CY 2020 Rates & Charges Process

Administration and Finance
February 28, 2019

Presented by: Lisa Marie Harris, Director of Finance/Treasurer
Pierce Rossum, Rate & Debt Manager
Agenda

- Welcome Remarks
- Recap of Recent Activities
- Rate Development Overview
- Our Process
- Key Rate Factors
- Next Steps
CY 2020 Rate Process Timeline to Date

Second Half 2018  ▪ Continued work with Carollo Engineers to provide financial rate modeling support and updates to Water Authority’s existing model (FRMP)

Late 2018  ▪ Received Drafted Update to Financial Model for use in CY 2020 Rates and Charges

January 2019  ▪ Staff initiated CY 2020 Rate Setting Process to coincide with production and adoption of new two-year budget
Rate Development Overview

- Review total revenues required to fund:
  - Operating Costs
  - Annual Debt Service
  - Miscellaneous Cost Recovery
  - Coverage and Reserve Driven Needs
  - Application of Offsetting Revenues
    - IAC, Supply Reliability, Standby Availability Charge, Capacity Charges, Property Tax, Interest Earning, Misc. Revenue
• Review total revenues required to fund operations, capital, debt service and coverage and policy requirements

• Allocate revenue requirements and offsetting revenues to five “Cost Buckets”
  • Melded Supply
  • Melded Treatment
  • Transportation
  • Storage
  • Customer Service
Revenue Requirement Analysis

• Review total revenues required to fund operations, capital, debt service and coverage and policy requirements

Functional Allocation by Rate Category

• Allocate revenue requirements and offsetting revenues to the Water Authority’s five water rate and charge categories in a fair and equitable manner

Water Rates & Charges

• Set rates to recover the revenue requirements from member agencies based on water sales projections
Revenue Requirement Analysis

- Review total revenues required to fund operations, capital, debt service and coverage and policy requirements

Functional Allocation by Rate Category

- Allocate revenue requirements and offsetting revenues to the Water Authority’s five water rate and charge categories in a fair and equitable manner

Water Rates & Charges

- Set rates to recover the revenue requirements from member agencies based on water sales projections

Member Agency Allocation

- Allocate expenditures to each member agency based on water demand patterns and other key metrics
Rates & Charges Process

- Exhaustive internal process used to develop rates and charges
  - Integral members attend meetings and develop key assumptions for rates & charges calculation, in concert with budget process
  - Fundamental assumptions are entered into the Rate Model

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<td>• Reimbursements FY</td>
<td>• Treated Water Production - CY</td>
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<td>• System Connections Data - CY</td>
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<td>• Treatment Costs</td>
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<td>• Storage Evaporation &amp; Seepage CY</td>
<td>• Canal Water - CY</td>
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Our Region’s Trusted Water Leader
San Diego County Water Authority
Rates & Charges Process

- Working group meets several times in the process to review and document assumptions

- Once assumptions are finalized, the Finance team begins calculating rates & charges

- Finance presents recommended rates & charges to:
  - Working Group
  - GM’s office
  - Member Agency General Managers
  - Member Agency Finance Officers

- Final step is public hearing on rates & charges in June
Key Rate Factors for CY 2020

- Shift in water supply
  - QSA Deliveries increasing from 160 TAF in 2019 to 193 TAF in 2020
  - Continuing decrease in MWD Water Deliveries

- Increase in MWD Rates

- Change in the Rate Stabilization Fund policy
  - From a 20% decrease in water sales as of 1/1/2019, to a 15% decrease in water sales as of 1/1/2021

- Increase in construction and maintenance costs
  - Escalation of both materials and labor costs
Next Steps

Mar - April 2019
- Hold a joint meeting for MAFO’s & Member Agency GM’s from 9 to 11 on March 20th
- Hold a joint meeting for MAFO’s & Member Agency GM’s from 11 to 12, after the April 16th Member Agency GM Meeting
- Carollo & Water Authority staff to continue rate model refinement and CY 2020 Rates and Charges

April - May 2019
- Preliminary rate and charge guidance anticipated in April with final recommendations by May

May - June 2019
- Public hearing and adoption of rates
Claude “Bud” Lewis Carlsbad Desalination Project Conveyance Pipeline Refunding Results

