

The Metropolitan Water District of Southern California

Agenda

The mission of the Metropolitan Water District of Southern California is to provide its service area with adequate and reliable supplies of high-quality water to meet present and future needs in an environmentally and economically responsible way.

LTRPPBM Committee

M. Petersen, Chair
K. Seckel, Vice Chair
D. Alvarez
J. D. Armstrong
D. Erdman
S. Faessel
L. Fong-Sakai
J. McMillan
T. Quinn
N. Sutley

Subcommittee on Long-Term Regional Planning Processes and Business Modeling

Meeting with Board of Directors *

May 30, 2024

1:30 p.m.

Agendas, live streaming, meeting schedules, and other board materials are available here: <https://mwdh2o.legistar.com/Calendar.aspx>. If you have technical difficulties with the live streaming page, a listen-only phone line is available at 1-877-853-5257; enter meeting ID: 862 4397 5848. Members of the public may present their comments to the Board on matters within their jurisdiction as listed on the agenda via in-person or teleconference. To participate via teleconference 1-833-548-0276 and enter meeting ID: 815 2066 4276 or click <https://us06web.zoom.us/j/81520664276pwd=a1RTQWh6V3h3ckFhNmdsUWpKR1c2Zz09>

Thursday, May 30, 2024
Meeting Schedule

01:30 p.m. LTRPPBM

MWD Headquarters Building • 700 N. Alameda Street • Los Angeles, CA 90012

Teleconference Locations:

2136 Spyglass Trail West • Oxnard, CA 93036

525 Via La Selva • Redondo Beach, CA 90277

13 Pumphouse Road • Garden Valley, Idaho 83622

City Hall • 303 W. Commonwealth Avenue • Fullerton, CA 92832

Anaheim City Hall • 200 South Anaheim Blvd. • Anaheim, CA 92805

* The Metropolitan Water District's meeting of this Committee is noticed as a joint committee meeting with the Board of Directors for the purpose of compliance with the Brown Act. Members of the Board who are not assigned to this Committee may participate as members of the Board, whether or not a quorum of the Board is present. In order to preserve the function of the committee as advisory to the Board, members of the Board who are not assigned to this Committee will not vote on matters before this Committee.

- 1. Opportunity for members of the public to address the committee on matters within the committee's jurisdiction (As required by Gov. Code Section 54954.3(a))**

**** CONSENT CALENDAR ITEMS -- ACTION ****

- 2. CONSENT CALENDAR OTHER ITEMS - ACTION**

- A. Approval of the Minutes of the Subcommittee on Long-Term Regional Planning Processes and Business Modeling Meeting for April 24, 2024 (Copies have been submitted to each Director, Any additions, corrections, or omissions) [21-3387](#)

Attachments: [05302024 LTRPPBM 2A \(04242024\) Minutes](#)

**** END OF CONSENT CALENDAR ITEMS****

3. SUBCOMMITTEE ITEMS - CAMP4W TASK FORCE

- a. Member Agency Managers Task Force Members [21-3388](#)

Cesar Barrera, City of Santa Ana
 Nina Jazmadarian, Foothill Municipal Water District
 Shivaji Deshmukh, Inland Empire Utilities Agency
 Dave Pedersen, Las Virgenes Municipal Water District
 Anatole Falagan, Long Beach Water Department
 Anselmo Collins, Los Angeles Department of Water and Power
 Harvey De La Torre, Municipal Water District of Orange County
 Dan Denham, San Diego County Water Authority
 Kristine McCaffrey, Calleguas Municipal Water District
 Tom Love, Upper San Gabriel Valley Municipal Water District
 Craig Miller, Western Municipal Water District
 Joe Mouawad, Eastern Municipal Water District
 Stacie Takeguchi, Pasadena Water and Power

- b. Climate Adaptation Master Plan for Water Task Force Meeting – Continued Discussion of Business Model Refinement [21-3389](#)

Attachments: [CAMP4Water next steps slide shared by Chair Ortega](#)
[05302024 LTRPPBM 3b Presentation Business Model Refinement](#)
[05302024 LTRPPBM 3b Presentation Business Model - Finance](#)
[05302024 LTRPPBM 3b Presentation Business Model - WRM](#)

4. FOLLOW-UP ITEMS

NONE

5. FUTURE AGENDA ITEMS

6. ADJOURNMENT

NOTE: This committee reviews items and makes a recommendation for final action to the full Board of Directors. Final action will be taken by the Board of Directors. Committee agendas may be obtained on Metropolitan's Web site <https://mwdh2o.legistar.com/Calendar.aspx>. This committee will not take any final action that is binding on the Board, even when a quorum of the Board is present.

Writings relating to open session agenda items distributed to Directors less than 72 hours prior to a regular meeting are available for public inspection at Metropolitan's Headquarters Building and on Metropolitan's Web site <https://mwdh2o.legistar.com/Calendar.aspx>.

Requests for a disability-related modification or accommodation, including auxiliary aids or services, in order to attend or participate in a meeting should be made to the Board Executive Secretary in advance of the meeting to ensure availability of the requested service or accommodation.

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

MINUTES

**SUBCOMMITTEE ON LONG-TERM REGIONAL PLANNING PROCESSES AND
BUSINESS MODELING**

April 24, 2024

Chair Petersen called the meeting to order at 9:32 a.m.

Members present: Directors Alvarez, Armstrong, Erdman (teleconference posted location), Fong-Sakai, McMillan (entered after roll call), Petersen, Quinn (entered after roll call), and Seckel.

Members absent: Directors Faessel, Gualtieri, and Sutley.

Other Board Members present: Directors Bryant, Dennstedt, Fellow (teleconference posted location), Goldberg, Gray (teleconference posted location), Jung (teleconference posted location), Kurtz, Lefevre (teleconference posted location), Miller, Morris, Ortega, Pressman (teleconference posted location), Peterson, and Smith.

Committee Staff present: Crosson, Mortada, Quilizapa, and Salgado.

**1. OPPORTUNITY FOR MEMBERS OF THE PUBLIC TO ADDRESS THE
COMMITTEE ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION**

Darcy Burke, Elsinore Valley Municipal Water District, commented on item 3b.

Joone Kim-Lopez, Moulton Niguel Water District, commented on item 3b

Justin Breck, Los Angeles Waterkeeper distributed Memoranda March 8, 2024.
This item will be made part of the record.

CONSENT CALENDAR ITEMS -- ACTION

2. CONSENT CALENDAR OTHER ITEMS - ACTION

- A. Approval of the Minutes of the Subcommittee on Long-Term Regional Planning Processes and Business Modeling for March 27, 2024 (Copies have been submitted to each Director, Any additions, corrections, or omissions)

Director Fong-Sakai made a motion, seconded by Director Seckel, to approve the consent calendar consisting of item 2A.

The vote was:

Ayes: Directors Alvarez, Armstrong, Erdman, Fong-Sakai, McMillan, Petersen, Quinn, and Seckel.

Noes: None

Abstentions: None

Absent: Directors Faessel, Gualtieri, and Sutley.

The motion for Item 2A passed by a vote of 8 ayes, 0 noes, 0 abstain, and 3 absent.

END OF CONSENT CALENDAR ITEMS

3. SUBCOMMITTEE ITEMS - CAMP4W TASK FORCE

a. Subject: Member Agency Managers Task Force Members

Cesar Barrera, City of Santa Ana
Nina Jazmadarian, Foothill Municipal Water District
Shivaji Deshmukh, Inland Empire Utilities Agency
Dave Pedersen, Las Virgenes Municipal Water District
Anatole Falagan, Long Beach Water Department
Anselmo Collins, Los Angeles Department of Water and Power
Harvey De La Torre, Municipal Water District of Orange County
Dan Denham, San Diego County Water Authority
Kristine McCaffrey, Calleguas Municipal Water District
Tom Love, Upper San Gabriel Valley Municipal Water District
Craig Miller, Western Municipal Water District
Joe Mouawad, Eastern Municipal Water District
Stacie Takeguchi, Pasadena Water and Power

Presented by: No presentation was given.

