

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.

FAM Committee

T. Smith, Chair
L. Dick, Vice Chair
D. Alvarez
J. Armstrong
D. De Jesus
B. Dennstedt
L. Fong-Sakai
J. McMillan
C. Miller
M. Petersen
B. Pressman
T. Quinn
K. Seckel

Finance and Asset Management Committee - Final - Revised 1

Meeting with Board of Directors *

May 14, 2024

8:30 a.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=a1RTQWh6V3h3ckFhNmduUWpKR1c2Zz09>

**Tuesday, May 14, 2024
Meeting Schedule**

**08:30 a.m. FAM
10:30 a.m. EIA
12:00 p.m. Break
12:30 p.m. EOP
02:30 p.m. BOD**

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

Teleconference Locations:

525 Via La Selva • Redondo Beach, CA 90277

3008 W. 82nd Place • Inglewood, CA 90305

Cedars Sinai Medical Center • 8700 Beverly Blvd • Los Angeles, CA 90048

Conference Room • 1545 Victory Blvd. 2nd Floor • Glendale, CA 91201

* 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 Finance and Asset Management Committee Meeting for April 9, 2024 (Copies have been submitted to each Director, any additions, corrections, or omissions) [21-3319](#)

Attachments: [05142024 FAM 2A \(04092024\) Minutes](#)

3. CONSENT CALENDAR ITEMS - ACTION

- 7-5 Authorize the General Manager to execute a new ground license for telecommunications facilities with the City of Pasadena to enhance the reliability of Metropolitan's wireless wide area networks and local area networks; the subject telecom site is located in the city of Pasadena, identified as Los Angeles County Assessor Parcel No. 5705-001-900; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA [21-3348](#)

Attachments: [05142024 FAM 7-5 B-L](#)
[05142024 FAM 7-5 Presentation](#)

- 7-7 Adopt a resolution declaring approximately 6,742 acres of Metropolitan-owned real property in the County of Riverside, located southwest of the City of Blythe, California, and commonly known as the Palo Verde Mesa, as exempt surplus land under the Surplus Land Act; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA [21-3371](#)

Attachments: [05142024 FAM 7-7 B-L](#)

- 7-8 Authorize the waiver of a \$1,052.52 late fee incurred by the U.S. Bureau of Reclamation regarding its payments to Metropolitan for exchanging water under the Agreement Relating to Supplemental Water Among the Metropolitan Water District of Southern California, the San Luis Rey Settlement Parties, and the United States; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA. [ADDED ITEM 5/2/2024] [21-3374](#)

Attachments: [05142024 FAM 7-8 B-L](#)
[05142024 FAM 7-8 Presentation](#)

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

4. OTHER BOARD ITEMS - ACTION

- 8-2** Adopt resolution to continue Metropolitan's Water Standby Charge for fiscal year 2024/25; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA [21-3346](#)

Attachments: [05142024 FAM 8-2 B-L](#)
[05142024 FAM 8-2 Presentation](#)

- 8-3** Concur with Climate Adaptation Master Plan for Water: Draft Year One Progress Report and Next Steps; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA [21-3350](#)

Attachments: [05142024 FAM 8-3 B-L](#)
[05142024 FAM 8-3 Presentation](#)

- 8-4** Authorize an option agreement with The AES Corporation, LLC, for a long-term lease of up to 6,742 acres of land in the Palo Verde Valley, California for possible carbon-free energy production and storage purposes, contingent upon further project permits and approvals; the General Manager has determined that the proposed action of issuing an option agreement is exempt or otherwise not subject to CEQA. The property is located southwest of the city of Blythe in Riverside County and commonly known as the Palo Verde Mesa, Riverside County Assessor Parcel Nos. 879-230-001, 879-230-003; 879-230-005; 879-230-008; 879-230-010; 879-230-011; 879-230-012; 879-230-013; 879-230-014; 879-230-015; 879-230-016; 879-230-017; 879-230-018; 879-230-023; 879-230-024; 879-240-001; 879-240-002; 879-240-037; 879-240-038; 879-250-001; 879-250-008; 879-250-011; 879-250-013; 879-250-014; 879-261-019; 879-261-020; 879-261-021; 879-261-022; [Conference with real property negotiators agency negotiators: Kevin Webb and Kieran Callanan; negotiating parties: The AES Corporation, LLC; under negotiation: price and terms; to be heard in closed session pursuant to Government Code Section 54956.8 [21-3349](#)

Attachments: [05142024 FAM 8-4 Open Session Presentation](#)

5. BOARD INFORMATION ITEMS

- 9-2** Renewal Status of Metropolitan's Property and Casualty Insurance Program [21-3347](#)

Attachments: [05142024 FAM 9-2 B-L](#)
[05142024 FAM 9-2 Presentation](#)

6. COMMITTEE ITEMS

- a. Financing Overview for Bond Issuance (SB 450) [21-3353](#)

Attachments: [05142024 FAM 6a Presentation](#)

- b. Quarterly Financial Report [21-3354](#)

Attachments: [05142024 FAM 6b Presentation](#)

7. MANAGEMENT ANNOUNCEMENTS AND HIGHLIGHTS

- a. Finance and Asset Management activities [21-3320](#)

Attachments: [05142024 FAM 7a Finance Monthly Activities](#)
[05142024 FAM 7a Presentation](#)

8. SUBCOMMITTEE REPORTS AND DISCUSSION

- a. Report from Subcommittee on Long-Term Regional Planning Processes and Business Modeling [21-3322](#)

- b. Discuss and provide direction to Subcommittee on Long-Term Regional Planning Processes and Business Modeling [21-3321](#)

9. FOLLOW-UP ITEMS

- a. NONE

10. FUTURE AGENDA ITEMS

11. 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

FINANCE AND ASSETT MANAGEMENT COMMITTEE

April 9, 2024

Chair Smith called the meeting to order at 10:31 a.m.

Members present: Directors Alvarez, Armstrong, De Jesus, Dennstedt, Dick, Gualtieri, McMillan, Miller, Petersen (entered after rollcall) Pressman, Quinn (entered after rollcall), Seckel, and Smith.

Members absent: Director Fong-Sakai.

Other Members present: Abdo, Ackerman, Bryant, Camacho, Cordero (AB 2449 “just cause”), Douglas, Erdman, Fellow, Garza, Lefevre (teleconference posted location), McCoy (teleconference posted location), Morris, Ortega, Peterson, and Sutley.

Director Cordero indicated she is participating under AB 2449 “just cause” for an illness that prevents her from attending in person. Director Cordero appeared by audio and on camera.

Director Cordero announced during roll call that no one was in the room with them 18 years of age or older.

Committee Staff present: Benson, Crosson, Chapman, Hagekhalil, Kasaine, Mortada, Quilizapa, Ros, and Wheeler.

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

Mark Gold, Water Scarcity Solutions, NRDC commented on item 9-2.

JD Harkey, Rancho California Water District commented on item 9-2.

Bruce Reznik, LA Waterkeeper commented on item 9-2.

Caty Wagner, Sierra Club California commented on item 9-2.

Greg Thomas, Elsinore Valley Municipal Water District commented on item 9-2.

Jack Humphreyville, City Los Angeles Resident commented on item 9-2

Bert Perello, Council Member of Oxnard commented on item 9-2

CONSENT CALENDAR ITEMS — ACTION

2. CONSENT CALENDAR OTHER ITEMS-ACTION

- A. Subject: Approval of the Minutes of the Finance, Audit, Insurance, and Real Property Committee Meeting for March12, 2024 (Copies have been submitted to each Director, Any additions, corrections, or omissions)

3. CONSENT CALENDAR ITEMS – ACTION

- 7-5 Subject: Adopt resolution for the 113th Fringe Area Annexation to Eastern Municipal Water District and Metropolitan; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA
- Motion: Adopt resolution for the 113th Fringe Area Annexation to Eastern Municipal Water District and Metropolitan

Director Quinn entered the meeting.

No presentation was given, Director Seckel made a motion, seconded by Director De Jesus, to approve items 2A and 7-5.

The vote was:

- Ayes: Directors Alvarez, Armstrong, De Jesus, Dennstedt, Dick, Gualtieri, McMillan, Miller, Pressman, Quinn, Seckel, and Smith.
- Noes: None
- Abstentions: None
- Absent: Directors Fong-Sakai and Petersen

The motion for items 2A and 7-5 passed by a vote of 12 ayes, 0 noes, 0 abstain, and 2 absent.

