General Manager’s Recommended Budget for Fiscal Years 2016 & 2017

Maureen A. Stapleton
General Manager

Day Two Overview
Workshop Schedule

Tuesday
• Cost of Water
• Capital Improvement Program
• Debt Service
• Hydro Power Revenues and Costs
• Equipment Replacement Fund
• Grants

Today
Operating Departments
• Water Supply
  – Colorado River Program, MWD Program, Water Resources
• Water Facilities
  – Engineering, Operations & Maintenance
• Core Business
  – Administrative Services, Finance, General Counsel, General Manager & Board of Directors, Public Outreach and Conservation
## FYs 16&17 Recommended Budget

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water Purchases &amp; Treatment</td>
<td>$957,526</td>
<td>64%</td>
</tr>
<tr>
<td>Debt Service</td>
<td>282,804</td>
<td>19%</td>
</tr>
<tr>
<td>CIP Expenditures</td>
<td>136,825</td>
<td>9%</td>
</tr>
<tr>
<td>Operating Departments</td>
<td>94,143</td>
<td>6%</td>
</tr>
<tr>
<td>Hodges Pumped Storage</td>
<td>4,204</td>
<td>&lt;1%</td>
</tr>
<tr>
<td>Equipment Replacement</td>
<td>4,219</td>
<td>&lt;1%</td>
</tr>
<tr>
<td>Other and Grant</td>
<td>19,108</td>
<td>1%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,498,829</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>
Operating Departments

- Operations and Maintenance: 33%
- Administrative Services: 15%
- Public Outreach & Conservation: 9%
- Water Resources: 8%
- General Counsel: 8%
- Engineering: 7%
- General Manager & Board of Directors: 6%
- Finance: 5%
- MWD Program: 4%
- Colorado River Program: 3%
- Operating Departments Total: 100%
### Operating Departments

<table>
<thead>
<tr>
<th>DEPARTMENT (in thousands $)</th>
<th>FYs 14&amp;15 Amended</th>
<th>FYs 16&amp;17 Recommended</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative Services</td>
<td>$14,430</td>
<td>$14,421</td>
<td>$(9) 0%</td>
</tr>
<tr>
<td>Colorado River Program</td>
<td>2,822</td>
<td>3,158</td>
<td>335 12%</td>
</tr>
<tr>
<td>Engineering</td>
<td>7,488</td>
<td>6,974</td>
<td>(515) (7%)</td>
</tr>
<tr>
<td>Finance</td>
<td>4,803</td>
<td>4,717</td>
<td>(86) (2%)</td>
</tr>
<tr>
<td>General Counsel</td>
<td>14,927</td>
<td>7,383</td>
<td>(7,544) (51%)</td>
</tr>
<tr>
<td>General Manager &amp; Board of Directors</td>
<td>5,301</td>
<td>5,826</td>
<td>526 10%</td>
</tr>
<tr>
<td>MWD Program</td>
<td>3,569</td>
<td>3,996</td>
<td>427 12%</td>
</tr>
<tr>
<td>Operations and Maintenance</td>
<td>30,458</td>
<td>31,473</td>
<td>1,014 3%</td>
</tr>
<tr>
<td>Public Outreach &amp; Conservation</td>
<td>7,407</td>
<td>8,555</td>
<td>1,148 15%</td>
</tr>
<tr>
<td>Water Resources</td>
<td>7,358</td>
<td>7,640</td>
<td>282 4%</td>
</tr>
<tr>
<td><strong>Operating Departments Total</strong></td>
<td><strong>$98,564</strong></td>
<td><strong>$94,143</strong></td>
<td><strong>$(4,421) (4%)</strong></td>
</tr>
</tbody>
</table>
Historical Staffing

Reduction of 6.25 FTEs
Managing Staff Resources

- Current budget reduced 6.25 FTEs
  - 6.75 eliminated
  - 2.00 repurposed for new Energy Program
  - 0.50 new O&M position
- 8 positions downgraded

- Since FY08 (height of CIP) reduced 49.60 FTEs or 17% of workforce
Overview of Labor and Benefits