Administration and Finance Committee
February 28, 2019

Lisa Marie Harris
Director of Finance/Treasurer
Agenda

- Timeline
- Credit Ratings
- Favorable Timing
- Investor Marketing
- Investor Demand
- Savings from Refunding
- Refunding Summary
 timeline

Board approved Pipeline Bonds refinancing

Market conditions suggested significant savings, resumed refinancing

Closing; Redemption of refunded bonds

May 2017  Fall 2017  Fall 2018  Jan 2019  Feb 2019

Market conditions less favorable & plant operational issues arose; refinancing placed on hold

Moody’s & Fitch ratings, bond pricing

$18M in NPV Savings without extending maturity
Credit Ratings

- The 2019 Pipeline Refunding Bonds received credit ratings from Moody’s Investors Service and Fitch Ratings of “Baa3” and “BBB-”, respectively. Both rating agencies gave the credit a “Stable” outlook

- Credit Strengths
  - Strong Water Purchase Agreement terms with SDCWA provide for predictable contracted cash flows and a strong cost recovery mechanism during times of operating challenges
  - Strategic importance of project to SDCWA in managing its water supply resources.
  - Improved operating performance in 2018

- Credit Challenges
  - Successful completion of the necessary changes to the seawater intake system
  - Expiration of Management Services contract between the project company and Poseidon Water at the end of 2019
Favorable Timing

• The financing team targeted a January bond sale to take advantage of expected favorable market supply and demand dynamics
  ✓ Municipal bond supply in late January was unusually low
  ✓ California municipal bond supply was expected to increase in February and March

• This was the largest California tax-exempt bond issue of the week, ensuring strong investor focus

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Water Authority Marketing Impact

- 60 institutional investors were reached in marketing process
- Institutional investors reached in-person or by phone follow-up:
  - 10 firms in Boston
  - 8 firms in New York
  - 13 telephone “one-on-one” follow-ups
- Nearly $2 billion in total orders, of which $1.7 billion were received from investors reached in marketing process
- Of largest 20 orders, 90% were from investors reached through marketing efforts
- Six investors placed orders for more than $100 million. All were touched in marketing process either in-person or by “one-on-one” calls
- Prior to sale there were 16 holders of more than $10 million in Plant and Pipeline bonds. For this sale, 37 investors placed orders for $10 million or more
Key Themes Addressed in Investor Meetings

• Water Authority’s continued commitment to Project and Project’s role in regional water supply

• Overcoming Plant operational challenges from 2017

• Mitigating the operational risks related to regulatory approvals/construction of the new in-take system

• Potential for Plant management changes given public disclosure of possible sale of Plant equity position

• Recap of contractual short-fall mechanism in practice
Investor Demand

- 45 investors submitted orders totaling almost $2 billion for $183.2 Par
- Strong demand enabled yields to be lowered by 10 to 13 basis points on the bulk of the bond issue
- Ultimately, final orders totaled $1.7 billion from 37 investors

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Savings from Refunding

### Refunding Results

- **Net Present Value Savings of $17.79 million (8.87% of refunded par)**
- **All-In True Interest Cost of 4.30%**
- **Does not extend bond maturities**
- **Generally escalating annual savings in most years beginning with $317,493 in 2019 up to $1.98 million in 2045**

### Sources and Uses ($000s)

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<td><strong>Total Uses</strong></td>
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### Refunding Debt Service Schedule

- **Refunding Debt Service**
- **Prior Debt Service**

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San Diego County Water Authority
Debt Service Savings

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<tr>
<th>Date</th>
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<th>Prior Receips</th>
<th>Prior Net Cash Flow</th>
<th>Refunding Debt Service</th>
<th>Savings</th>
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<td>$18 million in Net Present Value Savings</td>
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Savings Summary

| PV of savings from cash flow | 19,015,827.75 |
| Less: Prior funds on hand   | -12,067,262.35 |
| Plus: Refunding funds on hand| 10,843,551.16 |
| Net PV Savings              | 17,792,116.56 |
Refunding Summary

- $18M in Net Present Value Savings
- True Interest Cost of 4.3%
- Does not extend bond maturities
- Escalating annual savings from $317,493 in 2019 to $2.0M in 2045
La Mesa Sweetwater Extension Pipeline investigation and repair

Engineering & Operations Committee
February 28, 2019

Nathan Faber
Operations and Maintenance Manager
310 Miles - Large Diameter Pipelines

LEGEND
- Water Authority Service Area
- Pipelines
- Out of Service Pipeline
96 Member Agency Connections
Mission Impossible?