END OF CONSENT CALENDAR ITEMS

4. OTHER CONSENT ITEMS – ACTION

- 8-2 Subject: Approve and authorize the distribution of Appendix A for use in the issuance and remarketing of Metropolitan’s Bonds; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA
- Motion: a. Approve the draft of Appendix A attached to this board letter (Attachment 1.)
 b. Authorize the General Manager, or other designee of the Ad Hoc Committee, to finalize, with changes approved by the General Manager and General Counsel, Appendix A
 c. Authorize distribution of Appendix A, finalized by the General Manager or other designee of the Ad Hoc Committee, in connection with the sale and/or remarketing of bonds.
- Presented by: Sam Smalls, Manager of Treasury and Debt Management

Ms. Kasaine introduced the item and Mr. Smalls provided an oral overview of Appendix A.

The following Directors provided comments or asked questions:

1. Miller
2. Smith

Staff responded to the Directors' comments and questions.

Director Quinn left the meeting.

After completion of the presentation, Director Pressman made a motion, seconded by Director Dick to approve item 8-2.

The vote was:

Ayes: Directors Alvarez, Armstrong, De Jesus, Dennstedt, Dick, Gualtieri, McMillan, Miller, Pressman, Seckel, and Smith.

Noes: None

Abstentions: None

Absent: Directors Fong Sakai, Petersen, and Quinn.

The motion for item 8-2 passed by a vote of 11 ayes, 0 noes, 0 abstain, and 3 absent.

8-7 Subject: Approve and authorize the distribution of Appendix A for the use in the issuance and remarketing of Metropolitan's Bonds; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Motion: Amended Option 1 with the addition of a statement that the Board adopts Option 1 based on an assumption of property taxes in an amount estimated to be collected pursuant to a rate of 0.007%.

- a. Approve the FY 2024/25 and FY 2025/26 Biennial Budget with overall rate increases of 8.5 percent in CY 2025 and 8.5 percent in CY 2026, which includes:
 - (i) Appropriation of \$3,453.2 million for Metropolitan O&M and operating equipment, power costs on the Colorado River Aqueduct (CRA), SWC operations, maintenance, power and replacement costs and SWC capital charges, including Delta Conveyance Planning costs, demand management programs including the local resources and Conservation Program, and costs associated with supply programs, for FYs 2024/25 and 2025/26;
 - (ii) a continuing appropriation of \$693.9 million for FY 2024/25 and FY 2025/26 for debt service on Metropolitan general

- obligation and revenue bonds;
 - (iii) bond financing \$48.2 million of the budgeted Conservation Program over the biennium; and,
 - (iv) bond financing \$129.6 million of the budgeted Supply Program over the biennium.
- b. Authorize the use of \$350 million in operating revenues to fund the Capital Investment Plan for FYs 2024/25 and 2025/26;
 - c. Determine that the revenue requirements to be paid from rates and charges are \$1,549.5 million in FY 2024/25 and \$1,692.6 million in FY 2025/26;
 - d. Approve the Ten-Year Financial Forecast, as summarized in Figure 2;
 - e. Approve water rates and charges effective January 1, 2025, and January 1, 2026, as shown in Table 5;
 - f. Adopt the Resolution Fixing and Adopting Water Rates To Be Effective January 1, 2025, and 2026, in the form of **Attachment 5**;
 - g. Adopt the Resolution Fixing and Adopting A Readiness-To-Serve Charge Effective January 1, 2025, in the form of **Attachment 6**; and,
 - h. Adopt the Resolution Fixing and Adopting A Capacity Charge Effective January 1, 2025, in the form of **Attachment 7**;
 - i. Metropolitan will work with member agency staff and the CAMP4Water Task Force to understand and analyze the treatment surcharge and specifically address issues that arise from that analysis including but not limited to modifying the way the charge is calculated. A final method will be prioritized as part of the new business model discussion and recommended for adoption as soon as possible thereafter but no later than approval of the new business model.

Substitute Motion: Amended Option 2 with the addition of a statement that the Board adopts Option 2 based on an assumption of property taxes in an amount estimated to be collected pursuant to a rate of 0.0099%.

- a. Approve the FY 2024/25 and FY 2025/26 Biennial Budget with overall rate increases of 8.5 percent in CY 2025 and 8.5 percent in CY 2026, which includes:
 - (i) Appropriation of \$3,453.2 million for Metropolitan O&M and operating equipment, power costs on the

- Colorado River Aqueduct (CRA), SWC operations, maintenance, power and replacement costs and SWC capital charges, including Delta Conveyance Planning costs¹, demand management programs including the local resources and Conservation Program, and costs associated with supply programs, for FYs 2024/25 and 2025/26;
- (ii) a continuing appropriation of \$693.9 million for FY 2024/25 and FY 2025/26 for debt service on Metropolitan general obligation and revenue bonds;
 - (iii) bond financing \$48.2 million of the budgeted Conservation Program over the biennium; and, (iv) bond financing \$129.6 million of the budgeted Supply Program over the biennium.
- b. Authorize the use of \$350 million in operating revenues to fund the Capital Investment Plan for FYs 2024/25 and 2025/26;
 - c. Determine that the revenue requirements to be paid from rates and charges are \$1,549.5 million in FY 2024/25 and \$1,692.6 million in FY 2025/26;
 - d. Approve the Ten-Year Financial Forecast, as summarized in Figure 2;
 - e. Approve water rates and charges effective January 1, 2025, and January 1, 2026, as shown in Table 5;
 - f. Adopt the Resolution Fixing and Adopting Water Rates To Be Effective January 1, 2025, and 2026, in the form of Attachment 5;
 - g. Adopt the Resolution Fixing and Adopting A Readiness-To-Serve Charge Effective January 1, 2025, in the form of Attachment 6; and,
 - h. Adopt the Resolution Fixing and Adopting A Capacity Charge Effective January 1, 2025, in the form of Attachment 7;
 - i. Metropolitan will work with member agency staff and the CAMP4Water Task Force to understand and analyze the treatment surcharge and specifically address issues that arise from that analysis including but not limited to modifying the way the charge is calculated. A final method will be prioritized as part of the new business model discussion and recommended for adoption as soon as possible thereafter but no later than approval of the new business model.

Presented by: Arnout Van den Berg, Section Manager

Mr. Hagekhalil provided opening remarks to the committee. Next, the Assistant General Manager's, Mr. Upadhyay, Mr. Chapman, Ms. Zinke, and Ms. Kasaine and Chief of Staff, Mr. Mortada provided their remarks.

Ms. Kasaine introduced the item and Mr. Van den Berg presented the committee with the budget process timeline, summary of the three options, estimated property tax revenue, revenue opportunities, additional expenditure reductions, and treatment surcharge considerations.

Director Quinn entered the meeting.

The following Directors provided comments or asked questions:

1. Smith
2. Armstrong
3. Pressman
4. Ortega
5. Peterson
6. Lefevre
7. Gualtieri
8. Miller
9. De Jesus
10. Seckel
11. Dennstedt
12. Dick
13. Quinn
14. McMillan
15. Abdo

Staff responded to the Directors' comments and questions.

After completion of the presentation, Director Armstrong made a motion for amended Option 1, seconded by Director Alvarez, to approve item 8-7. Before voting on Amended Option 1, Director McMillan made a substitute motion for amended option 2, seconded by Director Dennstedt, to approve item 8-7.

The vote on the substitute motion was:

Ayes: Directors De Jesus, Dennstedt, Dick, Gualtieri, McMillan, and Pressman.

Noes: Directors Alvarez, Armstrong, Miller, Quinn, Seckel, and Smith.

Abstentions: None

Absent: Directors Fong Sakai and Petersen.

The substitute motion for amended Option 2 for item 8-7 failed by a vote of 6 ayes, 6 noes, 0 abstain, and 2 absent.

Director Armstrong's original motion for amended Option 1 was called for a vote.

The vote was:

Ayes: Directors Alvarez, Armstrong, De Jesus, Dennstedt, Dick, Gualtieri, McMillan, Miller, Pressman, Seckel, and Smith.

Noes: None

Abstentions: Director Quinn.

Absent: Directors Fong Sakai and Petersen.

The motion for amended Option 1 for item 8-7 passed by a vote of 11 ayes, 0 noes, 1 abstain, and 2 absent.

5. BOARD INFORMATION ITEMS

None

6. COMMITTEE ITEMS

- a. Subject: Climate Adaptation Master Plan for Water: Draft Year One report
Presented by: Liz Crosson, Chief Sustainability, Resilience, and Innovation Officer

Ms. Crosson presented the committee with a summary of the draft report. Her presentation included values and priorities, climate decision making framework, projects assessed in CAMP4W, and future task force activities and discussions.

The following Directors provided comments or asked questions:

1. Ortega
2. Smith
3. Sutley
4. Petersen
5. Seckel

Staff responded to the Directors' comments and questions.