Task Force Members present: Member Agency Manager Members Barrera, Collins, De La Torre, Deshmukh, Falagan, Jazmadarian, Love, McCaffrey, Miller, and Mouawad.

b. Subject: Climate Adaptation Master Plan for Water – Draft Year One
Progress Report

Presented by: Elizabeth Crosson, Chief Sustainability, Resilience, and Innovation
Officer

Ms. Crosson presented the committee with an overview of the Climate Adaptation Master Plan for Water Draft Year One Progress Report documents progress since February 2023 and sets up the next steps for 2024. Her presentation included the focus on next steps for 2024 laid out in Sections 4 through 6 of the Report. This is preparation for a potential concurrence action at the May Finance and Asset Management Board Committee meeting.

Ms. Crosson introduced Mr. Mohsen Mortada to present an overview of the business model refinement. His presentation included why Metropolitan’s business model should be refined, which included overall uncertainty of supply and demand, changing social landscape and regulations, technological advancements, the evolution of consumers and the utility sector, and

climate change. A list of three questions regarding the business model was presented to the Task Force by use of the Mentimeter, and Committee members and the Task Force voted.

The following Directors and Member Agency Managers asked questions and provided comments:

1. Falagan
2. De La Torre
3. Love
4. Petersen
5. Deshmukh
6. Alvarez
7. Ortega
8. Peterson
9. Seckel
10. Erdman
11. Goldberg
12. Fong-Sakai
13. Mouawad
14. Armstrong
15. Dennstedt
16. Miller
17. Jazmadarian
18. Collins
19. McCaffrey
20. Bryant

Staff responded to Directors' and Member Agency Managers comments and questions.

4. FOLLOW-UP ITEMS

Ms. Crosson requested comments for the Climate Adaptation Master Plan for Water – Draft Year One Progress Report be due by May 3, 2024.

5. FUTURE AGENDA ITEMS

None

6. ADJOURNMENT

The next meeting will be held on May 30, 2024.

The meeting adjourned at 11:35 a.m.

Matt Petersen

Chair

Next Steps

Business Model and Affordability

Identify categories of business model options, new models for financing, propose affordability support measures

Policies, Initiatives and Partnerships

Identify policy areas for focus as well as potential partnership opportunities with and among member agencies and other interested parties

Adaptive Management

Propose process to compile and assess data on each Signpost, compare previous assumptions with real-world conditions, refine/augment Time-Bound Targets



Subcommittee on Long-Term Regional Planning Processes and Business Modeling

Business Model Refinement

Item 3b

May 30, 2024

Agenda

- Introductory Remarks
- Overview of Revenue Model
- Overview of Conservation and LRP
- Discussion
- Next Steps and Closing

Business Model
Refinement Workshop

Comments/Correspondence

Member Agency Comments

Business Model Considerations



Better understanding of current business model

Treatment surcharge

Allocate time and resources for process

Gaps/ Deficiencies in current business model

Board governance

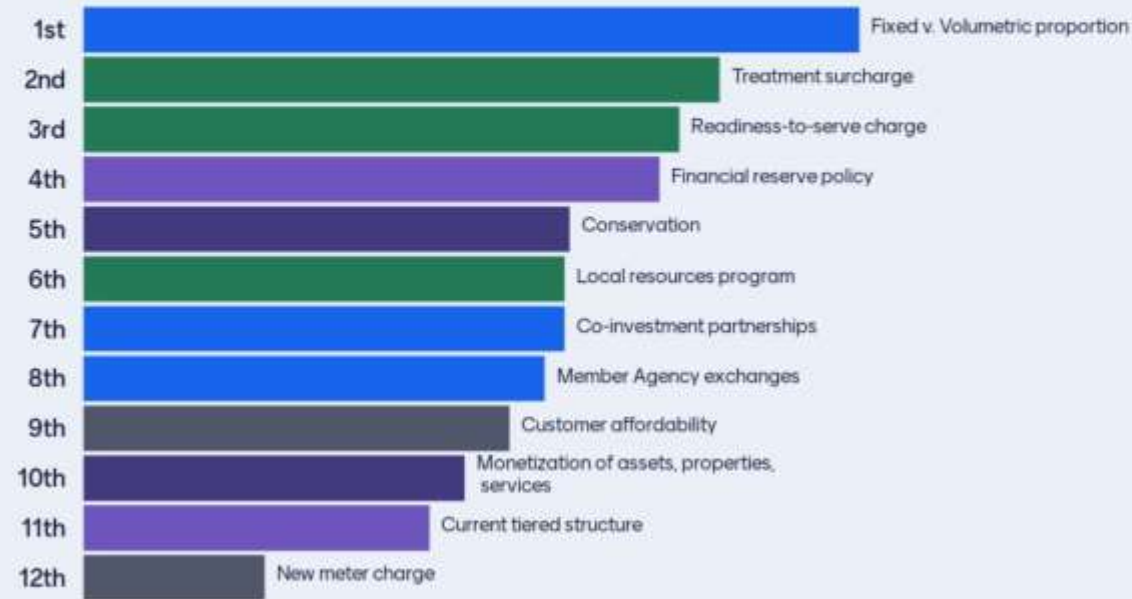
Budgeted sales as fixed revenue

Involve Finance and Legal

Why now?

Better understand desired outcome

Please prioritize the following components for the Business Model discussion



Discussion

Proposed Next Steps



CAMP4W Task Force	Discussion Topic
May 30	Business Model Refinement (then moves into parallel track)
June 26	Parallel Planning Processes and Climate Vulnerability Assessment
July 24	Signposts / Annual Report Template /Time-Bound Targets
August 28	Refined Evaluative Criteria / Example Project Scoring
September 25	Institutionalizing CAMP4W in Board Processes, CIP, Budget
October 23	CAMP4W Partnerships and Collaboration
November 27	Business Model Refinement Update
December	CAMP4W Annual Report / Go Projects/Programs

Thank You!



Subcommittee on Long-Term Regional Planning
Processes and Business Modeling

Business Model Discussions

Item 3b
May 30, 2024

Approved Budget: Water Rates and Charges

1.34 MAF / 0.0070% Ptax Rate / O&M Cut / New Rev

Rates & Charges Effective January 1st	Current 2024	Proposed 2025	% Increase (Decrease)	Proposed 2026	% Increase (Decrease)
Supply Rate (\$/AF)	\$332*	\$290	-13%	\$313	8%
System Access Rate (\$/AF)	\$389	\$463	19%	\$492	6%
System Power Rate (\$/AF)	\$182	\$159	-13%	\$179	13%
Treatment Surcharge (\$/AF)	\$353	\$483	37%	\$544	13%
Full Service Untreated (\$/AF)	\$903	\$912	1%	\$984	8%
Full Service Treated (\$/AF)	\$1,256	\$1,395	11%	\$1,528	10%
RTS Charge (\$M)	\$167	\$181	8%	\$188	4%
Capacity Charge (\$/cfs)	\$11,200	\$13,000	16%	\$14,500	12%
Overall Rate Increase			8.5%		8.5%

Full Service Cost means the Full Service Rate, consisting of the following rate components: the applicable Supply Rate, the System Access Rate, the System Power Rate, and if applicable the Treatment Surcharge for treated water service.

* based on Tier 1 for 2024

Treatment Surcharge

- Included in the Board action is direction to consider the treatment surcharge, including but not limited to potentially modifying the way the charge is calculated.

