Fiscal Years 2018 and 2019
Budget Development

Administrative and Finance Committee
January 26, 2017

Maureen A. Stapleton, General Manager
Overall purpose:
- To solicit input from the Board on the development of the upcoming multi-year budget

Presentation will:
- Provide an overview of the Water Authority
- Review framework of current budget
- Highlight accomplishments to date
- Identify key factors impacting upcoming budget
- Discuss future Board schedule
- Seek Board feedback
Water Authority Revenues

- **Primary Sources of Revenues**
  - Water Sales
  - Capital Contributions

![Bar chart and pie chart showing the distribution of revenue sources.](image-url)
Water Authority Expenses

- Primary use of funds
  - Water Purchases and Treatment
  - Debt Service
  - CIP Expenditures
  - Operating Departments

($ Millions)

- Water Purchases & Treatment*, $957,526; 64%
- Debt Service, $282,804; 19%
- CIP Expenditures, $146,525; 9%
- Operating Departments, $94,143; 6%
- All Others, $27,531; 2%
CIP Historical Spending

<table>
<thead>
<tr>
<th>FY</th>
<th>CIP Historical Spending</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY00</td>
<td>$50</td>
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<tr>
<td>FY01</td>
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<td>FY02</td>
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<td>FY18</td>
<td>$50</td>
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<tr>
<td>FY19</td>
<td>$50</td>
</tr>
</tbody>
</table>
Debt Service

- Achieved AAA Financing Rating
- Adoption of Carryover Storage Operational Principles & Stored Water Fund Policy
- Debt Refundings have saved $78.3 million on a present value basis
Historical Water Sales

Acre-Feet Sales

San Diego County Water Authority
Highlights during FYs 16&17

- Construction completion of Carlsbad Desalination Plant and 10 mile Conveyance Pipeline
- Carlsbad Desalination Plant Dedication December 14, 2015
- One full year of operations
Highlights during FYs 16&17

- Successful When in Drought Campaign
- Implementation of State Mandated Water Conservation Targets
Highlights during FYs 16&17

- Regional water use reduced by 20%
- Adoption of 2015 Urban Water Management Plan
- Adoption of 2015 Long Range Financing Plan
- 2017-2021 Business Plan
- 5 year Department Operating Plans
Highlights during FYs 16&17

- 25 years of Asset Management Program
- 40 miles of pipeline rehabilitated
- Fiscal Years 2016 and 2017 – one of the largest shutdown schedules
- Integration of desalinated water into aqueduct operations
Highlights during FYs 16&17

- Filled San Vicente Reservoir with Carryover and Emergency Storage water
- Completing Miramar Pump Station and Nob Hill Improvements Projects
- Obtained $31.35 million in IWRM Grants
- Secured Hoover Dam Power Allocation
- Wind Turbine Technology Pilot at Olivenhain Dam
Highlights during FYs 16&17

- Settlement of San Vicente Pipeline Litigation September 2016
- MWD Litigation Decision November 2015
- QSA Decision
Highlights during FYs 16&17

- Completed Model Landscape Ordinance
- Citizens Water Academy – 236 graduates through December 2016
- Organization Cybersecurity Review
- PeopleSoft Upgrade
- Voting & Queuing system in Board Room
- 2 Clean Audits
Highlights during FYs 16&17

- Workforce Management addressing aging demographics
- Maintaining staffing to ensure efficient organizational operations
- Implementation of Affordable Care Act requirements
Fiscal Years 2018 & 2019 Focus

- Integration and implementation of Water Authority Vision
- 2017-2021 Business Plan implementation
- Adaptive management in a changing environment
- Accountable, forthright, transparent and legal rate setting
- Continuous improvement through innovation and efficient, effective use of resources
- Workforce development and training
Factors Impacting Budget Development