- b. Subject: Financing Overview for Bond Issuance (SB 450)
Presented by: Sam Smalls, Manager of Treasury and Debt Management

Ms. Kasaine introduced the item and Mr. Smalls presented the committee with an overview of SB 450 reporting mandate, SB 450 requirements, and the Water Revenue Refunding bonds, 2024 series A.

The following Directors provided comments or asked questions:

1. Dick
2. Seckel

Staff responded to the Directors' comments and questions.

7. MANAGEMENT ANNOUNCEMENTS AND HIGHLIGHTS

- a. Subject: Financial and Asset Management Activities
No report was given.

8. SUBCOMMITTEE REPORTS AND DISCUSSION

- a. Subject: Discuss and provide direction to Subcommittee on Long Term
Regional Planning Processes and Business Modeling
No direction was given.

9. FOLLOW-UP ITEMS

None

10. FUTURE AGENDA ITEMS

Director Smith requested the fixed meter charge for capacity for new meters be included in the business model discussion.

11. ADJOURNMENT

The next meeting will be held on May 14, 2024.

The meeting adjourned at 1:28 p.m.

Timothy Smith
Chair



- **Board of Directors**
Finance and Asset Management Committee

5/14/2024 Board Meeting

7-5

Subject

Authorize the General Manager to execute a new ground license for telecommunications facilities with the City of Pasadena to enhance the reliability of Metropolitan’s wireless wide area networks and local area networks; the subject telecom site is located in the City of Pasadena, identified as Los Angeles County Assessor Parcel No. 5705-001-900; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

This proposed action authorizes the General Manager to execute a new ground license with the City of Pasadena for a Microwave Tower that will serve as a new communications link to the nearby Eagle Rock Operations Command Center (OCC), Union Station Headquarters, and Garvey Reservoir site. The site is located at 1530 Glen Oaks Boulevard in the City of Pasadena (**Attachment 1**)

The current microwave equipment was installed in 2003 at a nearby location and experiences recurring communications disruptions. New equipment and infrastructure at the proposed site will increase the reliability of transmitting communications data. This Information Technology Group system upgrade project was presented and funded as part of a minor cap (P-105234) and CIP (15518) project for the 2021/22 fiscal year in the amount of \$399,000.

Proposed Action(s)/Recommendation(s) and Options

Staff Recommendation: Option #1

Option #1

Authorize the General Manager to execute a new ground license for telecommunications facilities with the City of Pasadena to enhance the reliability of Metropolitan’s wireless wide area networks and local area networks.

Fiscal Impact: Metropolitan’s annual rent for the site will start at \$27,000.00 with 3.5 percent annual increases.

Business Analysis: This action will increase the reliability of Metropolitan’s wireless wide area networks (WAN) and local area networks (LAN) communications systems.

Option #2

Do not authorize the new ground license.

Fiscal Impact: Forgo the opportunity to increase Metropolitan’s WAN and LAN communications reliability.

Business Analysis: Metropolitan would continue to encounter recurring communications disruptions and reliability issues.

Business Analysis: Metropolitan would continue to encounter recurring communications disruptions and reliability issues.

Alternatives Considered

Not applicable

Applicable Policy

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

Metropolitan Water District Administrative Code Section 8121: General Authority of the General Manager to Enter Contracts

Related Board Action(s)/Future Action(s)

Not applicable

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is exempt from CEQA because it involves the operation, maintenance, leasing, and minor alteration of existing public structures or facilities involving negligible or no expansion of existing or former use and no possibility of significantly impacting the physical environment. (State CEQA Guidelines Section 15301). Additionally, the proposed action is exempt from CEQA because it consists of replacement or reconstruction of existing structures and facilities where the new structure will be located on the same site as the structure replaced and will have substantially the same purpose and capacity as the structure replaced (State CEQA Guidelines Section 15302). Also, the proposed action is exempt from CEQA because it consists of minor public or private alterations in the condition of land, water, and/or vegetation that do not involve removing healthy, mature, scenic trees except for forestry or agricultural purposes. (State CEQA Guidelines Section 15304).

CEQA determination for Option #2:

None required

Details and Background

Metropolitan's wireless WAN and LAN presently comprises a network of 72 transmission tower sites covering a 5,200 square mile area, including the entire distribution system and the Colorado River Aqueduct. The microwave radio WAN and LAN transport data and communications to the OCC, Union Station Headquarters, Garvey Reservoir, and various other Metropolitan facilities. For some types of data, microwave radio is the primary communications system; however, microwave radio may be a backup communications system for other types of data.

The current microwave equipment was installed in 2003 and involves a passive repeater tower on a nearby site facing an on-site building that leads to line of sight and signal interference issues resulting in recurring communications disruptions.

Metropolitan's Information Technology Group has identified a site on a mountaintop in the City of Pasadena that will provide Metropolitan with better elevation and a direct line of sight to the OCC, Union Station Headquarters, and Garvey Reservoir. Metropolitan's Information Technology Group is seeking to install a new Microwave Tower at the site, which will enhance system redundancy and reliability and support the future growth of Metropolitan's IT infrastructure. The tower height will be limited to 35 feet per the City of Pasadena's requirements.

The proposed license agreement will have the following key provisions:


- 10-year base term with one ten-year option to renew by mutual consent.
- An initial annual license fee of \$27,000.00.
- Annual fixed license fee increases of 3.5 percent as provided in Pasadena Municipal Code Section 12.22.180(E)(3).
- Metropolitan will be responsible for the utilities and maintenance of the site.



