Water Authority Pension Plan Funding Strategy Discussion

Administrative and Finance Committee
March 22, 2018

Presented by: Lisa Marie Harris, Finance Director
Chris Woidzik, Controller
Water Authority Pension Plan

Pension Funding Strategy Discussion for Water Authority Pension (3–Part Presentation Series)

*Per Audit Committee Recommendation:*

a) CalPERS and Water Authority Funding Status and Future Funding Assumption

b) Funding Options and Summary of Current Local Government Practices (March)

c) Funding Options and Potential Targets Discussion (May)
Water Authority Pension Plan

- Total Pension Liability (as of 6/30/16) $221 million
- Total Plan Assets (as of 6/30/16) 150 million
- Net Pension Liability (as of 6/30/16) $71 million
- Percent Funded Ratio (as of 6/30/16) 67.84%
- Other Key Facts - Number of Employees
  - Total Active and Inactive Employees in Plan: 587
  - Total Current Employees: 243
  - Classic – 2.5% @ 55 member total 189
  - PEPRA – 2% @ 62 member total 54
- FY18 Employer Contribution - UAL $3.9 million
## Water Authority Pension Payments

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Required Contribution</th>
<th>Projected Future Employer Contributions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018-19</td>
<td>2019-20</td>
</tr>
<tr>
<td>Normal Cost %</td>
<td>10.267%</td>
<td>10.8%</td>
</tr>
<tr>
<td>UAL Payment</td>
<td>3,897,172</td>
<td>4,600,000</td>
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<tr>
<td>Total as a % of Payroll*</td>
<td>24.0%</td>
<td>26.5%</td>
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<tr>
<td>Projected Payroll</td>
<td>28,442,223</td>
<td>29,295,490</td>
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<td>2020-21</td>
<td>2021-22</td>
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<tr>
<td>Normal Cost %</td>
<td>11.8%</td>
<td>11.8%</td>
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<tr>
<td>UAL Payment</td>
<td>5,200,000</td>
<td>5,900,000</td>
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<tr>
<td>Total as a % of Payroll*</td>
<td>29.0%</td>
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<td>Projected Payroll</td>
<td>30,174,355</td>
<td>31,079,985</td>
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<td>2022-23</td>
<td>2023-24</td>
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<tr>
<td>Normal Cost %</td>
<td>11.8%</td>
<td>11.8%</td>
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<tr>
<td>UAL Payment</td>
<td>6,600,000</td>
<td>7,000,000</td>
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<tr>
<td>Total as a % of Payroll*</td>
<td>32.4%</td>
<td>33.0%</td>
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<tr>
<td>Projected Payroll</td>
<td>32,011,973</td>
<td>32,972,332</td>
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<td></td>
<td>2024-25</td>
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<tr>
<td>Normal Cost %</td>
<td>11.8%</td>
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<tr>
<td>UAL Payment</td>
<td>7,400,000</td>
<td></td>
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<tr>
<td>Total as a % of Payroll*</td>
<td>33.6%</td>
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</tr>
<tr>
<td>Projected Payroll</td>
<td>33,961,503</td>
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</tbody>
</table>
Funding Options & Local Government Practices

- Supplemental Payments to CalPERS
- Accelerate payments by reducing the UAL Amortization period
- Creation and funding of Section 115 Trust
- Issuance of Debt to fund CIP and use proceeds or existing reserves to reduce UAL
- Increase Employer and Employee contributions
Guest Speaker to talk about Section 115 Trust Option

PFM Asset Management, LLC
Monique Spyke, Managing Director
What & Why to Contribute. . .

Presented by:
Monique Spyke, Managing Director

March 22, 2018
How Do You Reduce an Unfunded Liability?

- Reduce benefits
- Contribute more
- Earn more
First Consideration – What is the best and highest use of excess dollars?

- Pre-fund Capital Projects
- Fund/Establish Reserves
- Pay down UAAL

1 Unfunded Actuarial Accrued Liability.
What can you do to address your growing contribution rate?

- Pay additional funds to retirement system
- Establish a Section 115 Pension Pre-funding Trust
- Do both – pay additional funds into the system and establish a trust
## Contribute to CalPERS vs. Establish Section 115 Trust?
### Factors to Consider and Evaluate

### Pros

**CalPERS**
- Positive impact on balance sheet
- Reduces unfunded liability
- Money can’t be clawed back

**Section 115 Trust**
- Funds available to pay CalPERS
- Budgetary control
- Hedge CalPERS exposure
- Money can’t be clawed back

### Cons

**CalPERS**
- Minimal reduction in contribution
- Little relief of budgetary impact increasing contributions

**Section 115 Trust**
- Does not effect balance sheet
- Not recognized by CalPERS
Other Policy Considerations

Funding Policy

- Determined by each entity

- Examples:
  1) Contribute any excess contribution budgeted not paid to pension system,
  2) Contribute X% of budget surplus

Distribution Policy

- May access funds at any time to pay pension contribution to pension system
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Funding Options for Consideration

- Chris Woidzik, Controller
Comparable Pension Plan Funded Levels

Comparable Agency
2016 Funded Levels

<table>
<thead>
<tr>
<th>Funded Ratios</th>
<th>MBR. AGENCY AVG.</th>
<th>SDCWA</th>
<th>SANDAG</th>
<th>MWD</th>
<th>CALPERS</th>
<th>SDCERA</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>71.0%</td>
<td>67.84%</td>
<td>70.19%</td>
<td>72.22%</td>
<td>73.30%</td>
<td>75.56%</td>
</tr>
</tbody>
</table>
Funding Options & Local Government Practices

- Supplemental Payments to CalPERS *(discretionary)*
- Accelerate payments by reducing the Amortization Schedule:
  - $71M UAL
    - 30 Years = $161M total paid ($90M in interest)
    - 20 Years = $143M *(18M savings)*; $2-3M annual
    - 15 Years = $120M *(41M savings)*; $2-4M annual
- Creation and funding of Section 115 Trust
- Issuance of Debt to fund CIP and use proceeds or existing cash reserves to reduce UAL
- Increasing Employer and Employee contributions
Supplemental Payment example: Effect from $9.6M payment was $1M+ annual reduction to UAL payment for next 8 years +$6.3M interest savings
Main Staff Report: Budget Variance Analysis and Discussion

