MWD’s Rate Refinement Process and Discussions

September 27, 2012
Background

- Long Range Finance Plan (LRFP): an effective tool to communicate financial conditions and plans to stakeholders
  - Financial policies; financial forecast; debt management; 10–year rate forecast
- MWD adopted first LRFP in 1986
- Updated 5 times; last update in 2004
Background (continued)

- Current update process began in 2007
  - Focus: cost of service; Tier 1 & Tier 2 differential; growth charge; peaking cost recovery; discounted water sales
  - Process stalled to address sharply rising rates
  - Only outcome: IAWP phase out

- Update restarted in 2009
  - Focus: review of cost of service methodology and evaluation of need to add/delete COS categories
  - Changes to cost-of-service allocations recommended by MWD staff
    - member agency managers advocated status quo
  - Board deferred decision until after IRP was updated
Renewed discussions in July 2010
- Focus: treated peaking, growth charges, purchase orders
- Issued draft LRFP in December for MA managers’ review; but never adopted by board

Resumed LRFP discussions in August 2011
- “On the table” – fixed revenue generation; replenishment; growth charge; Tier 1/Tier 1 trading; treated water cost recovery; align allocation plan implementation with rates and charges adoption schedule; fixed commitment to pay for system; purchase orders

Reconvened discussions July this year
- No reference to LRPF update; instead “rate refinement”
- No more LRFP, use budget process to provide 5-year forecasts
- Delegates urged board involvement
Purchase orders have not provided financial certainty to MWD, do not constitute fixed revenues
Set rates based on lower sales assumptions
No Tier 2 rate under “normal” and “wet” years, applicable under “dry” year only
Discounted water continues to be popular among member agencies
- Under GM’s discretion, “incentive” rate provided for member agencies to “store” water in “normal” and “wet” years
  - Performance = reduction of Tier 1 limit in dry years
- Discounted water would have been available in 7 out of past 10 years
Treatment cost recovery
Fixed Ad Valorem tax rate
Extended existing purchase orders for 2 years
- Existing purchase orders fail to meet MWD board objective for revenue stability
Discounted water discussions moved from Finance and Insurance Committee to Water Planning and Stewardship Committee
Further rate refinement discussions to occur in 2013
Water Authority Concerns

- MWD has very low fixed revenues; no commitments by member agencies to pay for investments

Three out of the last five years, MWD’s expenditures exceeded its revenues.
Water Authority Concerns

- MWD sales are down and rates are up
Water Authority Concerns

- MWD fails to properly allocate costs of dry-year peaking

LADWP Peaking


**Source: LADWP 2010 Urban Water Management Plan
Water Authority Concerns

- Linkage of water rates to supply conditions is inconsistent with cost of service requirements
- Despite declining sales, MWD board continues to approve new subsidies to their own agencies, reducing purchases of MWD water
  - Since March 2012, MWD approved eight subsidy projects
  - Obligates MWD to pay between $67.6 M and $155.6 M over the life of the 8 projects
  - When fully implemented, MWD demand is projected to be reduced by up to 25,475 AF annually
Next Steps

- MWD board to act on recommendation to renew purchase orders in October
- Delegates continue to advocate for financially responsible policies, including means to avoid stranded investments and rates that are cost of service based
Overview of Key Terms for a Water Purchase Agreement between the San Diego County Water Authority and Poseidon Resources
Proposed WPA Overview
Project Components

- 50 MGD desalination plant located on the site of the Encina Power Station (Poseidon)
- 10 mile 54-inch diameter conveyance pipeline (Poseidon)
- Connection to Water Authority aqueduct Pipeline 3 (Poseidon)
- Relining of 5.5 mile reach of Pipeline 3 (Water Authority)
- Improvements at the TOVWTP to accommodate desalinated water flows (Water Authority)
Contract Term

- 30 years from the date of commercial operation
- Subject to early buy-out provisions
- Can be extended for up to 3 years due to Force Majeure events
Parties

- Water Authority
- Project Company: Poseidon
- EPC Contractor: Kiewit-Shea Joint Venture
- Process Engineering and Equipment:
- IDE Operating Services Provider: IDE
Project Structure