- Water Supply Allocations
  - Drought efforts
- Modest economic activity increase
- Energy and Innovation
- Regulatory Policies
- Water Authority Operations
  - Workforce management
- Continue to focus on efficiencies and effectiveness
  - Cost containment
- Enhanced communication regarding MWD issues
## Key Board Dates

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
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</thead>
<tbody>
<tr>
<td>January 26</td>
<td>Discussion on development of FYs 18&amp;19 Recommended Budget</td>
</tr>
<tr>
<td>May 25</td>
<td>A&amp;F Committee Presentation of Recommended Budget Notice of Public Hearing for 2018 Rates and Charges</td>
</tr>
<tr>
<td>June 6 &amp; 8</td>
<td>Special A&amp;F Committee Meeting – Budget Workshops</td>
</tr>
<tr>
<td>June 22</td>
<td>Consideration/Adoption of Recommended Budget Hold Public Hearing on 2018 Rates and Charges</td>
</tr>
</tbody>
</table>
Board Requested Direction

- Provide Board input for consideration into the development of the Fiscal Years 2018 and 2019 multi-year budget.
- Are there any significant drivers that have not been identified?
- Where should the Water Authority’s efforts be focused for FY2018 and FY2019?
- Are there any areas that should receive more or less attention?
Sacramento Update

Legislation and Public Outreach Committee
January 26, 2017
Legislature

- Legislature convened its 2017–18 state legislative session on January 4

- January 20: Deadline for bill proposals to be submitted to Legislative Counsel

- February 17: Deadline for bill introduction

- Committee hearings will begin in March
Governor released 2017–2018 budget on January 10

$179.8 billion in proposed expenditures
  ◦ Includes all proposed spending – General Fund, Special Funds, Bond Funds

Budget proposal reflect decreased state revenues of approximately $5.8 billion
  ◦ Some budget solutions are identified – approx. $3.2 billion

Potential for budget deficit of up to $1.6 billion without increased revenues or additional budget solutions
  ◦ May Revise budget proposal will reflect any new projections to General Fund revenues
State Budget

- $180 million – emergency drought response
  - $7 million to DWR for drought management
  - $2 million for Save Our Water campaign
  - $5.3 million to SWRCB for water rights

- $248 million from Prop 1 for IRWM projects

- $19 million to DWR/SWRCB to implement Sustainable Groundwater Management Act

- $2.2 billion cap/trade expenditure plan
  - $27.5 million proposed for spending on:
    - Energy efficient upgrades and weatherization
    - State water efficiency and enhancement program
<table>
<thead>
<tr>
<th>SENATOR</th>
<th>COMMITTEE/LEADERSHIP</th>
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</thead>
<tbody>
<tr>
<td>Senator Joel Anderson</td>
<td>• Budget and Fiscal Review &lt;br&gt;• Budget Sub. No. 5 on Corrections, Public Safety, and &lt;br&gt;the &lt;br&gt;Judiciary &lt;br&gt;• Elections and Constitutional Amendments – Vice Chair &lt;br&gt;• Judiciary &lt;br&gt;• Public Safety</td>
</tr>
<tr>
<td>Senator Toni Atkins</td>
<td>• Health &lt;br&gt;• Labor and Industrial Relations &lt;br&gt;• Natural Resources and Water &lt;br&gt;• Rules &lt;br&gt;• Transportation and Housing</td>
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<tr>
<td>Senator Patricia Bates</td>
<td>• Appropriations – Vice Chair &lt;br&gt;• Business, Professions, and Economic Development – Vice Chair &lt;br&gt;• Environmental Quality &lt;br&gt;• Legislative Ethics &lt;br&gt;• Transportation and Housing</td>
</tr>
<tr>
<td>Senator Ben Hueso</td>
<td>• Banking and Financial Institutions &lt;br&gt;• Energy, Utilities, and Communications – Chair &lt;br&gt;• Governmental Organization &lt;br&gt;• Natural Resources and Water &lt;br&gt;• Veterans Affairs</td>
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<tr>
<td>Assemblymember</td>
<td>COMMITTEE/LEADERSHIP</td>
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<tr>
<td>Assm. Rocky Chavez</td>
<td>• Budget</td>
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<td>• Budget Subcommittee #2 – Education Finance</td>
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<td>• Education – <strong>Vice–Chair</strong></td>
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<td>• Utilities and Energy</td>
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<td>• Veterans Affairs – <strong>Vice–Chair</strong></td>
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<td>Assm. Todd Gloria</td>
<td>• Aging and Long–Term Care</td>
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<td>• Veterans Affairs</td>
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<td>• <strong>Water, Parks, and Wildlife</strong></td>
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<td>Assm. Lorena Gonzalez Fletecher</td>
<td>• Appropriations – <strong>Chair</strong></td>
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<td>• Human Services</td>
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<td>• Local Government</td>
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<td>Assm. Brian Maienschein</td>
<td>• Communications and Conveyance</td>
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<td>• Health – <strong>Vice–Chair</strong></td>
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<td>• Human Services</td>
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<td>• Judiciary</td>
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# San Diego Assembly Delegation

