Water Supply Conditions

Water Planning Committee
March 24, 2011
CY 2011 State Water Project Table A Allocation Increased to 70 Percent

- California Department of Water Resources increased Table allocation to 70% on March 16, 2011
  - Initial Table A allocation was 25%
- CY 2010 final Table A allocation was 50%
- CY 2006 was the last year at 100% allocation
  - Difficult to achieve even in wet years due to regulatory restrictions on pumping
Statewide Snow Water Equivalents
March 22, 2011

<table>
<thead>
<tr>
<th>Region</th>
<th>Inches</th>
<th>% Average</th>
</tr>
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<tbody>
<tr>
<td>Northern Sierra</td>
<td>43</td>
<td>148</td>
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<tr>
<td>Central Sierra</td>
<td>46</td>
<td>149</td>
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<tr>
<td>Southern Sierra</td>
<td>38</td>
<td>143</td>
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<tr>
<td>Statewide</td>
<td>43</td>
<td>147</td>
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</table>

Data provided by the California Cooperative Snow Surveys
Northern Sierra Precipitation: 8-Station Index, March 24, 2011

Percent of Average for this Date: 142%

1982-1983 (wettest) 88.5
2005-2006 Daily Precip. 80.1

Current Daily Precip: 56.7

2009-2010 Daily Precip. 53.6
Average (1922-1998) 50.0

1923-1924 (driest) 19.0
1976-1977 (2nd driest & driest thru Aug) 17.1

Cumulative Daily/Monthly Precipitation (inches)

Water Year (October 1 - September 30)
Reservoir Conditions - Lake Oroville

Lake Oroville Conditions
(as of Midnight - March 22, 2011)

Current Level: 2,916,690.5 AF
82% (Total Capacity) 109% (Historical Avg.)

Historical Average  Total Reservoir Capacity  1976-1977 (dry)  1982-1983 (wet)  2010-2011 (current)

Total Reservoir Capacity: 3,537,600 AF

Water Year (October 1 - September 30)
MWD Dry Year Storage Balances
Water Surplus and Demand Management (WSDM)

WSDM Storage balances shown excludes emergency storage of 626 TAF
Colorado River Basin Water Year 2011 Conditions on March 21, 2011

- Precipitation is 117% of normal
- Snowpack is 115% of normal
- Projected water year runoff into Lake Powell is 106% of normal
- Storage – Percent Full
  - Lake Powell: 53%
  - Lake Mead: 43%
- Equalization releases likely to occur
Accumulated Local Precipitation

<table>
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<tr>
<th>Station</th>
<th>July 1, 2010 – March 22, 2011</th>
<th>Actual inches</th>
<th>% Normal</th>
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<tr>
<td>Lindbergh Field</td>
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<td>11.6</td>
<td>126</td>
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<tr>
<td>Ramona Airport</td>
<td></td>
<td>22.7</td>
<td>163</td>
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</table>
Total Local Reservoir Storage*

Acre-feet

3/21/11

3/21/2011:
394,500 AF
128% of Average
↑95,700 AF form 3/19/2007
↑71,700 AF from 3/22/2010

*Includes 38 TAF of Water Authority carryover storage
Looking Forward

• Department of Water Resources will conduct their final snow survey in early April

• Metropolitan Water District will consider whether to discontinue allocations under its Water Supply Allocation Plan at its April 11, 2011 Board of Directors meeting

• Water Authority staff will provide recommendations on shortage management actions at its April 28, 2011 Board of Directors meeting
  • Based in part on Water Authority 3-year supply planning outlook
Three-Year Supply Planning Outlook

Water Planning Committee
March 24, 2011
Three–Year Supply Planning Outlook
Fiscal Years 2012, 2013, 2014

• Compares potential Water Authority supply scenarios with demand projections used in the fiscal years 2012 and 2013 proposed budget

• Not a prediction - initial scenarios
  • Assess reliability under conservative planning assumptions
  • Staff will continue to monitor conditions

• Utilize to develop recommended FY 2012 shortage management actions for Board consideration in April
Key Assumptions - MWD Calendar Year Supply

- Based on current projected 2011 supplies
- Colorado River Aqueduct delivery assumed to be fixed at 829 TAF for the outlook
  - Includes Water Authority QSA supplies
  - Excludes other demands and obligations
Key Assumptions - MWD Calendar Year Supply

- Conservative State Water Project assumptions
  - Takes into account current supplies
  - Uncertainties with hydrology and regulatory restrictions

- State Water Project allocations
  - Based on recent experience with regulatory restrictions
  - Low scenario – dry years
  - Average/high scenario – average to wet years

<table>
<thead>
<tr>
<th>Scenarios</th>
<th>SWP Table A Allocation</th>
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<tr>
<td>CY</td>
<td>Low</td>
</tr>
<tr>
<td>2011</td>
<td>70%</td>
</tr>
<tr>
<td>2012</td>
<td>40%</td>
</tr>
<tr>
<td>2013</td>
<td>30%</td>
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</tbody>
</table>
Key Assumptions – MWD Demand

- MWD will discontinue allocations under its Water Supply Allocation Plan (WSAP) in FY 2012

- Conservative MWD demand assumptions for supply planning purposes
  - Not for rate-setting
  - CY 2011: 1.9 million acre-feet (MAF)
  - CY 2012: 2.0 MAF
  - CY 2013: 2.0 MAF

- Assume MWD would utilize preferential rights to allocate supplies to its member agencies
  - WSAP methodology is under review
  - Conservative assumption under low scenario
Key Assumptions – MWD Dry Year Storage

- MWD’s dry year storage reserves referred to as Water Surplus and Drought Management (WSDM) supplies

- CY 2011 end-of-year WSDM storage level assumed to be approximately 2.1 million acre-feet
  - January 2011 – 1.7 million acre-feet in storage
  - Current SWP Table A allocation of 70%
  - Low level of demand and availability of supply should allow continued puts into storage