• **Developer/Owner of the Plant**
  - Poseidon Resources (Channelside)
  - Poseidon to finance through a combination of debt (82%) and equity (18%)
    - Debt to be provided through tax-exempt Private Activity Bonds (PAB’s)
    - Equity to be provided by Stonepeak

• **Construction/Operation of the Plant**
  - Contractor – Joint venture of Kiewit Infrastructure West and J.F. Shea Construction
  - IDE Technologies is process technology provider
  - Plant Operations and Maintenance also to be provided by IDE
Project Structure (continued)

• **Owner of the Conveyance Pipeline**
  - Water Authority will own and maintain the Conveyance Pipeline
    - Not subject to franchise fees or possessory interest taxes
  - Finance using municipal purpose bonds issued by California Pollution Control Financing Authority (CPCFA)
    - Bonds maintain risk transfer to Poseidon by insulating the Water Authority from financial responsibility if Poseidon is unable to perform
    - Exempt from AMT – Lower interest rate
Project Structure (continued)

- Construction of the Conveyance Pipeline
  - Design Build Agreement between the Water Authority and Poseidon
  - Contractor – Kiewit/Shea Joint Venture

- Construction of the P3 Relining and TOVWTP Improvements
  - Water Authority will be responsible to finance and complete these improvements
Poseidon Responsibilities

• Permit, Design and Build the Desal Plant (WPA)
• Permit, Design and Build the Conveyance Pipeline (Design-Build Agreement)
• Operate and Maintain the Desal Plant
• Supply Product Water
Water Authority Responsibilities

• “Take or Pay” for Product Water if it meets specifications (minimum of 48,000 AF/Year)
• Timely Construction of TOVWTP Improvements and Pipeline 3 Rehabilitation
• Physically be able to receive Product Water
• Operate and Maintain the Conveyance Pipeline, the TOVWTP Improvements and Pipeline 3
Security for Contract Performance

- Equity Investment: $165 Million
- Project Financing: Non-Performance Risk Incentivizes Bondholders to Cure Breaches
- Letter of Credit to Secure Performance
- Letter of Credit to Assure Financing
Performance Guarantees

• Product Water Quality Guarantee
  • Compliance with all federal and state drinking water regulations
  • Additional standards for certain water quality parameters

• Minimum Product Water Delivery Guarantee
  • Annual supply to meet Water Authority demands (between 48,000 and 56,000 acre-feet)

• Water Ordering Rights
  • Water Authority rights to adjust delivery orders to reflect seasonal and daily demand changes
Termination & Purchase Options

- Purchase options at Water Authority sole discretion
- Convenience Termination
  - Early buy-out provision
- End of Term
  - $1 end of 30-year term
- Event of Default
- Unavailability of Financing for Required Improvements
Events of Default

- Poseidon
  - Events include:
    - Failure to pass performance testing by the agreed upon Commercial Operations Date
    - Poseidon project company bankruptcy or abandonment of the project
    - Repeated violations of Primary Drinking Water Standards
    - Multiple notices of violation issued by a regulatory agency
    - Deliveries less than 75 percent of the annual amount
    - Failure to make Contracted Shortfall Payments
  - Water Authority has the option to terminate the agreement

- Water Authority
  - Failure to pay undisputed bill amounts owed Poseidon within 45 days of the due date
Proposed WPA Organization of Agreement
Water Purchase Agreement Overview

• WPA consists of agreement text and technical appendices
  • 26 articles (sections)
  • 18 technical appendices (reviewed at Special Board Meeting of Sept 20, 2012)

• Article 1 – Definitions and Interpretation
  • Detailed definitions and interpretations of key terms used in the agreement and appendices
    • Includes cross references to specific articles within the agreement
Water Purchase Agreement Overview

- **Article 2 – Representations and Warranties**
  - Representations by the Water Authority and Poseidon that the proposed WPA is based upon
    - Includes statements regarding correctness of information provided, sufficiency of financing to build facilities and Poseidon's interest in plant site

- **Article 3 – Term**
  - Agreement start date (contract execution date) and end date
  - Provisions that “survive” past the end of the agreement
    - E.g. records, property rights
Article 4 – Contract Obligations Generally

