Professional Services Contract with GHD, Inc. for Additional Site Development Evaluations for the Proposed Camp Pendleton Seawater Desalination Project

Water Planning Committee
July 28, 2011
Background

- **May 2009** – staff presented to the Board results of a feasibility study for an expandable 50 – 150 mgd regional seawater desalination project at Camp Pendleton
  - Identified two potential sites for seawater desalination plant

- **April 2010** – Board approved MOU with Camp Pendleton for additional planning/technical studies

- **December 2010** – Board authorized 2012 Master Plan Update
  - Includes evaluation of Camp Pendleton desalination conveyance and aqueduct system integration issues

- **March 2011** – Board authorized Off-shore technical studies
  - Evaluate Intake/Discharge alternatives
Purpose of Additional Site Evaluations

- Refine facility layouts / Define property requirements
- Assess key development issues
  - Site access
  - Treatment
  - Operational Impacts to the Base
  - Regulatory and Environmental
  - Power Supply
  - Visual Renderings
- Respond to issues raised by MCBCP stakeholders
- Refine Project Capital and O&M Cost Estimates
Camp Pendleton Desalination Planning Studies

Information derived from all the Camp Pendleton Planning Efforts will be incorporated into the 2012 Regional Water Facilities Optimization and Master Plan Update
Consultant/Contractor selection

- April 2011 – Request for Proposals issued
- May 23, 2011 – Proposals due
- June 14 & 15, 2011 – Interviews
- Received proposals from five teams
- Selection Panel – Water Authority staff and MCBCP Deputy Director
Consultant/Contractor selection

- Panel determined GHD to be the best qualified due to:
  - 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
  - Involvement in several complex and challenging large-scale desalination projects – Sydney and Melbourne

- Issue NTP in early August 2011
Staff recommendation

Award a professional services contract to GHD, Inc. to perform Additional Site Development Evaluations for the Proposed Camp Pendleton Seawater Desalination Project for a not to exceed amount of $385,000
Aqueduct Operating Plan
July 1, 2011 to June 30, 2012

July 28, 2011
Aqueduct Operating Plan (AOP)

- Developed 2005
- Improves communication
- Coordinates operations & maintenance
- Maximizes regional resources
- Provides real data for master-planning
- Monthly OP Heads meeting
Contents

- Water Supply (Treated and Untreated)
- Aqueduct Shutdowns
- Treatment Plant Shutdowns
- Energy Production/Consumption
- Reservoirs and Storage
- Major Maintenance Activities
Treated Deliveries vs Projected (FY2011)
Untreated Deliveries vs Projected (2011)
Treated Projections (FY2012)
Untreated Projections (FY2012)

- **Average Monthly Flow (cfs):**
  - July: 468
  - August: 624
  - September: 546
  - October: 468
  - November: 390
  - December: 312
  - January: 234
  - February: 156
  - March: 78
  - April: 78
  - May: 0
  - June: 0

- **Percent Untreated Water System Capacity:**
  - July: 80%
  - August: 90%
  - September: 100%
  - October: 80%
  - November: 60%
  - December: 40%
  - January: 20%
  - February: 10%
  - March: 0%
  - April: 0%
  - May: 0%
  - June: 0%
Aqeduct Shutdowns and Outages

Shutdon: May 13 – May 19, 2012: Untreated
P03, P04, and P4A south of Rancho Penasquitos Hydro.
Activities include: reconfiguration of bulkheads and blind flanges for relining

Shutdon: Mar 19 – Mar 24, 2012: Untreated
P03, P04, and P4A south of Rancho Penasquitos Hydro.
Activities include: reconfiguration of bulkheads and blind flanges for relining

Shutdon: Jan 8 – Jan 17, 2012: Untreated
P5EII south of Del Dios valve vault.
Activities include: valve repair and replacement, bulkhead installation for relining. Air Release repairs, system reconfiguration at SD3

Shutdon: Dec 4 – Dec 13, 2011: Untreated
All untreated water (from Delivery- South). Activities include: warranty repairs, AFO repairs, pipeline repairs, and pipe relining

Outage: Jan 23 – Feb 2, 2012: Treated
Tri Agencies Pipeline.
Activities include: replacement of corroded pipe spools