Elizabeth Crosson
Chief Sustainability, Resilience and
Innovation Officer

4/24/2024

Date



Adel Hagekhalil
General Manager

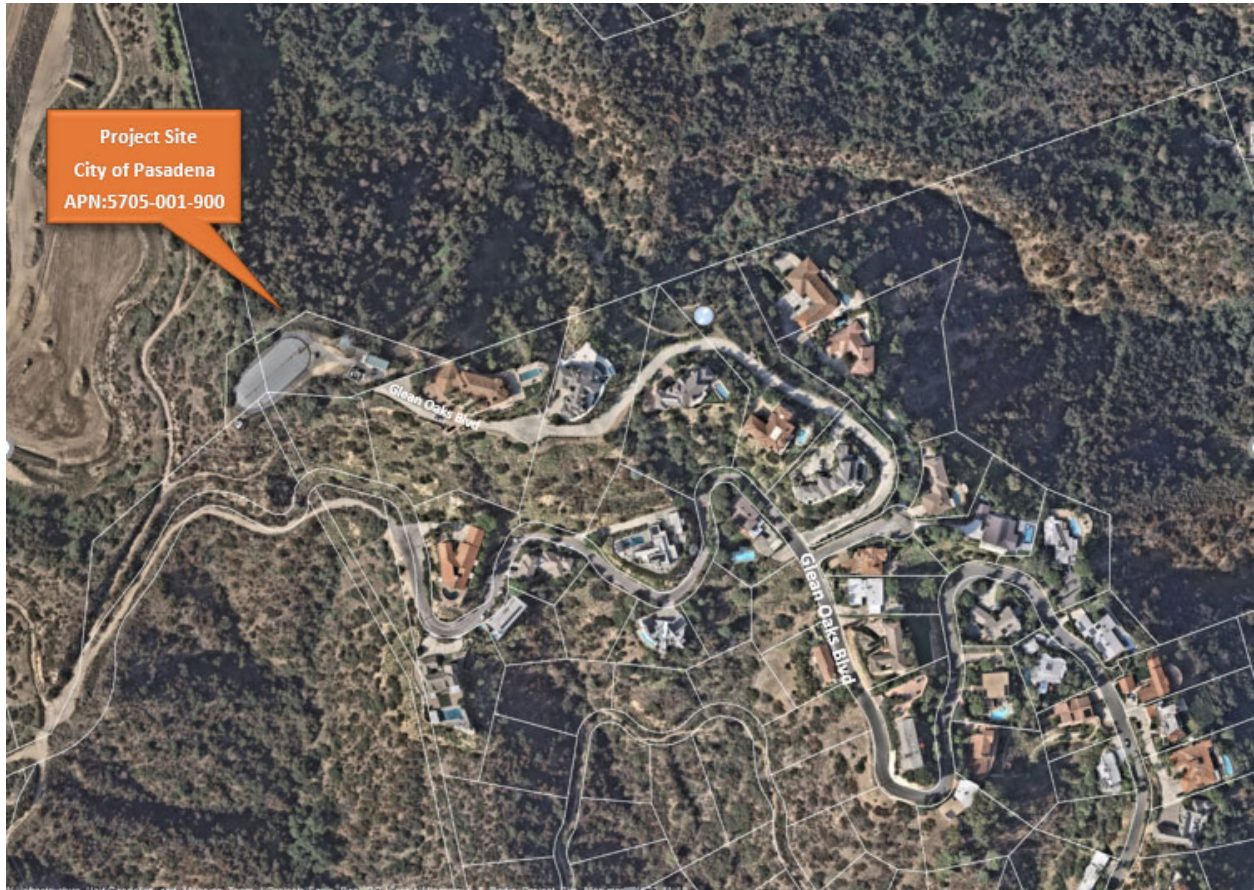
4/26/2024

Date

Attachment 1 – General Location Map

Ref# sri12691198

Attachment 1 - General Location Map



Finance and Asset Management Committee



The City of Pasadena Telecommunications License Agreement

Item 7-5

May 14, 2024

Overview of License Agreement

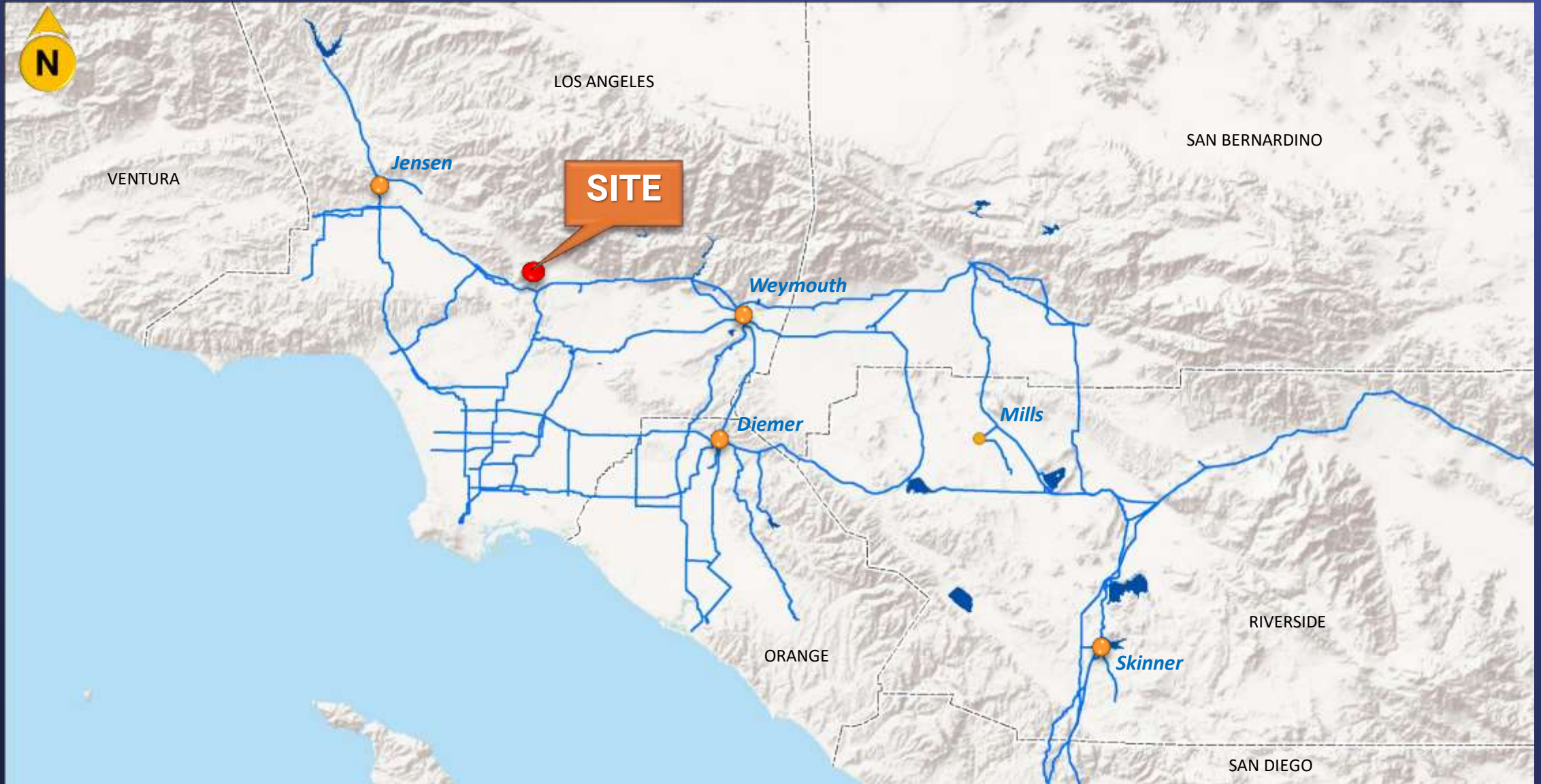
Subject

- Authorize the General Manager to execute a new telecommunications license agreement with the City of Pasadena.

Purpose

- To enhance the reliability of Metropolitan's wireless wide area networks (WAN) and local area networks (LAN).

Distribution System Map



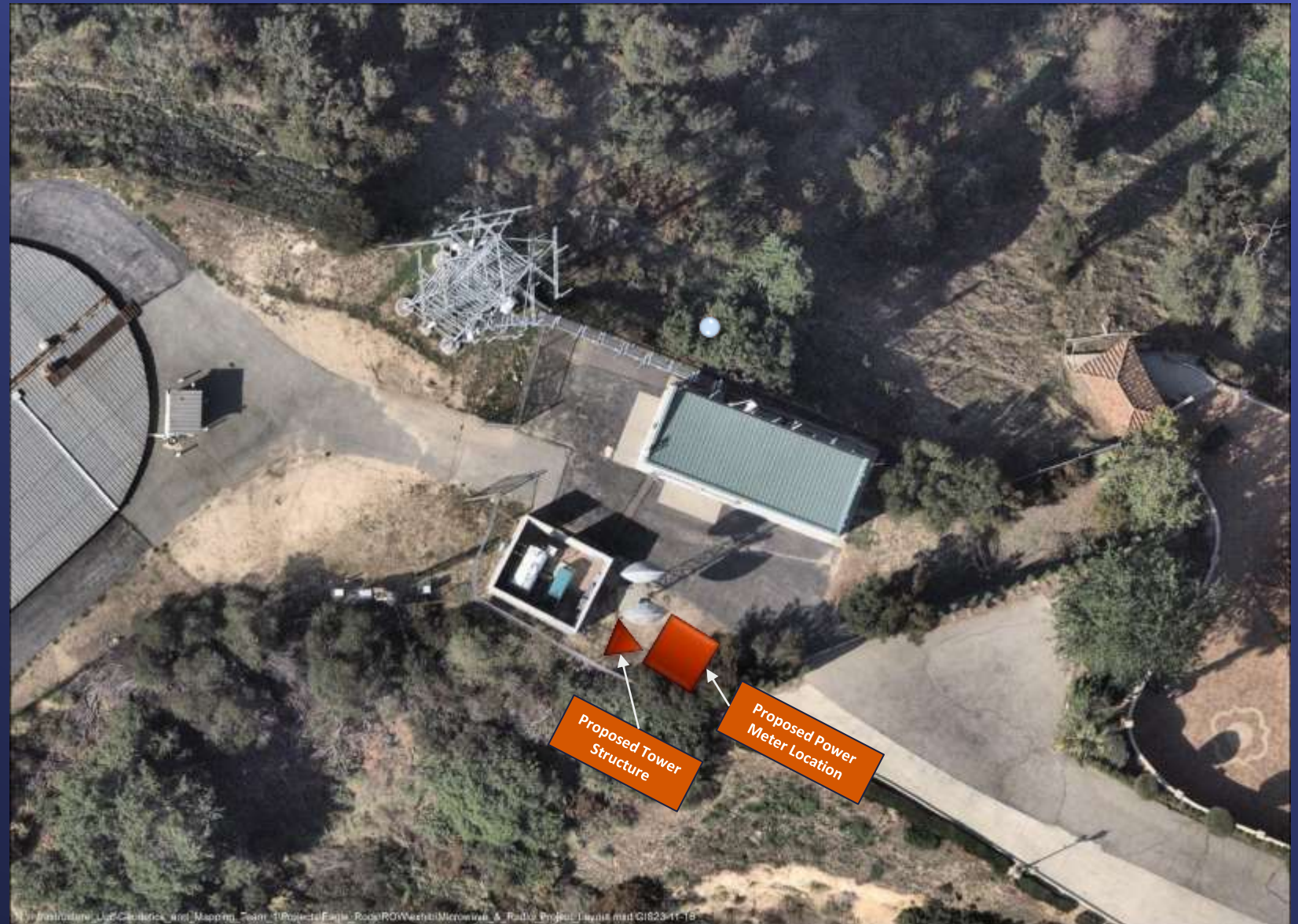
General Location Map



Site Map



Project Layout



Key Provisions

- 10-year base term with one, 10-year option to renew.
- Annual License fee of \$27,000
- Fixed License fee increases 3.5%
- Metropolitan will be responsible for the utilities and maintenance of site.