- General obligations of the Water Authority and Poseidon during construction and operation
- Specifically addresses:
  - Poseidon Letter of Credit requirements
  - Poseidon responsibility for design, construction and performance
  - Cost cap of $21.28 million (adjusted from $20 million in 2010 Term Sheet) on Poseidon’s obligation to upgrade the Project intake
    - Will occur when the power plant once-through cooling system ceases operation
Article 5 – Water Authority Obligations Generally

- Date certain for completion of Water Authority Improvements
  - 30 months after financial close
- Poseidon obligations regarding testing of Water Authority Improvements

Article 6 – Project Financing and Refinancing

- Poseidon’s responsibilities to obtain and repay initial and any subsequent Project financing without recourse to the Water Authority
- Permitted and non-permitted debt
- 50/50 sharing of refinancing gain
Article 7 – Completion and Acceptance of the Plant

- Mechanical completion, commissioning and performance testing of the Plant
  - Water Authority approval rights
- Conditions for Provisional Acceptance (Begin Commercial Operation)
  - Water Authority approval rights
- Poseidon time limit to achieve commercial operation
  - 1,430 days after financial closing (approx. 47 months)
Article 8 – Operation and Management of the Plant

- Plant operations coordination with the Water Authority
- Plant operations record keeping and reporting requirements
- Requirement to provide Water Authority administrative space at the Plant
- Water Authority access rights to the Plant, including tours
- Water Authority rights to deal with “unworkable relationship” with Plant Chief Operator
- Determination of Annual Management Fee
  - $5-10/AF based on performance
Water Purchase Agreement Overview

- **Article 9 – General Performance Responsibilities**
  - Poseidon Product Water Quality Guarantee
    - Off-Specification Product Water and Unacceptable Water
    - Remedies for Breach of Product Water Quality Guarantee
  - Annual Supply and Demand Commitments by Poseidon and the Water Authority
  - Product Water delivery scheduling
  - Plant flow rate changes and limitations
  - Poseidon requirements to make “shortfall payments” on pipeline debt service should Poseidon fail to deliver Product Water ordered by the Water Authority
  - Drought Shortfall Payments
  - Raw seawater quality and Uncontrollable Circumstances
Article 10 – Maintenance, Repair and Replacement

- Poseidon requirements to document Maintenance, Repair and Replacement Plans and Schedules
- Water Authority rights to inspect the Plant
  - Annual maintenance inspection
  - Biennial full-scale inspection/review of Plant working condition and performance capability
- Poseidon requirements to maintain a Computerized Maintenance Management System (CMMS)
- End-of-Term condition and performance requirements
• **Article 11 – Capital Modifications**

  • Requirements and procedures regarding various types of capital modifications:
    
    • Made at Poseidon request
      
      • Capital modification exceeds $10 million
      
      • No increase in the unit price

    • Made at Water Authority request
      
      • Potential increase to unit price

    • Required due to Compensation Adjustment Event
      
      • Capital modifications arising from uninsurable force majeure (e.g., war, terrorism), change in law (e.g., generally applicable to water treatment facilities)
      
      • Potential increase to unit price
Water Purchase Agreement Overview

- **Article 12 – Contracting and Labor Practices**
  - Poseidon use of agreed upon project contractors
  - Water Authority access to project contractors
  - Poseidon responsibility for project labor relations/disputes

- **Article 13 – Insurance, Damage and Destruction**
  - Requirement for Project insurance and proof of coverage
**Water Purchase Agreement Overview**

**Article 14 – Uncontrollable Circumstance Procedures**
- General procedures for claiming an uncontrollable circumstance
  - Notice to Water Authority within 10 business days of occurrence
  - Requirements for specific relief request and resumption of performance

**Article 15 – Insurable and Uninsurable Force Majeure Events**
- Specific Poseidon schedule/performance relief under an insurable Force Majeure event (e.g., fire, any peril other than uninsurable FM)
- Specific Poseidon schedule/performance/compensation relief under an uninsurable Force Majeure event (e.g., war, terrorism, nuclear explosion)
  - Requirements for project reinstatement plans and reconstruction standards
Article 16 – Change In Law Events And Other Uncontrollable Circumstances