- Find the next failure - before it happens
  - Where?
  - When?
  - Impact?

- Where to start?
  - Oldest?
  - Biggest?
  - Wait?
Asset Management Process

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

Technology
Why is it Important?

- Prevent Failures
- Reliable Service
- Cost-Effective

2008 Pipe Failure - Mission Trails

1990 Pipe Failure - Signs on Interstate 8
Recent Example

Highlight:

1. Technology
2. Failure Impact
3. Proactive Repairs
2017 Pipeline Inspection 5-miles
Remote Field Technology
Remote Field Technology

Remote Field Signal Flow Path

Exciter Coil  Detector Coil

Cross-section through pipe wall
Tool Insertion Video
Results - No Defects

Pipe Joint

Factory Weld

Pipe Joint

Pipe Scan Data
Pipe Scan Data
Added Bonus

- Planning for First Aqueduct Inspection
- Idea - Compare Data at Joints
- **Free** Analysis of Existing Data
“Normal Signal”

Data Anomaly

Pipe #206/207 Signal

Pipe Joint
Failure Impact
8-feet below ground

39-inch diameter
Pipe Excavation
Pipe Excavation
Failure Impact
Exposed Pipe
Coating Cracks
Corrosion at Joint

Pipe Joint
Corrosion - Close up at Bottom of Joint

Pipe Joint

Bottom of Pipe
High Resolution Measurements

Perfectly Round 39-inch Pipe

LIDAR Measurements (~1,600)
Pipe Deflection/Deformation

4 times over allowed
Proactive Repair - Concrete Encasement
Concrete Encasement
Backfill
Sacrificial Anodes/Monitoring
Site Restored
Dear Ashley,

Thank you very much for the photo. Your Project Team are competent, considerate, and have high moral. The workmen were very thoughtful, congenial & skilled. It was a pleasure having them.

Sincerely,

Vinicius Landis
Drought Contingency Plan Update

Imported Water Committee
February 28, 2019

Kelly Rodgers
Director of the Colorado River Program
Background

- Efforts to build elevation in Lake Mead
- Bureau of Reclamation pushing for completion
- Progress made in recent months
- New March 4 deadline
Elements of the DCP

- Federal Companion Agreement/Legislation
- Interstate Agreements
- Intrastate Agreements
- ICS Exhibits
Status and Remaining Approvals

- Arizona
  - Intrastate agreements

- California
  - IID conditions
  - CVWD conditions

- ICS Exhibits

- Federal Companion agreement/legislation
Cumulative CA DCP Contributions through 2026

Stress Test Hydrology Modeling

<table>
<thead>
<tr>
<th></th>
<th>Average</th>
<th>Worst-Case (90th %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>IID</td>
<td>250,000</td>
<td>250,000</td>
</tr>
<tr>
<td>CVWD</td>
<td>39,000</td>
<td>140,000</td>
</tr>
<tr>
<td>PVID</td>
<td>44,000</td>
<td>123,000</td>
</tr>
<tr>
<td>MWD</td>
<td>217,000</td>
<td></td>
</tr>
</tbody>
</table>

Total 1.75M

Total 550K

Total 1.5M
# Key Dates and Next Steps

<table>
<thead>
<tr>
<th>February</th>
<th>March</th>
<th>April</th>
<th>May</th>
<th>June</th>
<th>July</th>
<th>August</th>
</tr>
</thead>
<tbody>
<tr>
<td>BOR Deadline</td>
<td>Mexico Deadline</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>BOR Deadline</td>
</tr>
</tbody>
</table>

- **February**: Finalize & approve remaining agreements
- **March**: Obtain funding for Salton Sea
- **April**: Obtain input from Basin States Gov’rs on alt. path
- **May**: Pass required federal legislation
- **June**: Develop federal plan for implementation

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*Our Region’s Trusted Water Leader*
*San Diego County Water Authority*
Lower Basin Annual Shortage and DCP Reductions

