



One Water & Stewardship Committee

# Authorize Proposed Modifications to the Reverse-Cyclic Program

Item 7-3

November 18, 2024

# Item 7-3

## Reverse- Cyclic Program (RCP)

### Subject

Authorize the General Manager to enter into Reverse-Cyclic Program agreements with participating agencies to defer deliveries of up to 50,000 acre-feet in calendar year 2024 and up to 50,000 acre-feet in calendar year 2025; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

### Purpose

Allow member agencies to pre-purchase supplies at the effective full-service rate for deferred delivery in a future year to allow Metropolitan to collect revenue now.

### Recommendation

Authorize the General Manager to enter into Reverse-Cyclic Program agreements with participating agencies to defer deliveries of up to 50,000 acre-feet in calendar year 2024 and up to 50,000 acre-feet in calendar year 2025

### Fiscal and Budget Impact

New revenues from this program will help Metropolitan to achieve the Board's approved directive to generate up to \$60 million in new, one-time, revenues in Fiscal Years 2024/25 and 2025/26 and manage unrestricted cash reserves in accordance with Board approved policies.

# Potential Water Resource Management Actions to Meet New Revenue Target in FY 2024/25 and FY 2025/26



Reverse-Cyclic  
Program



Grants



Direct sales to agencies  
outside the region



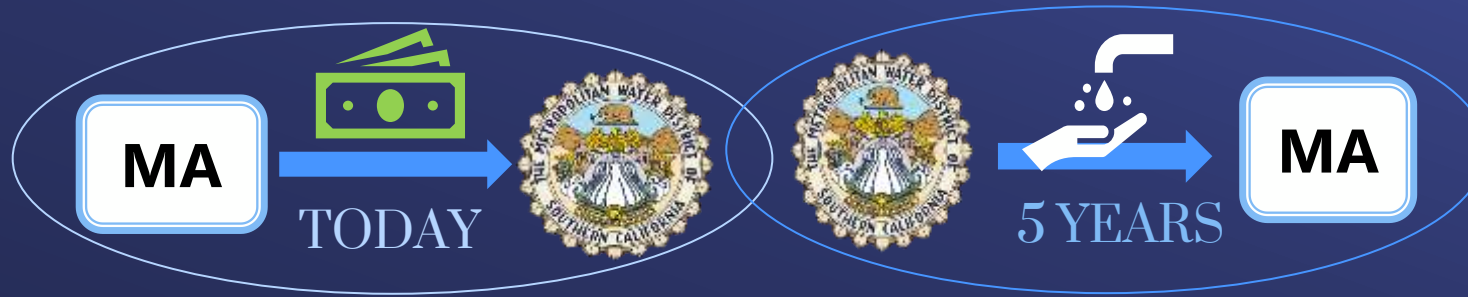
Extraordinary  
Supply Program



Supplemental Water  
Management Program

# Reverse Cyclic Program (RCP) Overview

- RCP allows the member agencies to purchase water at the current rate that Metropolitan will deliver within five years.



- Opposite to Cyclic Program: the member agencies purchase water at a future effective rate that Metropolitan delivers now
- Helped generate revenue while preserving limited stored supplies
  - Offered in calendar year (“CY”) 2022
  - Allowed management of deliveries based on available supplies

## Proposed Modifications to RCP

- Authorization for CY 2024 and CY 2025 only
  - Generates new revenue this biennium
- Authorization of up to 50,000 acre-feet each year
  - Member agencies enter into agreements to make a purchase
  - If interest exceeds water available, staff will return to the Board to request an increase
- Metropolitan may apply losses if member agency does not accept delivery within five years



# How Would the Program Work?

Pre-Purchase



Board Authorization



Enter into Agreements

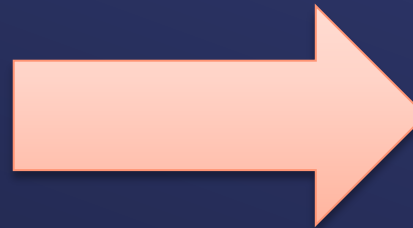


Pre-purchase and Deferral

Delivery



Metropolitan determines it has supplies



Delivery of supplies within five years

# Proposed General Terms

- At the time of purchase, Metropolitan bills MA:
  - Full-service rate in effect
- Metropolitan includes purchases in the:
  - Readiness to Serve Charge
  - Revised Base Firm Demand



THE METROPOLITAN WATER DISTRICT  
of SOUTHERN CALIFORNIA  
700 North Alameda Street  
Los Angeles, CA 90012-7960  
MetropolitanWater.com

## Invoice

Billed To: Member Agency

December 2024
Mailed: 01/10/2025
Invoice #: XXXX

Deliveries	Volume (AF)
Total Water Treated Deliveries	XXXX AF

Sales	Volume (AF)	Total (\$)
Full Service	XXXX AF	\$Z,ZZZ,ZZZ

Miscellaneous Sales

Reverse Cyclic	XXXX AF	\$Z,ZZZ,ZZZ
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Water Management	Volume (AF)	Total (\$)
LRP	XX AF	-\$Z,ZZZ

Additional Information

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Invoice Total	XXXX AF	\$Z,ZZZ,ZZZ,ZZZ
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- Deliveries will be excluded from Capacity Charge calculations since deliveries will be at Metropolitan's discretion
- Purchases to be included as allocated supply under a Metropolitan allocation or shortage program (if/when implemented)
- Metropolitan staff to certify and reconcile deferred deliveries

## Summary

### Modifications to the Reverse Cyclic Program would:

- Increase new revenue this biennium to help meet the \$120M revenue target.
- Allow all member agencies to pre-purchase a total of up to 50,000 acre-feet in each CY 2024 and CY 2025 at the effective full-service rate for delivery in a future year.
  - Member agencies benefit by purchasing at current full-service rate



# Reverse Cyclic Program Modifications

## Board Options

- Option #1  
Authorize the General Manager to enter into Reverse-Cyclic Program agreements with participating agencies to defer deliveries of up to 50,000 acre-feet in calendar year 2024 and up to 50,000 acre-feet in calendar year 2025.
- Option #2  
Do not authorize the General Manager to enter into Reverse-Cyclic Program agreements with participating agencies to defer deliveries of up to 50,000 acre-feet in calendar year 2024 and up to 50,000 acre-feet in calendar year 2025.

# Reverse Cyclic Program Modifications

## Staff Recommendation

- Option #1  
Authorize the General Manager to enter into Reverse-Cyclic Program agreements with participating agencies to defer deliveries of up to 50,000 acre-feet in calendar year 2024 and up to 50,000 acre-feet in calendar year 2025.