Most Treatment Surcharge Costs are Fixed

2025 Treatment Surcharge Revenue Requirement

	\$M
O&M less variable costs	137
Variable Treatment cost (1)	48
Capital Costs (debt service & PAYGO)	109
Operating Equipment	3
Revenue Offsets (2)	(7)
Admin. & General	28
Treatment Revenue Requirement	317

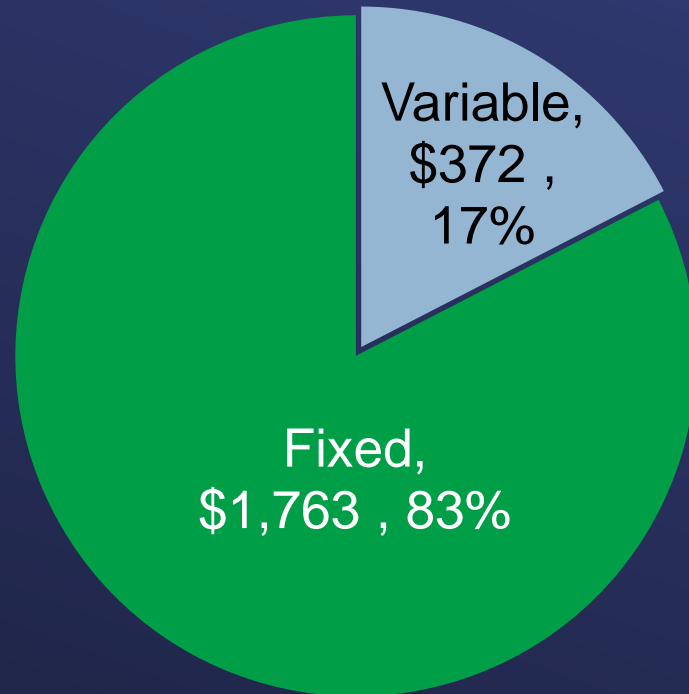
(1) chemical, power & sludge removal
(2) property tax and interest income



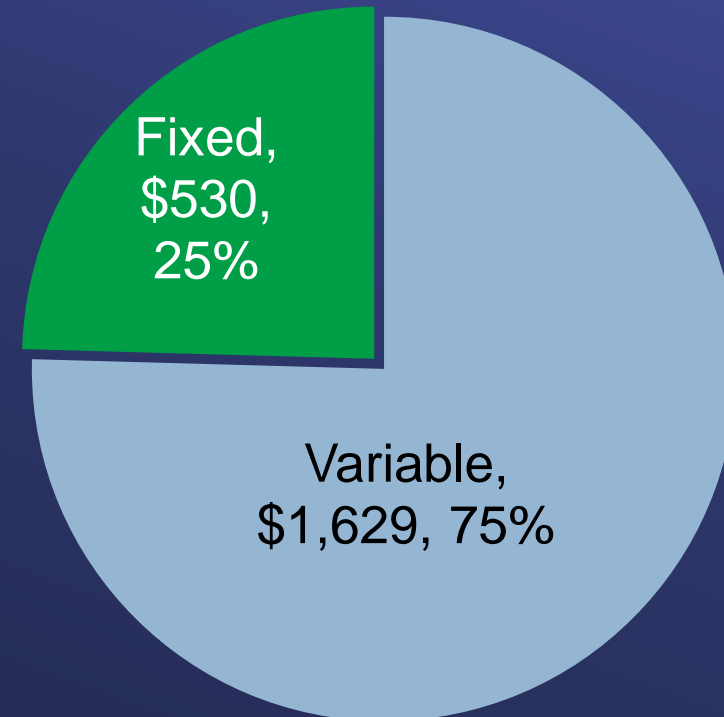
Fixed Costs vs. Variable Revenues

2024/25 Budget (\$ in Millions)