- In total, the Water Authority’s Labor and Benefits have decreased by 1%

<table>
<thead>
<tr>
<th>Type of Change</th>
<th>Net Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Position Reductions</td>
<td>&lt;$2.0 M&gt;</td>
</tr>
<tr>
<td>Retirement/Health Benefit Changes</td>
<td>$1.6 M</td>
</tr>
<tr>
<td>Downgrade in Position Classifications</td>
<td>&lt;$0.5 M&gt;</td>
</tr>
<tr>
<td>Position Addition (two-years of ½ time position)</td>
<td>$0.1 M</td>
</tr>
<tr>
<td>Overtime</td>
<td>&lt;$0.1 M&gt;</td>
</tr>
<tr>
<td>Other</td>
<td>$0.3 M</td>
</tr>
<tr>
<td><strong>Overall Change in L&amp;B</strong></td>
<td>&lt;$0.6 M&gt;</td>
</tr>
</tbody>
</table>
Colorado River Program
Role in Achieving Mission

• Secure full allotment of QSA supplies
• Effectively implement required post-construction environmental mitigation projects
• Administer the QSA Joint Powers Authority
• Advocate and protect the region’s interests in Seven Basin States efforts
• Continued community & regional outreach within the Imperial and Coachella Valleys
Fiscal Years 2014 & 2015 Accomplishments

- 360,000 AF of QSA Supplies
- QSA JPA Advanced Funding Agreement
- QSA JPA Litigation Support
- QSA JPA Bridge Plan
- Third-party environmental management memorandum of agreement
- Binational Augmentation Projects
- Post-Construction Canal Lining Oversight
- Colorado River Board Support
- Salton Sea Workshops and Hearings
- QSA outreach
- 50-Acre Sport Fishery Pond
- Board-to-Board Meetings
- Third-party environmental management memorandum of agreement
Leader, Partner, Operator

Leader
- QSA Policy Facilitation with the State & Fed. Legislators
- State’s Salton Sea Task Force
- CEQA & Permit Compliance

Operator
- Regional QSA Outreach
- Transfer & Exchange Agreement Extensions
- Binational Advocacy
- Ensure QSA Compliance and Sustainability
- QSA JPA Administration
- Canal Lining O&M Cost Containment

Partner
- Address Colorado River Issues Through Basin States Process
- Address Binational Advocacy
Resource Modifications

Fiscal Years 2016 and 2017 increased by 12%

- Labor and Benefits increased by 9%
  - Shift in labor allocation from CIP to Operating
  - 2 Reclassifications, 1 Downgrade

- Services is flat
  - Focus on QSA environmental mitigation implementation
  - Additional technical support for QSA and Lower Colorado River Basin efforts
  - Enhanced community and regional outreach

- Other increased by 42%
  - Increase in Water Authority contribution to the Colorado River Board of California ($185,000)
San Diego County Water Authority

General Manager’s Recommended Budget for Fiscal Years 2016 & 2017

MWD Program
Amy Chen, Director of MWD Program

Budget Document Pages 53-56
MWD Program Role in Achieving Mission

• Develop and implement strategies to achieve Water Authority’s long-term supply reliability goals at MWD and ensuring its financial sustainability

• Promote and advance Water Authority’s positions on policy issues impacting MWD supply reliability, quality and cost

• Ensure internal alignment on MWD-related activities

• Support MWD Delegation
Fiscal Years 2014 & 2015 Accomplishments

- Achieved success in Phase 1 of MWD rate litigation
- Water Authority Delegation support
- Promoted public agencies’ transparency
- Coalition building/Stakeholders outreach
- Facility Inspection Trips
- Advanced business and community leaders’ understanding of water issues
- Advocated development of sustainable Bay-Delta solutions
- Promoted water reliability and water quality stewardship at MWD
- Advocated for robust MWD financial policies and practices
- Advocated for equitable treatment at MWD
Leader, Partner, Operator

Leader

- MWD rate litigation
- Ensure long-term sustainability of MWD
- Improve regional resources management
- MWD transparency
- Choice service for discretionary programs at MWD
- Equitable treatment
- Secure delivery agreement

Partner

- MWD Orientation Program
- Coalition and strategic partnerships
- Partnership on a Bay-Delta solution
- Collaboration on imported water issues
- Facility Inspection Trips
- Integration of departments’ MWD-related activities

Operator

- Out-of-Region Groundwater Program
- Keep Board apprised on MWD issues
- Data analysis on MWD policies and projects
Resource Modifications

Fiscal Years 2016 & 2017 has increased 12%

- Labor and Benefits has increased 16%
  - 1.00 FTE added at midterm (June 2014)
  - 0.20 FTE transferred from Public Outreach and Conservation