Outage: Feb 27 – Mar 7, 2012: Untreated
San Vicente Pump Station.
Activities include: warranty inspection on interconnect pipes, pump station, surge tank and pipes

Outage: Apr 16 – Apr 25, 2012: Untreated
Lake Hodges Hydroplant and Tunnel.
Activities include: warranty inspection on tunnel, surge shaft, rock grate, and major equipment

Green tags denote shutdowns, orange tags denote outages.
Energy for FY 2011

- Production (Rancho Peñasquitos)
  - Goal
    - 25,000 MW ($1.37 million)
  - Actual (through May 1)
    - 10,500 MW ($535,968)

- Consumption
  - 4 Pump Stations, 1 Hydroelectric Facility
    - Estimated at $1.28 million
Energy for FY 2012

- **Production (Rancho Peñasquitos)**
  - Goal: 13,962 MW hrs ($800,000)

- **Consumption $2.13 Million**
  - Pump Stations $640,060
    - Miramar, P2A, Escondido, Olivenhain, San Vicente, Lake Hodges Pump Storage Facility
  - Hydroelectric Facilities $11,400
    - Rancho Peñasquitos
  - Twin Oaks WTP $1,474,454
Regional Storage

- Regional Usable Capacity
  - 519,038 AF

- May 1, Usable Inventory
  - 400,257 AF (77%)
Regional Storage
Major Maintenance Activities

- Replace air release piping on Pipeline 5
- Flow Control Facility Valve Replacement and Rehabilitation
  - Otay 13 FCF
  - Fallbrook 4 FCF
  - Olivenhain 1 FCF
  - VID 3 FCF
- Tri Agencies Pipeline Blow-off Rehabilitation
Online Operations Portal

- Online Ordering System
- Water Quality Information
- Treatment Plant Flow Information
- Reservoir Storage Levels
- Additional Documents
  - MWD WQ Information
Aqueduct Operating Plan – Future

- Coordination with Operating Heads (monthly)
- FY2012 Schedule
  - Draft shutdown schedule presented to OP Heads and MWD in January 2012
  - Member agency feedback until mid-March 2012
  - OP heads review draft AOP in late April 2012
  - GMs review in May 2012
  - Presentation to Board in June 2012
Colorado River Binational Process Update

Imported Water Committee
July 28, 2011
Recent Activities

- April 2010 earthquake

- Executed three Treaty Minutes:
  - Minute 316, Yuma Desalter Operations
  - Minute 317, Cooperative Process
  - Minute 318, adjusted Mexico’s delivery for 3 years
Leadership Group Focus

- Six fundamental issues:
  1. Funding needs
  2. Information required to support decision-making
  3. Experts / consultants required
  4. Stakeholder consultations
  5. Formal IBWC agreement
  6. Implementing projects
Projects of Common Interest

1. Alamo Canal reservoir (water conservation project)
2. Fallowing program (water conservation)
3. Restoration of habitat at Miguel Aleman
4. Conveyance of Mexican water through All American Canal
5. Feasibility study of seawater desalination plant at Rosarito Beach, Mexico
Original Work Groups

- Water Conservation Work Group
  - Alamo Canal reservoir
  - Fallowing program
- Environmental Work Group
  - Habitat restoration at Miguel Aleman
- New Water Sources Work Group
  - Rosarito Beach seawater desalination feasibility study
- System Operations Work Group
  - Conveyance of Mexican water in All American Canal
Additional Work Groups

- Salinity Work Group
  - Salinity impacts of potential actions

- Hydrology Work Group
  - Shortage / Surplus criteria for Mexico
Alamo Canal Location
Projects: Alamo Canal Reservoir

- Construct a regulating reservoir in the Alamo Canal
- Approximately 550 af capacity
- Could regulate up to 4,000 af/yr
- Would be connected to Miguel Aleman habitat restoration project
AAC Conveyance Location
Projects: AAC Conveyance

- Transport some of Mexico’s 1.5 maf apportionment
- Supply Baja California coastal zone under emergency conditions with a 130 cfs capacity
- System Operations Work Group identifying project issues that need resolution
Miguel Aleman Site Location
Projects: Habitat Restoration