- Assume WSDM storage take under low scenarios
FY 2012 Water Authority Imported Supply Outlook Scenario

Total Forecasted Demand on Water Authority: 422 TAF

- 257 TAF MWD
- 165 TAF QSA

Current 70% SWP Table A Allocation

Assumption: MWD not in allocations; able to meet Water Authority supplemental needs
FY 2013 Water Authority Imported Supply Outlook

280 TAF MWD
175 TAF QSA
Low Scenario
40% SWP Table A

280 TAF MWD
175 TAF QSA
Average/High Scenario
60% SWP Table A

Total Forecasted Demand on Water Authority: 455 TAF

Assumption: MWD not in allocation; able to meet Water Authority supplemental needs
FY 2014 Water Authority Imported Supply Outlook

Low Scenario
30% SWP Table A
Assume MWD allocating under preferential right

Average/High Scenario
50% SWP Table A
Assume MWD not in allocation; able to meet Water Authority supplemental needs

Total Forecasted Demand on Water Authority: 481 TAF
Supply Planning Outlook Conclusion

- Storage levels will increase this year both statewide and in the Colorado River Basin
  - Normal to wet hydrologic conditions
  - Demand reduction

- Improved storage reserves decrease vulnerability to shortages in immediate future years

- Staff will provide recommendations on shortage management actions at April Board meeting
  - Following MWD’s Board actions in April

- Potential risk of future allocation in fiscal year 2014 if consecutive dry years and low SWP allocations
Principles for Member Agency Purchases of Water Authority-owned Local Supplies

Water Planning Committee
March 24, 2011
Background

Member agencies interested in subcontracting with the Water Authority for local water from the Carlsbad project at full cost

- Several Desal Partner agencies expressed interest during discussions preceding approval of Water Authority/Poseidon Term Sheet in July 2010
- General Manager directed staff to work on a program that would accommodate the agencies’ request
Water Authority-Owned Local Supply Purchase Principles

- Intended to address the mechanics of a local supply purchase, not the policy decisions of the Board to make a local supply available for purchase

- Includes local water purchased by the Water Authority through a Water Purchase Agreement or produced at a future Water Authority-owned facility

- Requires separate purchase agreement between member agency and the Water Authority

- Requires commitment to purchase a fixed annual amount
  - One-time determination
  - Fixed term
Water Authority-Owned Local Supply Purchase Principles (cont.)

- Requires full-cost recovery
  - Full cost paid by the Water Authority under a WPA or;
  - Full cost of operation, maintenance and financing for a Water Authority-owned project

- Includes transportation charge for water conveyed through Water Authority system

- A separate administration fee will be imposed

- Purchased water will be treated as a local supply under the Water Authority’s Water Shortage Management and Drought Response Plan
Purchased water will be included in the calculation of the Storage Charge unless purchased water reduces member agency reliance on ESP/CSP.

Purchased water may be blended with other supplies prior to delivery to member agency.

Purchased water is not eligible for local supply incentives.

If Water Authority receives grant funding that results in reduced cost to Water Authority, that reduced cost will be incorporated in member agency’s purchase price.
Revisions to Local Supply Conveyance & Exchange Policy

- Existing Local Supply Conveyance and Exchange Policy approved by the Board in May 2009
- Revisions required to Section 2C. Rates and Charges to ensure consistency with proposed local supply purchase principles
  - Impose administration fee, to be determined on a case by case basis
  - Include supplies wheeled through Water Authority’s system in the Storage Charge unless it reduces MA reliance on ESP or CSP water
Staff Recommendation

1. Adopt the proposed guiding principles for member agency purchases of Water Authority-owned local supplies

2. Approve corresponding revisions to the Local Supply Conveyance and Exchange Policy
Professional Services Contract with RBF Consulting for Technical Studies for the Proposed Camp Pendleton Seawater Desalination Project

Water Planning Committee
March 24, 2011
Background

- May 2009 – staff presented to the Board results of an initial feasibility study for an expandable regional seawater desalination project at Camp Pendleton
- Feasibility study identified two potential sites for seawater desalination plant
Background (cont.)

- Feasibility study recommended further studies be conducted to confirm:
  - Viability, configuration and cost of screened open-ocean and subsurface intake systems
  - Impacts of brine discharge
  - Cost, permitting and other implementation issues
    - Intake and discharge facilities account for 15% of project cost
Purpose of Technical Studies

- Address key issues/impacts of a seawater desalination project on the marine environment
  - Confirm viability of subsurface intake options
  - Impact of open-ocean intakes and brine discharge
  - Develop subsurface facility configurations
  - Significant impacts on permitting requirements
Technical Studies

- Geotechnical investigations to address foundation and tunneling issues – Involves Geophysical Survey, Borehole Drilling, Geotechnical Evaluation, and a model of the geology and hydrogeology of the study area
Technical Studies (cont.)

- Hydrogeologic investigations to determine viability of subsurface intake systems – Involves conversion of a borehole into a pumping well, well development, test pumping and groundwater modeling
Technical Studies (cont.)

- Marine Life Investigation to determine impact of above seafloor infrastructure on the marine environment – Involves seawater and marine life sampling, water quality monitoring, testing and hydrodynamic modeling
Technical Studies (cont.)