Board Options

Option No. 1

- Authorize the General Manager to enter into a new 10-year ground license agreement with the City of Pasadena.

Option No. 2

- Do not authorize the new ground license agreement.

Board Options

Staff Recommendation

- Option No. 1





- **Board of Directors**
Finance and Asset Management

5/14/2024 Board Meeting

7-7

Subject

Adopt a resolution declaring approximately 6,742 acres of Metropolitan-owned real property in the County of Riverside, located southwest of the City of Blythe, California, and commonly known as the Palo Verde Mesa, as exempt surplus land under the Surplus Land Act; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

Updates in recent years to the California Surplus Land Act (Government Code 54220, et seq.) require local public agencies like Metropolitan to declare in writing land that it may consider subjecting to certain types of long-term leases as either “surplus land” or “exempt surplus land (**Attachment 1**).” Metropolitan currently owns approximately 6,742 acres of non-irrigated land in Riverside County, which is often referred to as the Palo Verde Mesa. This land has historically been considered by Metropolitan as land best used for alternative energy generation and other uses that support Metropolitan water facilities and other improvements, operations, and agency activities.

The resolution (**Attachment 2**) before the Board memorializes in written form the land’s status as “exempt surplus land” that might be used in a manner that furthers Metropolitan’s agency uses and authorities under the Metropolitan Water District Act and makes other findings, as required by recent updates to the California Surplus Land Act. This resolution does not change long-standing Metropolitan plans and policies for the lands in question and merely presents such possible future uses in a written form required by recent Surplus Land Act provisions.

Proposed Action(s)/Recommendation(s) and Options

Staff Recommendation: Option 1

Option #1

Adopt a resolution declaring approximately 6,742 acres of Metropolitan-owned real property in the County of Riverside, located southwest of the City of Blythe, California, and commonly known as the Palo Verde Mesa, as exempt surplus land under the Surplus Land Act.

Fiscal Impact: No immediate change in current fiscal obligations to pay for ongoing land management and holdings costs. This is an administrative designation only and does not commit Metropolitan to any specific contractual or other obligations.

Business Analysis: This option is in alignment with Metropolitan’s Climate Action Plan.

Option #2

Do not adopt the resolution declaring the subject parcels as exempt surplus land under the Surplus Lands Act.

Fiscal Impact: Forgo future possible revenue opportunities or reduced energy costs to offset operating costs.

Business Analysis: Forgo future possible land utilization proposals that require actions under the Surplus Land Act.

Applicable Policy

Metropolitan Water District Administrative Code Section 8230: Grants of Real Property Interests.

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

By Minute Item 41222, dated January 10, 1995, the Board adopted a policy that Metropolitan continue to seek ways to increase the reliability of its Colorado River Aqueduct operations and supplies in order to operate that facility at capacity as much of the time as is feasible.

By Minute Item 42820, dated February 10, 1998, the Board approved the policy principle on a Colorado River Resources Strategy supporting Metropolitan's interests and increasing its dependable entitlements to Colorado River water, while collaborating with other California Colorado River agencies.

By Minute Item 48766, dated August 16, 2011, the Board adopted the proposed policy principles for managing Metropolitan's real property assets.

Metropolitan Water District of Southern California Climate Action Plan.

Related Board Action(s)/Future Action(s)

The resolution makes declarations and administrative findings under the Surplus Land Act and does not commit Metropolitan to any specific future contract or use of the subject lands. District approval of any actual, future use of the subject lands, such as for alternative energy generation and battery storage uses, would be subject to separate action.

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because it involves organizational, maintenance, or administrative activities; personnel-related actions; and/or general policy and procedure making that will not result in direct or indirect physical changes in the environment. (Public Resources Code Section 21065; State CEQA Guidelines Section 15378(b)(2) and (5).)

CEQA determination for Option #2:

None required



Details and Background

Background

Metropolitan acquired the approximately 6,742 acres making up the Palo Verde Mesa property, which is located 12 miles southwest of the City of Blythe, as part of its portfolio land purchase from the San Diego Gas & Electric Company in 2001. The land is not currently irrigated but does lie within the Palo Verde Irrigation District service area.

Metropolitan has historically earmarked this land for different possible agency uses, including renewable energy generation to support Metropolitan water-related facilities and other improvements and operations and the generation of revenue to support district functions. In May 2022, the Metropolitan Board of Directors also approved a Climate Action Plan, which established an organizational goal of carbon neutrality by 2045. Additionally, the California Renewables Portfolio Standard Program (SB 100) mandates that emissions from retail electricity be reduced over time. Consistent with these goals, Metropolitan is promoting the generation and procurement of carbon-free electricity consistent with its carbon neutrality goal. This strategy includes the promotion of low-carbon and carbon-free electricity in the marketplace and also combats climate change that threatens Metropolitan's water supply resiliency and water quality goals.

The current action would memorialize the historic land management designations and proposed agency uses of the land and the different Metropolitan policies applicable to it. This action is further intended to memorialize in a single document the different declarations and findings required by more recent changes to the Surplus Land Act.

 Elizabeth Crosson Chief Sustainability, Resilience and Innovation Officer	5/2/2024 Date
 Adel Hagekhalil General Manager	5/7/2024 Date

Attachment 1 – General Location Map

Attachment 2 – Resolution Declaring Palo Verde Mesa Exempt Surplus Land

Ref# sri12697967



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

RESOLUTION NO. _____

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
DECLARING APPROXIMATELY 6,742 ACRES OF METROPOLITAN-
OWNED REAL PROPERTY IN THE COUNTY OF RIVERSIDE,
LOCATED SOUTHWEST OF THE CITY OF BLYTHE, CALIFORNIA,
AND COMMONLY KNOWN AS THE PALO VERDE MESA, AS EXEMPT
SURPLUS LAND UNDER THE SURPLUS LAND ACT**

WHEREAS, the Metropolitan Water District of Southern California (“Metropolitan”) is the fee owner of approximately 6,742 acres of land in certain unincorporated portions of Riverside County and commonly referred to as the Palo Verde Mesa (Riverside County Assessor Parcel Nos. 879-230-001, 879-230-003; 879-230-005; 879-230-008; 879-230-010; 879-230-011; 879-230-012; 879-230-013; 879-230-014; 879-230-015; 879-230-016; 879-230-017; 879-230-018; 879-230-023; 879-230-024; 879-240-001; 879-240-002; 879-240-037; 879-240-038; 879-250-001; 879-250-008; 879-250-011; 879-250-013; 879-250-014; 879-261-019; 879-261-020; 879-261-021; 879-261-022) (referred to collectively herein as the “Properties”);

WHEREAS, Metropolitan is a metropolitan water district created under the authority of the Metropolitan Water District Act (California Statutes 1927, Chapter 429, as reenacted in 1969 as Chapter 209, as amended) (the “Act”) which authorizes Metropolitan amongst other things to: expand water conservation, water recycling, and groundwater recovery efforts in a sustainable, environmentally sound, and cost-effective manner; acquire water and water rights within or without the state; develop, store, and transport water; provide, sell, and deliver water at wholesale for municipal and domestic uses and purposes; and acquire, construct, operate, and maintain any and all works, facilities, improvements, and property necessary or convenient to the exercise of such powers;

WHEREAS, the Act further authorizes Metropolitan to provide, generate, and deliver electric power within or without the state of California for the purpose of developing, storing, and distributing water;

WHEREAS, Metropolitan in particular was founded and created in part to build and operate the 242-mile long Colorado River Aqueduct, made up of 150 miles of canals, siphons, conduit and pipelines and five pumping plants to lift water over mountains so that water deliveries can then flow west by gravity. Critical sections of this Colorado River Aqueduct infrastructure thus require the generation and use of electrical power;

WHEREAS, in May 2022, the Metropolitan Board of Directors approved a Climate Action Plan, which established an organizational goal of carbon neutrality by 2045, and Metropolitan also purchases electricity from a California power marketplace which, under the California Renewables Portfolio Standard Program (SB 100), is subject to a 2045 goal of powering all retail electricity sold in California and state agency electricity needs with renewable and zero-carbon resources;

WHEREAS, the leasing or long-term commitment of the Properties for carbon-free energy and battery storage uses would potentially help Metropolitan meet its carbon neutrality goals and also increase the availability of low-carbon and carbon-free electricity in the marketplace for Metropolitan use for Metropolitan water facilities and other improvements and operations, as authorized in the Act and set forth in Metropolitan's Climate Action Plan, and also combat climate change and address adverse power conditions near Metropolitan facilities and systems;