- Services has increased 13%
  - Program support and MWD rate litigation
  - Regional and community outreach
General Manager’s Recommended Budget for Fiscal Years 2016 & 2017

Water Resources
Larry Purcell, Manager

Budget Document Pages 57-61
Water Resources Role in Achieving Mission

- Conduct water supply and facility planning
- Implement water shortage and drought response activities and provide regional assistance and coordination
- Provide Integrated Regional Water Management planning and assistance to member agencies in local supply development
- Conduct environmental planning, provide support for operational activities and ensure compliance
- Engage in water-related regulatory policy development and advocate on behalf of the Water Authority and member agencies
Fiscal Years 2014 & 2015 Accomplishments

- 50-Year NCCP/HCP Permit Conditions
- Climate Action Plan
- Member Agency Contracts for Purchase of Carlsbad Desal Water
- Water Shortage and Drought Response Plan Implementation
- Environmental Compliance for 18 Projects
- Integrated Regional Water Management Plan Update
- Programmatic Wetlands Master Plan Permit
- Regional Water Facilities Optimization and Master Plan Update
- FERC Preliminary Permit for San Vicente Pumped Storage Project
- Annual Water Supply Report to Cities and County
- Obtained $25.6M in IRWM Grant Funding
- Short-Term Sales Forecast Computer Model
Leader, Partner, Operator

- Engage in SWRCB Drought Response and Water Use Efficiency Efforts
- Develop Long-range Demand Forecast
- Negotiate Wetland Banking Agreement with Army Corps and RWQCB
- Commence Planning for Approved Master Plan Facilities
- Produce Environmental Training Video
- Develop 2015 Urban Water Management Plan
- Advocate Potable Reuse Criteria
- Negotiate Wetlands Mitigation Credits
- Engage in Water/Energy Nexus Policy Development
- Amend Basin Plan for Local Reservoirs
- Negotiate Programmatic 401 Certification with RWQCB
- Leader
Leader, Partner, Operator

- Implement Drought Management Actions
- Administer Member Agency Local Project Funding Program
- Provide Annual Water Supply Report to Cities and County
- Administer IRWM Program
- Obtain and Administer $70M in IRWM Grant Funds
- Support Member Agency Projects Through Regulatory Advocacy
- Assist Member Agencies with Local Water Supply Development Regulatory Challenges
- Administer Member Agency Storage Agreements
- Administer Supply Allocations to Member Agencies
- Administer Local Project Funding Program
Leader, Partner, Operator

- Comply with 50-Year NCCP/HCP Permit
- Tracking and Compliance with Climate Action Plan and State Mandates
- Initiate Camp Pendleton Desal Intake Testing Program
- Operator
- Administer Carlsbad Desal Water Purchase Agreement
- Process Monthly Water Billing Processing
- Develop Storage Optimization Computer Model
- Support Asset Management Program
- Implement Post-construction Mitigation Programs
- Upgrade GIS Data for Vegetation Mapping
- Update Water Resources Data Management Software
- San Diego County Water Authority
Resource Modifications

Fiscal Years 2016 & 2017 has increased 4%

- Labor and Benefits has increased 9%
  - Downgraded 2 positions
  - Reclassified 1 position
  - Transferred 1.00 FTE to Energy Program
  - Shift in labor allocation from CIP to Operating

- Services has decreased 17%
  - Completion of Short-term Sales Forecast
  - Substantial completion of Long-range Demand Forecast
Engineering Role in Achieving Mission

- Design & Construct Capital Improvement Program Projects
  - Asset Management
  - System Optimization
  - Final Emergency Storage Projects
- Steward of the Water Authority Land Rights
  - Remove Long Standing Encroachments
  - Prevent New Unauthorized Encroachments
  - Vigilant Regarding Right of Way
Fiscal Years 2014 & 2015 Accomplishments

- Miramar Meter Vault
- Relining of Pipeline 3 – Sweetwater to Lower Otay
- Second Aqueduct Relining – CalTrans Hwy 76
- Removed 430 Trees from the right of way
- Removed 84 Encroachments
- 600 DigAlert Requests per Month
- Issued 57 ROW Permits & Agreements
- Removed six of the Top Ten Encroachments
- Carlsbad Desal Oversight of Conveyance Pipeline and Plant
- Carlsbad Desal Pipeline 3 Relining
- Carlsbad Desal San Marcos Vent
- Carlsbad Desal Conveyance Pipeline Connections to Pipelines 3 & 4
- Removed 84 Encroachments
- Issued 57 ROW Permits & Agreements
Leader, Partner, Operator