- Environmental compliance documentation and permitting for the technical studies
- Conceptual engineering and cost estimating for the intake and discharge facilities
- Information derived from the Technical Studies will be incorporated into the 2012 Regional Water Facilities Optimization and Master Plan Update
Consultant/Contractor selection

- January 2011 – Request for Proposals issued
- February 17, 2011 – Proposals due date
  - Received proposals from four teams
- February 28, 2011 – Interviewed proposers
- Selection Panel – Water Authority staff, City of Oceanside Water Utilities Director, and CAMPEN Deputy Director
Consultant/Contractor selection

- Panel determined RBF to be the best qualified:
  - Extensive desalination experience
  - Capability and expertise of key team members
  - Clear understanding of key issues
  - Well-conceived methodology to accomplish the work
  - Past performance on projects of similar size and scope
  - Extensive experience in environmental documentation and planning of seawater desalination projects in California
Staff recommendation

Award a professional services contract to RBF Consulting to conduct Technical Studies for the Proposed Camp Pendleton Seawater Desalination Project for $2,600,000
MWD’s Biennial Budget
for
FYs 2011/12 and 2012/13

Imported Water Committee
March 24, 2011
Presentation Outline

- Background
- “Rolling” two-year budget
- Key assumptions
- Biennial budget for projected FY 2011/12 & proposed FY 2012/13
- CIP
- Next steps
Background

- April 2010: Adopted rate increases for 2011 and 2012; but only one year budget for 2010/11
- August 2010: Adopted budget for 2011/12
  - Water Sales projection of 2.0 maf
  - Expenditures of about $1.8 billion
- January 2011, biennial budget for FYs 2011/12 & 2012/13 presented
  - Based on 2.0 maf for both years
  - Board directs staff to revise sales assumptions downward
- Revised biennial budget presented in March
  - Include “projected” 2011/12 budget and proposed 2012/13 budget based on 1.8 maf sales
Transition to Two-Year Budget Timeline

**April 2010 ~ MWD**
Board adopts rate increases for CY 2011 and CY 2012; adopts budget for FY 10/11 only

**Jan 2011 ~ Staff**
Presents FY 2011/12 & FY 2012/13 in committee; holds 1st budget workshop

**Jan 2012 ~ Review FY 12/13 & FY 2013/14 Budget**

**April 2012 ~ Approve FY 12/13 Budget & Provisional FY 13/14 Budget; Adopt rates for CY 2013**

**Mar 2011 ~ Board reviews biennial budget; holds 2nd budget workshop**

**Jan 2013 ~ Review FYs 13/14 14/15 Budget**

**April 2013 ~ process repeats**
MWD’s Water Sales, Wheeling & Exchange

![Graph showing water sales and exchange over years from 1990 to 2012. The graph includes bars for Actual Sales & Exchange, Average Sales & Exchange (1990-2010), and Projected values. The data is presented in million acre-feet, with a peak in 2008 and a decline in 2011.](image-url)
## Key Assumptions

<table>
<thead>
<tr>
<th>2011/12 “Projected”</th>
<th>2012/13 Budget</th>
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<tbody>
<tr>
<td><strong>SWP Deliveries</strong></td>
<td>60/45%</td>
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<tr>
<td><strong>CRA Deliveries</strong></td>
<td>1.0 MAF</td>
</tr>
<tr>
<td><strong>Total Water Sales and Exchanges</strong></td>
<td>1.8 MAF</td>
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<tr>
<td><strong>Rate Inc. in Jan. 2012</strong></td>
<td>7.5%</td>
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<tr>
<td><strong>Interest Income</strong></td>
<td>1.71%</td>
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<tr>
<td><strong>Inflation Rate</strong></td>
<td>3.5%</td>
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<tr>
<td><strong>New Debt Interest Rate</strong></td>
<td>5.0% Fixed, 0.5% Variable</td>
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<tr>
<td><strong>Salary Adjustment</strong></td>
<td>No COLA</td>
</tr>
</tbody>
</table>

- SWP Deliveries: 60/45%
- CRA Deliveries: 1.0 MAF
- Total Water Sales and Exchanges: 1.8 MAF
- Rate Inc. in Jan. 2012: 7.5%
- Interest Income: 1.71%
- Inflation Rate: 3.5%
- New Debt Interest Rate: 5.0% Fixed, 0.5% Variable
- Salary Adjustment: No COLA

- SWP Deliveries: 45%
- CRA Deliveries: 1.0 MAF
- Total Water Sales and Exchanges: 1.8 MAF
- Rate Inc. in Jan. 2013: 5.0%
- Interest Income: 1.83%
- Inflation Rate: 3.5%
- New Debt Interest Rate: 5.0% Fixed, 0.8% Variable
- Salary Adjustment: No COLA
Cost Reductions

2011/12 Projected to 2011/12 Adopted

- Reductions associated with lower deliveries (supply programs, treatment, power, etc.)
- Delay PC Replacement
- Reductions in PAYGo
- Eliminate proposed OPEB Funding
- Defer CIP
- Reduction of Debt Service

2012/13 Proposed to 2012/13 January Proposal

- Lowered sales projection; maintained assumed rate increase of 5%
- Reductions asso. with lowered deliveries
- Reductions in PAYGo
- No OPEB Funding
- Defer CIP
### FY 2011/12 & 2012/13 Expenditures