- 50-acre pilot project
- Consistent with U.S. Lower Colorado River MSCP
- Restores cottonwood / willow habitat
- Jointly financed
Rosarito Beach Site
Projects: Seawater Desalination

- Feasibility study of a 50-mgd plant at Rosarito Beach in Baja California, Mexico
- Original funding partners: CAWCD, MWD, SDCWA, SNWA
- New federal government funding partners: Mexico Water Federal Agency and U.S. IBWC
Projects: Fallowing

- Explore pilot program in Mexico using joint investment

- Conserved water would be used for environmental purposes as a contribution from both countries

- Conservation Work Group is reviewing legal and socioeconomic considerations
Work Plan for 2011

- Continue leadership activities on fundamental issues
- Continue work group activities on projects
- Execute Minutes to implement Long term Agreements
Strategic and Tactical Alignment

25-Year Strategic Plan
- 3 KRAs
- 21 Objectives

Leadership
- 4 Strategies, 10 Objectives

Asset Management
- 3 Strategies, 5 Objectives

Water Supply Diversification
- 4 Strategies, 6 Objectives

5-Year Business Plan
- 3 Focus Areas
- 20 Programs

Water Supplies Portfolio
- 7 Programs

Water Facilities
- 4 Programs

Core Business
- 9 Programs
San Diego County's 2020 Water Supply Portfolio
(based on adopted 2010 Urban Water Management Plan)

- Metropolitan Water District: 231 TAF (30%)
- Imperial Irrigation District Transfer: 190 TAF (24%)
- Seawater Desalination: 48 TAF (6%)
- Recycled Water: 56 TAF (7%)
- Groundwater: 44 TAF (6%)
- Conservation (existing and additional): 27 TAF (4%)
- All American & Coachella Canal Lining: 103 TAF (13%)
- Total = 779 TAF
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)
2015 Business Plan Focus

- Complete major components of the current CIP
- Enhance organizational efficiency
- Minimize rate impacts
- Concentrate on new facilities and impacts to the current system
- Evaluate long-term supply reliability
2015 Business Plan

2015
129 Goals

- Core Business: 65 Goals (50%)
- Water Supplies Portfolio: 42 Goals (33%)
- Water Facilities: 22 Goals (17%)
2015 Business Plan

Water Supplies Portfolio

- Reduction of region’s per capita water use to 154 gallons per day
- Adoption of the Salinity and Nutrient Management Guidelines
- Board Deactivated WSDRP, suspended allocations, declared end to drought levels in April 2011
2015 Business Plan

Water Facilities

- Completed the condition assessment of 97 Flow Control Facilities
- Completed the San Vicente Pipeline and the San Vicente Pumping Facilities Projects
- Developed web based applications for member agencies to order water and access water quality information on line
2015 Business Plan Highlights
Core Business

- Completed the 2010 Urban Water Management Plan
- Peoplesoft Enterprise Resource Planning Software Upgraded and Completed under Budget
- Completed the untreated water availability assessment and treated water service area enhancement
Goals Not on Track or Delayed

- Not On Track
  - Lake Hodges Pump Storage
  - Carlsbad Desalination
  - Bi-national Desalination
  - Regional Water Facilities Master Plan

- Delayed Due to Board Action
  - Water efficient landscape project
  - Additional 30,000 AF dry-year water supply transfer
Strategic Plan Performance

- Performance management tool located on the Water Authority Internet page
- www.sdcwa.org/strategicplan
- 11,635 hits since January 2009
What’s Next?

- Biennial update of the Business Plan (FY2013-2017) to be presented to the Board in Spring 2012
  - Amended Board goals and objectives will be incorporated
Presentation on Series 2011S-1 and 2011A Refunding Bond Transactions

July 28, 2011
Agenda

• Timeline
• Commercial Paper Program Structure
• Credit Ratings
• Subordinate Lien Water Revenue Refunding Bonds (Series 2011S-1) Summary
• Water Revenue Refunding Bonds (Series 2011A) Summary
Timeline

• March, 2011—Board approves variable-rate debt strategy
  – Replace/Renew $360 million in Commercial Paper liquidity facilities
  – Refund $100 million in Commercial Paper with medium-term notes