**Leader**
- Risk Management
- Gate Process
- Establish Standards
- Best Management Practices
- Right of Way Management Standards

**Partner**
- Associated General Contractors Coordination
- San Vicente Dam Raise
- Service Connections
- Member Agencies Implementation of Projects
- OMWD Service Pipeline

**Technical Resource with MWD & Member Agencies**
- Miramar Pump Station Rehabilitation

**Regional Construction Procurement Committee**
Leader, Partner, Operator

- Defensible Land Rights
- Asset Management Prioritization & System Optimization
- Record Drawings
- Equipment Evaluations
- Hydraulic Model
- Financial analysis in support of CIP
- Encroachment Removal
- Property Owner Coordination
- Development Review-Public & Private
- Facilities Protection

Operator
Resource Modifications

Fiscal Years 2016 and 2017 decreased by 7%

- Labor and benefits decreased by 2%
  - Eliminated 4 positions
  - Downgraded 2 positions
  - Reclassified 2 positions
  - Transferred 1 position to Energy Program

- Services Decreased by 33%

- Leases & Rents increased by 32%
  - Leases for communication sites
General Manager’s Recommended Budget for Fiscal Years 2016 & 2017

Operations & Maintenance
Gary Eaton, Director

Budget Document Pages 73-78
O&M Role in Achieving Mission

- Operation and Maintenance of Aqueduct System
- Asset Management Program
- Facilities Security & Emergency Preparedness Programs
- Fleet Program
- Contract Management
  - O&M at Twin Oaks Valley Water Treatment Plant
  - O&M at Lake Hodges Hydro Generation Facility
- Regulatory Compliance (Water Quality, OSHA, etc.)
Fiscal Years 2014 & 2015 Accomplishments

- Award Winning Online Water Ordering System
- Remote Operated Vehicle Inspection & Leak Detection
- Exceeded Hydropower Production
- Water Authority Operations Dashboard
- SCADA Security Assessment
- 95% Planned Maintenance
- 18 shutdowns and 78.5 miles of Pipeline Assessment
- Actuator Replacements
- 100% Uptime for Aqueduct Delivery System
- Emergency Preparedness Exercises
- Retrotitted TOVWTP for Desalination Deliveries
- 99.88% SCADA Communications Uptime
- Largest Magnetic Flux Leakage Project in World
- Participated in Board’s Security Task Force
Leader, Partner, Operator

**Leader**
- Use of Magnetic Flux Leakage Technology
- Remote Operated Vehicle Inspections
- Technology Approval Group

**Partner**
- Quagga Mussel Management
- Emergency Preparedness Program Management
- Nitrification Planning
- Agency Operating Head Coordination

**Operator**
- Meet Member Agency Demands
- Integrate Carlsbad Desalinated Water
- Upgrade Communications at 37 facilities

- 28 miles of Pipeline Condition Assessment
- Complete 12 Shutdowns
- Actuator Replacement at 66 Facilities
- Maintain Hydro Generation Availability

**San Diego County Water Authority**
Resource Modifications

Fiscal Years 2016 & 2017 has increased 3%

– Labor and Benefits has increased 1%
  • Shift in labor allocation from Operating to CIP
  • Addition of 0.5 FTE

– Full operational costs of several new facilities and services

– Services has increased 5%
  • Variable Frequency Drive (VFD) technical support
  • Pipeline traffic control

– Utilities has increased 41%
  • Aqueduct system electrical cost increase (General Rate Case II)
  • AT&T telephone communication cost increase
General Manager’s Recommended Budget for Fiscal Years 2016 & 2017

Administrative Services
Matthew Brown, Director

Budget Document Pages 81-87
Admin Services Role in Achieving Mission

- Provide administrative support to the Board
- Maintain cost-effective business insurance
- Leverage information technology to enhance business operations
- Manage centralized purchasing functions
- Administer human resource programs
- Maintain Kearny Mesa facility and surrounding landscape
Fiscal Years 2014 & 2015 Accomplishments