<table>
<thead>
<tr>
<th>Millions of Dollars</th>
<th>2010/11 Approved Budget</th>
<th>2010/11 Projected (March)</th>
<th>2011/12 Approved Budget</th>
<th>2011/12 &quot;Projected&quot; (March)</th>
<th>2012/13 Budget (March)</th>
<th>2011/12 Proj. to 2010/11 Budget</th>
<th>2012/13 budget to 2011/12 &quot;projected&quot;</th>
</tr>
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<tbody>
<tr>
<td>State Water Project</td>
<td>$488.5</td>
<td>$501.8</td>
<td>$517.1</td>
<td>$557.5</td>
<td>$552.7</td>
<td>$69.0</td>
<td>$(4.8)</td>
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<td>Colorado Power</td>
<td>59.6</td>
<td>49.0</td>
<td>61.5</td>
<td>45.4</td>
<td>46.6</td>
<td>(14.2)</td>
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<td>Supply Programs</td>
<td>101.4</td>
<td>103.0</td>
<td>119.1</td>
<td>47.5</td>
<td>45.4</td>
<td>(53.9)</td>
<td>(2.1)</td>
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<td>Debt Service</td>
<td>331.7</td>
<td>321.5</td>
<td>351.8</td>
<td>332.8</td>
<td>355.3</td>
<td>1.2</td>
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<td>Demand Management</td>
<td>58.2</td>
<td>54.5</td>
<td>59.1</td>
<td>59.1</td>
<td>60.7</td>
<td>0.9</td>
<td>1.7</td>
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<td>O&amp;M</td>
<td>336.8</td>
<td>336.9</td>
<td>374.0</td>
<td>356.2</td>
<td>368.0</td>
<td>19.4</td>
<td>11.8</td>
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<td>45.0</td>
<td>125.0</td>
<td>45.0</td>
<td>60.0</td>
<td>(50.0)</td>
<td>15</td>
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<td>Sub-Total Expenditures</td>
<td>$1,471.3</td>
<td>$1,411.7</td>
<td>$1,607.6</td>
<td>$1,443.5</td>
<td>$1,488.7</td>
<td>$(27.8)</td>
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<td>164.9</td>
<td>177.0</td>
<td>67.9</td>
<td>236.9</td>
<td>286.8</td>
<td>72.0</td>
<td>49.9</td>
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<td>1.93 maf</td>
<td>1.68 maf</td>
<td>2.00 maf</td>
<td>1.80 maf</td>
<td>1.80 maf</td>
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Two-Year Expenditures

2011/12 Projected $1,443.5 M

- PAYGo
  - $45.0 M
  - 3.1%

- Conservation Credits
  - $19.8 M
  - 1.4%

- O&M
  - $356.2 M
  - 24.7%

- Demand Management
  - $39.3 M
  - 2.7%

- Water Supply Program
  - $47.5 M
  - 3.3%

- Debt Service
  - $332.8 M
  - 23.1%

- Colorado Power
  - $45.4 M
  - 3.1%

- State Water Project
  - $557.5 M
  - 38.6%

2012/13 Proposed $1,488.7 M

- PAYGo
  - $60.0 M
  - 4.0%

- Conservation Credits
  - $20.5 M
  - 1.4%

- O&M
  - $368.0 M
  - 24.7%

- Demand Management
  - $40.2 M
  - 2.7%

- Water Supply Program
  - $45.4 M
  - 3.0%

- Debt Service
  - $355.3 M
  - 23.9%

- Colorado Power
  - $46.6 M
  - 3.1%

- State Water Project
  - $552.7 M
  - 37.1%
# O&M Detail

<table>
<thead>
<tr>
<th>Millions of Dollars</th>
<th>2009/10 Actual</th>
<th>2010/11 Budget</th>
<th>2011/12 Budget</th>
<th>2011/12 Projected</th>
<th>2012/13 Proposed</th>
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<tbody>
<tr>
<td>Communications</td>
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<td>3.2</td>
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<td>-</td>
<td>2.8</td>
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<td>Materials &amp; Supplies</td>
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<td>Chemicals, Solids &amp; Power</td>
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<td>26.5</td>
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<td>24.3</td>
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<td>Labor</td>
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<td>225.5</td>
<td>229.9</td>
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<td><strong>$335.4</strong></td>
<td><strong>$336.8</strong></td>
<td><strong>$374.0</strong></td>
<td><strong>$356.2</strong></td>
<td><strong>$368.0</strong></td>
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</table>

$17.8$ M Decrease vs. Budget 11/12 Approved

$6.0$ M Decrease vs. 11/12 Projected

Totals may not foot due to rounding.
Two-Year O&M Budget

2011/12 Projected
$356.2 M

Salaries & Benefits
$225.5 M
63%

Other
$38.4 M
11%

Operating Equipment
$7.5 M
2%

Materials & Supplies
$22.2 M
6%

Outside Services
$39.7 M
11%

Chemicals, Solids & Power
$22.9 M
6%

2012/13 Proposed
$368.0 M

Salaries & Benefits
$229.8 M
62%

Other
$43.7 M
12%

Operating Equipment
$7.3 M
2%

Materials & Supplies
$22.7 M
6%

Outside Services
$40.1 M
11%

Chemicals, Solids & Power
$24.3 M
7%

San Diego County Water Authority
# O&M Changes

2011/12 approved to projected; 2012/13 proposed to 2011/12 approved

## 2011/12 Approved to Projected

| Item                          | Amount  
<table>
<thead>
<tr>
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<tbody>
<tr>
<td>OPEB funding</td>
<td>$(10.0) M</td>
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<tr>
<td>Treatment</td>
<td>(5.1)</td>
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<tr>
<td>PC replacement</td>
<td>(1.4)</td>
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<td>Op. equipment</td>
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<td>Const. OH credit</td>
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<td>Employee benefits</td>
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<tr>
<td>Other</td>
<td>(1.0)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$(17.8) M</strong></td>
</tr>
</tbody>
</table>

## 2012/13 Proposed to 11/12 Appr.

| Item                          | Amount  
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>OPEB funding</td>
<td>$(10.0) M</td>
</tr>
<tr>
<td>Treatment</td>
<td>(5.1)</td>
</tr>
<tr>
<td>Const. OH credit</td>
<td>1.3</td>
</tr>
<tr>
<td>Employee /Ret. med.</td>
<td>5.3</td>
</tr>
<tr>
<td>Retirem’t contribution</td>
<td>3.3</td>
</tr>
<tr>
<td>Employee merit</td>
<td>1.2</td>
</tr>
<tr>
<td>Contingency</td>
<td>(4.5)</td>
</tr>
<tr>
<td>Other</td>
<td>2.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$(6.0) M</strong></td>
</tr>
</tbody>
</table>
CIP Deferral for 2011/12 & 2012/13

