Cost of Service Studies & Fiscal Sustainability Update

February 28, 2013
Administrative & Finance Committee
Cost of Service (COS) Studies

Phase 1 (2014 Rates & Charges) January – May 2013
- Consultant analysis/evaluation to assure adherence to cost of service principles, California law and Board policy of the methodology and calculations used to allocate costs to existing service categories and assignment to rates and charges

Schedule:
- **February 19th** Member Agency Managers and Finance Officers
  - Phase 1 – Discussion of methodology and process for Phase I Study
- **March 19th**: Member Agency Managers and Finance Officers review and comment on technical data and calculations of capacity charges prepared by consultant
- **March A&F Committee**
  - Presentation by consultant regarding Study Methodology and calculation of existing capacity charges
- **April 16th** – Member Agency General Managers and Finance Officers
  - Consultant Presentation on initial findings
- **April A&F Committee**
  - Presentation by consultant on initial findings and review and comment by Committee
- **May A&F Committee**
  - Review and comment on report from COS consultant
  - Set June Public Hearing for adoption of 2014 Rates & Charges
- **June A&F Committee**
  - Accept study and adopt rates
Fiscal Sustainability (May–Dec 2013)

May - July
- Initial meetings of Task Force
  - Identify Scope
  - Development of Policy Principles
  - Provide guidance to Member Agencies desal workgroup

August
- Report to A&F Committee on proposed Policy Principles and Guidance to Member Agency Desal Workgroup

September - December
- Determination of key factors in Fiscal Sustainability
- Evaluate potential modifications to rate and charge structure to enhance fiscal sustainability
- Develop proposals to revise or create Board policies to ensure long-term fiscal sustainability
- Periodic reports to A&F Committee
Phase 2 (Allocation of Carlsbad Desalination Costs to Rates & Charges)

- With policy guidance from the Fiscal Sustainability Task Force and the Board, a member agency workgroup will develop recommendations for Board consideration regarding allocation of desalination costs into rates and charges.
- Recommendations will meet cost of service principles, comply with California law and identify the need, if any, for changes in adopted Board policy.

Schedule:

- **September 2013** - Member agency workgroup formed with designated representatives from each member agency
  - Commitment to participate throughout the process
  - First meeting held
- **October A&F Committee** – Update Member Agencies on Workgroup activities, scope and schedule of meetings
- **October – December** - member agency workgroup develops and evaluates alternatives
- **December A&F Committee** - Workgroup report on status of alternative development
Phase 2 (Allocation of Carlsbad Desalination Costs to Rates & Charges)

- **January- March 2014-** Workgroup collectively selects preferred alternative
- **March & April 2014 A&F Committee-** Consider recommended alternative(s) to be provided to COS consultant for evaluation
- **May & June 2014 A&F Committee-** Review Phase 2 COS study and adopt 2015 rates and charges with allocation of Carlsbad Desalination costs where appropriate.
- **June 2014 Board Meeting:** Adopt 2015 rates and charges
Water Revenue Refunding Bonds, Series 2013A

Overview of the Water Authority’s Debt Portfolio

February 28, 2013
• Successful investor outreach
  – Three investor outreach meetings
  – 25 new institutional investors placed orders
    ➢ 8 of the top 20 institutional investors participated in the sale
• Series 2013A summary
  – Par amount Issued $299.105 million
    ➢ Par amount refunded – $344.785 million
  – Savings of 15% with a PV – $51.4 million
  – All-in interest cost – 3.2%
• Annual debt service savings
  – FY 2013 – $6.1 million
  – FY 2014 – $2.9 million
  – FY 2015 – $2.9 million
15-year MMD Movement from January 2, 2013 to February 15, 2013

- 15-year MMD experienced an increase of 4 basis points between Monday, February 11th and Wednesday, February 13th (pricing date)

- The 15-year MMD rate has continued to climb

15-yr MMD = 2.26% on February 13, 2013
Series 2013A

Sources and Uses of Funds
Series 2013A Refunding

**SOURCES:**
Bond Proceeds:
- Par Amount: 299,105,000.00
- Net Premium: 52,126,204.70
- Reserve Release: 34,516,254.78
**Total Sources**: 385,747,459.48