Expenditures

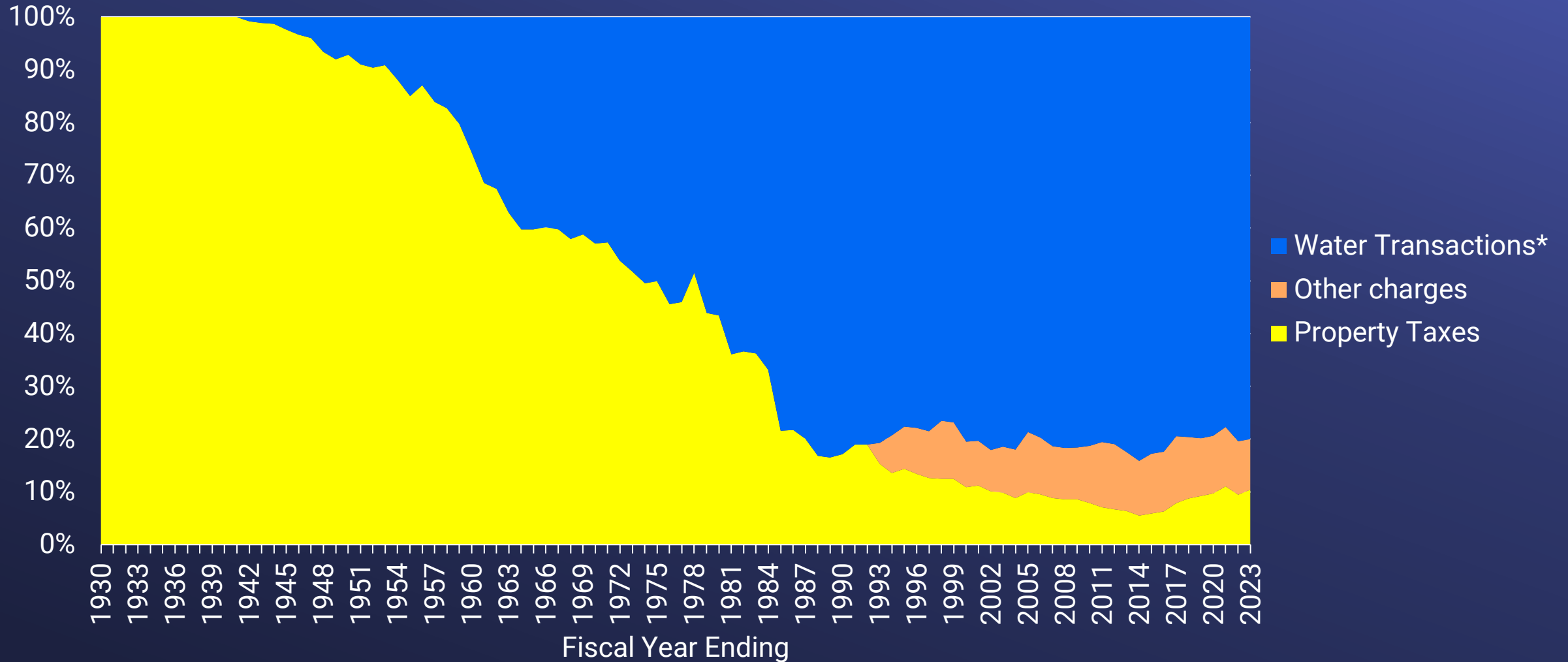


Revenues *



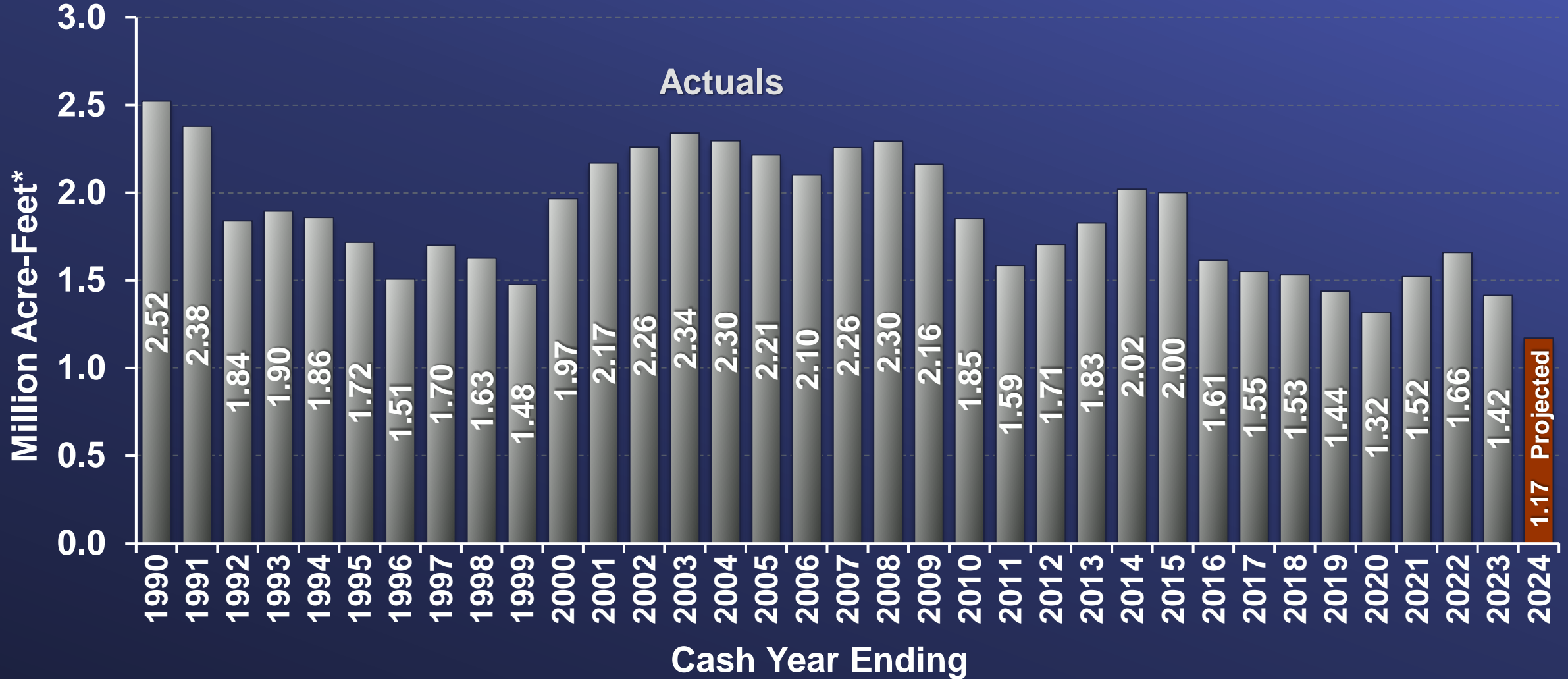
* For purposes of this presentation, variable revenues include all revenues that are dependent upon volumetric transactions over a one-year period (Sales, Wheeling and Exchanges), power sales, interest income and miscellaneous. Fixed revenues includes Readiness-to-Serve Charge, Capacity Charge, and property taxes.

Historical Revenue Sources



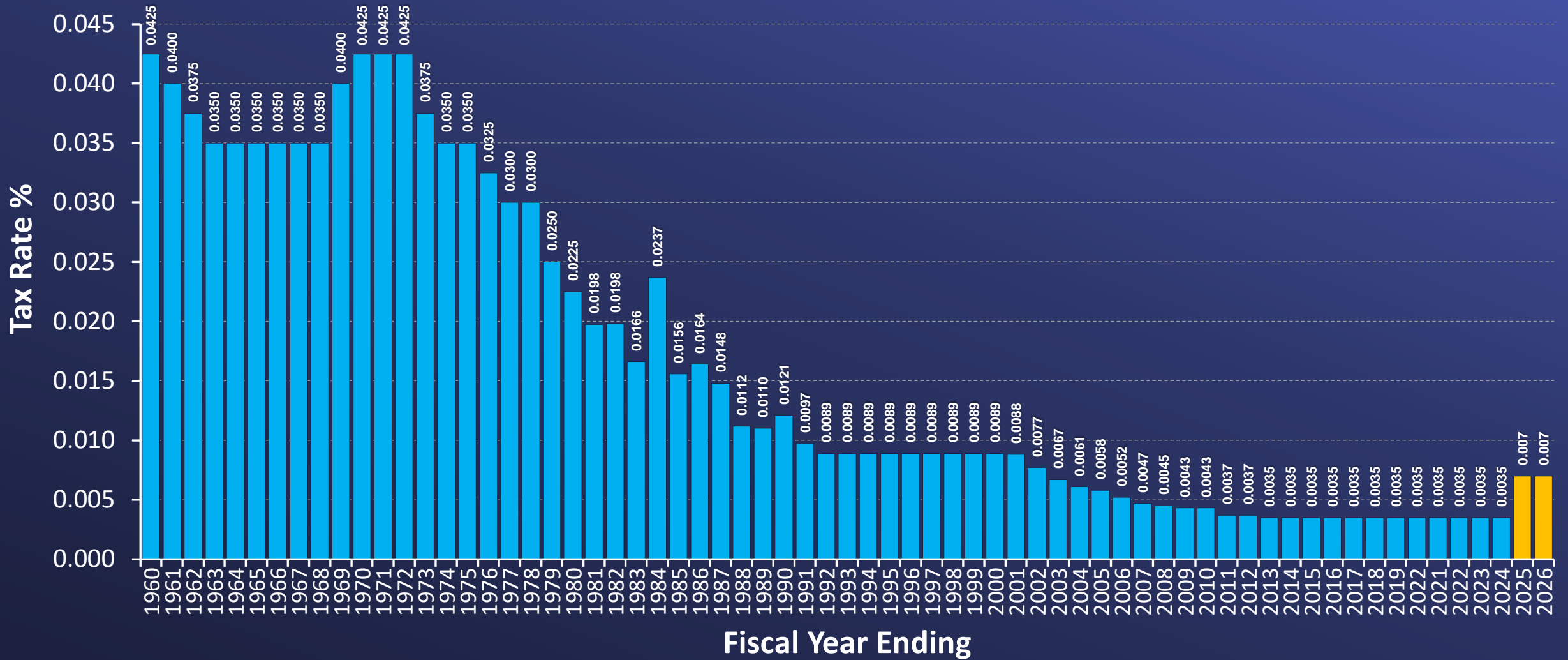
* Includes water sales, exchanges and wheeling

Metropolitan's Water Transactions



*Water Transactions for member agencies only
cash year May through April generates revenues for the fiscal year July through June