- Mills capacity upgrade: Deferred 2 years; online 2016
- Jensen Solids Handling: Stage 1 capacity reduced from 750 mgd to 500 mgd
- Weymouth Ozone: Stage 1 capacity reduced from 520 mgd to 320 mgd
- Perris Valley Pipeline South: Deferred
- Central Pool Augmentation: Rescheduled
- San Diego Pipeline 6 South: Rescheduled

Two year deferral = $55M
### Reserves & Coverage

#### Fiscal Year Ending

<table>
<thead>
<tr>
<th>Year</th>
<th>Reserves</th>
<th>Maximum Reserve</th>
<th>Minimum Reserve</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>2008</td>
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<td>2009</td>
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<td>2010</td>
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<tr>
<td>2011</td>
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<td></td>
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<tr>
<td>2012</td>
<td></td>
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<tr>
<td>2013</td>
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<td></td>
</tr>
<tr>
<td>2014</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Avg Rate Increase

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>PAYGO, $M Actual</td>
<td>88</td>
<td>95</td>
<td>43</td>
<td>30</td>
<td>37</td>
<td>45</td>
<td>45</td>
<td>60</td>
<td>125</td>
<td>125</td>
<td>125</td>
</tr>
<tr>
<td>PAYGO, $M Budgeted planned</td>
<td>95</td>
<td>95</td>
<td>85</td>
<td>95</td>
<td>37</td>
<td>95</td>
<td>125</td>
<td>125</td>
<td>125</td>
<td>125</td>
<td>125</td>
</tr>
<tr>
<td>Rev. Bond Cvg</td>
<td>1.8</td>
<td>2.2</td>
<td>1.8</td>
<td>1.8</td>
<td>1.6</td>
<td>1.4</td>
<td>1.7</td>
<td>1.9</td>
<td>2.2</td>
<td>2.0</td>
<td>2.1</td>
</tr>
<tr>
<td>Fixed Chg Cvg</td>
<td>1.3</td>
<td>1.7</td>
<td>1.3</td>
<td>1.3</td>
<td>1.1</td>
<td>0.9</td>
<td>1.2</td>
<td>1.3</td>
<td>1.5</td>
<td>1.4</td>
<td>1.3</td>
</tr>
</tbody>
</table>
Issues to consider

- Sales assumptions
- Rates
  - Magnitude & timing
- Subsidies
- Deferral of current ratepayers’ obligations & rate management
- Additional reductions
  - O&M and CIP deferrals
**Sensitivities**

- Increase of SWP allocation in 2011, result in increased storage cost
  - Options presented:
    - Use of reserves
    - Sale of replenishment water to raise cash
    - Moving up the effective date for the 2012 rate increase

- Water sales exceed 1.8 maf
  - Options presented:
    - Reinstituting OPEB funding
    - Increasing PAYGo funding
Next Steps

- April 11, 12: Board scheduled to consider and adopt proposed biennial budget
- April 21st: Report status to Water Authority’s Imported Water Committee
MWD Water Supply Update

Imported Water Committee
March 24, 2011
Discussion

- MWD Water Supply Update
- Water Surplus and Drought Management Plan
- Water Supply Allocation Review
Background

- 2008 - Water Supply Allocation Plan adopted
  - MWD currently in second year of Level 2 allocation

- 2011 - DWR SWP increased to 70% of Table A deliveries
  - Levels increased due to favorable supply conditions, storage levels and lower than anticipated demands
  - For the first time since 2007, DWR is making surplus water available
Colorado River Aqueduct –
2011 supplies (as of March 2011)

<table>
<thead>
<tr>
<th>Colorado River Aqueduct supplies</th>
<th>Acre-Feet</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic Apportionment</td>
<td>550,000</td>
</tr>
<tr>
<td>Other CR Programs and Transfers</td>
<td>292,000</td>
</tr>
<tr>
<td>Water Exchanged with SDCWA (IID Transfer &amp; Canal Lining projects)</td>
<td>161,000</td>
</tr>
<tr>
<td><strong>Subtotal available CRA supplies</strong></td>
<td><strong>1,003,000</strong></td>
</tr>
<tr>
<td>Demands and Obligations</td>
<td>(174,000)</td>
</tr>
<tr>
<td><strong>Total CRA System Available Supplies</strong></td>
<td><strong>829,000</strong></td>
</tr>
</tbody>
</table>
State Water Project – 2011 supplies (as of March 2011)

<table>
<thead>
<tr>
<th>State Water Project supplies</th>
<th>Acre-Feet</th>
</tr>
</thead>
<tbody>
<tr>
<td>Table A (70 percent allocation and SWP surplus water)</td>
<td>1,438,000</td>
</tr>
<tr>
<td>Other SWP Programs and Transfers</td>
<td>157,000</td>
</tr>
<tr>
<td><strong>Subtotal available SWP supplies</strong></td>
<td><strong>1,535,000</strong></td>
</tr>
<tr>
<td>Demands and Obligations</td>
<td>(74,000)</td>
</tr>
<tr>
<td><strong>Total SWP System Available Supplies</strong></td>
<td><strong>1,521,000</strong></td>
</tr>
</tbody>
</table>
MWD 2011 Supply/Demand* Outlook

Demands Assumption (w/o allocation)

SWP

1.52 MAF
(70 % Allocation)

CRA*
829 TAF

*Includes Water Authority’s 161,000 af of QSA supplies
MWD Dry-Year Storage Levels

Beginning of Year Balances (Excludes Emergency Storage)

- **2007**: 2.2 Million Acre-Feet
  - Replenishment deliveries ceased May 2007
- **2008**: 1.8 Million Acre-Feet
  - IAWP curtailment begins Jan. 2008
- **2009**: 1.1 Million Acre-Feet
  - WSAP Level 2 July 2009
- **2010**: 1.0 Million Acre-Feet
- **2011**: 1.7 Million Acre-Feet
  - IAWP phase-out complete in Dec. 2012