**USES:**
- Refunding Escrow Deposit: 384,689,143.30
- Cost of Issuance and Underwriter's Discount: 1,054,386.49
- Additional Proceeds: 3,929.69
**Total Uses**: 385,747,459.48

- Refunded remaining advanced refundable Series 2004A
- Priced on February 13, 2013
- Underwriting team:
  - JP Morgan (lead)
  - Citigroup
  - Morgan Stanley
- The deal was not over subscribed
  - Underwriters bought bonds
- Gross debt service savings of $60.2 million
Debt Portfolio Overview
RECENT CHANGES

• 2013 Refunding Bonds issued at a gross debt service savings of $60.2 million

• 2002A Debt Service Reserve Fund GIC was terminated and will be used to retire the 2002A COPS ($17.5M)
Water Authority Debt Instruments

**Variable-Rate Debt (Short-Term):**

- **Commercial Paper** – short-term debt that is issued with maturities from 1 to 270 days and supported by bank liquidity facilities ($360.0M)

- **5-Year Fixed-Rate Notes** – a five-year fixed-rate bond ($86.6M)

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**Subordinate Lien Debt**

- **Fixed-Rate Debt**
  - $1,865.8
  - 80.7%

- **Variable-Rate Debt**
  - $446.6
  - 19.3%

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**Senior Lien Debt**

**Fixed-Rate Debt (Long-Term):**

- **Certificates of Participation (COPs)** – Installment purchase structure to fund capital projects that avoids restrictions on the amount of debt that can be incurred ($707.5M)

- **BABs** – designated under the American Recovery and Reinvestment Act of 2009, carry special tax credits and federal subsidies ($526.1M)

- **Revenue Bonds** – debt borrowed through the Water Authority’s financing authority and sold direct to investors – may be used to refund installment payments ($632.1M)
Water Authority’s Existing Long-Term Debt Schedule

- FY 2013 Debt Service is $123.34M (after $6.1M in savings)
- Maximum annual debt service is $134.51M (FY 2021)
Variable-Rate Debt Portfolio

Total = $446.63 M

- Series 1 (BLB) $110,000 24%
- Series 4 (Barclays) $100,000 22%
- Series 5 (Wells Fargo) $100,000 22%
- Series 6 (Citi) $50,000 11%
- 2011 Fixed-Rate Notes $86,630 20%

- Mix of facilities limits exposure to specific bank risk
- Fixed-rate notes temporarily eliminate some of the interest rate risk
How Commercial Paper Works

Investors

Sell notes

Redeem notes

Dealer

Advance

Proceeds

Interest/principal pymts

Water Authority
Variable-Rate Debt Term Structure

Liquidity Facility Expiration Dates

- **BLB**
  - June 2013 (Renewal)
  - June 2014
  - November 2015 (commitment expiration)
  - 2011S-1 Five-Year Note expiration
    - July 2016

TECP Dealers (all series): Barclays  Citi  Goldman Sachs  Merrill Lynch  JP Morgan

### Summary as of December 31, 2012 - Annual Averages

<table>
<thead>
<tr>
<th></th>
<th>Series 1</th>
<th>Series 4</th>
<th>Series 5</th>
<th>Series 6</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Dealer Fees (wa)</strong></td>
<td>0.088%</td>
<td>0.088%</td>
<td>0.084%</td>
<td>0.090%</td>
</tr>
<tr>
<td><strong>Liquidity Facility (wa)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bayerische (BLB)</td>
<td>0.500%</td>
<td>0.600%</td>
<td>0.600%</td>
<td>0.500%</td>
</tr>
<tr>
<td>Barclays</td>
<td>0.600%</td>
<td>0.600%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wells</td>
<td>0.600%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Citi</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Interest Rate Paid (wa)</strong></td>
<td>0.215%</td>
<td>0.160%</td>
<td>0.159%</td>
<td>0.199%</td>
</tr>
<tr>
<td><strong>Cost of Funds</strong></td>
<td>0.802%</td>
<td>0.848%</td>
<td>0.843%</td>
<td>0.789%</td>
</tr>
</tbody>
</table>
Future Activity

• Replace the Barclays Facility (expires June 2013)
  – Evaluate all options (Board Action in March/April)