- Electronic Document Management System
- Achievements of Excellence in Procurement Award
- Centralized Purchasing
- FY14 20% Reduction in Premium for Daily Business Insurance
- Budget Software Integration
- Safe Work Environment
- Water Authority Dashboard
- Award Winning Online Water Ordering System
- New IT Data Storage Infrastructure
- Consolidated Three Bargaining Unit MOUs
- FMLA Audit and Tracking Module Update
- 12 Interns in 2015 Water/Wastewater Internship Program
- HR Compliance with New Laws
- Kearny Mesa Lighting Retrofit
- Centralized Purchasing
- Achievements of Excellence in Procurement Award
- FY14 20% Reduction in Premium for Daily Business Insurance
- Budget Software Integration
- Safe Work Environment
- Water Authority Dashboard
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- FMLA Audit and Tracking Module Update
- 12 Interns in 2015 Water/Wastewater Internship Program
- HR Compliance with New Laws
- Kearny Mesa Lighting Retrofit
Resource Modifications

Fiscal Years 2016 and 2017 is flat

- Labor and Benefits decreased by 6%
  - Eliminated 1 position (Senior Manager)
  - Savings differential from replacing long-tenured employees with new employees

- Services increased by 5%
  - Cyber Security Assessment & Mitigation

- Utilities increased by 8%
  - Electrical cost increase
  - Expansion of telecommunication bandwidth to incorporate a cloud service model

- Leases & Rents decreased by 9%
  - Reduction in number and cost of copiers
General Manager’s Recommended Budget for Fiscal Years 2016 & 2017

Finance Department
Lisa Marie Harris, Director of Finance/Treasurer

Budget Document Pages 89-93
Finance Role in Achieving Mission

- Responsible for supporting the mission and operations by providing innovative, proactive, and strategic financial management
  - Conduct accounting and financial reporting
  - Manage complex debt and investment portfolios
  - Prepare multi-year budget and long-range financial planning
  - Manage rates and charges
Fiscal Years 2014 & 2015 Accomplishments

- Prefunded OPEB liability with a $4.3M deposit into a trust
- Provided smooth & predictable rates & charges
- Multiple comprehensive rate & charge cost of service studies
- Provided significant rate & charge relief through debt optimization
- Recognized for Excellence in Financial Reporting for the CAFR
- Recognized for Distinguished Budget Presentation for the Multi-Year Budget
- Fiscal Sustainability & Supply Reliability Charge
- Implemented an automated & integrated budget software
- Outside management of investment portfolio for enhanced performance & portfolio diversification

"Provided rate & charge relief through debt optimization"
Leader, Partner, Operator

**Leader**
- Implement best management practices for rates & charges, accounting & budgeting
- Maintain Board policy senior lien debt service coverage & Rate Stabilization Fund target balance levels
- Provide enhanced customer service for Deferred Compensation Plans
- Leadership role in professional organizations shaping policy
- Produce timely comprehensive annual financial reports & continuing disclosures
- Manage complex debt & investment portfolios
- Execute multiple debt transactions & manage the commercial paper program
- Obtain an independent review of Desalination Plant monthly and annual true-up billings
- Obtain an independent review of Desalination Plant monthly and continuing disclosures

**Partner**
- Update Long-Range Financing Plan
- Manage & maintain Investor, banking & rating agency relations
- Full implementation of automated budget system
- RFP for independent auditor services
- Solicitation for banking services
- Provide smooth & predictable rates & charges
- Obtain an independent review of the Investment Policy

**Operator**
- Open & transparent communications with member agencies
- Manage off-balance sheet debt
- Execute multiple debt transactions & manage the commercial paper program
- Obtain an independent review of Desalination Plant monthly and annual true-up billings
- Manage & maintain Investor, banking & rating agency relations
- Full implementation of automated budget system
- RFP for independent auditor services
- Solicitation for banking services
- Provide smooth & predictable rates & charges
Resource Modifications

Fiscal Years 2016 and 2017 decreased by 2%

- Labor and Benefits decreased by 2%
  - Eliminated 0.75 position
  - Downgraded 1 position

- Services decreased by 9%
  - Reduced need for specialized professional and technical services due to the completion of Fiscal Sustainability and the Cost of Services studies
San Diego County Water Authority