• June, 2011—Board approves issuance of
  – Refunding of Commercial Paper (Series 2011S-1)
  – Refunding of Series 2002A Bonds (Series 2011A)

• July, 2011—Staff executes transactions
  – July 12—Series 2011S-1, negotiated sale
  – July 27—Series 2011A, competitive sale
### Commercial Paper Program Structure

<table>
<thead>
<tr>
<th>Series</th>
<th>Liquidity Bank</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Series 1</td>
<td>BLB</td>
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</tr>
<tr>
<td>Series 4</td>
<td>Barclays</td>
<td>100,000,000</td>
</tr>
<tr>
<td>Series 5</td>
<td>Wells Fargo</td>
<td>100,000,000</td>
</tr>
<tr>
<td>Series 6</td>
<td>Citi</td>
<td>50,000,000</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td></td>
<td><strong>360,000,000</strong></td>
</tr>
</tbody>
</table>

**DEALERS**
- Merrill Lynch
- Barclays Capital
- Goldman, Sachs & Co.
- J.P. Morgan Securities Inc.
- Citicorp Global Markets Inc.
Credit Ratings

Senior Bond Ratings affirmed at Aa2/AA+/AA+
by Moody’s S&P and Fitch

Credit strengths

- Strong, disciplined management and prudent fiscal policy
- Expenditure controls to mitigate reduced sales
- Management of rate increases and associated rate impacts
- Board-level commitment to maintaining strong debt service coverage and liquidity
Subordinate Bonds rated Aa3/AA/AA by Moody’s, S&P and Fitch

• First time receiving subordinate ratings
• Rare for an agency to receive only one-notch lower and AA ratings
• Finance team secured the double-A category ratings by
  – Modified the legal covenant;
  – Incorporated a call provision (at no cost); and
  – Developed management “take-out” procedures
• One notch distinction from all three rating agencies saved about 15 basis points or $715,000
Sources and Uses of Funds
Series 2011S-1

**SOURCES**

<table>
<thead>
<tr>
<th>Bond Proceeds:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Par Amount</td>
<td>86,630,000.00</td>
</tr>
<tr>
<td>Net Premium</td>
<td>13,973,564.85</td>
</tr>
<tr>
<td><strong>Total Sources</strong></td>
<td><strong>100,603,564.85</strong></td>
</tr>
</tbody>
</table>

**USES**

| Refunding Escrow Deposits           | 100,000,000.00 |
| Delivery Date Expenses              | 603,564.85    |
| **Total Uses**                      | **100,603,564.85** |

- Converted $100 million of Commercial Paper to 5-year fixed rate debt
- Priced on July 12, 2011
- Priced at yield of 1.48%, a spread of 28 basis points over 5-year MMD
## 2011S-1 Bonds

### Orders and Allotments

<table>
<thead>
<tr>
<th>Name</th>
<th>Type</th>
<th>Orders ($000)</th>
<th>Allotments ($000)</th>
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</thead>
<tbody>
<tr>
<td>Hartford Life Insurance</td>
<td>Insurance</td>
<td>$30,000</td>
<td>$15,000</td>
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<tr>
<td>American Century</td>
<td>Asset Manager</td>
<td>$18,000</td>
<td>$10,000</td>
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<td>Capital Research</td>
<td>Professional Retail</td>
<td>$17,000</td>
<td>$12,000</td>
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<tr>
<td>Nuveen Advisory Corporation</td>
<td>Asset Manager</td>
<td>$15,000</td>
<td>$10,000</td>
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<td>Goldman Private Client Services</td>
<td>Professional Retail</td>
<td>$6,350</td>
<td>$5,450</td>
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<td>Blackrock</td>
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<td>$4,185</td>
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<td>Charles Schwab</td>
<td>Professional Retail</td>
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<td>$3,000</td>
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<td>Fidelity Investments</td>
<td>Asset Manager</td>
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<td>$5,000</td>
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<tr>
<td>Morgan Stanley</td>
<td>California Retail</td>
<td>$4,000</td>
<td>$3,000</td>
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<td>Federated Investment</td>
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<td>$4,000</td>
<td>$2,000</td>
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<td>JP Morgan Investment Management</td>
<td>Professional Retail</td>
<td>$3,000</td>
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<td>Western Asset Management Company</td>
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<td>Boston Company Asset Management</td>
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<td>$2,000</td>
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<td>Colonial Management Association Inc</td>
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<tr>
<td>Standish, Ayer &amp; Wood Inc</td>
<td>Professional Retail</td>
<td>$1,800</td>
<td>$1,800</td>
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<tr>
<td>Strong Corneliuson Capital</td>
<td>Professional Retail</td>
<td>$1,500</td>
<td>$1,500</td>
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<td>JP Morgan Investment Management</td>
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<td>Boston Company Asset Management</td>
<td>California Retail</td>
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<td>Goldman Private Client Services</td>
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<td>Teachers Insurance and Annuity Association</td>
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<td>$500</td>
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<td>Teachers Insurance and Annuity Association</td>
<td>Professional Retail</td>
<td>$500</td>
<td>$500</td>
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<td>Bessemer Trust</td>
<td>Professional Retail</td>
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<td>Morgan Stanley</td>
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<td>Bank One Trust Company</td>
<td>California Retail</td>
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<td>Citigroup</td>
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<td>Citigroup</td>
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<td>$25</td>
<td>$25</td>
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<td><strong>Total Orders</strong></td>
<td></td>
<td><strong>$129,345</strong></td>
<td><strong>$86,630</strong></td>
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</table>
## Comparable Transactions

