**AB 229 (Lara) Local Government Audits – Support, if amended**

- Requires local agencies to submit the results of their audits online within 9 months
- Requires local governments to choose auditors from a directory provided by the state Controller
- Requires local governments to change auditors every six years
AB 229 (continued)

- Requires state Controller to actively monitor local agencies’ audits

- Suggested amendment:
  - Allow local agencies to be able to select auditors who meet requirements set by the state Controller, rather than from a list compiled by the Controller
SB 215 (Huff) Quagga Mussels - Support

- Extends the sunset date for DFG authority to assist local agencies in preventing the spread of mussels to 2017
- Otherwise, the law will expire in 2012
SB 607 (Walters) Brackish Water Desalination Discharge

- Support, and seek amendments

- Requires SWRCB to amend the Ocean Plan to deal with the discharge of brine from brackish groundwater desalination

- Suggested amendment:
  - Extend to the discharge of brine from recycled water
Acoustic Fiber Optic Monitoring

May 26, 2011
AFO Locations

- PIPELINES:
  - 300 miles of pipe
  - 48 to 108 inch
  - 82.5 miles of PCCP
Acoustic Fiber Optic Monitoring (AFO)

- How it works?
  - Uses the fiber optic cable as an acoustic sensor to locate broken wires

- Water Authority History
  - Used since 2006
  - Currently installed in 45.2 miles of PCCP
## Agencies That Utilize AFO

<table>
<thead>
<tr>
<th>Site Name</th>
<th>Install</th>
<th>Length (mi)</th>
<th># Sticks</th>
<th>Diameter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calgary, Canada</td>
<td>Mar 2006</td>
<td>0.3</td>
<td>231</td>
<td>42&quot;</td>
</tr>
<tr>
<td>Howard County, Maryland</td>
<td>Aug 2007</td>
<td>6.7</td>
<td>2199</td>
<td>36&quot; 54&quot;</td>
</tr>
<tr>
<td>MCUA, New Jersey</td>
<td>Apr 2009</td>
<td>3.52</td>
<td>1018</td>
<td>102&quot;</td>
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<tr>
<td>Muskegon, Michigan</td>
<td>Apr 2008</td>
<td>5.56</td>
<td>1477</td>
<td>66&quot;</td>
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<tr>
<td>Providence, Rhode Island</td>
<td>June 2006</td>
<td>5.14</td>
<td>1698</td>
<td>102&quot;</td>
</tr>
<tr>
<td>San Diego P3 North</td>
<td>June 2006</td>
<td>3.03</td>
<td>822</td>
<td>69&quot;</td>
</tr>
<tr>
<td>San Diego P4 North</td>
<td>Nov 2008</td>
<td>12.17</td>
<td>3278</td>
<td>66&quot; 69&quot;</td>
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<tr>
<td>San Diego P3 South</td>
<td>Feb 2009</td>
<td>11.01</td>
<td>2550</td>
<td>90&quot;</td>
</tr>
<tr>
<td>San Diego P4 South</td>
<td>Oct 2006</td>
<td>1.40</td>
<td>892</td>
<td>72&quot;</td>
</tr>
<tr>
<td>San Diego P5</td>
<td>Feb 2009</td>
<td>11.01</td>
<td>2563</td>
<td>96&quot;</td>
</tr>
<tr>
<td>San Diego Crossover</td>
<td>Feb 2008</td>
<td>7.35</td>
<td>2035</td>
<td>66&quot;</td>
</tr>
<tr>
<td>Hetch Hetchy, California</td>
<td>Jan 2009</td>
<td>6.40</td>
<td>1657</td>
<td>78&quot;</td>
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<tr>
<td>Tucson 1, Arizona</td>
<td>May 2006</td>
<td>9.43</td>
<td>2177</td>
<td>78&quot; 84&quot; 96&quot;</td>
</tr>
<tr>
<td>Tucson 2, Arizona</td>
<td>July 2006</td>
<td>8.75</td>
<td>1988</td>
<td>66&quot; 78&quot; 84&quot; 96&quot;</td>
</tr>
<tr>
<td>Tucson 3, Arizona</td>
<td>Mar 2009</td>
<td>4.22</td>
<td>1163</td>
<td>54&quot;</td>
</tr>
<tr>
<td>WSSC Adelphi, Maryland</td>
<td>Feb 2008</td>
<td>4.69</td>
<td>1630</td>
<td>60&quot;</td>
</tr>
<tr>
<td>WSSC Potomac, Maryland</td>
<td>Jan 2008</td>
<td>12.3</td>
<td>4279</td>
<td>66&quot; 90&quot;</td>
</tr>
</tbody>
</table>
AFO Benefits