CA DCP Annual Contribution
200 to 350 TAF/year
≤ Elevation 1,045 FT

Doesn’t include Mexico’s cuts
## Shortage Cutbacks

### 2007 Interim Guidelines & Minute 323 Shortage-Sharing

<table>
<thead>
<tr>
<th>Lake Mead Elevation</th>
<th>CA</th>
<th>AZ</th>
<th>NV</th>
<th>Mexico</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,075’</td>
<td>320</td>
<td>13</td>
<td>17</td>
<td>50</td>
</tr>
<tr>
<td>1,050’</td>
<td>400</td>
<td>13</td>
<td>17</td>
<td>70</td>
</tr>
<tr>
<td>1,025’</td>
<td>480</td>
<td>20</td>
<td>125</td>
<td></td>
</tr>
</tbody>
</table>
Additional DCP Cutbacks

Proposed Lower Basin DCP & Minute 323 Water Scarcity Plan

Shortage Reduction Volume (Thousand Acre Feet)

<table>
<thead>
<tr>
<th>Lake Mead Elevation</th>
<th>CA</th>
<th>AZ</th>
<th>NV</th>
<th>Mexico</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,075’</td>
<td>350</td>
<td>512</td>
<td>21</td>
<td>80</td>
</tr>
<tr>
<td>1,050’</td>
<td></td>
<td>592</td>
<td>25</td>
<td>104</td>
</tr>
<tr>
<td>1,025’</td>
<td></td>
<td>720</td>
<td>30</td>
<td>275</td>
</tr>
</tbody>
</table>

- 2007 Interim Guidelines
- Drought Contingency Plan
Sacramento Update

Legislation and Public Outreach Committee
February 28, 2019

Glenn Farrel, Government Relations Manager
Legislature

- February 22: Bill introduction deadline
  - Approximately 3,000 bills were introduced for the 2019 legislative session
  - Bills must be in print for 30 days before hearing or amendment
- April 11 - April 21: Legislature’s spring recess
- May 31: Last day for bills to pass from house of origin
- June 15: Budget bill must be passed by Legislature
State of the State Address

- Feb 12: Governor Newsom delivered first State of the State address
- Outlined a variety of priorities
  - Homeless issues
  - High Speed Rail project
  - PG&E’s bankruptcy
  - Education initiatives
- Water policies and priorities
  - Does NOT support twin tunnels project as currently configured
  - Does support a single tunnel project coupled with additional local and regional water supply development
  - Named Joaquin Esquivel as Chair of SWRCB
  - In separate action, appointed Laurel Firestone to SWRCB to replace Felicia Marcus
  - Emphasized importance of finding solutions to address safe drinking water issues throughout the state
Sponsored Legislation - AB 1588 (Gloria/Gray)

- AB 1588 is jointly authored by:
  - Assemblymember Todd Gloria (D-San Diego)
  - Assemblymember Adam Gray (D-Merced)

- AB 1588 is co-sponsored by the Water Authority and the Otay Water District

- AB 1588 is intended to address the lack of satisfactory crediting and equivalency standards for military veterans transitioning into civilian water and wastewater system operator occupations
**Sponsored Legislation - Pumped Hydro Storage**

- **Issue:** Lack of statutory path to advance opportunities for pumped hydropower storage projects to improve electrical grid reliability and integration of renewable energy into the system

- **Approach:** Introduction of “spot bill” language to allow a vehicle to proceed through the Legislature

- **Author:** Senator Ben Hueso
Sponsored Legislation - P3 Grant Eligibility

**Issue:** Public-private partnership (P3) projects are ineligible to apply for desalination grant funds under general obligation bond measures

**Approach:** Pursue funding appropriation and P3 eligibility for future bond measures through state budget process.
**Introduced Legislation - 2019**

- Safe and affordable drinking water
  - Water tax legislation
    - AB 134 (Bloom)
    - AB 217 (Garcia)
    - SB 200 (Monning)
    - Budget Trailer Bill
  - SB 669 (Caballero) - Creation of drinking water trust fund using one-time allocation of budget surplus funds - sponsored by ACWA/CMUA
  - SB 414 (Caballero) - Small water system consolidation authority - CMUA/Eastern MWD
“Disadvantaged Community” Definition