- **MWD Dry-Year Storage Capacity**
- **Pumping Restrictions**
- **3-year drought**
- **SWP Table A Allocation**
Allocation Storage Triggers

- MWD staff recently suggested linking allocation decisions to storage “triggers”
  - Goal is to preserve storage while achieving balance between frequency and depth of shortage
- Allocation triggers
  - Activating allocation
    - 1 MAF or less
    - Providing discounted replenishment deliveries
  - 2.2 MAF or more
Storage Trigger Consideration

- Activating allocation when storage at 1 MAF
  - Does not provide adequate flexibility
  - Same trigger point as 2009
    - SWP supplies better than expected and demands suppressed which resulted in 1.7 MAF starting point in 2011
    - Conditions unlikely to be repeated

- Providing discounted replenishment when storage at 2.2 MAF
  - Stranded regional storage investment
  - Full service ratepayers subsidizing discounted ratepayer
Water Supply Allocation Plan Review

- Full review of WSAP began in March
- Issues Identified
  - Local supplies
  - Replenishment
  - Base Period Selection
  - Growth Adjustment
  - Tier 1/ Tier 2 timing
  - Baseline inflation
    - Conservation Hardening Credit
    - Non-potable recycled water
  - Sharing allocation between agencies
Next Steps

- MWD Board to consider WSAP action for FY 2012 in April
  - Continue or terminate allocation
  - Level of allocation, if needed
  - Timing of allocation termination

- WSAP staff review to complete by May, with board consideration in June.
Delta Stewardship Council
Draft Delta Plan

Imported Water Committee
March 24, 2011
Background

- In November 2009, the Legislature enacted SBX7-1 (Delta Reform)
  - Established “coequal goals” of water supply reliability and Delta ecosystem restoration
  - Established the Delta Stewardship Council
  - Required the Delta Stewardship Council to develop a legally enforceable, comprehensive, long-term management plan for the Delta Plan by January 1, 2012
    - Requires that state and local regulatory and planning agencies certify that their actions are consistent with the Delta Plan
Key Elements of the Delta Plan

- Manage water resources
- Restore the Delta ecosystem
- Improve water quality
- Reduce Delta flood risks
- Protect and enhance the Delta as an evolving place
- Develop a governance plan to support the coequal goals
- Develop a finance plan to support coequal goals
Delta Plan Progress

- First staff draft Delta Plan released on February 14
- Second staff draft released on March 18
- Draft is incomplete
  - EIR must be completed to full CEQA
- Subsequent drafts will be presented each month with seven drafts in total
Key Preliminary Findings

- California’s total water supply is oversubscribed; it regularly uses more water annually than is provided for by nature
- California's water supply is increasingly volatile
- Some native species may not survive
- There is no comprehensive state or regional emergency response for the Delta
- Surface and groundwater supplies will only be reliable on a long-term basis if groundwater overdraft is eliminated
- Conveyance must be changed and re-operated to improve water supply reliability.
Next Steps

- Two-Day Public Workshop  March 24-25, 2011
- Third Staff Draft Delta Plan  April 2011
- Fourth Staff Draft Delta Plan  May 2011
  - Draft Environmental Impact Report
- Fifth Staff Draft Delta Plan  September 2011
  - Draft Final EIR submitted to Office of Administrative Law
- Sixth Staff Draft Delta Plan  October 2011
- Seventh Staff Draft Delta Plan  November 2011
  - Final EIR
  - Adoption by the Council
1905 Colorado River Flood

Photo: Salton Sea History Museum
The Salton Sea is Maintained Primarily by Agricultural Return Flows
Salton Sea Commitments

Under the QSA

- QSA enabling legislation (SB 277, SB 317, SB 654) set the requirements for mitigation and restoration of the Salton Sea amongst the State, CVWD, IID, MWD and the Water Authority

- QSA contracts outlined implementation activities
  - Mix of land fallowing and agricultural water use efficiency as a means of conservation
  - QSA Joint Powers Authority responsible for mitigating the impacts of the water transfers
  - State responsible for restoration activities
### QSA Financial Obligations

*(2003 Dollars)*

<table>
<thead>
<tr>
<th></th>
<th>QSA JPA Mitigation</th>
<th>Salton Sea Restoration</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>IID</td>
<td>$44.1</td>
<td>$9.9</td>
<td>$54.0</td>
</tr>
<tr>
<td>CVWD</td>
<td>$36.7</td>
<td>$8.8</td>
<td>$45.5</td>
</tr>
<tr>
<td>Water Authority</td>
<td>$52.2</td>
<td>$11.3</td>
<td>$63.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$133.0</strong></td>
<td><strong>$30.0</strong></td>
<td><strong>$163.0</strong></td>
</tr>
</tbody>
</table>

- The QSA JPA continues to implement the mitigation projects as required by the QSA.
- The JPA parties have advanced funds beyond the QSA requirements to keep the QSA JPA projects on schedule.
- **State of California to cover all costs above water agency contributions.**
QSA JPA Mitigation Projects

Air Quality Mitigation

- Air Quality Stations
- Salt-tolerant Shrubs
- Saltgrass
- Drip Irrigation Filters
QSA JPA Mitigation Projects

Managed Marsh
Status of State Efforts

• In May 2007 a Preferred Alternative was submitted by the Secretary for Resources to the Legislature
  - $8.9 billion construction cost; $800 million No-action Alternative
  - No action taken by Legislature to date

• $16.1 million of $37.7 million in appropriations expended by DFG on activities including:
  - Salton Sea Ecosystem Monitoring and Assessment Plan
  - Species Conservation Habitat Project
  - C2 Water Transfer Analysis
Status of State Efforts

• 2008 Legislative Analyst Office Report
  - Air quality and the preservation of wildlife habitat as the highest priorities for expenditure
  - The Legislature adopt a comprehensive plan at the outset of the restoration process that includes a financing plan, and DWR as the primary implementing agency
  - The Legislature consider funding interim measures to address priorities in the near term

• SB 51 (Ducheny 2010) Establishes the Salton Sea Restoration Council
• 2004 – The passage of the Water Supply Reliability and Environmental Improvement Act of 2004

• 2008 – finalized a BOR report to identify and recommend a preferred action plan for restoration of the Salton Sea
  - Identifies alternatives ranging from $3.5 to $14 billion
  - In the end none of the preferred action alternatives identified were supported by BOR due to extreme costs and substantial uncertainties
  - Recommends additional feasibility studies and a phased approach to restoration
Where do we go from here?