- Monitors 100% of the pipe remotely
- Minimizes shutdowns / Long term monitoring solution
- Refines relining schedules based on real time data
- Could be utilized for other applications
  - ROW Management
  - Water Authority Communications
  - Leak Detection
AFO Financials (2006-Present)

- Budget $8,616,384
- Spent $7,951,405
- Remaining $664,979

Average Costs
- Install $/mile $68,640
- Monitoring $/mi-yr $12,672
- Computers $400,000
  - Per pipeline monitored
Authorize the General Manager to award a professional services contract to Pure Technologies US Inc., for an amount not-to-exceed $3,998,690 to provide acoustic fiber optic cable monitoring services through June 30, 2016.
Water Authority’s Draft 2010
Urban Water Management Plan
Public Hearing

Water Planning Committee
May 26, 2011
Water Authority’s 2010 UWMP

- Update required by law every 5 years; purpose and importance has grown since first required 25 years ago
- Includes elements of drought management planning
- Official Water Authority policy document on supply and demand management planning for the region
- Utilized as supporting document in preparation of water supply assessments/verifications under SB 610 & 221
- Required to be eligible to receive funding or drought assistance from state
2010 Plan Main Elements

- **Demand Forecast**
  - Econometric Model utilizing SANDAG Regional Growth Forecast

- **Water Use Efficiency Target**
  - Retail Compliance with SBX7-7: 20% savings by 2020

- **Water Supplies**
  - Water Authority and member agency verifiable supplies

- **Water Resource Mix**
  - Resource mix to meet demands in normal and dry water years

- **Scenario Planning**
  - Process to manage supply uncertainties associated with resource mix
SBX7-7 Compliance

• Requires retail water suppliers to achieve a 20% reduction in urban per capita water use by 2020
  • Retail compliance can be achieved through a combination of recycled water supplies and additional conservation savings

• Wholesale water agencies are required to include in their UWMPs discussions of programs they intend to implement to support water demand reduction goals
Normal Year Baseline Demand with Future Conservation (AF)

- Baseline Demand without Price Effect
- Baseline Demand with Price Effect
- SBx 7-7 Compliance Demand

Total Demand (TAF)

2020 2025 2030 2035
2010 Plan - Supply Project Categorization

- Supply projects categorized into three groups
- Critical to identify “verifiable” supplies
  - Utilized in compliance reports for laws linking land-use approval and supply availability (SB 610/221)
  - Projects included in 2010 Plan Water Reliability Assessment
- “Additional planned” projects considered adaptive strategies in Scenario Planning

<table>
<thead>
<tr>
<th>Project Category</th>
<th>General Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Verifiable</td>
<td>Adequate documentation on implementation: CEQA certification, permits satisfied, or contracts executed</td>
</tr>
<tr>
<td>Additional Planned</td>
<td>Actively being pursued and planning effort currently being funded</td>
</tr>
<tr>
<td>Conceptual</td>
<td>Project in conceptual, pre-feasibility phase</td>
</tr>
</tbody>
</table>
Water Authority Projected Supplies (Verifiable)

- Carlsbad Seawater Desalination (online 2016)
- Canal Lining Projects
- IID Water Transfer
Member Agency Projected Supplies (Verifiable)

- Recycled Water
- Groundwater
- Surface Water

Years:
- 2010 (Existing)
- 2015
- 2020
- 2025
- 2030
- 2035
Development of Projected Water Resources Mix

Projected Resource Mixes

- Member Agency Local Supplies “Verifiable”
- MWD Supplies (Normal and Allocation Years)
- Retail Compliance SBX7-7 Savings Targets
- SDCWA Supplies (QSA, Carlsbad Desal)
Normal Water Year Assessment (2030) *(Verifiable Supplies)*

No shortages anticipated if:

- Supplies are developed as planned by MWD, Water Authority and member agencies
- Member agencies achieve SBX7-7 savings targets

**2030 Projected Normal Year**

- **MWD**
  - 292 TAF
- **Carlsbad Seawater Desalination**
  - 56 TAF
- **Member Agency Local Supplies**
  - 124 TAF
- **QSA Transfer Supplies**
  - 280 TAF