Ad-Valorem Property Tax

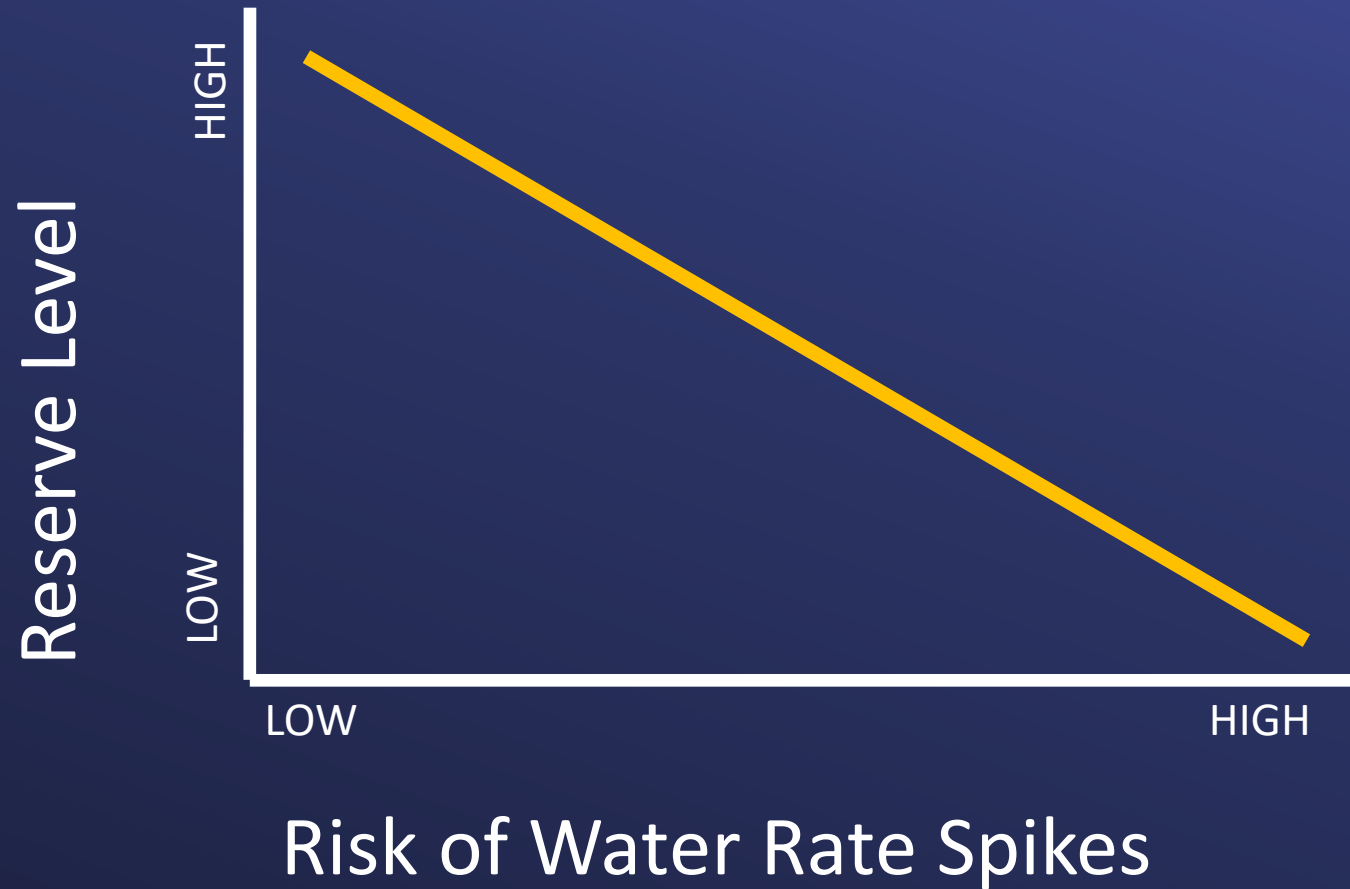


Historic Overall Rate Increases



*Variable Rates effective Sep 2009

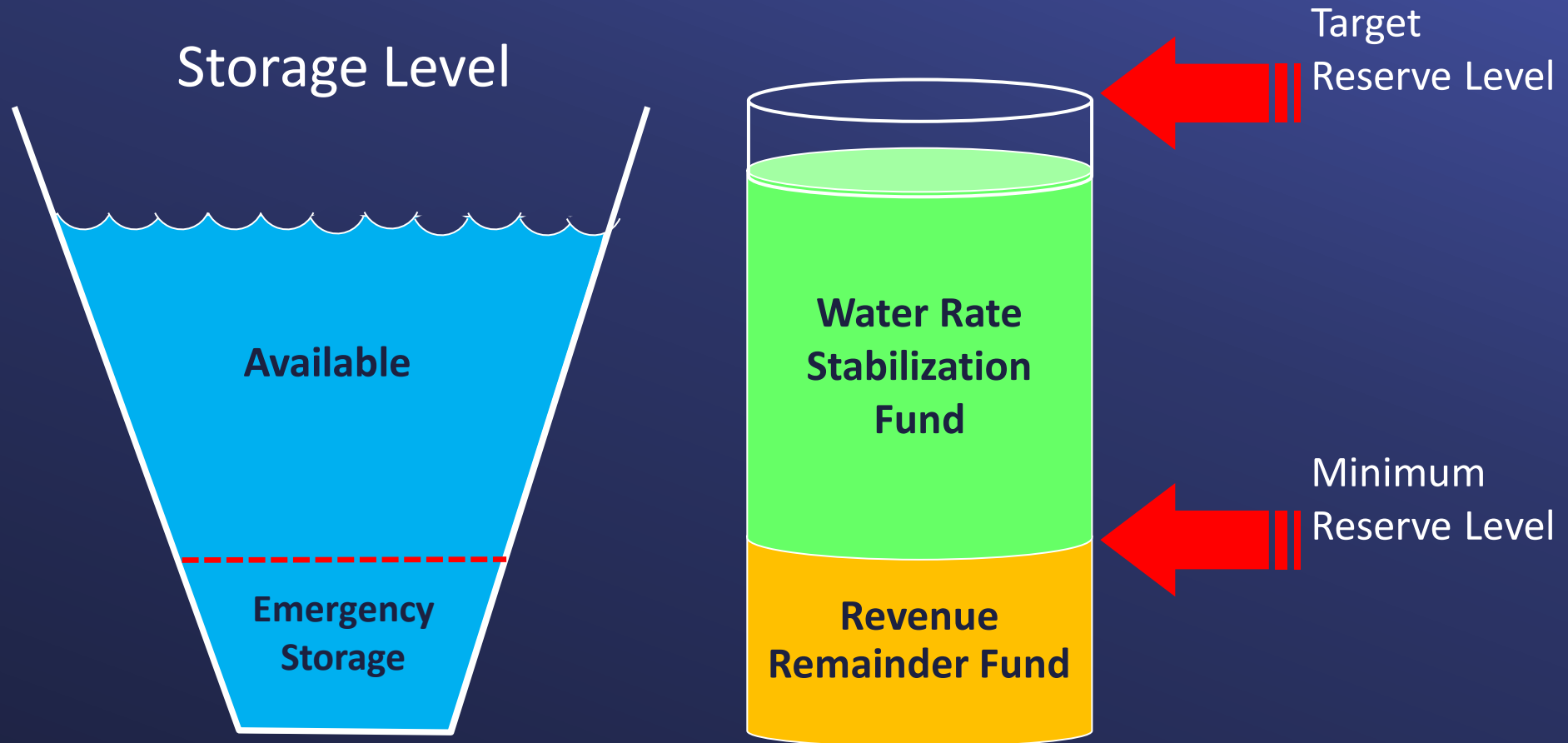
Unrestricted Reserve Level vs. Rate Spikes