WHEREAS, the leasing of the lands for the purposes identified herein would also further Metropolitan's stated mission to operate and power its water facilities and other improvements and operations in a sustainable, environmentally sound, and cost-effective manner, as expressed in the following actions: (1) By Minute Item 41222, dated January 10, 1995, the Board adopted a policy that Metropolitan continue to seek ways to increase the reliability of its Colorado River Aqueduct operations and supplies in order to operate that facility at capacity as much of the time as is feasible; (2) By Minute Item 42820, dated February 10, 1998, the Board approved the policy principle on a Colorado River Resources Strategy supporting Metropolitan's interests and increasing its dependable entitlements to Colorado River water, while collaborating with other California Colorado River agencies; and (3) By Minute Item 48766, dated August 16, 2011, the Board adopted policy principles for managing Metropolitan's real property assets;

WHEREAS, pursuant to Section 54221(b)(1) of the Surplus Land Act (California Government Code Sections 54220 – 54234) and the Surplus Land Act Guidelines of the California Department of Housing and Community Development, the Board of Directors of Metropolitan (the "Board") must declare the Properties to be "surplus land" or "exempt surplus land" before Metropolitan may take any action to dispose of the Properties, whether by sale or certain types of long-term leases;

WHEREAS, Government Code Section 54221(f)(1)(J) defines "exempt surplus land" to include real property that is used by a district for agency's use expressly authorized in Government Code Section 54221(c); and

WHEREAS, Section 54221(c)(1) of the Government Code provides that "agency's use" may also include commercial or industrial uses or activities, including nongovernmental retail, entertainment, or office development, or be for the sole purpose of investment or generation of revenue if the agency's governing body takes action in a public meeting declaring that the use of the site will directly further the express purpose of agency work or operations.

NOW, THEREFORE, the Board of Directors of The Metropolitan Water District of Southern California does hereby resolve, determine, and order as follows:

Section 1. Recitals. The recitals set forth above are true and correct and are incorporated into this Resolution by this reference and are made a part of the official findings of the Board of Directors.

Section 2. Board Findings. The Properties are “exempt surplus land” pursuant to California Government Code Section 54221(f)(1)(J) and 54221(c)(1) because the long-term lease and use of the Properties for carbon-free energy generation and energy storage would constitute an “agency use” for purposes of the Surplus Land Act, under the grounds set forth in the recitals of this Resolution and the board letter accompanying this Resolution and for the following additional reasons: (a) the Board further finds and declares that the leasing or use of the Properties for carbon-free energy generation and storage would further Metropolitan’s stated mission to operate and power its water facilities and other improvements and operations in a sustainable, environmentally sound, and cost-effective manner; and (b) the Properties would be used to generate offsetting lease revenues that will directly further the express purpose of agency work or operations of water conveyance, treatment and distribution through the use of revenues therefrom for water district operations and maintenance and capital programs.

Section 3. Staff Authorizations. Metropolitan staff is hereby authorized to provide the Department of Housing and Community Development (“HCD”) all necessary documentation and to take such actions as deemed necessary or proper to effectuate the purposes of this Resolution.

I HEREBY CERTIFY, that the foregoing is a full, true and correct copy of a Resolution adopted by the Board of Directors of The Metropolitan Water District of Southern California, at its meeting held on May 14, 2024.

Secretary of the Board of Directors
of The Metropolitan Water District
of Southern California



- **Board of Directors**
Finance and Asset Management Committee

5/14/2024 Board Meeting

7-8

Subject

Authorize the waiver of a \$1,052.52 late fee incurred by the U.S. Bureau of Reclamation regarding its payments to Metropolitan for exchanging water under the Agreement Relating to Supplemental Water Among the Metropolitan Water District of Southern California, the San Luis Rey Settlement Parties, and the United States; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

As part of the settlement of the San Luis Rey Indians' water rights claim, the U.S. Bureau of Reclamation (Reclamation) agreed to pay Metropolitan for delivery of approximately 16,000 acre-feet per year of supplemental water supplies to facilitate an exchange of Metropolitan water supplies for the San Luis Rey Settlement Parties, which includes the San Luis Rey Indians. Metropolitan, Reclamation, and the Settlement Parties entered into an Agreement Relating to Supplemental Water in 2003 to facilitate this exchange under which Reclamation provides approximately 16,000 acre-feet of water per year to Metropolitan and Metropolitan provides an equal amount for use by the Settlement Parties. Reclamation agreed to pay Metropolitan for delivery of the water in compliance with Metropolitan's billing and payment provisions, set forth in Sections 4507 and 4508 of Metropolitan's Administrative Code. For the first time since 2003, Reclamation's payment on the January 2024 invoice was late. Reclamation explained it had inadvertently paid the February 2024 invoice, and when it realized the January one was unpaid, it immediately wired the money. Payment was received 12 days late. Section 4508 imposes a two percent late fee for delinquent payments that may not be waived without Metropolitan Board approval. For the January 2024 invoice, a late fee of \$1,052.52 was assessed. Staff recommends waiving the late fee because it was inadvertent, unprecedented, and immediately corrected.

Proposed Action(s)/Recommendation(s) and Options

Staff Recommendation: Option #1

Option #1

Authorize the waiver of a \$1,052.52 late fee incurred by the U.S. Bureau of Reclamation regarding its payments to Metropolitan for exchanging water under the Agreement Relating to Supplemental Water Among the Metropolitan Water District of Southern California, the San Luis Rey Settlement Parties, and the United States.

Fiscal Impact: Forego a \$1,052.52 late fee

Business Analysis: Reclamation's request for waiver of the late fee is reasonable

Option #2

Do not authorize the waiver of a \$1,052.52 late fee incurred by Reclamation.

Fiscal Impact: \$1,052.52

Business Analysis: Strict enforcement of the late fee

Alternatives Considered

Same as the options above

Applicable Policy

Metropolitan Water District Administrative Code Section 4508: Additional Payment and Reporting in the Event of Delinquency in Payment for Water

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

Related Board Action(s)/Future Action(s)

None

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because it will not result in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment. (State CEQA Guidelines Section 15378(a)).

CEQA determination for Option #2:

None required

Details and Background

Congress approved the San Luis Rey Indian Water Rights Settlement Act in 1988, settling litigation brought by the San Luis Rey Indians in 1969 to claims to reserved tribal water rights from the San Luis Rey River in San Diego County. With the litigation, the tribes sought to quantify and secure their water rights. The process took decades to complete with a final settlement agreement signed in 2012.

As part of the settlement, Reclamation agreed to pay Metropolitan for delivery of approximately 16,000 acre-feet per year of supplemental water supplies to facilitate an exchange of Metropolitan water supplies for the San Luis Rey Settlement Parties, which includes the San Luis Rey Indians. Metropolitan, Reclamation, and the Settlement Parties entered into an Agreement Relating to Supplemental Water in 2003 to facilitate this exchange under which Reclamation provides approximately 16,000 acre-feet of water per year to Metropolitan and Metropolitan provides an equal amount for use by the Settlement Parties. In paragraph 6(e) of the Agreement, Reclamation agreed to pay Metropolitan for delivery of the water in compliance with Metropolitan's billing and payment provisions, set forth in Sections 4507 and 4508 of Metropolitan's Administrative Code.

For the first time since 2003, Reclamation's payment on the January 2024 Invoice No. 11397 was late. Reclamation explained it had inadvertently paid the February 2024 invoice, and when it realized the January payment was unpaid, it immediately wired the money. Due on March 28, 2024, payment was not received until April 9, 2024—12 days late.

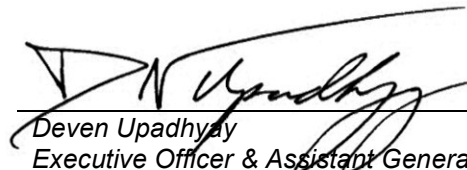
Section 4508 imposes a two percent late fee for delinquent payments that may not be waived without Metropolitan Board approval. Section 4508 provides:

§ 4508. Additional Payment and Reporting in the Event of Delinquency in Payment for Water.

In the event any member public agency shall be delinquent in the payment for water delivered and other charges as invoiced by the District, an additional charge equal to two (2) percent of such delinquent payment for each month or portion thereof that such payment remains delinquent shall be assessed, and the member public agency shall pay such charge to the District in addition to the amount of such delinquent payment. Notwithstanding the above, if the total period of delinquency does not exceed five (5)

business days, the additional charge shall be equal to one (1) percent of such delinquent payment. Invoices for delinquencies including additional charges shall be mailed not later than the tenth day of each month. In the event any member public agency shall be delinquent for more than thirty (30) days in the payment for water, such delinquency shall be reported by the General Manager to the Board of Directors of the District at its next meeting. The Board, in its discretion and upon such other conditions as it may prescribe after giving the member public agency a reasonable opportunity to be heard, may order the termination of service to such member public agency until all delinquent payments, including additional charges, are made to the District or may authorize such other actions as may be legally available to effectuate collection.

