $120M spent through 2017
- 800,000 AF of Salton Sea mitigation water
- Transition to 4-Step Air Quality Program

QSA JPA Mitigation Spending (through Oct 2017)

- Salton Sea Mitigation Water: $82M
- Wildlife Surveys and Other: $8M
- Air Quality: $11M
- Managed Marsh: $10M
Salton Sea Stipulated Order

- State commitment to Salton Sea Restoration
- 10-Year schedule for 30,000 total acres
- Development of long-term plan by 12/31/2022

<table>
<thead>
<tr>
<th>YEAR</th>
<th>EXPOSED ACRES</th>
<th>PROPOSED CONSTRUCTION</th>
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<tbody>
<tr>
<td>2018</td>
<td>3,500</td>
<td>500</td>
</tr>
<tr>
<td>2019</td>
<td>4,200</td>
<td>1,300</td>
</tr>
<tr>
<td>2020</td>
<td>5,000</td>
<td>1,700</td>
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<tr>
<td>2027</td>
<td>3,300</td>
<td>4,000</td>
</tr>
<tr>
<td>2028</td>
<td>2,800</td>
<td>4,200</td>
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</tbody>
</table>

TOTAL 48,300 29,800
Looking ahead

- Volume ramp up to 200,000 AF in 2021
- Increase in air quality projects and related mitigation spending
- Working towards ICS account or flexibility arrangement with IID