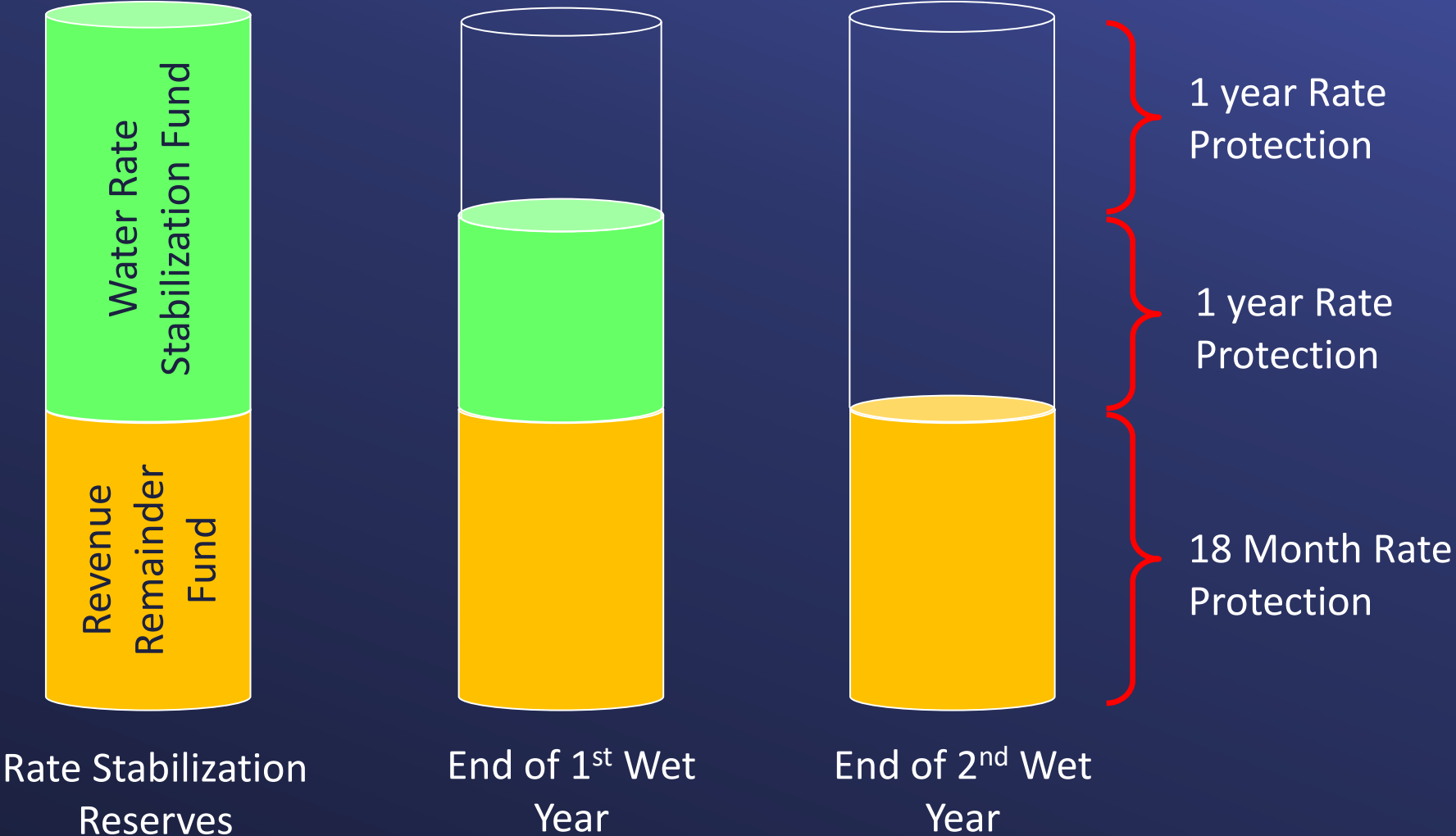
Unrestricted Reserve Fund Principles

- Current method was adopted with the 1999 Long Range Finance Plan
- MWD Administrative Code § 5202
 - Established to smooth out and/or mitigate water rate increases
 - Provides funds to cover revenue shortfall resulting from 20% reduction in water sales
 - Minimum fund level provides 18 months of rate protection
 - Target fund level provides additional 2 years of rate protection for a total of 3.5 years
 - Provide stable & predictable water rates
 - Provide stable rates for local water resource investment planning
 - MWD rate used as a benchmark

Unrestricted Reserve Fund



Use of Unrestricted Reserve Fund



Reserve Policy – Admin Code § 5202

Reserve Fund Principle:

Provide stable & predictable water rates



* if fixed charge coverage ratio > 1.2x

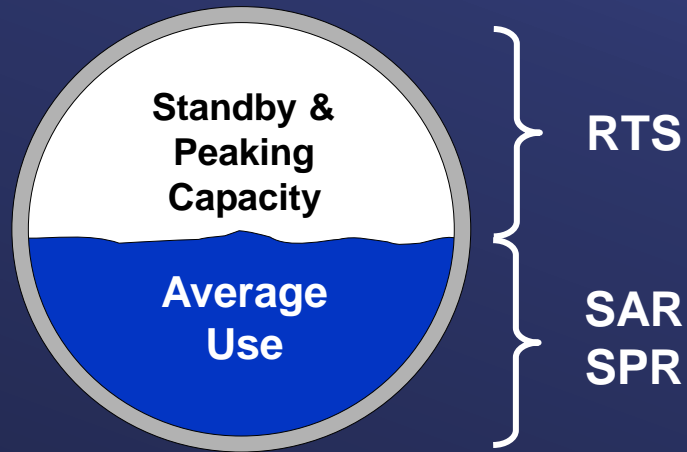
The Reserve Policy was established in 1999 to help provide stable and predictable water rates by providing a cushion to buffer rate impacts from fluctuations in water demands.

The minimum reserve level provides 18 months of rate protection from a 20% reduction in water demands.

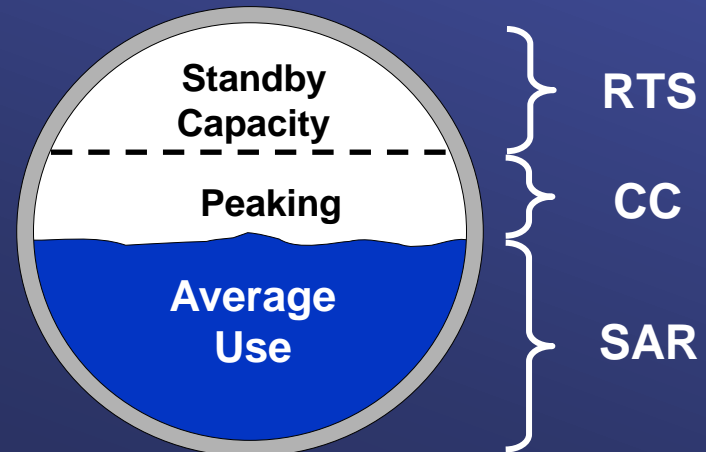
The target reserve level provides an additional 2 years of rate protection.

Metropolitan COS Allocation

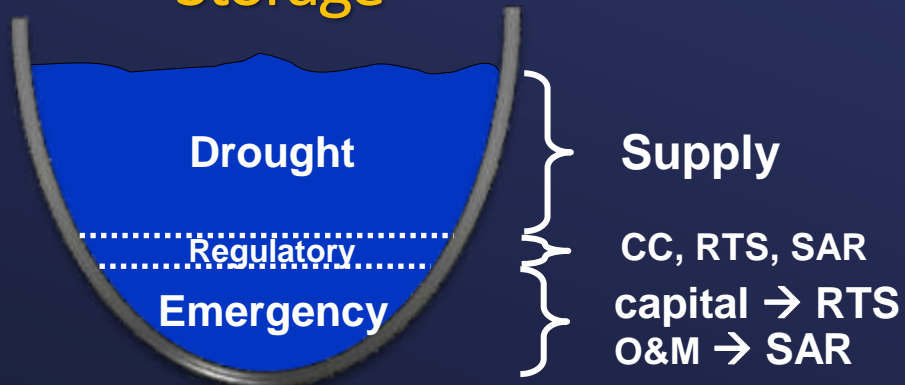
Conveyance & Aqueduct



Distribution System



Storage



Other Functions

Supply → Tier 1 Supply Rate
Treatment → TS
Demand Management → Tier 1 Supply Rate





Subcommittee on Long-Term Regional Planning
Processes and Business Modeling

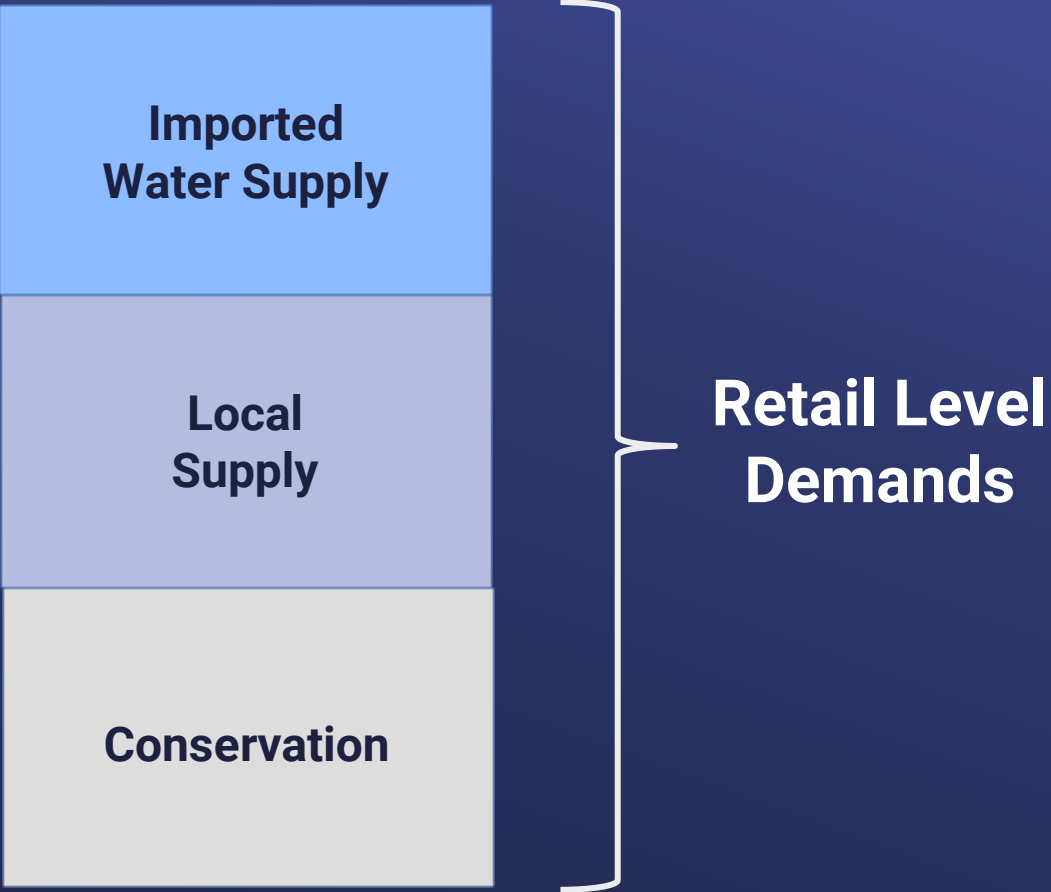
Business Model: Local Resources & Conservation