<table>
<thead>
<tr>
<th>Amount</th>
<th>Yield</th>
<th>Spread</th>
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<tbody>
<tr>
<td>$86,630,000</td>
<td>1.480%</td>
<td>28</td>
</tr>
<tr>
<td>$59,820,000</td>
<td>1.010%</td>
<td>32</td>
</tr>
<tr>
<td>$12,925,000</td>
<td>1.570%</td>
<td>37</td>
</tr>
<tr>
<td>$705,155,000</td>
<td>1.490%</td>
<td>29</td>
</tr>
</tbody>
</table>

### San Diego County Water Authority
- **Water Revenue Bonds**
  - **Aa3/AA/AA**
  - **7/12/2011**
  - **7/1 Maturities (vs. stated MMD)**

### Contra Costa Water District
- **Revenue Bonds**
  - **AA+/AA**
  - **6/20/2011**
  - **10/1 Maturities (vs. stated MMD)**

### Imperial Irrigation District
- **Water System Revenue Bonds**
  - **Aa2/AA**
  - **7/7/2011**
  - **3/1 Maturities (vs. stated MMD)**

### Los Angeles Department of Water/Power
- **Power Revenue Bonds**
  - **Aa3/AA-/AA-**
  - **6/15/2011**
  - **7/1 Maturities (vs. stated MMD)**
Sources and Uses of Funds
Series 2011A Refunding

**SOURCES**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>Bond Proceeds:</td>
<td></td>
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<tr>
<td>Par Amount</td>
<td>139,945,000.00</td>
</tr>
<tr>
<td>Net Premium</td>
<td>17,928,239.05</td>
</tr>
<tr>
<td>Transfers from Prior Debt Service Funds</td>
<td>1,811,231.88</td>
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<tr>
<td><strong>Total Sources</strong></td>
<td><strong>159,684,470.93</strong></td>
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</table>

**USES**

<table>
<thead>
<tr>
<th>Description</th>
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<tbody>
<tr>
<td>Refunding Escrow Deposit</td>
<td>158,788,344.09</td>
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<tr>
<td>Delivery Date Expenses</td>
<td>896,126.84</td>
</tr>
<tr>
<td><strong>Total Uses</strong></td>
<td><strong>159,684,470.93</strong></td>
</tr>
</tbody>
</table>

- Advance refunded $150,270,000 of the Series 2002A bonds
- Priced on July 27, 2011
- 10 bidders
- Gross debt service savings of $17.4 million
- PV debt service savings $13.5 million – 8.98% of refunded par
## Competitive Process – Bids Received