• Explore self-liquidity instruments
  – Extendable commercial paper
  – Others

• Long Range-Financing Plan Update – CY 2015
  – Next new money issue is not expected until mid to late FY 2016
San Vicente Dam Raise
Construction Update
Engineering & Operations Committee Meeting
February 28, 2013
Raised Dam
Carpi Liner Installation
Outlet Tower / Crest Control Building
Outlet Tower
Downstream Control Facility
Outlet Works

Emergency Discharge

Water Authority 90-inch Diameter Pipe

City 66-inch Diameter Pipe

Lower Level Outlet 108-inch Diameter Pipe
Contractor’s Baseline Schedule

(Construction Contract Duration)

Complete Outlet Works

Start-up Testing

Decommission Exist OW

Commence Reservoir Fill

CONTRACTORS BASELINE SCHEDULE

FALL 2014 - 2017

APRIL 2013 FINISH

RESERVOIR FILL TO EL.640
Schedule Update

Contractor’s Baseline Schedule

(Construction Contract Duration) 7 Months

Complete Outlet Works

Start-up Testing

Decommission Exist OW

Commence Reservoir Fill

CONTRACTORS BASELINE SCHEDULE

108” Valve Actuator Delay

RESERVOIR FILL TO EL.640

FALL 2014 - 2017

NOVEMBER 2013 FINISH

(Construction Contract Duration) 7 Months

Complete Outlet Works

Start-up Testing

Decommission Exist OW

Commence Reservoir Fill

CONTRACTORS BASELINE SCHEDULE

108” Valve Actuator Delay

RESERVOIR FILL TO EL.640

FALL 2014 - 2017

NOVEMBER 2013 FINISH
Upcoming Activities

- Award Package 5 Marina Construction - Summer of 2013
- Complete Filling to Height of Existing Dam
- Award Package 4 Bypass Pipeline Construction - Summer of 2014
- Begin Filling to Full Height of Raised Dam
Today’s presentation

- Three categories of integrated regional water management
  - IRWM planning
  - Grant acquisition
  - Grant administration
IRWM governance

Regional Water Management Group
- San Diego County Water Authority representing 24 member agencies
- City of San Diego
- County of San Diego representing 21 cooperates

Regional Advisory Committee
- 29 agencies and organizations, some with statutory authority over water management

Workgroups
- Focused on specific water resources topics

Tri-County FACC
- San Diego
- Upper Santa Margarita
- South Orange County

Interested Parties and Members of the Public
San Diego IRWM Plan

- First IRWM plan: foundation of long-term IRWM planning
  - Required to be eligible for state funding
- RWMG and RAC revising 2007 Plan to:
  - Satisfy new DWR requirements
  - Establish new program objectives
  - Ensure plan is consistent with related plans, studies and stakeholder input
- Input coming from many sources
Vision and Goals

- **Vision:** An integrated, balanced and consensus-based approach to ensuring the long-term sustainability of the Region’s water supply, water quality and natural resources

- **Goals:**
  - Improve the reliability and sustainability of regional water supplies
  - Protect and enhance water quality
  - Provide stewardship of our watersheds and natural resources
  - Promote and support integrated water resource management
San Diego IRWM grant projects

Proposition 50
$25 million

- Water Supply (8 projects) 47%
- Recycled Water (3 projects) 29%
- Water Quality & Stormwater (5 projects) 11%
- Natural Resources & Watersheds (3 projects) 13%

Proposition 84-Round 1
$8 million

- Water Supply (2 projects) 31%
- Recycled Water (2 projects) 19%
- Water Quality & Stormwater (5 projects) 35%
- Natural Resources & Watersheds (1 project) 13%
- Other (1 project) 2%

% = percentage of total funding from grant
Grant administration

- Water Authority administers grant programs on behalf of RWMG
  - Contract with project sponsors to disburse grant funding and ensure they comply with requirements
- 3% of each grant award set aside to cover cost of administering grants
  - Total: $1.017 million in state funding for administration
  - Funds available for each grant until it expires
IRWM Success Stories

San Vicente Reservoir Source Water Protection
-- Water Authority
Success Stories

Santa Margarita River hydrologic unit: *multiple projects*
Success Stories

Lake Hodges: multiple projects
Plan Update schedule

- Staff will brief Board on plan update contents as they are released in draft form
- Public review draft of updated plan will be released in June
- Final draft will be released in August
  - Submitted to Board for review and approval in September
If you wish to go quickly, go alone.
If you wish to go far, go together.