- Specific schedule, performance and compensation relief (if any) for different Change in Law events
- Specific schedule, performance and compensation relief (if any) for other uncontrollables
  - Those not covered by change in law or Force Majeure
Article 17 – Monthly Water Purchase Payments

- Contract definitions of monthly charges
  - Capital charges
  - Operating charges
  - Electricity charges
- Establishment and use of monthly/annual tracking accounts
- Unit price cap for uncontrollable circumstances
  - Maximum of 10% annually above CPI
  - Cumulative maximum of 30% over CPI for the 30-year term
- Billing and payment provisions
Water Purchase Agreement Overview

• Article 18 – Dispute Resolution
  • Procedures for non-binding mediation
  • Court jurisdiction
    • San Diego County

• Article 19 – Remedies of the Parties and Water Authority Step-in Rights
  • Remedies for breach of contract by either party
  • Water Authority temporary step-in rights
    • Immediate and serious threat to public health and safety
• Article 20 – Project Company Events of Default

• Listing of specific events of default and breach of contract including:
  • Failure to pass performance testing by the agreed upon Commercial Operations Date
  • Poseidon project company bankruptcy or abandonment of the project
  • Repeated violations of Primary Drinking Water Standards
  • Multiple notices of violation issued by a regulatory agency
  • Deliveries less than 75 percent of the annual amount
  • Failure to make Contracted Shortfall Payments

• Water Authority termination right under an event of default
### Article 21 – Water Authority Events of Default

- Listing of specific events of default including:
  - Failure to pay undisputed bill amounts owed Poseidon within 45 days of the due date
  - Water Authority breach that materially and adversely affects performance of Contract obligations
  - Water Authority bankruptcy

- Project Company options

### Article 22 – Termination

- Water Authority termination rights
- Poseidon termination rights
Article 23 – Water Authority Project Assets Purchase Options

- Purchase option during the term
  - After 10 years of operation
  - Purchase price = outstanding bond indebtedness + discounted NPV of remaining equity return + any “breakage” fees associated with O&M agreement

- Purchase option in the event of financing unavailability

- Purchase option upon an event of default

- Purchase option at the end of the term
  - Purchase price = $1
### Water Purchase Agreement Overview

- **Article 24 – Assignment and Change in Control**
  - Limitations on Poseidon’s future assignment or transfer of interest in the WPA to another party
  - Limitations on changes in control of Project company

- **Article 25 – Indemnification**
  - Circumstances and procedures for Poseidon indemnification of the Water Authority
Article 26 – Miscellaneous Provisions

• Requirement for Water Authority consent for any sale of the Plant
• Procedures for contract administration
• Water Authority and Poseidon confidentiality provisions
• Water Authority license to use intellectual property developed as part of the Project
Proposed WPA Costs and Water Pricing
Cost Drivers

1. The Electricity Charge is driven by:
   - Terms of Poseidon’s O&M Agreement with IDE
   - SDG&E Rates
   - Water Authority’s option to select supplier

   *The Electricity Charge will vary with electricity prices*

2. The Operating Charge is driven by:
   - Terms of Poseidon’s O&M Agreement with IDE
   - Other operating expenses

   *The Operating Charge is indexed to CPI*

3. The Capital Charge is driven by:
   - Poseidon’s Capital Budget
   - Bond Issuance
   - Negotiated Equity Return/Developer Fee
   - Development period costs

   *The Capital Charge is fixed at a pre-established escalation rate*
Summary of Capital Costs for the Carlsbad Desalination Project

- **Direct costs**
  - **Capital Costs**
    - Desal Plant Related: $484 Million
      - Includes: planning, permitting, design, construction, and legal costs
    - SDG&E substation: $20 Million
    - Wetlands Mitigation: $23 Million
      - Includes: design, permitting and construction of 66 acres of wetlands
    - GHG Mitigation: $1.25 Million
      - Includes: reforestation and one time purchase of mitigation credits
    - Conveyance Pipeline: $163 Million

- **Total Capital Costs:** $691 Million

- **Financing Costs**
  Reserves, capitalized interest, etc: $213 Million
Summary of Capital Financing for the Carlsbad Desalination Project

- Total Capital Costs: $691 Million
- Financing Costs: $213 Million
- Total Cost: $904 Million