**Demands 753 TAF**
Single Dry Year Water Assessment (2030)
(Verifiable Supplies)

No shortages anticipated if:

- Supplies are developed as planned by MWD, Water Authority and member agencies
- Member agencies achieve SBX7-7 savings targets

Demands 804 TAF

- MWD: 375 TAF
- Regional Seawater Desalination (Carlsbad): 56 TAF
- Member Agency Local Supplies: 92 TAF
- QSA Transfer Supplies: 152 TAF

2030 Projected Dry Year
Multiple Dry Year Assessment (Supply Allocations)

Potential shortages in some years

- Mitigated through carryover storage and shortage management actions
Scenario Planning – Managing an Uncertain Future

- Growth
- SWP Reliability
- Recurring Droughts
- Local Projects Development Risk
- Climate Change
Major Steps in Scenario Planning Process

**Projected Resources Mix**
- Develop in coordination with member agencies

**Uncertainty Scenarios**
- Based on critical uncertainties
- Risk assessment of resources mix
- Identify “supply gap”

**Potential Strategies**
- Qualitative and quantitative
- Manage uncertainties
- Fill potential “supply gap”

**Key Tracking Metrics**
- Metrics to track implementation of resource mix and potential need for strategies
- Avoid over investment
2010 Plan – Scenario Planning

- Evaluated 6 scenarios
  - Developed based on uncertainties
  - Quantitative and qualitative
- Identified potential supply gap
  - 50 – 120 TAF
- Identified strategies to fill gap
  - Additional planned projects

Scenario 4: Limited MWD, Water Authority and Member Agency Local Supplies

- Carryover Storage
- MWD (allocations)
- SBX7-7 Savings
- Local Supply (2009 levels)
- QSA

2030 (dry year)
## Water Authority 2010 UWMP
### Remaining Schedule

<table>
<thead>
<tr>
<th>Activity</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Draft 2010 UWMP distributed to Board &amp; public for review and comment</td>
<td>May 6, 2011</td>
</tr>
<tr>
<td>Special WP Committee workshop</td>
<td>May 23, 2011</td>
</tr>
<tr>
<td>Public hearing on draft 2010 UWMP</td>
<td>May 26, 2011</td>
</tr>
<tr>
<td>Comments due on draft 2010 UWMP</td>
<td>Jun. 6, 2011</td>
</tr>
<tr>
<td>CWA Board adoption of 2010 UWMP</td>
<td>Jun. 23, 2011</td>
</tr>
<tr>
<td>Submit adopted 2010 UWMP to DWR</td>
<td>Jul. 23, 2011</td>
</tr>
</tbody>
</table>
Water Authority Insurance Programs

Administrative & Finance Committee

May 26, 2011
Agenda

- Business Insurance Program
- Owner Controlled Insurance Program for the ESP
Business Insurance

- Liability Insurance (SDRMA)
- Property Insurance (SDRMA)
- Workers’ Compensation (Liberty Mutual)
Business Insurance
Liability Coverage

- $45M per occurrence coverage
  - General liability
  - Automobile liability
  - Public officials and employee errors
  - Employment practices
- $230K premium for 2010/2011
Business Insurance
Property Coverage

- $1B per occurrence coverage
  - Buildings, pump stations, water treatment plant, equipment, personal property
  - Boiler and machinery
  - Fire, theft, flood damage
  - Business interruption

- $390K premium for 2010/2011
Property Loss History

Alvarado Hydroelectric Facility

Losses (in Millions)

San Diego County Water Authority
Business Insurance
Workers’ Compensation

- Coverage per California statutory limits
  - $1M Employer’s liability
- $237K premium for 2010/2011
  - Premium based upon payroll and loss history
Workers’ Compensation X-mod
Business Insurance Renewal

- Currently out to market
- Initial indications are favorable
- June 23rd Board meeting for approval
Agenda

- Business Insurance Program
- Owner Controlled Insurance Program for the ESP
Owner Controlled Insurance Program

- General Liability insurance
- Builders Risk insurance
- Workers’ Compensation
- Professional Liability insurance
Advantages of OCIP

- Higher insurance limits/broader coverage
- Cost savings
  - Lower premiums due to economies of scale
  - Increased safety = fewer claims
Increased Construction Safety