• Support state legislature to develop:
  - Realistic financing plan
  - Restoration plan

• Continue to implement technically feasible mitigation and restoration measures
  - Early start habitat
  - Air quality management
AB 19 (Fong) Submeters - Support

- Requires state to develop building standards for submeters in multi-unit residential buildings
- Similar to AB 1975 (Fong) last year
- Water Authority supported AB 1975
- Legislative Policy Guideline – Water Use Efficiency, Support, No. 10, page 11
AB 275 (Solorio) Rainwater Capture - Support

- Authorizes property owners to install rain barrels
- Outdoor and limited indoor use
- Legislative Policy Guideline – Local Water Resources, Support, No. 7, page 6
AB 550 (Huber) Peripheral Canal - Oppose

- Requires explicit legislative approval for construction of Delta isolated facility
- Undoes a portion of 2009 Bay-Delta bill package
- Water Authority opposed same bill last year – AB 1594
AB 576 (Dickinson) DSC Fee – Oppose, unless amended

- Fee for administration and planning
- Charged to state water contractors and CVP contractors only
- Should be extended to all users who benefit from the Delta fix
- Not tied to defined benefits

Legislative Policy Guidelines - Fiscal Policy and Water Rates, Oppose, No. 14, Page 16
SB 328 (Kehoe) Conservation Easements - Support

- Protects conservation easements under eminent domain
- Water Authority supported similar bill last year – SB 555
- Senator Kehoe amended AB 555 to address Water Authority concerns
SCOOP Quarterly Report

- Review of current SCOOP metrics and goal
- Summary of cumulative SCOOP activity
- SCOOP historical performance
- Other agencies’ small business goals
- Next steps
## SCOOP Metrics and Goal

<table>
<thead>
<tr>
<th></th>
<th>Metric</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td># of businesses in the database (The Network)</td>
</tr>
<tr>
<td>2.</td>
<td># of bidders</td>
</tr>
<tr>
<td>3.</td>
<td># of businesses participating in procurements</td>
</tr>
<tr>
<td>4.</td>
<td># of contract opportunities (prime awards)</td>
</tr>
<tr>
<td>5.</td>
<td>$ awarded</td>
</tr>
</tbody>
</table>

**Current SCOOP goal = 20% of $ awarded**
## Summary of Cumulative SCOOP Activity

### 7/1/10-12/31/10

<table>
<thead>
<tr>
<th>Measurements</th>
<th>Total</th>
<th>% Small</th>
<th>% M/W</th>
</tr>
</thead>
<tbody>
<tr>
<td>Database</td>
<td>5,865</td>
<td>41%</td>
<td>26%</td>
</tr>
<tr>
<td># Bidders</td>
<td>142</td>
<td>70%</td>
<td>52%</td>
</tr>
<tr>
<td># Firms</td>
<td>209</td>
<td>48%</td>
<td>20%</td>
</tr>
<tr>
<td>Contracts</td>
<td>23</td>
<td>48%</td>
<td>26%</td>
</tr>
<tr>
<td>$ Awarded</td>
<td>$11,852,528</td>
<td>29%</td>
<td>14%</td>
</tr>
</tbody>
</table>

Minority and women-owned business information provided for statistical purposes.
Comparison of Sm Bus $ to Total Awards

![Bar chart comparing total awards and Sm Bus awards from 2005 to 2010.]

- **Total $ Amount**
- **Sm Bus $**
- Linear (Total $ Amount)
- Linear (Sm Bus $)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total $ Amount</th>
<th>Sm Bus $</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>$91,066,696</td>
<td>$18,849,597</td>
</tr>
<tr>
<td>2006</td>
<td>$474,000,000</td>
<td>$76,300,000</td>
</tr>
<tr>
<td>2007</td>
<td>$118,736,945</td>
<td>$20,883,056</td>
</tr>
<tr>
<td>2008</td>
<td>$41,179,477</td>
<td>$15,744,673</td>
</tr>
<tr>
<td>2009</td>
<td>$10,694,189</td>
<td>$27,466,189</td>
</tr>
<tr>
<td>2010</td>
<td>$170,771,174</td>
<td>$21,167,391</td>
</tr>
</tbody>
</table>
SCOOP Historical Performance

Comparison of Small Business Awards to Goals (as percentages)

- 2005: 21%
- 2006: 18%
- 2007: 18%
- 2008: 38%
- 2009: 17%
- 2010: 12%

Sm Bus $  Sm Bus Goal
Other Agencies’ Small Business Goals

Source: Public Agency Consortium 2011 brochure
Next Steps

- Conduct small business survey
- Focus groups
  - Small Businesses
  - Primes
- Evaluate procurement procedures
- Conduct benchmarking study
- Develop goals for SCOOP Committee review
• Review and approve the recommended variable-rate debt management strategy

• Approve selection of new liquidity facility providers
  ➢ RFP issued to banks in January

• Approve amendments to the existing renegotiated Bayerische Landesbank (BLB) liquidity facility

• Approve the form of documents to support the new bank liquidity facilities
The Water Authority has $460M in variable-rate debt

- $350M in liquidity facilities are expiring in November 2011
- Staff has been working with our financial advisor to develop a strategy to address expiring liquidity facilities and optimize the variable-rate debt portfolio