Method of Finance

- 82% funded through Bonds issued by the California Pollution Control Financing Authority
- 18% Cash Equity from Stonepeak Infrastructure

<table>
<thead>
<tr>
<th>Bond Financing</th>
<th>Equity Contribution</th>
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<tbody>
<tr>
<td>$740 Million</td>
<td>$164 Million</td>
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Summary of Operating Costs for the Carlsbad Desalination Project

- Direct costs
  - Operating and Maintenance Costs:
    - Fixed O&M costs: $22.7 million annually
      - Non electricity: $19.2 million annually
      - Electricity: $3.5 million annually
    - Variable O&M Costs: $26.1 - $30.4 million annually
      - Non electricity: $4.9 – $5.6 million annually
      - Electricity: $21.2 – $24.8 million annually
    - Total O&M Costs: $48.8- $53.1 million annually
  - Costs reflect a range of 48,000 AFY-56,000 AFY
Direct Costs associated with WPA

- Payments to Poseidon
  - Capital Charge
  - Operating Charge
- Debt Service on Conveyance Pipeline

<table>
<thead>
<tr>
<th>48,000 acre feet per year</th>
<th>56,000 acre feet per year</th>
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<tbody>
<tr>
<td>$2,097/AF</td>
<td>$1,876/AF</td>
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Unit Price Associated with Carlsbad Desalination

- **Indirect Costs**
  - Water Authority costs: Pipeline 3 and Twin Oaks Valley WTP improvements; Twin Oaks additional operating costs, oversight during project construction

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<th>56,000 acre feet per year</th>
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<tbody>
<tr>
<td>$96 + $83 = $179/AF</td>
<td>$82 + $71 = $153/AF</td>
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</table>

- **Administrative Costs during operation**

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<th>56,000 acre feet per year</th>
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</thead>
<tbody>
<tr>
<td>$14/AF</td>
<td>$12/AF</td>
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## Unit Price Associated with Carlsbad Desalination

- **Total Unit Cost**
  - Payments to Poseidon
  - Debt Service on Conveyance Pipeline
  - Water Authority Improvements and Construction Oversight
  - Twin Oaks additional Operating Costs
  - Water Authority administrative Costs during operations

<table>
<thead>
<tr>
<th>48,000 acre feet per year</th>
<th>56,000 acre feet per year</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2,290/AF</td>
<td>$2,041/AF</td>
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Remaining Tasks Leading To SDCWA Board Consideration of WPA

- Finalize Proposed WPA and Technical Appendices
- Finalize construction and operating prices
- Finalize Design Build Agreement for new pipeline
- Finalize Bond and other financing documents
- Board incorporates into rate and charge structure
- Finalize agreement for Member Agency purchase as local supply
- Hold two evening community meetings
Upcoming Meetings

- Public Meetings (Two)
  - Evening Water Planning Committee Meeting at SDCWA
    - October 2, 2012 - 6:30 pm, SDCWA, 4677 Overland Ave., San Diego
  - Evening Water Planning Committee meeting in Carlsbad
    - October 10, 2012 - 6:30 pm, City of Carlsbad Faraday Operations Center

- October Special Board Meeting – Oct. 11, 2012
  - Australian Desalination experience
  - Detailed discussion on Draft WPA costs and terms
  - Continue discussions on financial components
  - Continue discussion on rate structure
October Regular Board Meeting – Oct. 25, 2012

- Review actions related to Pipeline 3 rehabilitation, Twin Oaks and other distribution system activities
- Continue discussions on financial components and rate structure
Presentation to the San Diego County Water Authority Board Members

City of San Diego’s Recycled Water Study

September 27, 2012
Background

• 2010 Point Loma NPDES Permit Renewal Process
  – City entered Cooperative Agreement with local environmental groups (2009)
  – San Diego Coastkeeper and Surfrider Foundation gave their support to the USEPA’s decision to grant the modified permit
  – City to fund and conduct the Recycled Water Study
• EPA Approval (June 2010, Permit Effective Aug 1, 2010)
• California Coastal Commission (CCC) consistency determination
  – Conditioned by requiring delivery of Recycled Water Study to CCC within two years (July 31, 2012)
• Current NPDES Permit expires July 31, 2015
Recycled Water Study Objectives