Financial Report Attachments
1: Water Sales Volumes and Revenues
2: Water Purchases & Treatment Costs
3: Budget Status Report – Summary Information
4: Budget Status Report – Revenues Detail
5: Budget Status Report – Expenses Detail
Decreased Water Sales is due to:

1) Greater than projected member agency use of local surface water supplies
2) Commencement of deliveries through the Indian Water Authority to Vista and Escondido that directly offset budgeted sales to those agencies
Attachment 2 – Budget vs. Actual – for the 7 Months Ended Jan. 2018

Costs are lower due to: (1) Lower sales  
(2) Reduced purchases from the Carlsbad Desal Plant
# Attachment 3 – Net Revenues before CIP

## FY2017-18
For the 7 Months Ended January 2018 (58%)

<table>
<thead>
<tr>
<th></th>
<th>Period-to-Date</th>
<th>Variance Favorable (Unfavorable)</th>
<th>FY 2017-18 (12 months)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Budget</td>
<td>Actuals</td>
<td>$</td>
</tr>
<tr>
<td><strong>Net Water Sales Revenue</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water sales</td>
<td>$383,453,000</td>
<td>$357,119,000</td>
<td>$(26,334,000)</td>
</tr>
<tr>
<td>Water purchases &amp; treatment</td>
<td>296,576,000</td>
<td>263,805,000</td>
<td>32,771,000</td>
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<tr>
<td><strong>Total Net Water Sales Revenue</strong></td>
<td>86,877,000</td>
<td>93,314,000</td>
<td><strong>6,437,000</strong></td>
</tr>
<tr>
<td><strong>Other Revenues</strong></td>
<td>61,429,000</td>
<td>71,414,000</td>
<td>9,985,000</td>
</tr>
<tr>
<td><strong>Other Expenses</strong></td>
<td>110,912,000</td>
<td>100,896,000</td>
<td><strong>10,016,000</strong></td>
</tr>
<tr>
<td><strong>Total Net Revenues before CIP</strong></td>
<td>$(49,483,000)</td>
<td>$(29,482,000)</td>
<td><strong>20,001,000</strong></td>
</tr>
<tr>
<td><strong>Net Revenues before CIP</strong></td>
<td>$ 37,394,000</td>
<td>$ 63,832,000</td>
<td><strong>$ 26,438,000</strong></td>
</tr>
</tbody>
</table>

| **Capital Improvement Program** | $ 33,827,000 | $ 29,008,000 | **$ 4,819,000** | 14% | $ 58,323,000 | 50% |
### Attachment 4 – Revenues and Other Income

**FY2017-18**
For the 7 Months Ended January 2018 (58%)

<table>
<thead>
<tr>
<th>Revenues and Other Income</th>
<th>Period-to-Date</th>
<th>Variance</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Budget</td>
<td>Actuals</td>
<td>$</td>
</tr>
<tr>
<td>Infrastructure Access Charges</td>
<td>$18,926,000</td>
<td>$18,669,000</td>
<td>$(257,000)</td>
</tr>
<tr>
<td>Property Taxes &amp; In-Lieu Charges</td>
<td>7,544,000</td>
<td>8,698,000</td>
<td>1,154,000</td>
</tr>
<tr>
<td>Investment Income</td>
<td>2,587,000</td>
<td>2,892,000</td>
<td>305,000</td>
</tr>
<tr>
<td>Hydroelectric Revenue</td>
<td>1,901,000</td>
<td>2,075,000</td>
<td>174,000</td>
</tr>
<tr>
<td>Grant Reimbursements</td>
<td>7,735,000</td>
<td>8,626,000</td>
<td>891,000</td>
</tr>
<tr>
<td>Build America Bonds Subsidy</td>
<td>6,593,000</td>
<td>6,147,000</td>
<td>$(446,000)</td>
</tr>
<tr>
<td>Other Income</td>
<td>244,000</td>
<td>3,519,000</td>
<td>3,275,000</td>
</tr>
</tbody>
</table>

**Capital Contributions:**

<table>
<thead>
<tr>
<th></th>
<th>Budget</th>
<th>Actuals</th>
<th>Variance</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capacity Charges</td>
<td>8,314,000</td>
<td>13,929,000</td>
<td>5,615,000</td>
<td>68%</td>
</tr>
<tr>
<td>Water Standby Availability Charges</td>
<td>6,669,000</td>
<td>6,859,000</td>
<td>190,000</td>
<td>3%</td>
</tr>
<tr>
<td>Contributions in Aid of CIP</td>
<td>916,000</td>
<td>-</td>
<td>$(916,000)</td>
<td>-100%</td>
</tr>
</tbody>
</table>

**Total Revenues and Other Income**

|                                                   | $61,429,000    | $71,414,000 | $9,985,000 | 16%   |

<table>
<thead>
<tr>
<th>FY 2017-18 (12 months)</th>
<th>Budget</th>
<th>% of Actuals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infrastructure Access Charges</td>
<td>$32,477,000</td>
<td>57%</td>
</tr>
<tr>
<td>Property Taxes &amp; In-Lieu Charges</td>
<td>12,555,000</td>
<td>69%</td>
</tr>
<tr>
<td>Investment Income</td>
<td>5,175,000</td>
<td>56%</td>
</tr>
<tr>
<td>Hydroelectric Revenue</td>
<td>3,535,000</td>
<td>59%</td>
</tr>
<tr>
<td>Grant Reimbursements</td>
<td>15,470,000</td>
<td>56%</td>
</tr>
<tr>
<td>Build America Bonds Subsidy</td>
<td>11,303,000</td>
<td>54%</td>
</tr>
<tr>
<td>Other Income</td>
<td>489,000</td>
<td>720%</td>
</tr>
</tbody>
</table>

| Total Revenues and Other Income                  | $110,317,000   | 65%          |
## Attachment 5 - Expenses