Item 3b

May 30, 2024

Retail level demands are primarily met through:

Meeting
Regional
Demands



Local Supply & Conservation in Resource Planning

1996 IRP

Preferred Resource Mix;
IRP Targets for Local
Supplies & Conservation



2004 IRP Update

Planning Buffer to
Identify Local Supplies



2010 IRP Update

Supply Buffer to
Implement Local
Supplies & Conservation



2015 IRP Update

Emphasis on Advancing
Conservation & Local Resource
Development



2020 IRP Needs Assessment & CAMP4W

Identified Resource Needs &
Time-Bound Targets



Why Does Metropolitan Provide Financial Incentives?

- Increases regional savings and increased reliability from development of local resources and conservation
- Incentivizes programs help to accomplish regional goals, but implemented at the local level

Local Resources & Conservation Development

Regional Benefits

- Assists in regional supply reliability goals
- Reduces demands for imported water supplies
- Decreases the burden on Metropolitan's infrastructure and reduces system costs
- Frees up conveyance capacity to the benefit of all system users
- Aids in meeting legislative requirements
- Diversifies supply portfolio

Program Design for Regional Benefits

Affordability

Incentives based on “avoided costs” of acquiring and delivering imported supplies through Metropolitan’s system

Reliability

Each acre-foot conserved or locally developed supply meets regional demands and helps to build and preserve regional storage reserves

Economy of Scale

Regionwide programs and outreach campaigns reduce duplication of effort to achieve regional benefit

Equity

All incentives and rebates are made available across the entire service area

Local Resources Program

Local Resources Program Background

- Local Resources Program established in 1998
 - Merged together the Local Projects Program (1981) & Groundwater Recovery Program (1991)
- Intended to accelerate the development of recycled water, groundwater recovery and seawater desalination projects
- Incentives paid for water produced

Local Resources Program Incentives

LRP Evolution Over Time	
Capital Funding	
• 1981 LPP	MWD sells the water
Pay for performance incentives	
• 1986 LPP	Variable (\$75-\$113/AF)
• 1990 LPP	Fixed (\$154/AF)
• 1991 GRP	Sliding scale up to \$250/AF
• 1995 LRP Conversions	Sliding scale up to \$250/AF
• 1998 Competitive LRP	RFP bids (avg. \$115/AF)
• 2007 LRP	Sliding scale up to \$250/AF
• 2014 LRP refinements	Three payment options, ranging from \$305/AF - \$475/AF

Conservation Programs

Conservation Program Background

- Conservation Credits Program began providing funding to member agencies in 1990
- Intended to assist member agencies in local conservation efforts
- Now includes:
 - Regional Rebate Program (devices & turf replacement)
 - Innovative Conservation Program
 - Water Savings Incentive Program
 - Member Agency Administered Programs
- Conservation efforts are paid in advance of estimated lifetime water savings

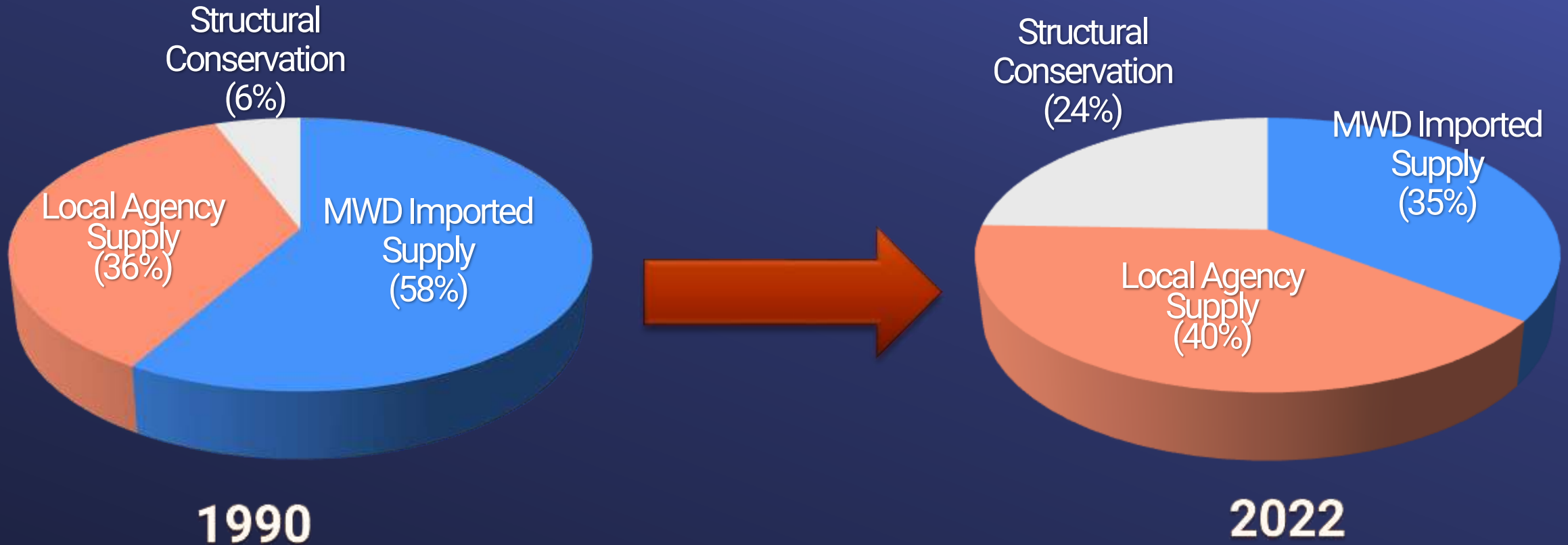
Conservation Program Incentives

Conservation Evolution Over Time	
1988 Base Conservation Rate	Fixed rate \$75/AF; limited to 50% of conservation project costs
1990 Base Conservation Rate	Fixed rate \$154/AF
2005 Base Conservation Rate	Fixed rate of \$195/AF
2012 Base Conservation Rate	Reaffirmed fixed rate of \$195/AF

- Metropolitan typically calculates rebates based on \$195/AF of water savings over the life of the device or program (exceptions include turf replacement program, rain barrels, cisterns, and multi-family housing toilet replacements)