-- African proverb
2012 Regional Water Facilities Optimization and Master Plan Update

February 28, 2013
Water Planning Committee
Presentation Outline

- Schedule/Agenda for Upcoming Workshop
- Planning Perspectives
- Process for Developing the Master Plan
  - Supply/Demand Scenario Development
  - New Supply/Facility Alternatives
  - Evaluation Criteria
Scheduled Board Workshops/Meetings

Feb 28 – Water Planning Committee
• Planning Perspectives
  • 2010 UWMP
• Supply and Demand Scenario Development
• Development of Infrastructure Portfolio Alternatives
• Evaluation Criteria/Utilization Thresholds
• Initial Modeling Results

Mar 14 – Special Water Planning Committee Workshop
• Review of Infrastructure Portfolios
  • Baseline System
  • Alternative Portfolios
• Detailed Modeling Results
  • Baseline System and Alternative Portfolios
• CEQA Process
Perspectives from 2003 Master Plan

- Develop up to 80 MGD of seawater desalination
  - Supply from the West, emphasis on reliability
- Develop 50 to 100 MGD of new treatment plant capacity
  - Capacity needed to alleviate regional shortfall/maintain reliability
- Develop 100,000 AF carryover storage to manage seasonal peaks and drought conditions
- Implement internal system improvements
- Reaffirmed local supply development
- If all the above is achieved, additional imported supplies (i.e., Pipeline 6) could be postponed for several years
Today’s Planning Perspective

- Reduced demands/increased conservation (2010 UWMP)
- Supply uncertainties
- Increased supply diversification
  - Significant member agency planned/conceptual local projects
- Water rates and increasing price sensitivity

![Graph of regional historic and projected normal-weather total demand]

Source: 2012 Annual Water Supply Report
San Diego County's Water Supply Portfolio

**2015**

- Metropolitan Water District: 358 TAF (50%)
- Imperial Irrigation District Transfer: 100 TAF (14%)
- All American & Coachella Canal Lining: 63 TAF (9%)
- Local Surface Water: 80 TAF (11%)
- Groundwater: 48 TAF (7%)
- Conservation (existing and additional): 42 TAF (6%)

**Total = 710 TAF**

**2035**

- Metropolitan Water District: 324 TAF (34%)
- Imperial Irrigation District Transfer: 174 TAF (18%)
- All American & Coachella Canal Lining: 200 TAF (21%)
- Local Surface Water: 50 TAF (5%)
- Groundwater: 56 TAF (6%)
- Seawater Desalination: 28 TAF (3%)
- Recycled Water: 47 TAF (5%)

**Total = 959 TAF**

Normal Year Demand Projections, 2010 UWMP, with Conservation Savings.
Comparison of Normal-Year/Single Dry-Year Supply and Demand Assumptions After Conservation

Data From 2010 UWMP, Normal and Single Dry Water Year Supply and Demand Assessment (Tables 9-1 and 9-2)
Urban Water Management Plan provides:
- Annual water demands on a regional basis
- Local and imported supply availability
- Identifies supply uncertainties
  - State Water Project/Colorado River
  - Local supply development
  - Conservation savings

Facilities Master Plan:
- Attributes demand to where a member agency takes water
  - From both aqueduct system and local sources
- Assesses physical system ability to serve individual member agencies under differing circumstances
  - Weather variability
  - Peaking patterns, seasonal and weekly
  - What if demands on Water Authority are different than assumed
Master Plan Update

- **Purpose:**
  - Guiding document for new infrastructure investments through the 2035 planning horizon

- **Key Objectives:**
  - Optimize existing conveyance system/local treatment plants
  - Evaluate scope, timing and need of remaining CIP projects
    - Currently included in CIP, but not yet constructed
  - Evaluate need and timing for new infrastructure and supply projects
    - Establish thresholds for facility utilization
  - Integrate potential new desalination supplies into regional treatment and conveyance system
  - Develop a strategic plan for surface water storage with member agencies
  - Evaluate renewable energy opportunities
  - Adapt to changes in future supply/demand conditions – treated and untreated conveyance split
  - Evaluate local supply development such as IPR
Frame the Problem