• Identify opportunities to increase recycling of wastewater for Indirect Potable Reuse (IPR) and Non-Potable Reuse (NPR) for a 2035 planning horizon

• Determine the extent recycling can reduce wastewater flows to the Point Loma Wastewater Treatment Plant

• Determine implementation costs
Stakeholders and Participation

- City of San Diego
- San Diego Coastkeeper
- Surfrider Foundation
- Metro Wastewater Participating Agencies
- Independent Rates Oversight Committee
- San Diego County Water Authority

**Stakeholders:**
- Provided input at bi-monthly status update meetings
- Participated in technical workshops to brainstorm and refine reuse alternatives
- Reviewed and commented on all technical memoranda and project report
• Potential offload derived from expanding non-potable system into new service areas is small compared to Metro System

• Wide geographic distribution of new potential non-potable customers drives high cost of system expansion

• Total non-potable reuse carried forward in the reuse alternatives: **18 mgd**
  ✓ 11 mgd of existing demand
  ✓ 7 mgd of new infill demand (customers who can be served from existing infrastructure)
Indirect Potable Reuse Opportunities

Two Forms of IPR Evaluated:
- Groundwater Recharge
- Reservoir Augmentation

Findings:
- Groundwater basin size and data insufficient to determine potential recharge projects. Revisit when more data is available
- Two reservoirs deemed large enough to provide retention times within range required in draft groundwater recharge regulations
  - San Vicente Reservoir
  - Lower Otay Reservoir
Reuse Alternatives

• All divert 135\(^1\) mgd away from Point Loma to new and existing reuse facilities

• All alternatives would lead to 106\(^2\) mgd of reuse
  – 18 mgd non-potable
  – 88 mgd indirect potable

• Results in average daily Point Loma flow of 143\(^3\) mgd

• Differ only in how treatment capacity is distributed among existing and potential plants

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\(^1\)Includes 62 mgd diverted to South Bay, 38 mgd of which to be discharged through the South Bay Outfall

\(^2\)Includes future Helix Water District reuse project

\(^3\)Current and projected 2035 average daily flows, respectively: 156 and 182 mgd
Reuse Costs and Benefits

• Cost to produce 96,000 acre-feet per year of new reuse: $1700 to $1900 per acre-foot (2011$)

• Cost reflects
  – Capital costs: $2.0 - $2.2 B
  – Annual O&M costs: $100 - $110 M

• Savings in Point Loma Upgrades
  – Capital savings: $430 M
  – Annual O&M savings: $28 M

• Creates local water resource
• Reduces water supply salinity
Comparing the Cost of Water

- **TIER 1 REUSE NET COST**: Includes savings from reduced capital and O&M costs at downstream wastewater facilities.

- **TIER 2 REUSE NET COST**: Includes Tier 1 savings and savings in the municipal water and wastewater systems resulting from significant reductions in water salinity.

- **TIER 3 REUSE NET COST**: Includes Tier 1 and 2 savings, plus savings incurred if the reuse program results in avoiding secondary treatment upgrades at the Point Loma Plant (for remaining flows after reuse).

**Chart Description**:

- Unit Costs ($/acre-foot)
- Year

- Untreated imported water rates are projected to rise 5.8% annually through 2020.
- $904/AF 2011 Untreated Water Rate
- Range of projected untreated imported water rates after 2020
Implementation Factors

• Water Purification Demonstration Project Results

• Potable Reuse Regulations

• How to integrate with Point Loma 2015 NPDES Permit Strategy

• Approval by Elected Officials

• Rate Impacts

• Agreement on Cost Allocation
Small Contractor Outreach and Opportunities Program

Annual Report
September 27, 2012
SCOOP Annual Report

- Purpose of SCOOP
- History of SCOOP
- Definition of small business
- Performance metrics
- Program elements for 2013
Purpose of SCOOP

- Maximize small business participation on Water Authority procurements

- FY 2012 goal: 20 percent of all dollars awarded on initial contract and purchase awards

- SCOOP activities and program elements create awareness and provide small business assistance
History of small business participation programs