Total Debt: $2.5 Billion
Variable-Rate Interest Rate Forecasts

Projected SIFMA\(^1\) Levels

- Gradual increases in interest rates are currently projected
- Even with rising interest rates, it is likely that short maturities will continue to offer the lowest cost of funds

\(^1\) SIFMA is a benchmark tax-exempt variable-rate index. Based on SIFMA swap rates as of January 7, 2011.
# Variable-Rate Debt Strategy & Objectives

<table>
<thead>
<tr>
<th>Strategies</th>
<th>Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diversify financing mix</td>
<td>Minimize cost of funds</td>
</tr>
<tr>
<td>Diversify banks</td>
<td>Minimize rate impacts</td>
</tr>
<tr>
<td>Diversify maturities and length of bank agreements</td>
<td>Minimize interest rate risk</td>
</tr>
<tr>
<td></td>
<td>Provide stability in payment stream</td>
</tr>
</tbody>
</table>

**Basis for Recommendation**
Proposed Strategy to Optimize Variable-Rate Debt Portfolio

• Traditional commercial paper with liquidity
  ➢ Target amount of $360M
  ➢ Select Barclays, Citi, and Wells Fargo based on:
    ✓ Costs; terms and conditions; financial strength; credit ratings; and market data
  ➢ Renew BLB based on revised pricing (20 bps reduction)
  ➢ Stagger expirations to avoid concentration of renewal risk

• Issue 5-Year Fixed Rate Notes (FRNs)
  ➢ Target a $100M five-year FRN issuance
  ➢ Subordinate lien – Same as commercial paper
Diversification of Variable-Rate Debt Portfolio

Current Structure

- 100% TECP
- TOTAL: $460M

Proposed Structure

- 78% TECP
- 22% Five-Year Fixed-Rate Note
- TOTAL: $460M

- TECP $360,000,000
- Five-Year Fixed-Rate Note $100,000,000
$360 Million Traditional TECP

- Historically highly cost-effective
- Access broadest short-term investor base
- Maintain bank relationships at competitive cost
- Maintain high degree of flexibility
- Interest rate risk offset by investment portfolio

<table>
<thead>
<tr>
<th></th>
<th>Variable Rate</th>
<th>Fixed Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum</td>
<td>5.480%</td>
<td>6.030%</td>
</tr>
<tr>
<td>Minimum</td>
<td>0.150%</td>
<td>3.690%</td>
</tr>
<tr>
<td>Average</td>
<td>2.300%</td>
<td>4.730%</td>
</tr>
</tbody>
</table>
$100 Million Fixed-Rate Notes

• Access short-term segment of yield curve and reduce budget exposure to higher short-term rates
  ➢ 5-year rates have been lower than current levels less than 10% of the time over the last 25 years
• Expected to be cost-competitive with CP over 5-year horizon
• Diversify investor base (short-duration bond funds)
• Reduce funding risk for term of FRNs
• Reduce reliance on third-party credits

<table>
<thead>
<tr>
<th>Time Horizon</th>
<th>All-In CP</th>
<th>Fixed Rate Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current(^1)</td>
<td>0.98</td>
<td>2.52</td>
</tr>
<tr>
<td>5 years projected(^2)</td>
<td>2.55</td>
<td>2.52</td>
</tr>
<tr>
<td>13 years historical (since 1997)(^3)</td>
<td>3.05</td>
<td>2.52</td>
</tr>
</tbody>
</table>

\(^1\) Current SIFMA rate plus CP support costs
\(^2\) Implied forward SIFMA plus CP support costs
\(^3\) 13-year historical average SIFMA plus CP support costs
Recommended Term Structure

- Diversify facility maturities to limit facility renewal risk
- Fixed rate note extends term structure to 5 years

Liquidity Facility Expiration Dates

- June 30, 2013
  - BLB (early termination)
  - Barclays May 2013
  - Wells Fargo May 2014
  - Citi May 2014
- June 30, 2015
  - BLB (commitment expiration)

<table>
<thead>
<tr>
<th>Bank</th>
<th>Term</th>
<th>LOC Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barclays</td>
<td>2 year</td>
<td>60 bps</td>
</tr>
<tr>
<td>BLB*</td>
<td>2 year</td>
<td>50 bps</td>
</tr>
<tr>
<td>Wells Fargo</td>
<td>3 year</td>
<td>60 bps</td>
</tr>
<tr>
<td>Citi</td>
<td>3 year</td>
<td>60 bps</td>
</tr>
</tbody>
</table>

* Existing BLB agreement
Program Recommendation

Current Structure

- BNP Paribas: $175,000,000, 38%
- Dexia Credit Local: $175,000,000, 38%
- BLB: $110,000,000, 24%

TOTAL: $460M

Program Recommendation

- BLB: $110,000,000, 24%
- Citi: 54%, $250,000,000
- Fixed-Rate Notes: $100,000,000, 22%
- Barclays: 22%
- Wells Fargo: 22%

TOTAL: $460M

- TECP Dealers: (No change)
  - Barclays
  - Citi
  - Goldman Sachs
- Issuing and Paying Agent: (No change)
  - Deutsche Bank
  - Merrill
  - JP Morgan
Summary of Proposed Strategy

$360 million TECP

$100 million FRNs

$460 Million

Results
- Expected to provide attractive all-in cost over 5-year time horizon
- Improves match between short-term asset earnings and variable-rate debt interest costs
- Minimizes rate and charge impacts
- Maintains high degree of financial flexibility
- Further diversifies overall debt portfolio, with reduced funding risk and exposure to third-party credits
Board Action

• Approve the variable-rate debt management strategy

• Approve Resolution 2011___ - authorizing the issuance and sale of short-term revenue certificates and authorizing and approving certain actions in connection therewith.

• Approve the form of agreements on file with the Board Clerk

• Approve offering memorandum