### FY2017-18
For the 7 Months Ended January 2018 (58%)

<table>
<thead>
<tr>
<th>Expenses</th>
<th>Period-to-Date</th>
<th>Variance</th>
<th></th>
<th></th>
<th>FY 2017-18 (12 months)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Budget</td>
<td>Actuals</td>
<td>$</td>
<td>%</td>
<td>Budget</td>
</tr>
<tr>
<td>Debt Service</td>
<td>$ 59,834,000</td>
<td>$ 59,834,000</td>
<td>$</td>
<td>-</td>
<td>$ 138,577,000</td>
</tr>
<tr>
<td>QSA Mitigation</td>
<td>10,165,000</td>
<td>10,165,000</td>
<td>-</td>
<td>0%</td>
<td>10,165,000</td>
</tr>
<tr>
<td>Equipment Replacement</td>
<td>1,329,000</td>
<td>805,000</td>
<td>524,000</td>
<td>39%</td>
<td>2,292,000</td>
</tr>
<tr>
<td>Grant Expenses</td>
<td>9,118,000</td>
<td>5,597,000</td>
<td>3,521,000</td>
<td>39%</td>
<td>15,720,000</td>
</tr>
<tr>
<td>Other Expenses</td>
<td>290,000</td>
<td>212,000</td>
<td>78,000</td>
<td>27%</td>
<td>500,000</td>
</tr>
<tr>
<td>Operating Departments</td>
<td>30,176,000</td>
<td>24,283,000</td>
<td>5,893,000</td>
<td>20%</td>
<td>51,371,000</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>$ 110,912,000</td>
<td>$ 100,896,000</td>
<td>$ 10,016,000</td>
<td>9%</td>
<td><strong>$ 218,625,000</strong></td>
</tr>
</tbody>
</table>
Interim Long-Range Water Demand Forecast “Reset” Dry-Year Scenarios

Water Planning Committee
March 22, 2018

Tim Bombardier
Principal Water Resources Specialist
Interim Demand Forecast Reset
Normal Year

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Actual</th>
<th>Estimated Transition</th>
<th>Interim Demand Forecast Reset</th>
<th>2015 UWMP</th>
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</thead>
<tbody>
<tr>
<td>2016</td>
<td>455</td>
<td></td>
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<tr>
<td>2017</td>
<td>477</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>2018</td>
<td>537</td>
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<td>2019</td>
<td>558</td>
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<td>2020</td>
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<td>2021</td>
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<td>2022</td>
<td>616</td>
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<td>2023</td>
<td>648</td>
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<tr>
<td>2040</td>
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</tbody>
</table>
Demand based on weather adjusted interim demand forecast “reset”

Dry/hot demand adjustment factors:
- Calculated as the difference between normal year and dry year demand projections in 2015 UWMP
- Single-dry year: 7.1 percent above normal demand
- Multiple-dry year:
  - Year 1 – 7.1 percent
  - Years 2–5 – 7.6 percent
Member Agency Local Supplies

- Based on Verifiable and Additional Planned projections from 2015 UWMP
  - Estimates provided by member agencies
  - Adjusted for dry-year conditions
    - e.g. lower local surface water production
  - Adjusted to include 16,000 AF/Yr of Indian Water Authority “supplemental” deliveries to Escondido and Vista
MWD Available Supplies

- MWD Preferential Right at 24.22%

- MWD available supplies (from 2015 UWMP)
  - Single dry year: 1.4 MAF per year
  - Multiple dry year:
    - Year 1 – 1.4 MAF
    - Year 2 – 1.3 MAF
    - Years 3–5 – 1.2 MAF per year
Single Dry Year Forecast (TAF)

<table>
<thead>
<tr>
<th>Year</th>
<th>Water Authority Supply</th>
<th>Member Agency Verifiable Local Supply</th>
<th>Member Agency Additional Planned Local Supply</th>
<th>Required MWD Supply</th>
<th>Potential Surplus</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>320</td>
<td>100</td>
<td>99</td>
<td>145</td>
<td>194 TAF</td>
</tr>
<tr>
<td>2025</td>
<td>330</td>
<td>103</td>
<td>57</td>
<td>142</td>
<td>197 TAF</td>
</tr>
<tr>
<td>2030</td>
<td>330</td>
<td>105</td>
<td>77</td>
<td>148</td>
<td>191 TAF</td>
</tr>
<tr>
<td>2035</td>
<td>330</td>
<td>105</td>
<td>137</td>
<td>194</td>
<td>234 TAF</td>
</tr>
<tr>
<td>2040</td>
<td>330</td>
<td>106</td>
<td>137</td>
<td>194</td>
<td>212 TAF</td>
</tr>
</tbody>
</table>

Required MWD Supply + Potential Surplus = MWD Preferential Right of 24.22%
Multiple Dry Year Forecast (TAF)

Required MWD Supply + Potential Surplus = MWD Preferential Right of 24.22%
Verifiable Supplies in 2035

(breakout for selected major projects >1,000 AF)

<table>
<thead>
<tr>
<th>Local Surface Water</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Groundwater</td>
</tr>
<tr>
<td>Groundwater Desalination</td>
</tr>
<tr>
<td>• City of Oceanside – Mission Basin Desalter Facility</td>
</tr>
<tr>
<td>• Sweetwater Authority – Reynolds Desalination Facility</td>
</tr>
<tr>
<td>San Luis Rey Supplemental Water*</td>
</tr>
<tr>
<td>Seawater Desalination</td>
</tr>
<tr>
<td>• Carlsbad MWD – Claude “Bud” Lewis Carlsbad Desalination Plant</td>
</tr>
<tr>
<td>• Vallecitos WD – Claude “Bud” Lewis Carlsbad Desalination Plant</td>
</tr>
<tr>
<td>Potable Reuse</td>
</tr>
<tr>
<td>• City of Oceanside – San Luis Rey WRF</td>
</tr>
</tbody>
</table>

* Not included in the 2015 UWMP
Verifiable Supplies in 2035
(breakout for selected major projects >1,000 AF)