<table>
<thead>
<tr>
<th>Firm</th>
<th>Bid (TIC)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banc of America Merrill Lynch</td>
<td>3.22%</td>
</tr>
<tr>
<td>Wells Fargo Bank</td>
<td>3.24%</td>
</tr>
<tr>
<td>Citigroup Global Markets Inc.</td>
<td>3.24%</td>
</tr>
<tr>
<td>J.P. Morgan Securities LLC</td>
<td>3.26%</td>
</tr>
<tr>
<td>Goldman, Sachs &amp; Co.</td>
<td>3.28%</td>
</tr>
<tr>
<td>Barclays Capital, Inc.</td>
<td>3.29%</td>
</tr>
<tr>
<td>Morgan Stanley &amp; Co Inc.</td>
<td>3.29%</td>
</tr>
<tr>
<td>Stone &amp; Youngberg LLC</td>
<td>3.29%</td>
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<tr>
<td>Piper Jaffray</td>
<td>3.30%</td>
</tr>
<tr>
<td>Jefferies &amp; Company, Inc.</td>
<td>3.40%</td>
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</table>
## Pricing Performance – Primary Market Issuance

### San Diego County Water Authority Water Revenue Refunding Bonds
- **$139,945,000**
- **Aa2/AA+/AA+**
- **July 27, 2011**

<table>
<thead>
<tr>
<th>Par (000's)</th>
<th>Yield</th>
<th>Spread</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>6,815</td>
<td>0.450%</td>
</tr>
<tr>
<td>2013</td>
<td>6,845</td>
<td>0.700%</td>
</tr>
<tr>
<td>2014</td>
<td>7,185</td>
<td>0.990%</td>
</tr>
<tr>
<td>2015</td>
<td>7,545</td>
<td>1.310%</td>
</tr>
<tr>
<td>2016</td>
<td>7,920</td>
<td>1.690%</td>
</tr>
<tr>
<td>2017</td>
<td>8,315</td>
<td>2.130%</td>
</tr>
<tr>
<td>2018</td>
<td>8,650</td>
<td>2.460%</td>
</tr>
<tr>
<td>2019</td>
<td>9,085</td>
<td>2.710%</td>
</tr>
<tr>
<td>2020</td>
<td>9,535</td>
<td>2.880%</td>
</tr>
<tr>
<td>2021</td>
<td>10,015</td>
<td>3.080%</td>
</tr>
<tr>
<td>2022</td>
<td>10,515</td>
<td>3.290%</td>
</tr>
<tr>
<td>2023</td>
<td>11,040</td>
<td>3.430%</td>
</tr>
<tr>
<td>2024</td>
<td>11,590</td>
<td>3.560%</td>
</tr>
<tr>
<td>2025</td>
<td>12,170</td>
<td>3.610%</td>
</tr>
<tr>
<td>2026</td>
<td>12,720</td>
<td>3.700%</td>
</tr>
<tr>
<td>2027</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### San Francisco PUC Water Revenue Bonds, 2011 Sub-Series A Bonds (WSIP)
- **$602,715,000**
- **Aa3/AA-**
- **July 21, 2011**

<table>
<thead>
<tr>
<th>Par (000's)</th>
<th>Yield</th>
<th>Spread</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>5,850</td>
<td>0.300%</td>
</tr>
<tr>
<td>2013</td>
<td>6,725</td>
<td>1.000%</td>
</tr>
<tr>
<td>2014</td>
<td>17,565</td>
<td>3.500%</td>
</tr>
<tr>
<td>2015</td>
<td>18,435</td>
<td>3.750%</td>
</tr>
<tr>
<td>2016</td>
<td>19,360</td>
<td>3.670%</td>
</tr>
<tr>
<td>2017</td>
<td>20,330</td>
<td>3.620%</td>
</tr>
<tr>
<td>2018</td>
<td>21,345</td>
<td>3.780%</td>
</tr>
<tr>
<td>2019</td>
<td>22,415</td>
<td>3.800%</td>
</tr>
</tbody>
</table>

### City of Los Angeles General Obligation Bonds Series 2011-A
- **$117,000,000**
- **Aa3/AA-/AA-**
- **July 19, 2011**

<table>
<thead>
<tr>
<th>Par (000's)</th>
<th>Yield</th>
<th>Spread</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>5,850</td>
<td>0.300%</td>
</tr>
<tr>
<td>2013</td>
<td>6,725</td>
<td>1.000%</td>
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<td>3.780%</td>
</tr>
<tr>
<td>2019</td>
<td>22,415</td>
<td>3.800%</td>
</tr>
</tbody>
</table>
• Diversified debt portfolio
  – 18% variable-rate
  – 82% long-term, fixed-rate
• Continuously looking at ways to lower cost and reduce risk
• Estimated average cost of 3.84%
Established to investigate, evaluate, and report on actions of local governments and special districts.