Standardized Rate per 100 Employees

- Incident Rate FED OSHA: 4.30
- Incident Rate ESP OSHA: 3.65
- Lost Time FED OSHA: 2.30
- Lost Time ESP OSHA: 1.19
Reduced Number of Claims

Number of Claims per $1M Payroll

<table>
<thead>
<tr>
<th>Industry Average</th>
<th>Water Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.07</td>
<td>0.73</td>
</tr>
</tbody>
</table>
Realized Insurance Savings

Insurance Savings

- 2010 Actual: $18,000,000
- Revised Estimate - 2013: $20,000,000
Agenda

- Summary
- Rate and Charge Drivers
- Recommendation
- Financial Performance Metrics
Summary of the Rate Setting Process

May Board Meeting
- Set the date for a public hearing on the proposed CY 2012 rates and charges
- Clerk of the Board publishes public hearing notice with proposed CY 2012 rates and charges

June Board Meeting
- Hold public hearing on proposed CY 2012 rates and charges
- Adopt CY 2012 rates and charges
Key Rate Drivers

- Water sales volumes
- Increasing cost of water
- Planned debt service payments
Sales Forecast Between High & Low

Water Sales Forecast

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>High-rate Scenario</td>
<td>397,672</td>
<td>417,707</td>
<td>442,439</td>
<td>469,842</td>
<td>488,242</td>
<td>502,077</td>
</tr>
<tr>
<td>2012 Rates</td>
<td>422,857</td>
<td>452,631</td>
<td>475,223</td>
<td>496,890</td>
<td>510,351</td>
<td>520,011</td>
</tr>
<tr>
<td>Low-rate Scenario</td>
<td>431,559</td>
<td>479,675</td>
<td>502,859</td>
<td>529,190</td>
<td>542,808</td>
<td>547,294</td>
</tr>
</tbody>
</table>

- 7% increase over current CY 2011 estimated sales

Calendar Year
# MWD CY 2012 Rate Increases

<table>
<thead>
<tr>
<th>Adopted MWD</th>
<th>CY 2011</th>
<th>CY 2012</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 1 Supply</td>
<td>$155</td>
<td>$164</td>
<td>5.8%</td>
</tr>
<tr>
<td>System Access</td>
<td>$204</td>
<td>$217</td>
<td>6.4%</td>
</tr>
<tr>
<td>Water Stewardship</td>
<td>$41</td>
<td>$43</td>
<td>4.9%</td>
</tr>
<tr>
<td>System Power</td>
<td>$127</td>
<td>$136</td>
<td>7.1%</td>
</tr>
<tr>
<td>Treatment</td>
<td>$217</td>
<td>$234</td>
<td>7.8%</td>
</tr>
<tr>
<td>Tier 1 Untreated</td>
<td>$527</td>
<td>$560</td>
<td>6.3%</td>
</tr>
<tr>
<td>Tier 1 Treated</td>
<td>$744</td>
<td>$794</td>
<td>6.7%</td>
</tr>
</tbody>
</table>

- MWD’s rate increases are more uniform than past
- Average overall increase including RTS & CRC is 7.5%

*RTS – Readiness-to-Serve
CRC – Capacity Charge*
MWD is Largest Share of Water Cost

Projected CY 2012 M&I Cost of Water Purchases/ QSA Exchange

- MWD Costs (Tier 1 & QSA Exchange) 82%
- IID Water Purchases* 18%
- Canal Water Purchases* <1%

Total Cost - $247M

- MWD represents 82% of the Water Authority’s cost of water purchased

* Excludes the debt service for capital projects and recovery of settlement expenditures.
Existing Debt Service Payments (2009–2016)

Total Debt Service

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>In Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>$79</td>
</tr>
<tr>
<td>2010</td>
<td>$81</td>
</tr>
<tr>
<td>2011</td>
<td>$109</td>
</tr>
<tr>
<td>2012</td>
<td>$114</td>
</tr>
<tr>
<td>2013</td>
<td>$138</td>
</tr>
<tr>
<td>2014</td>
<td>$144</td>
</tr>
<tr>
<td>2015</td>
<td>$148</td>
</tr>
<tr>
<td>2016</td>
<td>$153</td>
</tr>
</tbody>
</table>
## Recommended Rates & Charges