- The Administration’s water tax budget trailer bill defines “disadvantaged community” as having the same meaning as Section 116275 of the Health and Safety Code
  - Section 116275 of the Health and Safety Code defines “disadvantaged community” to mean:
    “...the entire service area of a community water system, or community therein, in which the median household income is less than 80 percent of the statewide average”

- The BTB prioritizes the use of water tax revenue “to assist disadvantaged communities and low-income households served by a state small water system or domestic well”
  - State small water system serves at least five but no more than 14 service connections and does not regularly serve drinking water to more than an average of 25 persons daily for more than 60 days out of the year
  - A domestic well is a groundwater well used to supply water for the domestic needs of an individual residence or water systems that have fewer than four service connections
Introduced Legislation - 2019

- AB 533 (Holden) - Exclusion of water conservation, efficiency, or water runoff management improvement program rebates from taxable income
- AB 557 (Wood) - Funding to implement Atmospheric Rivers research and forecasting program
- SB 204 (Dodd) - Legislative oversight of DWR State Water Project contract amendment process
- SB 332 (Hertzberg) - Recycled water legislation - limitation on ocean discharges

Energy-related issues
- SB 772 (Bradford) - Pumped hydropower storage - Next Era Renewables
- AB 56 (Garcia) - Centralized energy procurement entity
Education Program Overview

Legislation and Public Outreach Committee
February 28, 2019
Legacy of Educating Next Generation

- 30 years of school programs
  - History
  - Water cycle
  - Conservation

- Region has 1,000 public and private schools

- Funding through partnerships and grants
In-School Programs

- Splash Science Mobile Lab
  - In coordination with San Diego County Office of Education

- Theatrical Assemblies
Regional Outreach

- Fleet Science Center
  - 400,000 visitors annually

- Greater San Diego Science and Engineering Fair

- Scout Patch Program
3rd - 12th Grade Curriculum

- Conservation
  - Specific actions for the home

- New classroom posters
  - Facilities
  - Economic Impact and Workforce Development
RESTORING WATER ACCESSIBILITY IN CALIFORNIA:
CUWA’s Feb 2019 Issue Brief Update

OBJECTIVE:
Guide solutions for lasting improvements that break the cycle of failing water systems delivering unsafe drinking water.

Map: Small system population impacted by persistent health-based violations, by city (2013-2017)

Katie Porter, P.E.
CUWA Staff Engineer
Why we are doing this work?

• Californians receive drinking water from 1) public water systems, 2) state small water systems, and 3) private domestic wells. Nearly a million people receive unsafe drinking water from failing PWSs alone.

• While the State assesses funding options and continues a needs assessment, **immediate progress can be made** to address a substantial part of the problem.

• As a non-advocacy group, CUWA believes we can achieve near-term progress by focusing on technical aspects of the problem, leveraging the expertise of our member agencies and partners to advance creative new solutions to fix the problems in a lasting way.
IMMEDIATE ACTIONS CAN LEAD TO PROGRESS

1. IDENTIFY WHICH SYSTEMS TO ADDRESS FIRST

2. DEVELOP A STRATEGY TO ACHIEVE COMPLIANCE

3. PREVENT NEW, UNSUSTAINABLE SYSTEMS FROM FORMING
Identify which systems to address first

CUWA analyzed 2013-2017 data from:

- SWRCB Human Right to Water (HR2W) Database
- Concentrations of 1,2,3-TCP and Chromium VI from the SWRCB Electronic Data Transfer (EDT) Library
- Total coliform violations and system populations from the US EPA Safe Drinking Water Information System (SDWIS)

CUWA analysis shows over 1100 systems had one or more violation (does not include Chromium VI)
A phased approach to address small public water systems (<10,000 people served) provides the greatest early impact.

Focus on the most severely impacted systems.

- Persistent violations are an indicator of a failing system.
- CUWA has focused on this subset as a place to start.
- Our goal is to create early actions, learn as we go, and test and refine workable models.