Develop Scenarios of Future Supply and Demand

Identify Performance Metrics & Thresholds

Evaluate System Performance and Reliability

Identify & Characterize Options to Address Reliability

Develop Portfolios Based on Response Strategies

Evaluate Portfolio Performance and Option Implementation

Identify Common Actions and Develop Adaptive Strategy

Framing/Scenario Development

System Reliability Analysis

Options and Portfolio Development

Portfolio Evaluation

Develop Robust CIP Strategies
Master Plan Scenarios
- Built from 2010 UWMP scenarios
- Considers single/multiple dry years, limited MWD supplies and local supply mix

Master Plan considerations
- Peak seasonal and daily demand patterns
- Local supply development variability
- Hydrology Data (112 years)
- Climate impacts

Each Master Plan scenario attempts to explore an aspect of supply and demand uncertainty
<table>
<thead>
<tr>
<th><strong>Scenario</strong></th>
<th><strong>Description</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Baseline</strong> (2010 UWMP)</td>
<td>Supplies and demands are consistent with the 2010 UWMP. All member agency local supply development (“verifiable”) and conservation targets (per SBX7-7) are achieved. A subset of the Baseline Scenario addresses climate change variation in demands.</td>
</tr>
<tr>
<td><strong>Reduced Local Supply Development and Conservation</strong></td>
<td>Additional member agency local supplies and conservation savings are not achieved beyond year 2010 levels. This scenario establishes the upper boundary for supply development by the Water Authority.</td>
</tr>
<tr>
<td><strong>Enhanced Local Supply Development</strong></td>
<td>Member agency local supply development exceeds expectations (“verifiable” and “planned”). Conservation targets, including additional savings, are achieved. This scenario establishes the lower boundary for supply development by the Water Authority. A subset adds conceptual projects.</td>
</tr>
<tr>
<td><strong>Adjusted Local Supply Development</strong></td>
<td>Member agency local supply development and conservation savings reach 50% of planned amounts (allows for member agency uncertainty to meet established targets). Provides an intermediate scenario to compare project timing against the baseline.</td>
</tr>
</tbody>
</table>
Untreated / Treated Water Supply Assessment – MWD Deliveries

Steep increase in untreated water deliveries will require additional capacity

Untreated includes MWD purchases and QSA supplies
Untreated/Treated Water Supply Assessment – CWA Deliveries

Untreated water deliveries internal to Water Authority may not require additional improvements

*Treated includes supplies from MWD, TOVWTP and Carlsbad Desal
**Untreated includes purchases from MWD and QSA supply
## Master Plan Update
### Water Authority Alternative Facility Portfolios

<table>
<thead>
<tr>
<th>Portfolio</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Baseline Condition</strong></td>
<td>Each alternative is compared to the Baseline condition, which is the existing aqueduct system and ongoing CIP projects funded through completion of construction. Baseline includes completion of the ESP projects.</td>
</tr>
<tr>
<td><strong>Supply from the West</strong></td>
<td>Emphasizes increased seawater desalination supplies from the proposed Camp Pendleton Desalination Project. Evaluates new supply in 50 MGD increments from a plant sized from 50 to 150 MGD.</td>
</tr>
<tr>
<td><strong>Storage Optimization</strong></td>
<td>Emphasizes increased regional surface water storage and out of region groundwater storage banking to address peak demand constraints on the Baseline system.</td>
</tr>
<tr>
<td><strong>Conveyance from the North</strong></td>
<td>Emphasis is on continued reliance of imported supplies from MWD. New facilities include increasing conveyance capacity.</td>
</tr>
<tr>
<td><strong>Conveyance from the East</strong></td>
<td>Emphasizes a new Colorado River Conveyance system to import QSA supplies directly into the Aqueduct System at San Vicente Reservoir.</td>
</tr>
</tbody>
</table>
Computer Simulation System Modeling

- Computer model representation of conveyance, treatment and storage system
  - Includes SDCWA and portions of member agency systems
- Links supplies/demands with system capacity limitations
- Evaluates system response based on historical data
- Model results compared against performance criteria
  - Determines infrastructure/new supply need and timing
# Decision Metrics and Thresholds