Achievements in Local Resources and Conservation Development

Local Resources & Conservation - Key to Supply Diversification



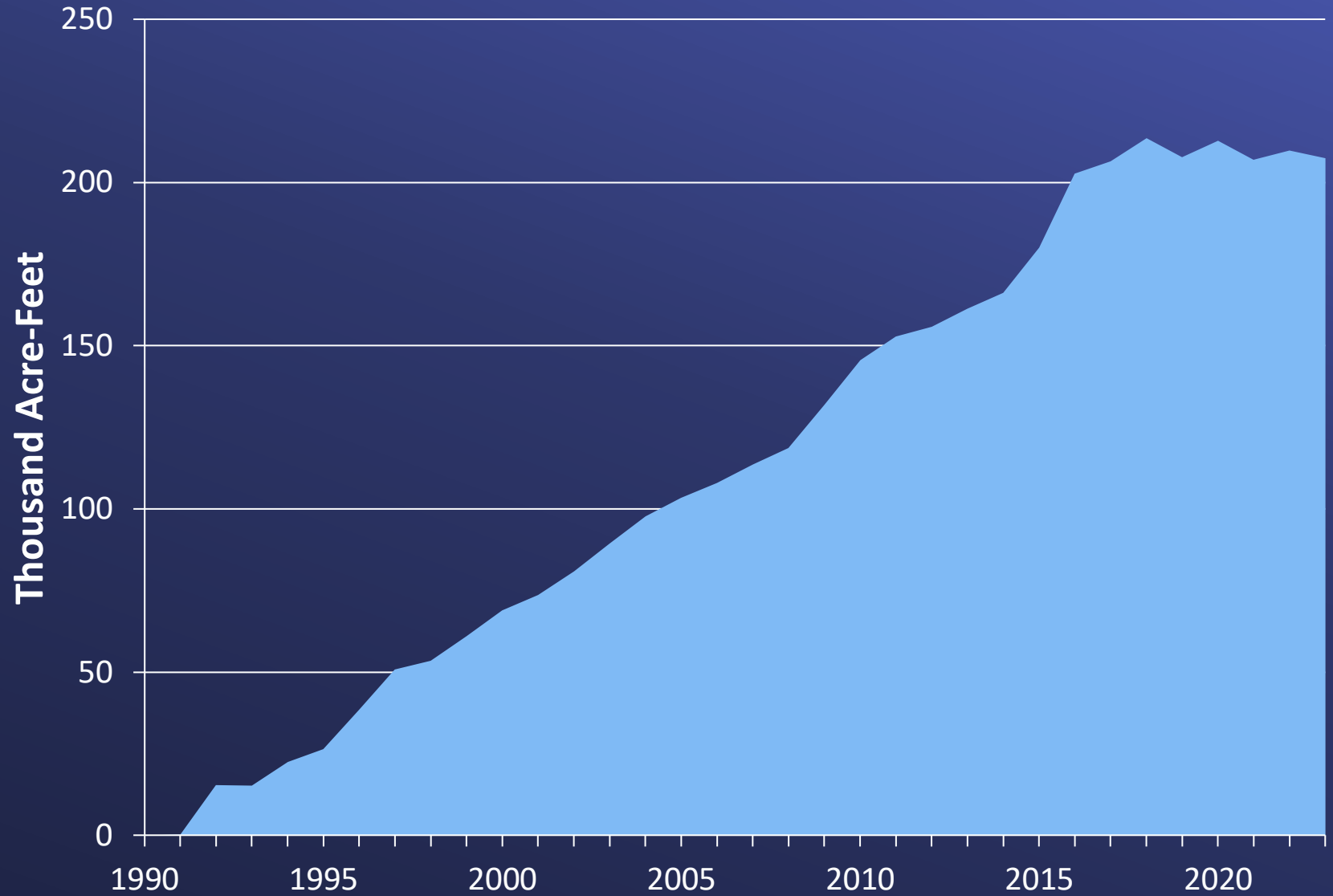
Note: Percentages may not total to 100% due to rounding.

Cumulative
Investment
as of
FY 2022/23

	Investment	Acre-Feet
Conservation	\$910 Million	3,898,000
Recycled Water	\$539 Million	3,130,000
Groundwater Recovery	\$198 Million	1,224,000
Total	\$1.6 Billion	8,252,000

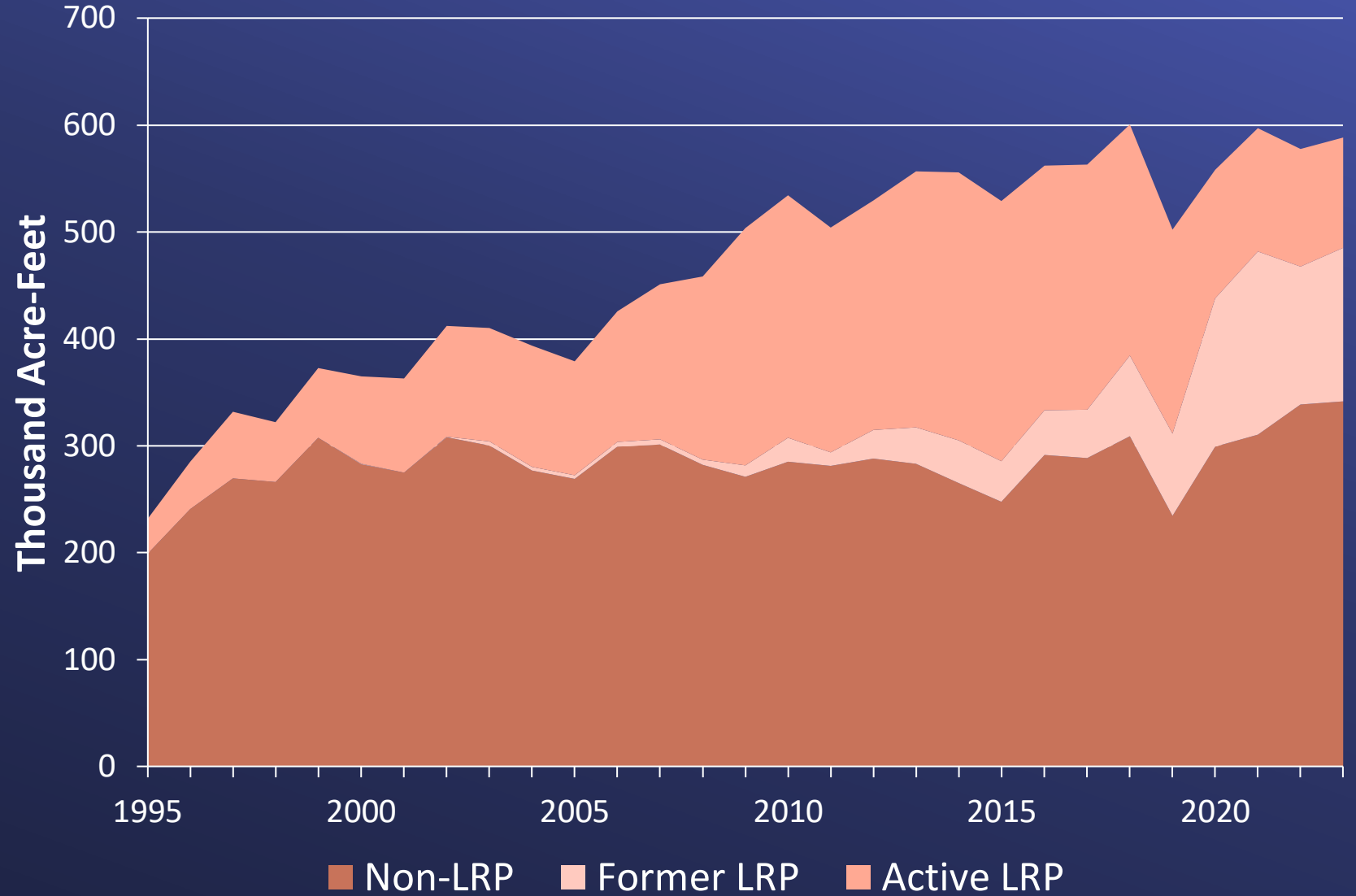
Incentive-based Structural Conservation since 1990

Active Conservation Savings



Groundwater Recovery & Recycled Water

Local
Resources
Development
Since 1995



Reduction in GPCD over the years

Potable per capita water use has declined by nearly 40 percent since 1990