<table>
<thead>
<tr>
<th>Recycling</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Carlsbad – Carlsbad WRF</td>
</tr>
<tr>
<td>• City of Escondido – Hale Avenue WRF</td>
</tr>
<tr>
<td>• Fallbrook – Fallbrook Plant #1</td>
</tr>
<tr>
<td>• City of Oceanside – San Luis Rey WWTP</td>
</tr>
<tr>
<td>• Olivenhain – 4S Ranch WRF</td>
</tr>
<tr>
<td>• Otay – R.W. Chapman WRF</td>
</tr>
<tr>
<td>• Padre Dam – Ray Stoyer WRF</td>
</tr>
<tr>
<td>• City of San Diego – North City WRP</td>
</tr>
<tr>
<td>• City of San Diego – South Bay WRP</td>
</tr>
<tr>
<td>• Vallecitos – Meadowlark WRF</td>
</tr>
</tbody>
</table>
### Additional Planned Supplies in 2035

*(breakout for selected major projects >1,000 AF)*

<table>
<thead>
<tr>
<th>Local Groundwater</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Fallbrook PUD/Camp Pendleton – Santa Margarita Conjunctive–Use Project</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Recycling</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Padre Dam – Ray Stoyer Water Recycling Facility</td>
</tr>
<tr>
<td>• City of Escondido – Hale Avenue Resource Recovery Facility</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Seawater Desalination</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Otay WD – Rosarito Beach</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Potable Reuse</th>
</tr>
</thead>
<tbody>
<tr>
<td>• City of San Diego – PURE Water (all phases)</td>
</tr>
<tr>
<td>• Padre Dam MWD – East County Advanced Water Purification (all phases)</td>
</tr>
</tbody>
</table>
Update on Water Supply Conditions

Water Planning Committee
March 22, 2018

Alexi Schnell
Water Resources Specialist
Northern Sierra Precipitation 8-Station Index

Accumulated Precipitation (in)

1-Oct 1-Nov 1-Dec 1-Jan 1-Feb 1-Mar 1-Apr 1-May 1-Jun 1-Jul 1-Aug 1-Sep

74% of Normal (March 21, 2018)

Source: Department of Water Resources
Northern Sierra Snowpack

Water Content (in)

42% of Normal (Mar. 21, 2018)

Source: Department of Water Resources
Lake Oroville Storage Volume
Major Reservoir State Water Project System

Capacity

Historical Average

47% of Capacity
63% of Average
(March 20, 2018)

Million Acre-Feet

Source: Department of Water Resources
San Luis Reservoir Storage Volume
Major Reservoir State Water Project System

Initial CY 2018 SWP Allocation: 20%

Source: Department of Water Resources
Precipitation 68% of normal

Snow water equivalent 73% of median
### Water Year 2018 Precipitation

<table>
<thead>
<tr>
<th>Station</th>
<th>March 1–21, 2018</th>
<th>October 1, 2017 – March 21, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actual</td>
<td>% Normal</td>
</tr>
<tr>
<td>Lindbergh Field</td>
<td>0.95 in.</td>
<td>73%</td>
</tr>
<tr>
<td>Ramona Airport</td>
<td>1.41 in.</td>
<td>57%</td>
</tr>
</tbody>
</table>

Total reservoir storage as of March 12\(^{th}\) at 373,814 AF, or 50 percent of storage capacity
8-14 Day Temperature Outlook
Mar 28 - Apr 03, 2018

Warmer
>50%
>40%
>33%

Cooler
>60%
>50%
>40%

Warmer
>50%
>40%
>33%

Warmer
>50%
>40%
>33%

Climate Prediction Center
Issued: 03/20/2018
MWD’s Proposed 2019 & 2020 Biennial Budget & Rates

Imported Water Committee
March 22, 2018
Key Points

- Lack of long range finance plan
- Reliance on suspension of ad valorem tax rate limitation
- “Overall” rate increase of 3% per year
  - Tier 1 untreated full service: 5.2% in 2019, 3.3% in 2020
  - Tier 1 treated full service: 3.4% in 2019, 2.7% in 2020
  - Exchange rate without WSR: –6.8% in 2019, 6.4% in 2020
  - RTS charge: –5% in 2019, 2.3% in 2020
- Rate litigation win saves Water Authority $46.2 million
## Rate Litigation Win Saves Water Authority $46.2 Million

- **MWD staff proposal:**
  - Suspend collection of WSR on wheeling of Water Authority’s Colorado River supplies in CYs 2018–2020
  - “Internal review” of demand management costs allocation
    - MWD and member agencies staff
    - Outside rate consultant

### Table: Savings from Rate Litigation Win

<table>
<thead>
<tr>
<th></th>
<th>CY 2018</th>
<th>CY 2019</th>
<th>CY 2020</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exchange Deliveries, AF</td>
<td>212,000</td>
<td>242,000</td>
<td>274,000</td>
<td>728,000</td>
</tr>
<tr>
<td>WSR Revenues on Exchange</td>
<td>$11,660,000</td>
<td>$16,698,000</td>
<td>$17,810,000</td>
<td>$46,168,000</td>
</tr>
</tbody>
</table>

*Finance & Insurance Committee  Item 8  Slide 29  February 27, 2018*
# Proposed Rates & Charges

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

| Wheeling Rate ($/AF)                   | $486 | $522 | 7.4%      | $547 | 4.8%     |
| Exchange Rate without WSR ($/AF)       | $431 | $453 | 5.1%      | $482 | 6.4%     |
Proposed 2019 and 2020 Budget and Rates Assumptions

- Sales and exchanges: 1.65 MAF; 1.75 MAF
  - Sales: 1.42 MAF; 1.49 MAF
  - Exchanges: 227 TAF, 258 TAF
- SWP: 50%
- CRA: ~840,000 AF; 920,000 AF
- CIP: $200M
- PAYGo: 60% ($120M)
- WaterFix: 25.9% of $17B Twin Tunnel project
Key Concerns