<table>
<thead>
<tr>
<th>Water Authority Rates and Charges</th>
<th>CY 2010 Previous</th>
<th>CY 2011 Current</th>
<th>CY 2012 Recommended</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Variable Rates</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Melded M&amp;I Supply Rate ($/AF)</td>
<td>$532</td>
<td>$597</td>
<td>$638</td>
</tr>
<tr>
<td>Melded M&amp;I Treatment Rate ($/AF)</td>
<td>$215</td>
<td>$215</td>
<td>$234</td>
</tr>
<tr>
<td>Transportation Rate ($/AF)</td>
<td>$67</td>
<td>$75</td>
<td>$85</td>
</tr>
<tr>
<td><strong>Fixed Charges</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Storage Charge (million)</td>
<td>$34.0</td>
<td>$44.3</td>
<td>$54.2</td>
</tr>
<tr>
<td>Customer Service Charge (million)</td>
<td>$18.0</td>
<td>$23.2</td>
<td>$26.4</td>
</tr>
<tr>
<td><strong>Other Rates and Charges</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Untreated Special Agricultural Water Rate ($/AF)</td>
<td>$484</td>
<td>$527</td>
<td>$560</td>
</tr>
<tr>
<td>Treated Special Agricultural Water Rate ($/AF)</td>
<td>$699</td>
<td>$742</td>
<td>$794</td>
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<tr>
<td>IAC</td>
<td>$2.02/ME</td>
<td>$2.49/ME</td>
<td>$2.60/ME</td>
</tr>
<tr>
<td>Standby Availability Charge per parcel or acre, whichever is greater¹</td>
<td>$10</td>
<td>$10</td>
<td>$10</td>
</tr>
</tbody>
</table>

¹ Fiscal Year Charge.

² ME means meter equivalent as defined in the resolution establishing the Infrastructure Access charge.
Recommended “All-in” CY 2012 Water Authority Water Rate

<table>
<thead>
<tr>
<th>Rates and Charges ($/AF)</th>
<th>CY 2011 Rate Projection</th>
<th>CY 2011 Rate Estimate</th>
<th>Recommended CY 2012 Rates</th>
<th>Proposed CY 2012 Increase</th>
<th>Proposed CY 2012 Increase (in %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Melded Supply Rate</td>
<td>$597</td>
<td>$597</td>
<td>$638</td>
<td>$41</td>
<td>6.9%</td>
</tr>
<tr>
<td>Melded Treatment Rate</td>
<td>215</td>
<td>215</td>
<td>234</td>
<td>19</td>
<td>8.8%</td>
</tr>
<tr>
<td>Transportation</td>
<td>75</td>
<td>75</td>
<td>85</td>
<td>10</td>
<td>13.3%</td>
</tr>
<tr>
<td>Storage *</td>
<td>95</td>
<td>123</td>
<td>133</td>
<td>10</td>
<td>8.1%</td>
</tr>
<tr>
<td>Customer Service *</td>
<td>44</td>
<td>56</td>
<td>58</td>
<td>2</td>
<td>3.6%</td>
</tr>
<tr>
<td>Total Cost of Treated Water</td>
<td>$1,026</td>
<td>$1,066</td>
<td>$1,148</td>
<td>$82</td>
<td>7.7%</td>
</tr>
<tr>
<td>Total Cost of Untreated Water</td>
<td>$811</td>
<td>$851</td>
<td>$915</td>
<td>$64</td>
<td>7.5%</td>
</tr>
</tbody>
</table>

*Fixed charges converted to $/AF and may not foot due to rounding
Breakdown of the CY 2012 Water Rate and Charge increases

“All-in” Increase Distribution
$82/AF

Melded Supply Rate Increase
$41/AF

Supply 50% ($41)

MWD Increase 71% ($29)

Water Authority 29% ($12)

Storage *
12% ($10)

Customer Service *
3% ($2)

Transportation
12% ($10)

Treatment
23% ($19)

*Converted to $/AF based on sales forecast
2011 Rate Forecasts
“All-in” Treated Water Rate

<table>
<thead>
<tr>
<th>Calendar Year</th>
<th>High-rate Scenario</th>
<th>Percent Increase</th>
<th>Low-rate Scenario</th>
<th>Percent Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>$1,066</td>
<td></td>
<td>$1,066</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>$1,213</td>
<td>13.8%</td>
<td>$1,115</td>
<td>4.6%</td>
</tr>
<tr>
<td>2013</td>
<td>$1,305</td>
<td>7.6%</td>
<td>$1,176</td>
<td>5.4%</td>
</tr>
<tr>
<td>2014</td>
<td>$1,418</td>
<td>8.6%</td>
<td>$1,231</td>
<td>4.7%</td>
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<tr>
<td>2015</td>
<td>$1,559</td>
<td>9.9%</td>
<td>$1,280</td>
<td>3.9%</td>
</tr>
<tr>
<td>2016</td>
<td>$1,648</td>
<td>5.7%</td>
<td>$1,404</td>
<td>9.7%</td>
</tr>
</tbody>
</table>