General Manager’s Recommended Budget for Fiscal Years 2016 & 2017

General Counsel’s Office
Dan Hentschke, General Counsel

Budget Document Pages 95-96
General Counsel Role in Achieving Mission

• Legal support to Board and General Manager
• Manage legal affairs in accordance with Admin. Code
• Compliance with laws governing operation
  – E.g., CWA Act – Brown Act – Political Reform Act
• Compliance with regulatory laws
Fiscal Years 2014 & 2015 Accomplishments

- Recover $30 million through Lake Hodges Litigation
- Review 600 Contracts
- Successfully Defended QSA
- Manage Major Construction Litigation
- Support Colorado River Program
- Support MWD Program
- Judicial Abatement of 5 Major Encroachments
- General Counsel Services
- Ethics Training
- Sexual Harassment Training
Leader, Partner, Operator

**Leader**
- Compliance with Operations Laws
- Drought Regulations
- Manage San Vicente Pipeline and San Vicente Dam Litigation
- Manage CEQA Master Plan Litigation
- Administrative Code
- General Management of Legal Affairs

**Partner**
- MWD Rate Litigation
- Cost of Service Compliance
- Legislation
- Fiscal Sustainability Implementation
- Conflict of Interest and Public Records Act

**Operator**
- Manage San Vicente Pipeline and San Vicente Dam Litigation
- CEQA Master Plan Litigation
- Administrative Code
- General Management of Legal Affairs
Resource Modifications

Fiscal Years 2016 & 2017 has decreased 51%

- Labor and Benefits has decreased 19%
  - Reduced hourly wages for special counsel
- Services has decreased 54%
  - Completion of trial in MWD Rate Case
  - Shift in focus for specialized legal counsel services
  - Reduction in professional and technical services
  - Resolution of QSA litigation
General Manager Role in Achieving Mission

- Provide leadership and oversight for the organization
- Advance and advocate for favorable legislative and regulatory actions
- Oversee final construction and operational commissioning of the Carlsbad Desalination Project
- Create comprehensive strategic energy plan
- Collaborate with the city of San Diego to complete the San Vicente Pump Storage Study Phase II
- Engage in Bay Delta Conservation Plan process
- Manage disposition of MWD lawsuit and potential appeal process
Fiscal Years 2014 & 2015 Accomplishments

- MWD Rate Litigation – Phase I Favorable Ruling
- Successful Passage of Proposition 1 Bond Funding
- Completed Fiscal Sustainability Process and Adoption of Supply Reliability Charge
- Facilitated the change in Board Members
- Oversaw the Carlsbad Desalination Projects – On time and On Budget
- Platinum Award for Utility Excellence from AMWA
- In partnership with city of San Diego advanced San Vicente Pump Storage Study
- Oversaw the Carlsbad Desalination Projects – On time and On Budget
- Position adoption on 110 Bills – Sponsored 10 Bills with 2 law
- Business Plan update and management
- Directed range of regional drought response outreach and conservation program measures
- Implemented extensive new civic engagement - Citizens’ Water Academy and Business Alliance for Water
- Partnered with GC on successful QSA litigation
- Partnered with GC on favorable Lake Hodges Settlement
- Developed and managed the FY 2014 & 2015 Budget
- Bay-Delta Conservation Plan input
Leader, Partner, Operator

1. Legislative advocacy for fair share of Prop. 1 funds, Bay-Delta solutions, and federal funding
2. Energy strategy development and implementation
3. Multi-year labor agreement
4. Evaluate emerging technology opportunities such as floating solar, in-line hydro, and battery storage to reduce/stabilize energy costs
5. Obtain favorable MWD rate litigation result
6. Continuous improvement for efficiency and service quality
7. Successful outcome on the 2013 Master Facilities Master Plan litigation
8. Statewide engagement in drought to secure value of local supply development
Leader, Partner, Operator

**Partner**
- Direct access power purchase opportunities
- Advocate on behalf of member agencies on statewide issues and legislation
- Engagement in the Governor’s Task Force on Salton Sea
- Recommend preferred business model for the San Vicente Pumped Storage Project (SVPS)

**Operator**
- Continue active civic engagement
- Oversee energy audits
- Board of Directors support to carry out the mission of the organization
- Succession planning to ensure the filling of key vacancies