- “Resolution of Reimbursement”
- Lack of long term financial plan
- Continual suspension of the tax rate limitation
- Lack of rate sensitivity analysis
Key Concern: Resolution of Reimbursement

- $120M/yr additional cash available for unbudgeted purposes
  - At staff’s discretion
  - No details on how and when resolution would be used

Resolution of Reimbursement: The biennial budget proposes to continue to fund 60 percent of capital expenditures from operating revenues, or PAYGo. In order to preserve financial flexibility in the timing of bond issuance, a Resolution of Reimbursement will be provided to the Board for consideration and approval. The Resolution of Reimbursement would authorize the use of tax-exempt bond proceeds or other forms of indebtedness to reimburse capital expenditures for projects funded from the General Fund and the Replacement and Refurbishment (R&R) Fund. The availability of debt funding sources for capital projects initially paid or to be paid by the General Fund and R&R Fund would also provide Metropolitan with additional financial flexibility by allowing for the funding of all or a portion of planned CIP expenditures from bond proceeds.
Key Concern: Lack of LRFP

2016 Financial Forecast

2018 Financial Forecast
### Key Concern: Lack of LRFP

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>2016 Forecast Total Supply Costs*</th>
<th>2018 Forecast Total Supply Costs*</th>
<th>2016 Forecast Water Transactions**</th>
<th>2018 Forecast Water Transactions**</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$794</td>
<td>$0</td>
<td>$674</td>
<td>$0</td>
</tr>
<tr>
<td>2020</td>
<td>$863</td>
<td>$300</td>
<td>$710</td>
<td>$300</td>
</tr>
<tr>
<td>2021</td>
<td>$937</td>
<td>$600</td>
<td>$739</td>
<td>$600</td>
</tr>
<tr>
<td>2022</td>
<td>$937</td>
<td>$900</td>
<td>$791</td>
<td>$900</td>
</tr>
<tr>
<td>2023</td>
<td>$1,014</td>
<td>$961</td>
<td>$846</td>
<td>$961</td>
</tr>
<tr>
<td>2024</td>
<td>$1,079</td>
<td>$1,236</td>
<td>$900</td>
<td>$1,236</td>
</tr>
<tr>
<td>2025</td>
<td>$1,153</td>
<td>$1,315</td>
<td>$961</td>
<td>$1,315</td>
</tr>
<tr>
<td>2026</td>
<td>$1,236</td>
<td>$1,315</td>
<td>$1,014</td>
<td>$1,315</td>
</tr>
</tbody>
</table>

* Includes SWP Contract, CRA power, and supply program costs

** Includes water sales, exchanges, and wheeling

- Forecasted transactions increased
- Forecasted supply costs decreased
Key Concern: Lack of LRFP

Forecasted O&M costs increased and increase more steeply.

2019 - 2026 Forecast Departmental O&M

2016 Forecast Departmental O&M

2018 Forecast Departmental O&M

23.0%
**Key Concern: Suspension of Tax Rate Limitation**

- Board must find the suspension is “essential to the fiscal integrity of the District”
- At the same time, MWD proposing to lower other available sources of fixed revenues
  - RTS & Capacity charges
# Key Concern: Lack of Sensitivity Analysis

<table>
<thead>
<tr>
<th>Capital Program</th>
<th>FY 2018/19</th>
<th>FY 2019/20</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost Efficiency &amp; Productivity</td>
<td>$5,838,700</td>
<td>$2,185,875</td>
<td>$8,024,575</td>
</tr>
<tr>
<td>CRA Reliability</td>
<td>$50,150,170</td>
<td>$51,571,939</td>
<td>$101,722,109</td>
</tr>
<tr>
<td>Distribution System Reliability</td>
<td>$60,506,270</td>
<td>$46,762,828</td>
<td>$107,269,098</td>
</tr>
<tr>
<td>Minor Capital Projects</td>
<td>$4,614,738</td>
<td>$4,598,624</td>
<td>$9,213,362</td>
</tr>
<tr>
<td>PCCP Reliability</td>
<td>$39,519,326</td>
<td>$52,832,893</td>
<td>$92,352,219</td>
</tr>
<tr>
<td><strong>Regional Recycled Water</strong></td>
<td><strong>$4,192,261</strong></td>
<td>—</td>
<td><strong>$4,192,261</strong></td>
</tr>
<tr>
<td>Regulatory Compliance</td>
<td>$1,680,035</td>
<td>$6,573,370</td>
<td>$8,253,405</td>
</tr>
<tr>
<td>ROW &amp; Infrastructure Protection</td>
<td>$5,831,896</td>
<td>$6,554,364</td>
<td>$12,386,260</td>
</tr>
<tr>
<td>System Flexibility/Supply Reliability</td>
<td>$5,556,301</td>
<td>$3,576,433</td>
<td>$9,132,734</td>
</tr>
<tr>
<td>System Reliability</td>
<td>$36,498,784</td>
<td>$54,156,801</td>
<td>$90,655,585</td>
</tr>
<tr>
<td>Treatment Plant Reliability</td>
<td>$37,610,288</td>
<td>$30,390,464</td>
<td>$68,000,752</td>
</tr>
<tr>
<td>Water Quality/ORP</td>
<td>$2,682,517</td>
<td>$609,058</td>
<td>$3,291,575</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$254,681,286</strong></td>
<td><strong>$259,812,649</strong></td>
<td><strong>$514,493,935</strong></td>
</tr>
</tbody>
</table>

The capital and operations and maintenance costs of the demonstration facility have been included in this Biennial Budget, however the Board has not yet committed to a full-scale project and the potential costs for the full-scale project are not included in the Biennial Budget. Information regarding the RRWP is located on Metropolitan’s website at [http://www.mwdh2o.com/DocSvcPub/rrwp/index.html#home](http://www.mwdh2o.com/DocSvcPub/rrwp/index.html#home).
Key Concern: Lack of Sensitivity Analysis

The estimated cost of California WaterFix is about $17 billion in 2017 dollars, with Metropolitan’s share about 26 percent of that, or $4.3 billion. On October 10, 2017, Metropolitan’s Board voted to support
Next Steps

- **March 27**
  - Fourth and final Budget and Rates Workshop

- **April 10 MWD Budget Action**
  - Adopt Biennial Budget, Rates, & Charges
  - Approve resolution to suspend tax rate for fiscal years 2019 and 2020
  - Approve resolution of reimbursement
Asset Management Program Update

Engineering & Operations Committee
March 22, 2018

Nathan Faber
Operations and Maintenance Manager
What is Asset Management?