Persistent violation = Health-based violation in at least 12 of the last 20 quarters (2013-2017)

<table>
<thead>
<tr>
<th>Number of Connections</th>
<th>Number of Systems with Persistent Violations</th>
<th>Population Impacted</th>
</tr>
</thead>
<tbody>
<tr>
<td>≥200</td>
<td>33</td>
<td>111,700</td>
</tr>
<tr>
<td>&lt;200</td>
<td>117</td>
<td>25,800</td>
</tr>
<tr>
<td><strong>TOTALS</strong>*</td>
<td><strong>150</strong></td>
<td><strong>137,500</strong></td>
</tr>
</tbody>
</table>

*Chromium VI violations not included (no current MCL).*
Look ahead to emerging water quality challenges to create lasting solutions

Persistent violation = Health-based violation in at least 12 of the last 20 quarters

<table>
<thead>
<tr>
<th>Contaminant</th>
<th>Population Affected</th>
<th># of Systems</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,2,3-TCP</td>
<td>64,400</td>
<td>26</td>
</tr>
<tr>
<td>Arsenic</td>
<td>48,900</td>
<td>79</td>
</tr>
<tr>
<td>Total Trihalomethanes (TTHM)</td>
<td>21,100</td>
<td>13</td>
</tr>
<tr>
<td>Uranium</td>
<td>8,600</td>
<td>13</td>
</tr>
<tr>
<td>Nitrate</td>
<td>3,000</td>
<td>19</td>
</tr>
<tr>
<td>Other</td>
<td>2,200</td>
<td>9</td>
</tr>
<tr>
<td>TOTAL</td>
<td>137,500(^1)</td>
<td>150</td>
</tr>
<tr>
<td>Chromium VI</td>
<td>91,600(^2)</td>
<td>98</td>
</tr>
</tbody>
</table>

\(^1\) More than 10,000 of these people are affected by multiple contaminants

\(^2\) Chromium VI values represent potential future violations. The population affected by Chromium VI is not included in the total.
Regional community water systems can leverage economies of scale / expand capacity.

Systems need a reasonably-sized rate base to stay sustainable.

Package systems to cost-effectively treat existing/emerging contaminants.

Real-time monitoring/digital systems to track performance & enable remote operation.

New operational models to keep plants on track and better stretch O&M dollars.

Work with technology providers and private utilities who can help set up and run regional systems.

Partner with universities, NGOs, and others who can assist on the ground.

Continue to engage with state partners and thought leaders to create comprehensive lasting solutions.
## Prevent New, Unsustainable Systems from Forming

### Strengthen Implementation of “Stop the Bleeding” Requirements

- Provide more specificity on what a sustainable system requires
- Incorporate proposed new systems into broader framework with sufficient TMF capacity to be sustainable.

### Encourage Stronger Coordination for the Formation of Future Water Systems

- Land use planning authorities
- Groundwater Sustainability Agencies (GSAs)
- Division of Drinking Water (DDW)
Next Steps - Water Research Foundation funded research

“Solutions for Failing Drinking Water Systems in California” research by CUWA in partnership with Pacific Institute to develop a framework for sustainable public water systems that can be replicated throughout the country.

- Focus: subset of severely impacted community systems
- Site visits to better understand constraints
- Convening workshop of potential partners to brainstorm technical approaches and solutions
Closing Thoughts

• Start with really understanding problem(s) so we can create systems for the future – reliable and lasting systems that are adaptable to emerging WQ challenges and cost-effectively operated.

• CA has an opportunity to lead in forging new solutions to provide safe, reliable water for the future.

• CUWA would like to help make it happen and believe that near-term progress can be made.
Questions?

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CUWA Staff Engineer  
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213.271.2239

**Cindy Paulson**  
CUWA Executive Director  
[cpaulson@brwncald.com](mailto:cpaulson@brwncald.com)  
925.210.2477

[www.cuwa.org](http://www.cuwa.org)
Update on Metropolitan Water District’s Local Water Resources Program

Water Planning and Environmental Committee
February 28, 2019

Lesley Dobalian
Principal Water Resources Specialist
Background

- **MWD financial incentive program**
  - Established in 1981, updated last in 2014
  - $36 Million for 228,000 AF in FY 2017

- **Funds new local projects**
  - MWD member agency support
  - First come, first served

- **170,000 AFY target set in 2018**

- **Performance provisions**
## Payment Options

<table>
<thead>
<tr>
<th>Option</th>
<th>Maximum Incentive</th>
<th>Payment Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Sliding Scale</td>
<td>$340/AF</td>
</tr>
<tr>
<td>2</td>
<td>Sliding Scale**</td>
<td>$475/AF</td>
</tr>
<tr>
<td>3</td>
<td>Fixed incentive</td>
<td>$305/AF</td>
</tr>
</tbody>
</table>