Recommended $1,148 (7.7% Increase)
### 2011 Rate Forecasts

**“All-in” Untreated Water Rate**

<table>
<thead>
<tr>
<th>Calendar Year</th>
<th>Recommended</th>
<th>High-rate Scenario</th>
<th>Low-rate Scenario</th>
<th>Percent Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>$915 (7.5% change)</td>
<td>$851</td>
<td>$851</td>
<td>4.6%</td>
</tr>
<tr>
<td>2012</td>
<td>$915 (7.5% change)</td>
<td>$955</td>
<td>$888</td>
<td>5.4%</td>
</tr>
<tr>
<td>2013</td>
<td>$915 (7.5% change)</td>
<td>$1,033</td>
<td>$939</td>
<td>4.7%</td>
</tr>
<tr>
<td>2014</td>
<td>$915 (7.5% change)</td>
<td>$1,121</td>
<td>$986</td>
<td>3.9%</td>
</tr>
<tr>
<td>2015</td>
<td>$915 (7.5% change)</td>
<td>$1,208</td>
<td>$1,033</td>
<td>9.7%</td>
</tr>
<tr>
<td>2016</td>
<td>$915 (7.5% change)</td>
<td>$1,273</td>
<td>$1,146</td>
<td></td>
</tr>
</tbody>
</table>
Financial Performance Metrics – Debt Service Coverage Ratios

Projected Debt Service Coverage Ratios

Coverage projected to fall slightly below Board target level
Financial Performance Metrics

Year-end RSF Fund Balance

Projected FY 2011: $5.4M draw from the RSF
Impact of CY 2012 Rate Increase on Composite Monthly Residential Bill

- **5 Retail Agency Average Composite Cost**
  - Fixed Charge: $19.50 monthly
  - Commodity Charge: $50.25
  - Composite Monthly Residential Bill: $69.75

<table>
<thead>
<tr>
<th>Wholesale Charges</th>
<th>Recommended Rates Monthly Retail Cost</th>
<th>Percent Retail Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Untreated</td>
<td>$2.37</td>
<td>3.4%</td>
</tr>
<tr>
<td>Treated</td>
<td>$3.01</td>
<td>4.3%</td>
</tr>
</tbody>
</table>

Actual rate impact will vary by member agency.
Recommended Rates and Charges – An Overview

- All-in treated water rates—$1,148/acre–foot
- Increase in overall water rates & charges of:
  - 7.7% treated
  - 7.5% untreated
- Overall rate and charge increase will vary by member agency depending upon the fixed charge allocations
## Water Authority CY 2012 Rate Setting Schedule

<table>
<thead>
<tr>
<th>April</th>
<th>May</th>
<th>June</th>
</tr>
</thead>
<tbody>
<tr>
<td>27</td>
<td>FO’s WA Rates</td>
<td>17 GM’s WA rates</td>
</tr>
<tr>
<td>26</td>
<td>Board, set</td>
<td>23 Board, hold</td>
</tr>
<tr>
<td></td>
<td>public hearing time</td>
<td>public hearing and adopt</td>
</tr>
<tr>
<td></td>
<td>and place</td>
<td>rates/charges</td>
</tr>
</tbody>
</table>

- **GM’s** = Water Authority Member Agency General Managers
- **FO’s** = Water Authority Member Agency Finance Officers
- **Board** = Water Authority Board
Today’s Action

- Adopt the resolution setting a public hearing date for the Water Authority’s proposed calendar year 2012 Rate and Charge increases.
General Manager’s Recommended Budget
Fiscal Years 2012 and 2013

Administrative and Finance Committee
May 26, 2011
Agenda

- Budget Document Layout
- New Normal
- Fiscal Years 2012 & 2013 Recommended Budget Overview
- Budget Workshops Schedules
  - June 7th – 1:30pm
  - June 9th – 1:30pm
Navigating the Budget Document