- Physical Assets
- Infrastructure Management
- Optimum Timing
- Industry Leading Program

Government Technology/AT&T Technology Innovation Award
1947: 1st Pipeline

La Mesa-Sweetwater Extension – Laying first pipe on Sept. 18, 1947
History

1947: 1st Pipeline

1959: 1st Prestressed Concrete Cylinder (PCCP) Pipeline

Laying First PCCP in Lake Murray Crossing - 1959
History

1947: 1st Pipeline

1959: 1st Prestressed Concrete Cylinder (PCCP) Pipeline

1978: 1st PCCP Failure

Families Escape Injury

Huge Pipeline Bursts, Two Homes Flooded

A major pipeline of the San Diego Aqueduct near the Sweetwater Reservoir burst yesterday morning and flooded the homes of two Spring Valley residents.

The underground pipeline, 68 inches in diameter and carrying water from the Colorado River to the reservoir, ruptured at about 9:30 a.m. with a "roar like a tornado," a resident said.

Roberto C. Stanley of 160 Lakeview St. said he and his family were in bed when the huge pipe burst, sending water high into the air. Authorities said no one was injured. "It sounded like a tidal wave or tornado," said Stanley, a computer systems analyst.

He said the water flooded his four-bedroom home located about 180 feet from the breach, and he and his family were forced to leave. Water in some of the rooms reached a level of more than two feet. Stanley's next door neighbor, Albert Unessen of 168 Lakeview St., also reported flood damage to his home.

Pete Reed, public information officer for the San Diego County Water Authority, said the force of the water from the pipeline caused a hole 20 feet across, 90 feet long and at least six feet deep.

Reed said no one was injured when the waterline burst and that water flow was brought under control in a matter of minutes through the use of valves along the line and at the reservoir. Repair crews, operating with cranes, digging equipment and bulldozers, were removing a 20-foot section of damaged line and will replace it with a new one. Reed estimated it would take four to five days to repair the line. He said water will be supplied through alternate routes.

San Diego Union - Feb. 24, 1978
History

1947: 1st Pipeline

1978: 1st PCCP Failure

1991: 1st Prestressed Concrete Cylinder (PCCP) Pipeline

1992: Aqueduct Protection Program established

1991 Pipe Failure (Scripps Ranch)

Early Pipe “Sounding”
History

1947: 1st Pipeline Failure
1978: 1st Prestressed Concrete Cylinder (PCCP) Pipeline
1992: Aqueduct Protection Program established
1999: 1st Pipe Scan Using Technology (PCCP)

Remote Field Eddy Current Scanning of PCCP
1947: 1st Pipeline

1959: 1st Prestressed Concrete Cylinder (PCCP) Pipeline

1978: 1st PCCP Failure

1992: Aqueduct Protection Program established

2009: Asset Management Program established

Asset Management Plan
1947: 1st Pipeline

1947: 1st Pipeline

1978: 1st PCCP Failure

1992: Aqueduct Protection Program established

2009: Asset Management Program established

1959: 1st Prestressed Concrete Cylinder (PCCP) Pipeline

1999: 1st Pipe Scan Using Technology (PCCP)

2011: 1st Magnetic Flux Leakage (MFL) Scan

Magnetic Flux Leakage Tool
History

1947: 1st Pipeline

1959: 1st Prestressed Concrete Cylinder (PCCP) Pipeline

1978: 1st PCCP Failure

1992: Aqueduct Protection Program established

2009: Asset Management Program established

1999: 1st Pipe Scan Using Technology (PCCP)

2011: 1st Magnetic Flux Leakage (MFL) Scan

2017: 1st Bar-Wrapped Pipe Scan

2018: Remote Field Technology Tool
1947: 1st Pipeline

1959: 1st Prestressed Concrete Cylinder (PCCP) Pipeline

1978: 1st PCCP Failure

1992: Aqueduct Protection Program established

1999: 1st Pipe Scan Using Technology (PCCP)

2009: Asset Management Program established

2011: 1st Magnetic Flux Leakage (MFL) Scan

2017: 1st Bar-Wrapped Pipe Scan

2018

Infrastructure Development

Asset Management
1. Inspections
- Plan (5-year rolling)
- Technology Scan
- Visual

2. Data Analytics
- Collect
- Analyze
- Visualize
- Prioritize

3. Recommendations
- CIP Project Packet
- AM Committee
- Board Approval
Step 1 - Inspection

Plan:

1. Technology Scan
2. Visual
Step 2 - Data Analytics

1. Collect
2. Anayze
3. Visualize
4. Prioritize
Step 3 - Recommendations

Priority Projects Packet

Review Process
- Asset Management Committee
- Executives
- CIP Program Budget
- Board Review
Pipeline Risk

Pipe Condition

Failure Impact
Pipeline Risk

Pipe Condition

Failure Impact

= Pipeline 5
Reline
Results

- Maps
  1. Pipelines
  2. Flow Control Facilities
  3. Pipeline Structures
- Long-Term Projections (2035)
Pipeline 4 Mission Trails
Elevated Risk
Flow Control Facility Risk

- **Moderate**: ▼
- **Elevated**: ●

**9 Flow Control Facilities = Elevated Risk**

**10 Flow Control Facilities = Moderate Risk**
Pipeline Structure Risk

Low
Moderate
Elevated

1st Aqueduct
Elevated Risk
Forecast - 2035

Fiscal Year 20XX

- Relining and Pipe Replacement Program
- Infrastructure Rehabilitation

Millions

$0 $5 $10 $15 $20 $25

20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35

San Diego County Water Authority
PCCP Rehabilitation Future

- Continue Acoustic Fiber Optic Monitoring
- Reline Shorter Reaches
- Replace Single Sections
- Savings $200M+
Future Developments