1992 - DBE and DVBE program
1993 - Emerging Business Enterprise program
1996 - CA Prop. 209 passed by voters
1997 - Focus became small business
2001 - SCOOP
Definition of Small Business

- Meets state or federal small business size-standards
  - State - $14M and 100 employees or fewer
  - Federal – based on industry

- Certifications accepted
  - The Network (SCOOP)
  - State – SBE and DVBE
  - Federal – SAM, SDVOB, HubZone, 8A
  - Regional – MWD, City’s SLBE and ELBE
SCOOP Activities

- **Training**
  - 492 attendees
- **5 workshops**
  - 2 Meet & Greets
- **2 online courses**
  - 35 percent of attendees took online courses

Online training attendance increased by 25 percent
SCOOP Activities

Networking

41 organizations
52 separate events
Performance Metrics

Includes construction, professional services and vendors (purchase orders and vouchers)

Information on minority- and women-owned businesses reported separately and for statistical purposes only
Number of bidders and businesses on Water Authority procurements

Bidders on contracts

- 215 total bidders
- Large, 110, 51%
- Small, 105, 49%

Businesses on procurements

- 377 total
- Contracts: 122 total, 55% small, 45% large
- Vendors: 255 total, 33% small, 67% large
- Total: 255, 40% small, 60% large
Dollars awarded

Small businesses received 26% of dollars awarded

-$53,711,295 total dollars

- Small businesses received $13,728,837
- Large businesses received $39,982,458

Graph showing distribution:
- Professional Services: 37%
- Construction: 11%
- Vendors: 20%
SCOOP Program elements for FY 2013

- Sheltered Market Program
  - Developing process and procedures

- Bonding enhancements
  - Launching online training in October 2012

- Clearinghouse
  - Evaluating systems
Adopt Position of Support on WIFIA

Legislation, Conservation & Outreach Committee

September 27, 2012
WIFIA - Support

- Water Infrastructure Finance and Innovation Act
- Credit program: low-interest loans, loan guarantees, lines of credit
- Projects larger than $20 million and too large for State Revolving Fund
- Does not add to federal deficit
WIFIA

- Based on TIFIA for transportation
- Supported by the American Water Works Association
- Not yet introduced in Congress
- Recommend Support
Pension Reform

Legislation, Conservation & Outreach Committee

September 27, 2012
Pension Reform

- Public Employees’ Pension Reform Act of 2013 (PEPRA)
- Applies to CalPERS, STRS, and County Employees’ Retirement System
- Does not apply to UC system, or charter cities and counties with independent retirement plans, such as City of San Diego
Pension Reform

- Creates two classes of employees:
  - Existing employees employed by a government agency before January 1, 2013
  - New employees employed by a government agency after January 1, 2013

- Reciprocity: employees of cities or counties employed before 1/1/2013 would be considered existing employees if their pension plans are reciprocal with CalPERS
Pension Reform

- New Employees:
  - Cap on pension benefits - $110,100 maximum compensation for employees with Social Security; $132,120 for employees without Social Security
  - Retirement formula of 2 percent at 62 years of age
  - Employees must contribute at least one-half of the normal cost of defined benefit
Pension Reform

- New Employees:
  - Prohibits “spiking”
  - Highest average compensation over three years
  - Tightens definition of compensation

- All Employees:
  - Prohibits retroactive enhancements to pension formulas
Pension Reform

- All Employees:
  - Prohibits purchase of “airtime”
  - Prohibits employers from suspending contributions
  - Prohibits early vesting of health benefits for unrepresented employees in a way that discriminates against represented employees
  - New restrictions on post-retirement employment
Pension Reform

- All Employees:
  - New restrictions on salaried appointments to boards, commissions, etc.
  - Forfeiture of benefits upon conviction of a felony related to official duties, pursuit of office, or in connection with obtaining public salary, retirement or other benefits
  - Prohibits public employers from establishing new defined benefit plans
Pension Reform

- Limits contributions to defined contribution plans to limits of federal law
- CalPERS has not yet issued any regulations, circular letters, or other interpretations of PEPRA
- CalPERS actuarial cost analysis:
  - PEPRA will save the state between $42 billion and $55 billion over the next 30 years
  - Significant savings will not accrue for a few years