<table>
<thead>
<tr>
<th>Assemblymember</th>
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<tbody>
<tr>
<td>Assm. Randy Voepel</td>
<td>• Aging and Long-Term Care – <strong>Vice-Chair</strong></td>
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<td>• Budget</td>
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<td>• Budget Subcommittee #2 – Education Finance</td>
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<td>• Insurance</td>
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<td>• Local Government</td>
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<td>• Veterans Affairs</td>
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<tr>
<td>Assm. Marie Waldron</td>
<td>• Arts, Entertainment, Sports, and Tourism – <strong>Vice-Chair</strong></td>
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<td>• Governmental Organization</td>
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<td>• Local Government – <strong>Vice-Chair</strong></td>
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<td>• Rules</td>
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<td>• Legislative Ethics</td>
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<tr>
<td>Assm. Shirley Weber</td>
<td>• Banking and Finance</td>
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<td>• Budget</td>
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<td>• Budget Subcommittee #5 – Public Safety – <strong>Chair</strong></td>
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<td>• Budget Subcommittee #6 – Budget Process and Oversight</td>
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<td>• Education</td>
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<td>• Elections and Redistricting</td>
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<td>• Higher Education</td>
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CA Rebuild

- Senate Democrats introduced CA Rebuild package
  - SB 1 (Beall) – $6 billion/year transportation funding package
  - SB 2 (Atkins) – Establishment of a permanent funding source for affordable housing
  - SB 3 (Beall) – $3 billion G.O. bond on November 6, 2018 ballot to fund affordable housing programs
  - SB 4 (Mendoza) – $600 million G.O. bond on June 5, 2018 primary election ballot to enhance freight movement and reduce emissions from freight operations
  - SB 5 (De Leon) – $3 billion parks and water G.O. bond on June 5, 2018 primary election ballot
    - $1.5 billion allocated to parks and $1.5 billion allocated to drought relief and water infrastructure
Key Emerging Issues – 2017

- Long-term water use efficiency
- Public goods charge on water
- Proposition 218 reform
- Cap/Trade
- Water/Resources Bond
Sponsored Legislation for 2017

Legislation and Public Outreach Committee
January 26, 2017

Glenn Farrel, Government Relations Manager
Prior Board Action

- On July 28, 2016, the Board approved Water Authority sponsorship of legislation to clarify statutory authority under the County Water Authority Act relative to energy matters.