- Reinforced Concrete Pipe Scanning Technology
- Submersible Camera Inspections
- Additional Flow Control Facility Data
- Refine Maintenance Schedules

Pipe Inspection Camera
Carlsbad 6 Flow Control Facility Project Update

Engineering & Operations Committee Meeting
March 22, 2018
Carlsbad 1 Flow Control Facility
New Carlsbad 6 Flow Control Facility
Upgraded Pipeline 3 Turnout Vault
New Carlsbad 6 Flow Control Facility
Contract Summary

Original Contract Amount: $2,786,250
Change Orders: ($ 38,338)
Final Contract Amount: $2,747,912
Staff Recommendation

- Authorize the General Manager to accept the Carlsbad 6 Flow Control Facility project as complete, record the Notice of Completion, and release funds held in retention to Kiewit Infrastructure West, Inc. following expiration of the retention period.
San Vicente Energy Storage Facility – Project Overview

MARCH 22, 2018

Director Michael Hogan, Task Force Chair
Gary Bousquet, Senior Engineering Manager
Agenda

- Project Background
- Pumped Storage Purpose
- Project Activities
- Legislative Goals
- Budget Status
- Future Board Presentation and Actions
Water Authority’s Energy Program

- Implement Board Energy Management Policy
  - Reduce power costs and maximize use of renewables
  - Maximize use of existing water infrastructure to stabilize water rates

Existing Energy Facilities

New Energy Initiatives

Energy Procurement and Transmission

Regulatory Engagement
How Does a Closed-Loop Pumped Energy Storage Work?
Pumped Energy Storage Facilities Serve as Giant Batteries

- Pumped Storage
- Excess Solar Energy
- Energy Usage
- Natural Gas Renewables

At Daytime:

- Pumped Storage
- Excess Solar Energy
- Energy Usage
- Natural Gas Renewables

At Evening:

- Clean Energy
- Energy Usage

San Diego County Water Authority
Project Activities

 Managing the FERC Process

 Completed Key Studies
   Completed two economic studies
   Performed Reservoir Modeling

 Solicited Letters of Interest and Requests for Proposals for Developer and Owners’ Representative

 Began Contract Negotiations

 Preparing CAISO Interconnection Request Application
Legislative Goals

- Educate legislators on role of pumped storage
  - Promotes improved grid reliability
  - Solves energy curtailment crisis/urgency
  - Complimentary nature of pumped storage

- Help shape value streams

- Fact Sheets
Budget – Shared with City

- Approved FY 2017/2018 Budget: $7.0 million
- Remaining Budget (through Project Development Agreement - Beginning of 2019): $3.25 million
Future Board Presentations and Actions

- Task Force Meetings – May 16 and monthly
- E&O Committee Update – May 24
- Project Development Agreement Board Approval – Jan 2019
Sacramento Update

Legislation and Public Outreach Committee
March 22, 2018
Legislature

- Policy committee hearings have begun, but most bills won’t be heard until after spring recess
- Budget subcommittee hearings are currently under way, and will carry through until mid-May
- March 22 – Spring recess begins
- April 2 – Legislature returns from spring recess
Yesterday, Senator Toni Atkins was sworn-in as the new President pro Tempore of the California State Senate

- First woman elected to Senate leadership position in California history

Both majority and minority Senate leaders represent San Diego

- Senator Patricia Bates – Minority leader
Special Elections – State Assembly

2017 Assembly Composition
- Democrats: 55 (2/3 supermajority = 54)
- Republicans: 25

March 2018 Assembly Composition
- Democrats: 51 (three resignations + one voluntary suspension)
- Republicans: 25

Special elections
- AD 39 (Bocanegra) – April 3
  - Runoff – June 5
- AD 45 (Dababneh) – April 3
  - Runoff – June 5
- AD 54 (Ridley–Thomas) – April 3
  - Runoff – June 5
Special Elections – State Senate

- 2017 Senate Composition
  - Democrats: 27 (2/3 supermajority = 27)
  - Republicans: 13

- March 2018 Senate Composition
  - Democrats: 26 (one resignation)
  - Republicans: 13

- Special elections
  - SD 29 (Newman) – June 5 recall election
  - SD 32 (Mendoza – June 5
    - Runoff – August 7
Water Authority Sponsored Bills – 2018: AB 2371 (Carrillo)

- AB 2371 is co-sponsored in partnership with NRDC to advance several Independent Technical Panel (ITP) recommendations to improve landscape irrigation efficiency

- Currently in the process of building a substantial Support coalition for the measure
AB 2064 is intended to fully address cashflow issues for non-profit organizations and DACS participating in IRWM programs

AB 2064 is jointly authored by Assemblymembers Todd Gloria and Shirley Weber

AB 2064 passed the Assembly Water, Parks, and Wildlife Committee on a unanimous vote – March 20
SB 1277 is a spot bill introduced as a vehicle 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.

Stakeholder working group discussions have already begun.
Proposed amendments to AB 1668 and SB 606 have been released.

Some progress has been made toward resolving outstanding technical/implementation issues.

Remaining priority issues include:
- Potable reuse credit
- Drought resilient supplies
- CII performance measures
- Outdoor water use standards
- Enforcement
# Issues Satisfactorily Addressed Through Amendments

<table>
<thead>
<tr>
<th>ISSUE</th>
<th>HOW PROPOSED AMENDMENTS ADDRESSED THE ISSUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indoor water use standard</td>
<td>The bills now define the indoor standards and require studies and a report to the Legislature on effects of reduced indoor flows for water and wastewater system operations</td>
</tr>
<tr>
<td>Waiver for natural disasters</td>
<td>The bills now provide for waiver from compliance if a water supplier’s deliveries are significantly affected by a natural disaster</td>
</tr>
<tr>
<td>Variances</td>
<td>The bills now require the SWRCB adopt variances</td>
</tr>
<tr>
<td>Data accuracy consideration</td>
<td>The bills now provide that state agencies must determine acceptable levels of accuracy for the water use objective and for determining compliance with the objective</td>
</tr>
<tr>
<td>Reporting compliance/timelines</td>
<td>Reporting timelines were addressed</td>
</tr>
<tr>
<td>Drought planning horizons</td>
<td>The bills now reflect more reasonable planning horizons</td>
</tr>
</tbody>
</table>
## Policy and Implementation Issues Remaining