San Diego County Water Authority
Energy Program

- Energy Strategic Plan
- Comprehensive energy analysis
- San Vicente Pumped Storage Study
- Boulder Canyon Power Allocation
- Rancho Penasquitos Power Purchase Agreement
- Battery storage opportunities
- Energy demand management
- Additional in-line hydro opportunities
- Floating solar – Olivenhain Reservoir
- Carlsbad Desalination energy demand
- Regulatory compliance
- Community aggregation of power opportunities
Energy Program Approach

• Address energy issues holistically
  – Create an Energy Program
  – Provide oversight on usage and performance

• Reduce/stabilize energy costs
  – Manage existing/soon to be commissioned facilities to maximize opportunities
  – Explore new revenue generation options
  – Examine other energy diversification opportunities that promote a smart grid
  – Plan new facilities and equipment strategically

• Enhance bench strength on energy issues
  – Leverage existing partnerships
  – Develop new partnerships
  – Remain current in the regulatory and legislative environment
Resource Modifications

Fiscal Years 2016 and 2017 increase by 10%

- Labor and Benefits increased by 3%
  - Transferred in 2 positions for newly formed Energy Program

- Services increased by 13%
  - $100,000 in support of Energy Program

- Leases & Rent increased by 50%
  - Office space in Sacramento for additional Governmental Relations Staff (reassigned in FY2015)

- Other increased by 27%
  - Increased Board travel to support increased civic engagement
  - New membership to support civic engagement
Role in Achieving Mission

• Increase public awareness and support of strategies, programs, and projects
  – Regional Communications
  – Community Outreach
• Improve regional water use efficiency
  – Help member agencies reach long-term targets
  – Implement drought response programs
• Support capital projects and operations
• Ensure small-business participation in procurements
Fiscal Years 2014 & 2015 Accomplishments

- **Drought Response**
  - Artificial Turf Discount Program

- **When In Drought Campaign**

- **San Diego Regional EDC Roundtables**
  - Community Relations for 14 capital improvement projects

- **Enhanced Civic Engagement & Outreach**
  - Education Programs: 83,100 students & teachers

- **Water Conservation Programs**
  - WaterSmart Landscape Efficiency Program (Commercial)

- **WaterSmart Landscape Makeover Series (residential)**

- **Citizens Water Academy**
  - Achieved Board targets for participation

- **Small-Business Outreach and Training**
  - Expanded online training

- **Eguide to a WaterSmart Lifestyle**
  - $1.1M grant funding

- **On Track for 2020 Targets**
  - Turf replacement rebates

- **When In Drought Campaign**
  - Water Conservation Programs

- **Business Alliance for Water**

- **Artificial Turf Discount Program**

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  - Community Relations for 14 capital improvement projects

- **Enhanced Civic Engagement & Outreach**
  - Education Programs: 83,100 students & teachers

- **Business Alliance for Water**

- **Artificial Turf Discount Program**

- **San Diego Regional EDC Roundtables**
  - Community Relations for 14 capital improvement projects

- **Enhanced Civic Engagement & Outreach**
  - Education Programs: 83,100 students & teachers

- **Business Alliance for Water**
Resource Modifications

Fiscal Years 2016 & 2017 has increased 15%

– Labor and Benefits has increased 4%
  • Shift in labor allocation from CIP to Operating
  • Eliminated 1.00 position
  • Downgrade three positions and reclassified one position
  • Transferred 0.20 Public Affairs Manager to MWD Program

– Services has increased 59%
  • Restoration of funding partially offset by grant in FYs 2014&2015
  • Drought outreach campaign
  • Conservation database
  • Local matches for new water conservation grants
General Manager’s Recommended Budget for Fiscal Years 2016 & 2017

Responses to Questions from June 9th Workshop
Questions Received

1. Potential for additional 8,000 A/F purchase of desalinated water to allow raw water supplies to be put into storage.
Projected San Vicente Fill Rate to El 680 (Current DSOD Hold Point)

Likely fill rate based on average summer demand.
Questions Received

1. Potential for additional 8,000 A/F purchase of desalinated water to allow raw water supplies to be put into storage.

2. Debt service payments in FY16/17/18. (Figure 5, Page 19)
Table of PayGo Fund Actions ($55.9 million available)

<table>
<thead>
<tr>
<th>Actions</th>
<th>Amount (Millions)</th>
<th>Savings</th>
<th>Rate Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>QSA Prepayment</td>
<td>$2.0</td>
<td>$500k/yr*</td>
<td>$0.20/AF</td>
</tr>
<tr>
<td>Defease 2004 COPs</td>
<td>$40.9</td>
<td>$4M/yr</td>
<td>$12/AF 20 years of savings</td>
</tr>
<tr>
<td>Partial defeasance of the 2008 COP - 2016 serial certificate</td>
<td>$13.0</td>
<td>$12.1 M</td>
<td>$37/AF 1 year of rate relief</td>
</tr>
<tr>
<td>Total Funds</td>
<td>$55.9</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Credits begin in 2019 for 4 years.
Questions Received