- On December 8, 2016, the Board approved Water Authority sponsorship of a legislative framework to pursue funding to fulfill the state’s obligations in various resources conflicts, including at the Salton Sea.
Issues

- Legislation to statutorily implement the Governor’s proposed long-term water use efficiency framework is expected in 2017.
- Many uncertainties in legislation:
  - How will framework recommendations be shaped?
  - Will statutory standards be acceptable to and achievable by the Water Authority and its member agencies?
  - Will statutory standards recognize and embody the notion of drought-sustainable water supply development?
  - Will legislation appropriately protect regional economies?
  - Will a legislative effort allow sufficient deliberation, such as afforded through a two-year bill process?
Proposed legislative approach

- Modeled after 2004 Water Authority sponsored legislation – AB 2717 (Laird)
  - Requested CUWCC to convene year-long stakeholder workgroup
  - Develop proposals for improving landscape irrigation efficiency
  - Paid for by nonstate agency stakeholders

- This proposal would:
  - Require DWR to convene year-long stakeholder workgroup
  - Develop new water use targets for urban water suppliers
  - Develop methods to calculate new water use targets
  - Avoid unintended consequences that could negative impact economy, wastewater infrastructure, or investments in drought-resiliency
  - Paid for by nonstate agency stakeholders
Staff Recommendation

- Approve sponsorship of legislation to create a stakeholder workgroup process through DWR – modeled after successful 2004 Water Authority sponsored legislation – for advancing long-term water use efficiency standards
Federal Legislative Priorities

Legislation and Public Outreach Committee
January 26, 2017

Glenn Farrel, Government Relations Manager
<table>
<thead>
<tr>
<th>Federal Legislative Priorities (At-A-Glance)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Protect the Water Authority’s Colorado River supplies and ongoing implementation of the QSA.</td>
</tr>
<tr>
<td>2. Engage in the federal effort to undertake broad regulatory reform through the Congressional Review Act.</td>
</tr>
<tr>
<td>3. Undertake a rigorous relationship-building campaign with the new Administration and with new members of the California congressional delegation and key committees.</td>
</tr>
<tr>
<td>4. Engage in efforts to implement recently-enacted federal drought legislation, including pursuit of federal funding appropriations for important regional projects.</td>
</tr>
<tr>
<td>5. Closely monitor and engage in issues relative to federal tax policy, including tax-exempt public financing tools for infrastructure.</td>
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<tr>
<td>6. Continue to inform the regional congressional delegation regarding the Water Authority’s energy needs and contributions.</td>
</tr>
<tr>
<td>7. Communicate the interests of the Water Authority and its member agencies in promoting potable reuse as a major regional water supply initiative.</td>
</tr>
<tr>
<td>8. Communicate the Water Authority’s interests in the California WaterFix with the San Diego congressional delegation and other key federal officials.</td>
</tr>
</tbody>
</table>
Next Steps on Federal Legislative Priorities

- Staff is requesting suggestions for revisions and modifications from Board members and member agencies

- Please return to Glenn Farrel by February 6

- Staff will present the proposed FINAL Federal Legislative Priorities for the Board’s consideration on February 23
Live WaterSmart Campaign Phase 1 Summary

Legislation and Public Outreach Committee
Jan. 26, 2017
Campaign Overview

- Phase 1: July-December 2016
- Transition from mandatory targets to voluntary measures
- Maintain regional focus on water-use efficiency
- Leverage existing resources
Outreach Tactics

• Website enhancements
• Digital & social media
• Bill Stuffers
• Promotional items
• Advertising
Partnerships

• San Diego County Apartment Assoc.

• Solana Center

• Ace Hardware

• I Love a Clean San Diego

• Media Services Worldwide
Campaign Results

• 17% reduction in water use (June-December vs. 2013)

• 117,000+ WaterSmartSD page views

• 22,000+ eGuide to a WaterSmart Lifestyle page views

• 6 million ad impressions
  • High click-through rates
Campaign Results

• 1,100 WaterSmart Checkups

• 1,300 Rain Barrels

• 925 participants in WaterSmart Landscaping classes

• 650+ applicants for Sustainable Landscapes Program incentives
Next Steps

- Hotel laundry reminders
- SDSU announcements
- Garden Friendly Plant Fairs
- WaterSmart Checkups and classes
Update on Water Supply Conditions and Drought Response Activities