**Objectives**
- Communicate vital information easily
- Simplify and streamline format

**Sections**

- **General Manager’s Budget Message**
  - High-level summary

- **Financial Summaries**
  - Summary data of major components of the budget (Water Sales & Purchases, CIP, Debt Service, Operating Depts)

- **Sources and Uses**
  - Comprehensive overview of the sources (revenues) and uses (expenditures) of Water Authority funds

- **Operating Departments**
  - Detail by focus area of each department, including significant changes

- **Capital Improvement Program**
  - Summary information and project details
The “New Normal”

- Sharply declining demands
- Sustained lower demands & 20% by 2020
- Constrained supplies (regulatory)
- Worst recession in decades & anticipated slow recovery
- High and rising water rates & Ratepayer fatigue
- Heightened scrutiny/demand for increased transparency and accountability
- Transition from “building” to “operating/maintaining” type of organization
- Key litigation effort (QSA and MWD)
Regional Water Supply Diversification

1991

- Metropolitan Water District: 95%
- Imperial Irrigation District Transfer: 13%
- Local Surface Water: 5%
- Recycled Water: 5%
- Seawater Desalination: 3%
- All American & Coachella Canal Lining: 5%
- Conservation: 5%

2011

- Metropolitan Water District: 48%
- Imperial Irrigation District Transfer: 14%
- Local Surface Water: 3%
- Recycled Water: 5%
- Seawater Desalination: 5%
- All American & Coachella Canal Lining: 12%
- Conservation: 9%

2020

- Metropolitan Water District: 23%
- Imperial Irrigation District Transfer: 22%
- Local Surface Water: 7%
- Recycled Water: 6%
- Seawater Desalination: 6%
- All American & Coachella Canal Lining: 9%
- Conservation: 10%
- Groundwater: 17%
Sustained Water Conservation Ethic 1991-2010

- Comprehensive, multi-decade investment in water conservation
- Together with member agencies, instilled sustained water conservation ethic throughout region
- 2007-2009: enhanced, multi-million-dollar mass communications campaign
  - 20-Gallon Challenge
- 2011: 72,000 AF of conservation savings
Development of New Local Supplies

- Several hundred million dollars invested since 1991
  - 17 active non-potable recycling projects countywide
  - >10 MGD brackish groundwater desalting

- Diversification efforts continue
  - Recycled water and groundwater supplies to double by 2020
  - Seawater desalination
    - Carlsbad
    - Camp Pendleton
    - Rosarito Beach
  - Indirect Potable Reuse

- Local supplies to provide 30% of the region’s water supply by 2020
Imported Water Supply Diversification

- IID Transfer and Canal Lining Projects diversify imported supply and improve reliability
- Guaranteed additional water supply for up to 75 years from the Imperial Irrigation District and 110 years from the All American and Coachella canal lining projects
Infrastructure Investments

- $3.8 billion Capital Improvement Program (CIP)
  - $1.5 billion Emergency Storage Project
  - New and expanded surface storage
  - Water treatment
  - Pipelines
  - Pump stations
  - Power generation
  - Aqueduct Protection Program
    - Pipeline relining program
CIP Investments: Beyond the Peak

- Pipelines
- Pipe Relining
- Regional Water Storage
- Canal Linings
- Pumping/Control Facilities
- Regional Water Treatment
- Hydro-Electric

CIP Spending Peak is Behind Us

-66%
Current CIP Debt Service Payments; Requires Sustained Water Rates for Decades
Mitigating Rate Impacts
Water Authority Actions

- Two-Year 2010 & 2011 budget reductions
  - $2.4 million cut in FY 2010
  - $3.6 million cut in FY 2011
- Reduction in spot water purchases
- Selling stored water
- Rate stabilization draw
- Capitalizing interest
- Debt service coverage below target
  - Consistent with 2010 Bonds Official Statement
- Planned phase-out of Limited Duration Employees
- Challenging MWD’s rate structure
Board Input on FY 2012 & 2013 Budget

- Water sales forecast uncertainty
  - 20% by 2020
  - Allocation
- Appropriate level of conservation funding
- Plan for external contingencies
  - QSA litigation
  - MWD litigation
  - Bay Delta
- Organizational efficiencies
  - Contracting services to member agencies
  - Staff reductions
  - Transparency in labor and benefits costs
- CIP
  - Scope/schedule
  - Staff/contractor mix
- Help communicating about rates and charges
Fiscal Years 2012 and 2013 Recommended Budget
Recommended Budget Addresses “New Normal”