* Pay for project water used
** Project must produce for 25 years
Process Overview

- Project applicant submits application to Water Authority
  - Water Authority reviews and comments

- Water Authority submits application to MWD
  - MWD reviews and comments
  - MWD meets with applicant and Water Authority

- MWD develops draft agreement
  - Applicant and Water Authority review and comment
  - Agency Boards approve agreement

- Agreement executed
<table>
<thead>
<tr>
<th>Status</th>
<th>Number</th>
<th>Yield*</th>
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<tbody>
<tr>
<td>Active</td>
<td>8</td>
<td>33,000 AFY</td>
</tr>
<tr>
<td>Inactive</td>
<td>9</td>
<td>14,000 AFY</td>
</tr>
<tr>
<td>Pending**</td>
<td>8</td>
<td>110,000 AFY</td>
</tr>
</tbody>
</table>

* Yield may be revised due to project performance
** Applications received by Water Authority member agencies
Update on Water Supply Conditions

Water Planning and Environmental Committee
February 28, 2019

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

Accumulated Precipitation (in)

- WY 2017 (record year)
- WY 2018
- WY 2019

133% of Normal (February 28, 2019)

Source: Department of Water Resources
Northern Sierra Snowpack

Water Content (in)

152% of Normal (Feb. 28, 2019)

Source: Department of Water Resources
Sierra Snowpack

February 2018

February 2019
Lake Oroville Storage Volume - SWP

Historical Average

60% of Capacity
87% of Average
(February 27, 2019)

Source: Department of Water Resources
San Luis Reservoir Storage Volume - SWP

San Luis Reservoir

Revised CY 2019
SWP Allocation: 35%

97% of Capacity
114% of Average
(February 27, 2019)

Historical Average

Source: Department of Water Resources
Upper Colorado River Basin

- As of Feb. 25, 2019:
  - Precipitation 113% of normal
  - Snow water equivalent 116% of normal
### Local Conditions

#### Water Year 2019 Precipitation

<table>
<thead>
<tr>
<th>Station</th>
<th>Actual</th>
<th>% Normal</th>
<th>Actual</th>
<th>% Normal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lindbergh Field</td>
<td>3.42 in.</td>
<td>156%</td>
<td>10.62 in.</td>
<td>146%</td>
</tr>
<tr>
<td>Ramona Airport</td>
<td>8.77 in.</td>
<td>292%</td>
<td>17.01 in.</td>
<td>163%</td>
</tr>
</tbody>
</table>

Total reservoir storage as of February 25 at 405,000 AF, or 55 percent of storage capacity (an increase of 62,000 AF or 9% since Jan. 14, 2019)
U.S. Drought Monitor

December 4, 2018

February 26, 2019

Drought Classification
- None
- D0 (Abnormally Dry)
- D1 (Moderate Drought)
- D2 (Severe Drought)
- D3 (Extreme Drought)
- D4 (Exceptional Drought)
Three-Month Temperature Outlook
Mar-Apr-May 2019

Above-Normal Favored

Climate Prediction Center
Issued: 02/21/19
Recommendations from Closed Session:

1. That the Board Chair be authorized to sign an employment contract amendment with General Manager Maureen Stapleton with the following main contract performance terms:
   a. Ms. Stapleton is resigning, but first will go on leave, continuously using her accrued time off, with her resignation to be effective no later than July 25, 2020.
   b. During her leave Ms. Stapleton, as with all employees on accrued leave, will receive her basic benefits and pay.
Recommendations from Closed Session (cont’d):

c. Ms. Stapleton will not receive severance pay of any kind, eliminating a potential 18 months of severance in her current contract.

d. The Water Authority may immediately appoint an Acting General Manager, and search for a new permanent General Manager.

e. Ms. Stapleton provides the Water Authority with various standard releases.

2. That Sandy Kerl be immediately appointed Acting General Manager effective March 1, 2019, at the current annual salary of $302,500 annually. (this is a 10% increase over Ms. Kerl’s current salary of $275,000.)