Water Planning Committee
January 26, 2017

Tim Bombardier
Principal Water Resources Specialist
Atmospheric River events continue

Prospect of “Banner Year” for hydrology

Record setting precipitation in January 2017
Northern Sierra Precipitation 8-Station Index

Accumulated Precipitation

213% of Normal (January 25, 2017)

Source: Department of Water Resources
Northern Sierra Snowpack

160% of Normal (January 25, 2017)

Water Content (in)

Source: Department of Water Resources
Lake Oroville Storage Volume
Major Reservoir State Water Project System

Source: Department of Water Resources

81% of Capacity
126% of Average
(January 24, 2017)
BEFORE:
Lake Oroville - January 21, 2016 (Bidwell Canyon Marina)
AFTER:
Lake Oroville - January 17, 2017 (Bidwell Canyon Marina)
San Luis Reservoir Storage Volume
Major Reservoir State Water Project System

79% of Capacity
103% of Average
(January 24, 2017)

Historical Average

San Luis Reservoir

CY 2017 current
SWP Allocation:
60%

Source: Department of Water Resources
Upper Colorado River Basin

- Percent of seasonal median snow water equivalent as of January 24, 2017

- Upper Basin at 162% of median
## Local Precipitation

### Water Year 2017 Precipitation

<table>
<thead>
<tr>
<th>Station</th>
<th>January 1–24, 2017</th>
<th>% Normal</th>
<th>Since October 1 (WY 2017 to date)</th>
<th>Actual</th>
<th>% Normal</th>
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<tbody>
<tr>
<td>Lindbergh Field</td>
<td>3.01 in.</td>
<td>197%</td>
<td>7.91 in.</td>
<td>170%</td>
<td></td>
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<tr>
<td>Ramona Airport</td>
<td>7.34 in.</td>
<td>260%</td>
<td>14.36 in.</td>
<td>206%</td>
<td></td>
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Update on Extension of State Water Resources Control Board (SWRCB) Emergency Regulation and Approve Resolution Declaring an End to Drought Conditions in San Diego County

Water Planning Committee
January 26, 2017

Presentation by:
Dana Friehauf, Water Resources Manager
<table>
<thead>
<tr>
<th>Date</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan 17, 2014</td>
<td>Governor declared a drought state of emergency due to severe drought conditions</td>
</tr>
<tr>
<td>May 5, 2015</td>
<td>SWRCB adopted emergency regulation containing statewide mandatory reduction (ignored supply availability)</td>
</tr>
<tr>
<td>May 9, 2016</td>
<td>Governor issued Executive Order B-37-16 directing SWRCB to adjust emergency regulation in recognition of differing supply conditions</td>
</tr>
<tr>
<td>May 18, 2016</td>
<td>SWRCB enacted revised version of emergency regulation allowing for self-certification of supply reliability (Expires February 28, 2017)</td>
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</tbody>
</table>
Potential Extension of Emergency Regulation

- SWRCB staff January 17 proposal would extend emergency regulation until October 2017
  - If conditions warrant, staff will return to the SWRCB in May or June 2017 with an updated proposal

- SWRCB held October 18 Public Workshop to solicit input
  - Water agencies throughout state support allowing regulation to expire in February
  - SWRCB Chair Marcus current position is to continue regulation

- SWRCB scheduled to take action Feb. 8, 2017
Defining Drought

United States Geological Survey:

“The word “drought” has various meanings, depending on a person’s perspective...To a water manager, a drought is a deficiency in water supply that affects water availability and water quality”
USGS (https://water.usgs.gov/edu/qadroughts.html)

California Department of Water Resources:

“Defining when drought occurs is a function of drought impacts to water users. Drought can best be thought of as a condition of water shortage for a particular user in a particular location”
DWR (http://www.water.ca.gov/waterconditions/background.cfm)
Water Authority Staff Position: Allow Emergency Regulation to Expire