<table>
<thead>
<tr>
<th>Metric</th>
<th>Threshold</th>
<th>Basis for Threshold</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delivery Reliability</td>
<td>Annual system shortage exceeds 20,000 AF, for two consecutive years.</td>
<td>Annual shortages less than 20,000 AF can be addressed by operational or management actions, and would not signify need for new infrastructure or supply development.</td>
</tr>
<tr>
<td>Conveyance Utilization</td>
<td>Usage exceeds 95% of conveyance capacity for 15 sequential days and 45 days during the peak season, for two consecutive years</td>
<td>Conveyance usage near 95% is expected during peak season. If usage exceeds thresholds, the system may not meet peak demands or refill reservoirs. Water sales may be reduced.</td>
</tr>
</tbody>
</table>
Preliminary Findings

Baseline Condition

• Shortage risk is low due to dry weather only supply impacts through 2025 regardless of demand scenario
  • Not considering pumping restrictions or regulatory actions

• Beyond 2025, shortage risk strongly depends on member agency meeting established targets for conservation, reuse, and alternative supplies
  • If implemented, City of San Diego IPR resolves most long-term supply–demand imbalances

• Even low demand scenarios exhibit conveyance risks around 2025
  • Untreated water constraints
Preliminary Findings

Baseline

- Near term conveyance risks, can be managed by coordinating member agency operations and through use of seasonal storage pools
  - Internal system improvements needed to address existing conveyance bottlenecks
  - Existing conveyance system will be fully utilized to meet projected demands through planning horizon
State Water Project Supply

- Current SWP Table A Allocation for CY 2013: 40%
- Federal wildlife officials increased restrictions on pumping in late 2012/early 2013
  - Unusual conditions cause more Delta smelt to be salvaged at the pumps
  - SWP and CVP deliveries reduced by approximately 700,000 AF from Nov. 2012 - Jan. 2013
- Restrictions eased in Feb. 2013
- Impact on Table A allocation uncertain
State Water Project Supply Conditions

- Northern Sierra 8-Station Precipitation Index for water year 2013 on Feb. 27th: 102% of average

**Snow Pack Conditions on Feb. 27, 2013**

<table>
<thead>
<tr>
<th>Region</th>
<th>Inches</th>
<th>% Normal</th>
</tr>
</thead>
<tbody>
<tr>
<td>North</td>
<td>18”</td>
<td>71%</td>
</tr>
<tr>
<td>Central</td>
<td>18”</td>
<td>67%</td>
</tr>
<tr>
<td>South</td>
<td>13”</td>
<td>61%</td>
</tr>
<tr>
<td>Statewide</td>
<td>16”</td>
<td>67%</td>
</tr>
</tbody>
</table>

- Forecast for unimpaired runoff to Feather River at Oroville from April – July: 73% of average
Combined Storage in Oroville and San Luis Reservoirs

<table>
<thead>
<tr>
<th>Date</th>
<th>Capacity</th>
<th>San Luis</th>
<th>Oroville</th>
</tr>
</thead>
<tbody>
<tr>
<td>February 26, 2012</td>
<td>2.53 MAF</td>
<td>1.75 MAF</td>
<td>4.28 MAF</td>
</tr>
<tr>
<td>February 26, 2013</td>
<td>2.84 MAF</td>
<td>1.21 MAF</td>
<td>4.05 MAF</td>
</tr>
</tbody>
</table>

- 100% average
- 95% average
- 77% Full
- 73% Full

San Diego County Water Authority
Colorado River Supply Conditions
February 25, 2013

- Precipitation for Upper Basin
  - 76% of average

- Current Basin Snowpack
  - 78% of normal

- Storage in Lakes Mead and Powell
  - 25.7 MAF in 2013
  - 30.5 MAF in 2012

- Forecasted water year 2013 runoff to Lake Powell
  - 53% of normal
MWD Storage Reserve Levels
2012 Based on 65% SWP Table A Allocation

- Emergency Storage
- Storage Balance

<table>
<thead>
<tr>
<th>Year</th>
<th>Emergency Storage</th>
<th>Storage Balance</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>2.2</td>
<td>1.0</td>
<td>3.2</td>
</tr>
<tr>
<td>2007</td>
<td>1.8</td>
<td>1.2</td>
<td>3.0</td>
</tr>
<tr>
<td>2008</td>
<td>1.1</td>
<td>1.6</td>
<td>2.7</td>
</tr>
<tr>
<td>2009</td>
<td>1.0</td>
<td>1.7</td>
<td>2.7</td>
</tr>
<tr>
<td>2010</td>
<td>1.7</td>
<td>1.7</td>
<td>3.4</td>
</tr>
<tr>
<td>2011</td>
<td>2.4</td>
<td>2.0</td>
<td>4.4</td>
</tr>
<tr>
<td>2012</td>
<td>2.7*</td>
<td>2.0</td>
<td>4.7</td>
</tr>
</tbody>
</table>