<table>
<thead>
<tr>
<th>Issue</th>
<th>Proposed Amendments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Potable Reuse Credit</td>
<td>The measures must be amended to include a <strong>potable reuse credit up to 30%</strong> to reflect the value of these water use efficiency and supply investments within California’s overall water supply portfolio.</td>
</tr>
<tr>
<td>Drought Resilient Water Supplies</td>
<td>The measures must be amended to <strong>protect water suppliers’ ability to use drought resilient supplies</strong> identified in a supplier’s water shortage contingency plan and <strong>protect water suppliers’ ability to rely on the plans</strong> they develop to respond to drought and water shortage. This is critical to protecting existing investments in these supplies, and providing incentives for the development of new ones.</td>
</tr>
<tr>
<td>CII Performance Measures</td>
<td>The measures must require the SWRCB to consider only those CII performance measures that are <strong>cost effective and technically feasible</strong>. Including a “cost effectiveness” factor will ensure that California gets the appropriate “bang for the buck” when asking water suppliers to invest in CII performance measures.</td>
</tr>
<tr>
<td>Outdoor Water Use Standards</td>
<td>The measures must be amended to provide additional direction to the SWRCB, which would be in charge of adopting standards for outdoor residential water use. At a minimum, the <strong>measures must provide for consideration and sufficient water for existing landscapes within communities and provide clearly that landscapes irrigated with recycled water are special landscapes.</strong></td>
</tr>
<tr>
<td>Enforcement</td>
<td>The measures should provide appropriate, progressive enforcement authorities that account for water suppliers’ authorities and responsibilities relative to their customers through a focus on corrective action.</td>
</tr>
</tbody>
</table>
Update on Water Tax Legislation

- Administration’s proposed budget trailer bill
  - Safe and Affordable Drinking Water Act
    - Assembly and Senate Budget Subcommittees on Resources last week
    - Item held “Open”

- Substantial Oppose Unless Amended coalition

- Focused on an alternative funding solution
  - Safe Drinking Water State Revolving Fund
  - G.O. bond funds
  - Agricultural self-assessment
  - General fund
  - Irrevocable Safe and Affordable Drinking Water Trust Fund
ACWA Water Tax Polling

- 73% of polled voters oppose a tax on drinking water

Substantial opposition holds:
- Among varying demographic groups
- Geographically
- On a bi-partisan basis
- Even when provided a very favorable argument to justify the water tax

- Water tax polling data is being distributed widely within Sacramento and among the media
Proposition 68 – The California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access for All Act of 2018

Legislation and Public Outreach Committee
March 22, 2018
Passed by Legislature during 2017 as SB 5 (DeLeon)
- Water Authority Board supported SB 5
- Consistent with the Board’s adopted Legislative Policy Guidelines

$4 billion general obligation parks, resources, and water bond

Scheduled for June 5 primary election ballot
## Proposition 68 Funding Categories

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Title</th>
<th>Funding Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chapter 2</td>
<td>Environmental and Social Equity, Enhancing California’s Disadvantaged Communities</td>
<td>$725 million</td>
</tr>
<tr>
<td>Chapter 3</td>
<td>Protecting, Enhancing, and Accessing California’s Local and Regional Outdoor Spaces</td>
<td>$215 million</td>
</tr>
<tr>
<td>Chapter 4</td>
<td>Restoring California’s Natural, Historic, and Cultural Legacy</td>
<td>$218 million</td>
</tr>
<tr>
<td>Chapter 5</td>
<td>Trails and Greenway Investment</td>
<td>$30 million</td>
</tr>
<tr>
<td>Chapter 6</td>
<td>Rural Recreation, Tourism, and Economic Enrichment</td>
<td>$25 million</td>
</tr>
<tr>
<td>Chapter 7</td>
<td>California River Recreation, Creek, and Waterway Improvements Program</td>
<td>$162 million</td>
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<tr>
<td>Chapter 8</td>
<td>State Conservancy, Wildlife Conservation Board, and Authority Funding</td>
<td>$767 million</td>
</tr>
<tr>
<td>Chapter 9</td>
<td>Ocean, Bay, and Coastal Protection</td>
<td>$175 million</td>
</tr>
<tr>
<td>Chapter 10</td>
<td>Climate Preparedness, Habitat Resiliency, Resource Enhancement, and Innovation</td>
<td>$443 million</td>
</tr>
<tr>
<td>Chapter 11</td>
<td>Clean Drinking Water and Drought Preparedness</td>
<td>$250 million</td>
</tr>
<tr>
<td>Chapter 11.1</td>
<td>Groundwater Sustainability</td>
<td>$80 million</td>
</tr>
<tr>
<td>Chapter 11.5</td>
<td>Flood Protection and Repair</td>
<td>$550 million</td>
</tr>
<tr>
<td>Chapter 11.6</td>
<td>Regional Sustainability for Drought and Groundwater, and Water Recycling</td>
<td>$290 million</td>
</tr>
<tr>
<td>Chapter 12</td>
<td>Advance Payment for Water Projects</td>
<td></td>
</tr>
</tbody>
</table>
Key Provisions of Interest to Water Authority

- Proposition 68 would allocate $200 million toward implementation of the 10-year Salton Sea Management Program
  - Water Authority advocated for robust funding for Salton Sea restoration to fully protect QSA water transfers
    - SB 701 (Hueso) was instrumental in spotlighting the funding need at the Salton Sea

- Proposition 68 would allocate $260 million for drought and groundwater investments
  - $50 M for groundwater plans and projects in accordance with SGMA
  - $100 M for water recycling and advanced treatment technology projects
Staff Recommendation

Adopt resolution endorsing Proposition 68, the California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access for All Act of 2018