1. The San Diego region is not experiencing drought conditions

2. San Diego region’s customers continue to use water efficiently

3. Allowing regulation to expire is necessary to maintain credibility with customers and businesses

4. Urban water suppliers throughout state are not in drought conditions
Not Experiencing Drought Conditions

Current Statewide Supply Situation

- Northern Sierra precipitation is tracking higher than wettest year on record (1982-83)
- Snowpack statewide is above April 1 average (traditional peak date)
- Majority of California’s major reservoirs are above normal storage levels
- Above average rainfall to date throughout San Diego County

Jan 23, 2017, Near Fashion Valley
Not Experiencing Drought Conditions

Due to Investments in Supply Reliability

- Water Authority and member agencies are leaders in prudent water management

- Region’s ratepayers have invested $3.5 billion to increase regional supply reliability
  - Includes seawater desalination and additional storage capacity

- Member agencies have invested in recycling, potable reuse and desalination to further increase regional self-reliance
Not Experiencing Drought Conditions  
Adequate Supplies to Meet Demands

- Emergency regulation self-certification analysis showed no supply shortages in San Diego region assuming 3 dry years
  - Reliability is bolstered by improved statewide supply conditions
- Agencies statewide have demonstrated adequate supplies to meet demands
- Some communities in California are facing shortages (e.g., Central Valley)
  - State involvement in those areas is critical to help meet water quality standards and water demands

Go to sdcwa.org for analysis
San Diego Region’s Customers Continue to Use Water Efficiently

- Residents and businesses have done an excellent job using water wisely
- Even without state reduction mandates, regional potable water use from June-Dec 2016 is 17 percent below 2013 levels
- Even before emergency regulation, per capita water use in San Diego region decreased nearly 40 percent between 1990 and 2015

Approx. 40% Decline in Total Potable GPCD

<table>
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<tr>
<th>Year</th>
<th>Total Potable GPCD</th>
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<tbody>
<tr>
<td>1990</td>
<td>235</td>
</tr>
<tr>
<td>2000</td>
<td>216</td>
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<tr>
<td>2005</td>
<td>190</td>
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<tr>
<td>2010</td>
<td>152</td>
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<tr>
<td>2015</td>
<td>143</td>
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</table>
Allowing Drought Emergency Regulation to Expire Preserves Public Trust

- Extending emergency regulation in February:
  - Undermines state and local water agency credibility
  - Erodes effectiveness of communications during actual water supply emergencies
  - Weakens ability to attract, retain and expand businesses
    - Companies question reliability of our water resources
  - Creates uncertainty regarding investments in drought-resilient supplies
    - Ensure investment benefit is realized during shortages
Staff Recommendation

Adopt resolution declaring an end to drought conditions in San Diego County and imploring Governor Brown and the State Water Resources Control Board to end the statewide drought emergency and rescind drought emergency water use regulations for areas no longer in drought conditions.
Mitigation Needs Assessment

January 26, 2017
NCCP/HCP Background

- 55-year permit; covering 63 plants & animals
- Addresses habitat impact from CIP and O&M activities
- Requires mitigation to be acquired in advance of impacts
- Wildlife agencies pre-approve mitigation sites
- Pre-negotiated mitigation ratios
Reassessment of Mitigation Needs

- Evaluated CIP & O&M mitigation needs based on 2013 Master Facilities Plan Update findings
- Utilized 2010 assessment methodology previously approved by wildlife agencies for regulatory consistency
- Confirms excess mitigation within uplands habitat types