*Projected based on current conditions

Source: December 10, 2012 MWD Water Planning and Stewardship Committee
Local Supply Conditions

### Water Year 2013 Precipitation in San Diego

<table>
<thead>
<tr>
<th>Station</th>
<th>Oct. 1, 2012 – Feb 26, 2013</th>
<th>% Normal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lindbergh Field</td>
<td>5.0</td>
<td>69%</td>
</tr>
<tr>
<td>Ramona Airport</td>
<td>6.1</td>
<td>58%</td>
</tr>
</tbody>
</table>

- Local reservoir storage on Jan. 31, 2013 was approximately 269,000 AF
U.S. Seasonal Drought Outlook
Drought Tendency During the Valid Period
Valid for February 21 - May 31, 2013
Released February 21, 2013

KEY:
- Drought to persist or intensify
- Drought ongoing, some improvement
- Drought likely to improve, impacts ease
- Drought development likely

Depicts large-scale trends based on subjectively derived probabilities guided by short- and long-range statistical and dynamical forecasts. Short-term events -- such as individual storms -- cannot be accurately forecast more than a few days in advance. Use caution for applications -- such as crops -- that can be affected by such events. "Ongoing" drought areas are approximated from the Drought Monitor (D1 to D4 intensity). For weekly drought updates, see the latest U.S. Drought Monitor. NOTE: the green improvement areas imply at least a 1-category improvement in the Drought Monitor intensity levels, but do not necessarily imply drought elimination.
Sponsorship of Direct Potable Reuse Legislation

Legislation, Conservation, Outreach Committee
February 28, 2013
Staff recommendation

Sponsor legislation that will:

1. Request that the National Water Research Institute (NWRI) convene an expert panel and advisory group to prepare a report on the feasibility of direct potable reuse

2. Add definitions to the water code for “advanced treated purified water”, “raw water augmentation” and “treated water augmentation”
Proposition 50 DWR Grant for Drought Response & Outreach Program (DROP)

Legislation, Conservation and Outreach Committee
February 28, 2013
Urban Drought Assistance Grants

- Funded through Proposition 50 (2008)
- Administered by Department of Water Resources
- Intended to help utilities cope with worsening drought conditions
- Competitive award process
- $12.8 million in funding available
2008 – Water Authority awarded DROP funding
  - Original DROP activities included drought response advertising, tools, and programs

2009 – 2012 – Grant funding delayed due to:
  - State moratorium on grants
  - Evolving regional water conservation needs
  - Uncertainty following drought

2012 – Water Authority submitted revised scope of work

2013 – Water Authority received revised DROP grant agreement
Funding Sources

<table>
<thead>
<tr>
<th>Funding Source</th>
<th>Amount</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>DROP Grant Funding</td>
<td>$1,066,725</td>
<td>New funds</td>
</tr>
<tr>
<td>Water Authority Local Match</td>
<td>$2,480,225</td>
<td>About 85% complete</td>
</tr>
<tr>
<td>Total Program Budget</td>
<td>$3,546,950</td>
<td></td>
</tr>
</tbody>
</table>

- Local match credits Water Authority for many conservation activities from 2008-2012
- Specific costs subject to DWR approval
Updated DROP Scope of Work

- Updated to align with current priorities
- Consistent with adopted Water Use Efficiency Policy Principles

Scope of work includes:
- Grant administration
- Landscape audits
- Landscape technical assistance
- WaterSmart brand awareness
- Outreach and education

Grant will offset some costs in Public Outreach & Conservation’s FY 14-15 operating budget
DROP Scope of Work Activities

Landscape Surveys & Audits

Public Education and Outreach
DROP Scope of Work Activities

WaterSmart Brand Awareness

Program Partnerships
Authorize the General Manager to enter into Grant Agreement with the California Department of Water Resources to Accept $1,066,725 in Water Conservation Program Funding.