- Reduced water sales volumes and revenue forecasted
- Deferral of 14 CIP projects ($150 million)
- Reorganization & consolidation for enhanced efficiency
- Managed personnel costs - significant staffing reductions
  - CIP
    - Reduction in positions to reflect the reduced CIP
  - Operating departments
    - 2nd year MOUs & Employee Packages
      - Increased PERS employee cost sharing
      - No net cost to the Authority
- Programmatic changes
- Seeking service efficiencies with Member Agencies
- Off-year projects
**Uses of Funds**

Three categories account for 92% of the total budget:

- **Water purchases & treatment**: $700,474 (49%)
- **CIP Expenditures**: $321,129 (23%)
- **Debt service**: $280,394 (20%)

Other expenditures:
- **Operating departments**: $87,715 (6%)
- **Hodges operations**: $6,052 (<1%)
- **Equipment replacement**: $1,220 (<1%)
- **Other expenditures**: $20,449 (1%)

Total budget: $1,417,434 (100%)
Water Sales Volumes

- Municipal & Industrial Sales
- Agricultural Sales
CIP and Debt Service

- Two-year CIP appropriation: $321.1M
  - 42% less than prior budget period

- Debt Service appropriation: $280.4M
  - 17% higher than prior budget period
Operating Departments

- Reorganized & consolidated for enhanced efficiency
  - Right of Way into the Engineering Department
  - Water Conservation into the Public Affairs Department, renamed “Public Outreach and Conservation”
  - Short and long-term facilities planning into the Water Resources Department

FYs 12&13 Recommended Budget: $87.7M

- Operations & Maintenance: 34%
- Administrative Services: 13%
- Public Outreach and Conservation: 9%
- Water Resources: 8%
- Engineering: 8%
- General Counsel: 7%
- General Manager & Board of Directors: 6%
- Finance: 5%
- MWD Program: 4%
- Human Resources: 3%
- Colorado River Program: 3%
Managing personnel costs

- Significant staffing reductions
  - 31.33 positions (FTEs) will be eliminated during this budget period
- 2 year no net cost MOUs
- Increased PERS employee cost sharing to 4.5%

16% Reduction in FTEs (2008 – 2014)
Operating Departments (cont.)

- Programmatic reductions
  - CIP related:
    - Reduction in engineering staffing
    - Reduction in support CIP staffing over the 2 year term including community and contractor outreach
    - Reduction in water conservation and outreach funding
  - Operating Departments:
    - No local supply development funding for new projects (existing projects funded)
    - Refocused school education programming – training the teachers
    - Reductions in internal support services related to finance, human resources, and information technology
Budget Workshops
Workshop Format

- Budget Overview
  - Detailed discussion, highlighting key assumptions and significant changes

- Operating Departments:
  - Overview
  - Key Services
  - Budget Summary
  - Cost Containment
  - FYs 12&13 Focus
  - Performance Measures
  - FYs 12&13 Look Ahead
Workshop Format (cont.)

- Capital Improvement Program
  - Overview
  - Significant Issues
  - Program Themes
  - Recommended Changes for Fiscal Years 2012 and 2013 Appropriation
    - Asset Management
    - New Projects
    - Project Scope Changes
    - Master Planning Changes
Schedule – Day 1 (June 7th)

- Sources/Uses of Funds
- Operating Department Detail
  - Water Supplies Portfolio
    - Colorado River Program, MWD Program, Water Resources
  - Water Facilities
    - Engineering, Operations and Maintenance
  - Core Business
    - General Counsel
    - General Manager/Board of Directors
Schedule – Day 2 (June 9th)

- Operating Department Detail (cont)
  - Core Business
    - Administrative Services
    - Finance
    - Human Resources
    - Public Outreach and Conservation
  - Capital Improvement Program
  - Debt Service
  - Other
    - Hodges operations
    - Grants
- Budget Adoption at the June 23rd Board meeting
Looking Ahead

Water Authority must:
- Anticipate and stay ahead of changes – internal and external
- Structure itself to match evolving role
- Ensure fiscal sustainability and long-term success
- Continue to meet its mission

All uncertainty cannot be eliminated
- But we will address new challenges – expected and unexpected – with appropriate solutions
- Candid and timely communication is key
- Keep our “eye on the ball”