1. Potential for additional 8,000 A/F purchase of desalinated water to allow raw water supplies to be put into storage.

2. Debt service payments in FY16/17/18. (Figure 5, Page 19)

3. Funding for the Realigning and Pipeline Replacement Program and Infrastructure Rehabilitation Program
## Recommended Projects (FY16/17)

<table>
<thead>
<tr>
<th>CIP Project</th>
<th>Category</th>
<th>Description</th>
<th>Phase</th>
<th>FY 16/17 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infrastructure Rehab.</td>
<td>Facilities</td>
<td>Pipelines 1/2 structure rehabilitation</td>
<td>Design</td>
<td>$1.2 M</td>
</tr>
<tr>
<td></td>
<td>Pipelines</td>
<td>Pipeline protection at Moosa Creek</td>
<td>Design</td>
<td>$0.5 M</td>
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<tr>
<td></td>
<td>Facilities</td>
<td>Carlsbad 1 Flow Control Facility (FCF) replacement</td>
<td>Construction</td>
<td>$4.6 M</td>
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<tr>
<td></td>
<td>Facilities</td>
<td>Vallecitos 2/Vista Irrigation District 1 FCF replacement</td>
<td>Construction</td>
<td>$1.7 M</td>
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<tr>
<td></td>
<td>Pipelines</td>
<td>Thirteen miles of Steel Pipe condition assessment</td>
<td>Assessment</td>
<td>$2.8 M</td>
</tr>
<tr>
<td></td>
<td>Pipelines/Facilities</td>
<td>Various rehabilitation projects such as actuator replacements, pumpwell installation, cathodic protection system fixes, and FCF rehabilitations</td>
<td>Design/Construction</td>
<td>$9.0 M</td>
</tr>
<tr>
<td>Relining and Pipe Replacement</td>
<td>Pipelines</td>
<td>Pipeline 4 relining, Lake Murray to Alvarado</td>
<td>Construction</td>
<td>$10.8 M</td>
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<tr>
<td></td>
<td>Pipelines</td>
<td>Design of Pipeline 3 relining, Lake Murray to Sweetwater</td>
<td>Design</td>
<td>$2.2 M</td>
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<tr>
<td></td>
<td>Pipelines</td>
<td>Relining mitigation and design efforts</td>
<td>Design/Construction</td>
<td>$0.2 M</td>
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<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>$33.0 M</strong></td>
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</tbody>
</table>
Questions Received

1. Potential for additional 8,000 A/F purchase of desalinated water to allow raw water supplies to be put into storage.

2. Debt service payments in FY16/17/18. (Figure 5, Page 19)

3. Funding for the Realigning and Pipeline Replacement Program and Infrastructure Rehabilitation Program

4. North County Pump Station rate category
ESP North County Pump Station
FY16/17 Budget: $3.9M
Questions Received

1. Potential for additional 8,000 A/F purchase of desalinated water to allow raw water supplies to be put into storage.

2. Debt service payments in FY16/17/18. (Figure 5, Page 19)

3. Funding for the Realigning and Pipeline Replacement Program and Infrastructure Rehabilitation Program

4. North County Pump Station rate category

5. Timing of Pipelines 3 & 4 Conversion
Untreated Water Conveyance Capacity

- P3/P4 Conversion recommended in Master Plan Update to increase untreated capacity when needed
- Performance Thresholds developed in Master Plan
  - Exceed 95% capacity for 45 days total and 15 consecutive days during Peak Season (June to November) for 2 consecutive years
  - In 2014, 95% capacity exceeded for 5 days/3 consecutive days
- Reduced demands anticipated for 2015 due to SWRCB conservation regulations
- Planned member agency local supply development will help to alleviate untreated water capacity concerns
Untreated Water Conveyance Capacity Projected Threshold Exceedance (UWMP supplies and demands)

95% of capacity for 45 days in a row, for two consecutive years