For the January 2024 invoice, a late fee of \$1,052.52 was assessed and sent to Reclamation in Invoice No. 49629. Staff recommends waiving the late fee because it was inadvertent, unprecedented, and immediately corrected.



Deven Upadhyay
Executive Officer & Assistant General
Manager

5/8/2024
Date



Adel Hagekhalil
General Manager

5/8/2024
Date

Ref# I12695467



Finance and Asset Management Committee

Authorize waiver of late fee incurred by U.S. Bureau of Reclamation

Item 7-8

May 14, 2024

Introduction

Subject

Authorize the waiver of a \$1,052.52 late fee incurred by the U.S. Bureau of Reclamation regarding its payments to Metropolitan for exchanging water under the Agreement Relating to Supplemental Water Among the Metropolitan Water District of Southern California, the San Luis Rey Settlement Parties, and the United States

Introduction

Purpose

Waive \$1,052.52 late fee incurred by the U.S. Bureau of Reclamation

Recommendation and Fiscal Impact

Waive and forego \$1,052.52 late fee

Budgeted Not applicable

Presentation Length 5 minutes

Background

- U.S. Bureau of Reclamation (USBR) agreed as part of San Luis Rey Indian water rights settlement to exchange deliveries of water with Metropolitan on behalf of the Settlement Parties
- Agreement incorporates Metropolitan Administrative Code Sections 4507 and 4508 regarding payment for the cost of water deliveries
- Section 4508 requires a two percent late fee that may only be waived by the Board

Request to waive late fee

- USBR January 2024 payment was 12 days late due to mistake
- Late fee of \$1,052.52 was assessed
- USBR requested waiver of late fee
- Staff recommends waiver because late payment was inadvertent, unprecedented, and immediately corrected

Board Options

- **Option #1**

Authorize the waiver of a \$1,052.52 late fee incurred by the U.S. Bureau of Reclamation regarding its payments to Metropolitan for exchanging water under the Agreement Relating to Supplemental Water Among the Metropolitan Water District of Southern California, the San Luis Rey Settlement Parties, and the United States

- **Option #2**

Do not authorize the waiver of a \$1,052.52 late fee incurred by Reclamation

Staff Recommendation

- **Option #1**

Authorize the waiver of a \$1,052.52 late fee incurred by the U.S. Bureau of Reclamation regarding its payments to Metropolitan for exchanging water under the Agreement Relating to Supplemental Water Among the Metropolitan Water District of Southern California, the San Luis Rey Settlement Parties, and the United States





- **Board of Directors**
Finance and Asset Management Committee

5/14/2024 Board Meeting

8-2

Subject

Adopt resolution to continue Metropolitan's Water Standby Charge for fiscal year 2024/25; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

This action continues the Standby Charge at a rate ranging from \$0.66 to \$14.20 per year for each acre or parcel (if less than an acre) of nonexempt real property within the service area of member agencies that have elected since fiscal year (FY) 1993/94 to pay all or a portion of their Readiness-to-Serve (RTS) Charge obligation through the Standby Charge. The Standby Charge has been collected for those agencies at rates that do not exceed the rates set in FY 1993/94. Continuance of the Standby Charge generates funds that are applied against the participating member agencies' RTS Charge obligation.

Proposed Action(s)/Recommendation(s) and Options

Staff Recommendation: Option #1

Option #1

Adopt the resolution to continue the Standby Charge for fiscal year 2024/25.

Fiscal Impact: None for Metropolitan, because the Standby Charge revenue of \$44.0 million (approximately) would be applied towards the RTS Charge obligation of the participating member agencies. Any RTS Charge obligation not met by the Standby Charge will be due to Metropolitan pursuant to the agencies' RTS Charge obligation.

Business Analysis: This option involves the collection of charges that result in fixed revenues of \$44.0 million (approximately) to pay all or a portion of the RTS Charge of participating member agencies, which is done at the prior option of the participating member agencies.

Option #2

Do not adopt the resolution to continue the Standby Charge for fiscal year 2024/25, which would require the participating member agencies to pay the full RTS Charge directly to Metropolitan, rather than having a portion collected through the Standby Charge.

Fiscal Impact: None for Metropolitan, because member agencies would pay the full RTS Charge directly to Metropolitan, including the \$44.0 million (approximately) that would have been collected in FY 2024/25 through the continuation of the Standby Charge.

Business Analysis: This option would require the collection of \$44.0 million (approximately) not approved to be collected through the Standby Charge to be collected through the full RTS Charge.

Alternatives Considered

Not applicable

Applicable Policy

Metropolitan Water District Act Section 61: Ordinances, Resolutions and Orders

Metropolitan Water District Act Section 133: Fixing of Water Rates

Metropolitan Water District Act Section 134: Adequacy of Water Rates; Uniformity of Rates

Metropolitan Water District Act Section 134.5: Water Standby or Availability of Service Charge

Metropolitan Water District Administrative Code Section 4301(a): Cost of Service and Revenue Requirement

Metropolitan Water District Administrative Code Section 4304: Apportionment of Revenues and Setting of Water Rates

Metropolitan Water District Administrative Code Section 4305: Setting of Charges to Raise Fixed Revenue

Metropolitan Water District Administrative Code Section 4507: Billing and Payment for Water Deliveries

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

Related Board Action(s)/Future Action(s)

By Minute Item 53217, dated April 11, 2023, the Board adopted the resolution fixing and adopting a Readiness-to-Serve Charge for CY 2024.

By Minute Item 8-7, dated April 9, 2024, the Board adopted the resolution fixing and adopting a Readiness-to-Serve Charge for CY 2025.

Summary of Outreach Completed

Not applicable

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because it involves the creation of government funding mechanisms or other government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment. (State CEQA Guidelines Section 15378(b)(4)).

CEQA determination for Option #2:

None required

Details and Background

Background


On April 11, 2023, Metropolitan's Board of Directors adopted Resolution 9341, fixing and adopting the RTS Charge for the calendar year (CY) 2024. On April 9, 2024, the Board adopted Resolution 8-7, fixing and adopting the RTS Charge for CY 2025. The proposed resolution (**Attachment 1**) provides participating member agencies the ability to continue having a portion of their RTS Charge collected by the Standby Charge within their respective service areas for FY 2024/25, which covers a portion of each of the calendar year (CYs) 2024 and 2025. **Attachment 1** is a form of resolution that, if adopted by the Board, will continue the Standby Charge for FY 2024/25.

The amount of the Standby Charge, per acre or per parcel (if less than an acre), within each of the participating member agencies, has not exceeded the rates set in FY 1993/94 and has been collected within the service areas of 22 of Metropolitan's 26 member agencies that had elected to pay all or a portion of their respective RTS Charge through the Standby Charge since then. Metropolitan proposes to continue the Standby Charge for the

coming fiscal year at rates not exceeding the rates set in FY 1993/94, and therefore, no additional statutory procedures are required for approval.

The resolution also authorizes the General Manager to act upon applications for exemption of certain lands from the collection of the Standby Charge in accordance with the terms and conditions for exemption specified in the resolution. In addition, the resolution provides for an appeal process to review and make recommendations to the Board on appeals by property owners who have been denied the exemption, with final determinations to be made by the Board. The exemption criteria are the same as those adopted for prior years and will be subject to specific guidelines set by the General Manager.

Funds collected from the proposed continuation of the Standby Charge will be segregated to ensure that they are used only for the purposes for which the Standby Charge was collected. **Attachment 2** is the Notice to Member Agencies of Proposed Adoption of Readiness-to-Serve Charge and Capacity Charge for Calendar Year 2025 and Continuation of Standby Charge for Fiscal Year 2024/25, sent to member agencies via email on February 12, 2024.