<table>
<thead>
<tr>
<th>Updated Mitigation needs by Habitat Sensitivity Tiers</th>
<th>Uplands (acres)</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Tier I</td>
</tr>
<tr>
<td>Planned CIP (through 2040)</td>
<td>1</td>
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<tr>
<td>Future CIP (2041 to 2066)</td>
<td>1</td>
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<tr>
<td>O&amp;M (through 2066)</td>
<td>5</td>
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<tr>
<td>Long-range supply &amp; transmission projects (2041 to 2066)</td>
<td>21</td>
</tr>
<tr>
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<td>28</td>
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</table>
Tier II uplands habitat inventory and 2016 needs assessment

- **Existing Inventory**: 468 Credits
- **2016 Needs Assessment**: 165 Credits

Difference equals potential credits for sale.
Follow-up

- Work with wildlife agencies to obtain consent to sell credits
- Finalize number of credits to be made available
- Conduct a mitigation credit market analysis
  - Consider Member Agencies’ needs
- Return to Board for authorization to market and sell excess mitigation credits
California WaterFix Update

Imported Water Committee
January 26, 2017
WaterFix abandoned 50-year environmental permit; seeks year-by-year permits
WaterFix EIR/EIS

- December 22, 2016: Final EIR/EIS for California WaterFix was released
  - 90,000 pages
  - Addresses comments received on the Draft EIR/EIS

- Water Authority staff are undertaking a comprehensive review of the responses to comments
  - Summary at Board’s February meeting
Water Authority and San Diego regional interests support a Bay–Delta fix
  - Water Authority and San Diego regional leaders worked together to pass 2009 legislation that established coequal goals:
    - Water Supply Reliability
    - Ecosystem Restoration

Water Authority Board of Directors
  - In 2012, adopted Bay–Delta Policy Principles to guide review of a Delta fix
  - Has not endorsed a specific conveyance project

Water Authority has produced the most comprehensive public review of any water district in California
  - More than 36 public meetings and workshops since 2011
  - [http://www.sdcwa.org/bdcp#bdcp-resources](http://www.sdcwa.org/bdcp#bdcp-resources)
Big Questions Go Unanswered

How much will San Diego County pay?

Will costs hamper local supply development?

How much water will San Diego County get?

Which agencies will commit to pay for the project?

How will San Diego County be protected from paying an unfair share?
WaterFix Projected Timeline

- **March/April 2017**
  - ESA authorizations – USFWS, NMFS, DFW
    - Biological Opinion for ESA Section 7 for federally-listed species
    - Section 2081 Permit for state-listed species

- **Mid-2017**
  - Cost allocation negotiations/financing plan
  - ROD/NOD
  - Water agencies’ Board actions

- **Later in 2017 – 2018**
  - Additional permits – Clean Water Act – SWRCB

- **2018–Beyond**
  - Construction
Salton Sea Management Plan and Lower Basin Drought Contingency Plan (DCP) Update

Imported Water Committee
January 26, 2017
State Water Board Salton Sea Proceedings

Background

- Nov. 2014, IID files “Change Petition” to condition QSA transfers on Salton Sea Restoration
- Mar. 2015, Governor’s Office establishes Salton Sea Task Force
- Oct. 2015, AB 1095 establishes short and long-term restoration goals
- Nov. 2015, Salton Sea Management Plan (SSMP) released
- Oct 2016, Phase 1 projects identified

November 15th Workshop

- 4th informational workshop to update public and interested parties on SSMP progress
- Focus on air quality and human health
- Presentations from:
  - Imperial Irrigation District
  - County of Imperial
  - State Resources Agency
  - Non-Governmental Organizations
SSMP Overview and Timeline

2017:
- Begin construction of Red Hill Bay and Species Conservation Habitat
- Identify additional funding

2018 - 2020:
- Begin Torres-Martinez project; evaluate “Perimeter Lake” project

2021 - 2028:
- Design and construction of New, Alamo and Whitewater river projects
- Continue habitat & dust suppression projects
Project Alternative Discussion

Keeler Dunes Hay Bale Dust Control Project

Surface Roughening at Elmore Farms

Magnitude of Five Key Habitats at the Sea
(Audubon California)
Water Authority Position