Significant focus of the 2010/2011 Grand Jury’s work was on the review of water rate issues.

As part of the investigation:
- Presentations made by the Water Authority
- Briefings held at Water Authority Headquarters
- Participated on water facility tours
- Interviews with selected water representatives
2010/11 San Diego County Grand Jury

- Grand Jury report released May 31, 2011
  - “San Diego County Water Rates: High Today, Higher Tomorrow”

- Report includes:
  - Three findings
  - Five recommendations

- California law requires the Water Authority to prepare a response
Finding 01:

Water Authority is under represented on MWD’s board of directors

Response:

- Water Authority agrees with Finding 01
- Water Authority provides up to 25% of MWD’s revenues; Water Authority’s weighted vote is only 17.99%
Finding 02:
*Water Authority member agencies have not communicated clearly to their customers about the reasons for water rate increases*

Response:
- Partially agree with Finding 02, with a clarification
- Water Authority and member agencies have leveraged communication resources to successfully execute public outreach campaigns
- Water supply and rate-related issues are inherently complex and challenging to communicate
- Acknowledge there is an increasing need to communicate with the public on water rate-related issues
Finding 03:

Water rates will undoubtedly continue to increase because of a combination of expanding needs in the region, debt from CIP and conservation measures

Response:

- Agree with Finding 03, with a clarification
- Increasing cost of water and transportation service from MWD remains the single largest driver of rate increases in San Diego county
- Payments to MWD for water and transportation comprise 55% of the wholesale cost of water
Recommendation 11–61:

*Evaluate and improve public outreach efforts to educate ratepayers about efforts to diversify and stabilize rates in the future*

**Response:**

- Recommendation 11–61 has already been implemented
  - Extensive redevelopment of Water Authority website
    - Dedicated “Rates and Charges” section
  - “Water Talks” public outreach program launched May 2011

- Water Authority continues to explore additional ways to communicate with ratepayers
Recommendation 11–62:

Aggressively explore and advocate for fair representation on the MWD board of directors

Response:

- Recommendation 11–62 has already been implemented, and is ongoing
- The Water Authority will continue to pursue opportunities to amend the MWD Act to provide fair and equitable representation for the Water Authority and all MWD member agencies
Recommendation 11–63:

Establish a digital outreach and communication program that incorporates social media on Water Authority and member agency websites that enhances ability to reach and educate ratepayers

Response:

- Recommendation 11–63 has already been implemented, and is being expanded
- Digital Outreach Plan – developed May 2009
  - Implemented new social media tools in conjunction with upgraded website
    - Facebook, Twitter, YouTube, SlideShare
  - August 2011 – expected launch of mobile device “app”
Recommendation 11–64:

Consider an economic reward for conservation measures taken by ratepayers

Response:

- Recommendation 11–64 has already been implemented by the Water Authority and its member agencies, to the extent practicable
- Consumers are motivated to conserve water because of increased cost
- Focus shifted to consumer education and outdoor water use efficiency
  - Water use audits and surveys
  - Providing consumers with “how to” tools
Recommendation 11–65:

*Increase the investment in diverse technologies such as desalination and reclamation – It is imperative to bring these sources online in anticipation of higher rates in San Diego County*

Response:

- Recommendation 11–65 has been implemented, and is ongoing
- The Water Authority and its member agencies are committed to expanding investments in cost effective local projects
Recommendation

Bill Recommendation

Legislation, Conservation & Outreach Committee

July 28, 2011
HR 2018 (Mica) Clean Water Cooperative Federalism Act of 2011 – Support

- Bi-partisan sponsorship
- Passed out of House of Representatives
- Ensures that states, rather than EPA, set water quality standards
- Prohibits EPA from interfering in state permitting processes
- Recommend Support