- Supportive of State momentum
- A comprehensive financing plan is still needed
- Air quality and habitat issues that pre-date the QSA must be recognized
- Concerned with Addendum to State/Federal MOU
- **Basin States Drought Contingency Plan (DCP) could have significant impacts on the Salton Sea**
  - QSA investment towards environmental mitigation is substantial
  - DCP investment towards environmental mitigation not considered
  - QSA cannot be held accountable for impacts caused by new policies that primarily benefit Arizona and Nevada
Water Authority Position

- Changes in Place of Use and Point of Diversion Require Significant Environmental Review and State Water Board approval

IID-Water Authority Transfer

Drought Contingency Plan

IID's Annual Conservation Volume

100 TAF 200 TAF
### Shortage Projections and Precipitation

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<tr>
<td></td>
<td>0%</td>
<td>48%</td>
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#### % Average Precipitation

- >500%
- 300-500%
- 200-300%
- 150-200%
- 130-150%
- 110-130%
- 100-110%
- 90-100%
- 70-90%
- 50-70%
- 30-50%
- 0-30%

**January 2016 (Month to Date)**

**Oct. – Dec. 2016 (Water Year)**
Lower Basin Drought Contingency Plan

- **Early 2017**: DCP term sheet expected to be released.
- **January 2017**: Sec. of Interior issues Order to continue efforts to finalize DCP and Min. 32X
- **August 2017**: Hydrology projections will determine if shortage will be declared in 2018.
- **December 2017**: Mitigation water to the Salton Sea scheduled to end.
- **January 2018**: If shortage is declared, cutbacks under 2007 Interim Guidelines begin.
2017 Transfer and Exchange Agreement Decision Timeline

Imported Water Committee
January 26, 2017

Dan Denham, Colorado River Program Director
In 1998 transfer and exchange agreement terms were finalized with IID and MWD for the acquisition and transportation of 200,000 AF of independent Colorado River water.

Although both agreements experienced significant changes by 2003 with the approval of the QSA contracts the transfer agreement (45-years) and exchange agreement (35-years) retained mismatched duration terms.

Water Authority has the unilateral ability to sync the duration of both agreements.
Decision on QSA Agreement Terms

Transfer Agreement
- Imperial Irrigation District (IID)
- Creation of conserved water
- Initial term: 45 Years
- Option to terminate 10 years early to match exchange term

Exchange Agreement
- MWD
- Delivery of conserved water
- Initial term: 35 Years
- Option to extend the term by 10 years to match initial transfer
Water Authority has the unilateral ability to terminate the IID transfer ten years early in 2037 if one the following conditions are met:

MWD “exchange rate” exceeds 125% of the actual “point-to-point” costs incurred by MWD to deliver IID conserved water to San Diego

Water Authority unable to reach agreement with MWD or complete binding arbitration, litigation or other dispute-resolution mechanisms related to the MWD “exchange rate”

2017 Exchange Rate: $465/AF
2017 Point-to-Point: $100-200/AF
Exceedance: 465%-233%

Oral arguments for Court of Appeals anticipated in the Spring of 2017 for MWD rate litigation
MWD Litigation Impact in 2017

- Based on the November 2015 final California Superior Court judgement upholding the Water Authority’s claims that MWD’s transportation rates were illegal:

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<th>Current</th>
<th>Corrected</th>
<th>Difference</th>
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<tr>
<td>2017 Exchange Rate</td>
<td>$465</td>
<td>$172</td>
<td>$293/AF or $52.7M</td>
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$3.8B - $7.4B over the term of the transfer agreement
Other Factors Impacting Decision

- State Water Resource Control Board position regarding the status of QSA mitigation and state restoration activities
- Upfront costs related to the IID transfer
- Alternative Conveyance
- Lower Basin States Drought Contingency Planning
- Probability of future shortages on the Colorado River
- Future cost of IID water and replacement water