 _____ 5/6/2024
 Katano Kasaine Date
 Assistant General Manager/
 Chief Financial Officer


 _____ 5/7/2024
 Adel Hagekhalil Date
 General Manager

Attachment 1 – Resolution of The Board of Directors of The Metropolitan Water District of Southern California Continuing the Water Standby Charge for Fiscal Year 2024/25

Attachment 2 – Notice to Member Agencies of Proposed Adoption of Readiness-to-Serve Charge and Capacity Charge for Calendar Year 2025 and Continuation of Standby Charge for Fiscal Year 2024/25

Ref# cfo12693289

THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

RESOLUTION XXXX

**RESOLUTION OF THE BOARD OF DIRECTORS
OF THE METROPOLITAN WATER DISTRICT OF
SOUTHERN CALIFORNIA CONTINUING THE
WATER STANDBY CHARGE FOR FISCAL YEAR
2024/25**

The Board of Directors of the Metropolitan Water District of Southern California (the “Board”), hereby finds that:

1. At its meeting on April 11, 2023, the Board adopted Resolution 9341 “Resolution of the Board of Directors of The Metropolitan Water District of Southern California Fixing and Adopting a Readiness-to-Serve Charge Effective January 1, 2024;”
2. At its meeting on April 9, 2024, the Board adopted Resolution 9354 “Resolution of the Board of Directors of The Metropolitan Water District of Southern California Fixing and Adopting a Readiness- to-Serve-Charge Effective January 1, 2025;”
3. Certain member public agencies (“member agencies”) of Metropolitan have previously elected to pay all or a portion of their Readiness-to-Serve (“RTS”) Charge obligation through the continuance of the Metropolitan water standby charge (“Standby Charge”) collected from parcels within those member agencies;
4. Metropolitan is willing to comply with the requests of those member agencies opting to have Metropolitan continue to collect the Standby Charge within their respective territories, on the terms and subject to the conditions contained herein;
5. Section 134.5 of the Metropolitan Water District Act authorizes the Board to collect a service charge from member agencies or, as an alternative, to collect a service charge as a standby charge against individual parcels within the district;
6. Metropolitan first established the Standby Charge in 1992, pursuant to the procedures authorized by Section 134.5 of the Metropolitan Water District Act and the Uniform Standby Charge Procedures Act (“USCPA”), Sections 54984-54984.9, inclusive, of the Government Code;
7. The Standby Charge has not exceeded the rates set in fiscal year 1993/94, and in fiscal year 1995/96 was reduced to \$0.00 for the member agencies electing not to have any portion of their RTS Charge obligation collected through the Standby Charge;
8. The Standby Charge is not subject to the procedures set forth in Article XIII D, Section 4 of the California Constitution effective July 1, 1997 (Proposition 218), as the Standby Charge has not exceeded the rates set in fiscal year 1993/94, has not exceeded the amount of the Standby Charge existing in fiscal year 1996/97 when Proposition 218 became effective, and the proceeds of the Standby Charge are used for purposes specified in Section 5 of Article XIII D; and
9. The particular charge, per acre or per parcel, applicable to land within each member agency, the method of its calculation, and the specific data used in its determination are as specified in the Engineer’s Report dated April 2024, supporting the RTS Charge and Standby Charge option (the “Engineer’s Report”), which is attached hereto and on file with the Board Executive Secretary of Metropolitan; and
10. Written notice of the intention of Metropolitan’s Board to consider and take action at its regular meeting of May 14, 2024, to continue the Standby Charge for fiscal year 2024/25 was given to each of

Metropolitan's member agencies.

NOW THEREFORE, the Board of Directors of The Metropolitan Water District of Southern California does hereby resolve, determine and order as follows:

Section 1. That the Board of Directors of Metropolitan, pursuant to the Engineer's Report, finds that lands within Metropolitan are benefited as described in such report and on that basis, hereby continues its Standby Charge for fiscal year 2024/25 on lands within requesting member agencies of Metropolitan to which the water system is made available for any purpose, whether water is actually used or not, as specified in the Engineer's Report.

Section 2. That the rates of such Standby Charge, per acre of land, or per parcel of land less than an acre, as shown in the Engineer's Report, may vary by member agency, and shall not exceed the amount of the fiscal year 1996/97 Standby Charge for the member agency. The Standby Charge applicable to each electing member agency, the method of its calculation, and the specific data used in its determination are as specified in the Engineer's Report which was prepared by a registered professional engineer certified by the state of California, water resources professional, and financial professional, which methodology is in accordance with Section 134.5 of the Metropolitan Water District Act and reflects the range of costs provided in Metropolitan's Fiscal Years 2024/25 and 2025/26 Cost of Service Report for Proposed Rates and Charges.

Section 3. That the Standby Charge, per acre of land, or per parcel of land less than an acre, applicable to land within each electing member agency as allocated in the Engineer's Report shall be as follows for fiscal year 2024/25:

2024/25 Water Standby Charge

<u>Member Agency</u>	<u>Amount</u>
Anaheim	\$8.55
Beverly Hills	---
Burbank	14.20
Calleguas MWD	9.58
Central Basin MWD	10.44
Inland Empire Utilities Agency	7.59
Coastal MWD*	11.60
Compton	0.66
Eastern MWD ***	6.94
Foothill MWD	10.28
Fullerton	10.71
Glendale	12.23
Las Virgenes MWD	8.03
Long Beach	12.16
Los Angeles	---
MWD of Orange Co.**	10.09
Pasadena	11.73
San Diego CWA ***	11.51
San Fernando	0.00
San Marino	8.24
Santa Ana	7.88
Santa Monica	---
Three Valleys MWD	12.21
Torrance	12.23
Upper San Gabriel Valley MWD	9.27
West Basin MWD	--
Western MWD of Riverside Co.	9.23

* Applicable to parcels included within territory of former Coastal MWD.

** Exclusive of parcels included within territory of former Coastal MWD.

*** Includes reorganization of Fallbrook Public Utility District parcels out from San Diego County Water Authority to Eastern MWD.

Section 4. That the Standby Charge shall continue to be collected on the tax rolls, together with the *ad valorem* property taxes that are levied by Metropolitan for the payment of pre-1978 voter approved indebtedness. The amounts of the Standby Charge are continued at amounts that are not estimated to exceed a member agency's RTS Charge obligation. However, any amounts collected shall be applied as a credit against the applicable member agency's RTS Charge obligation. After such member agency's RTS Charge allocation is fully satisfied, any additional collections shall be credited to other outstanding obligations of such member agency to Metropolitan that funds the capital costs or maintenance and operation expenses for Metropolitan's water system, or future RTS Charge obligations of such agency. Any member agency requesting to have all or a portion of its RTS Charge obligation collected through the Standby Charge levies within its territory as provided herein shall pay any portion not collected through net Standby Charge collections to Metropolitan within fifty (50) days after Metropolitan issues an invoice for the remaining RTS Charge obligations for such member agency, as provided in Administrative Code Section 4507.

Section 5. That the following exemption procedures apply:

(a) It is the intent of the Board that the following lands shall be exempt from the Standby Charge:

(1) lands owned by the Government of the United States, the state of California, or by any political subdivision thereof or any entity of local government; (2) lands permanently committed to open space and maintained in their natural state that are not now and will not in the future be supplied water; (3) lands not included in (1) or (2) above, which the General Manager, in his discretion, finds do not now and cannot reasonably be expected to derive a benefit from the projects to which the proceeds of the Standby Charge will be applied; and (4) lands within any member public agency, subagency, or city if the governing body of such public entity elects and commits to pay out of funds available for that purpose, in installments at the time and in the amounts established by Metropolitan, the entire amount of the Standby Charge which would otherwise be collected from lands within those public entities. However, no exemption from the Standby Charge shall reduce the applicable member agency's RTS Charge obligation. The General Manager may develop and implement additional criteria and guidelines for exemptions in order to effectuate the intent expressed herein.

(b) The General Manager shall establish and make available to interested applicants procedures for filing and consideration of applications for exemption from the Standby Charge pursuant to subsections (2) and (3) of Section 5(a) above. All applications for such exemption and documents supporting such claims must be received by Metropolitan in writing on or before December 31, 2024. The General Manager is further directed to review any such applications for exemption submitted in a timely manner to determine whether the lands to which they pertain are eligible for such exemption and to allow or disallow such applications based upon those guidelines. The General Manager shall also establish reasonable procedures for the filing and timing of the appeals from his determination. The procedures will be on file and available for review by interested parties at Metropolitan's headquarters.

(c) The Finance and Asset Management Committee of Metropolitan's Board of Directors shall hear appeals from determinations by the General Manager to deny or qualify an application for exemption from the Standby Charge. The Finance and Asset Management Committee shall consider such appeals and make recommendations to the Board to affirm or reverse the General Manager's determinations. The Board shall act upon such recommendations and its decision as to such appeals shall be final.

Section 6. That no exemption from the Standby Charge shall reduce the applicable member agency's RTS Charge obligation, nor shall any failure to collect, or any delay in collecting, any Standby Charge excuse or delay

payment of any portion of the RTS Charge when due.

Section 7. That the RTS Charge is collected by Metropolitan as a rate, fee or charge from its member agencies, and is not a fee or charge imposed upon real property or upon persons as incidents of property ownership, and the Standby Charge is collected within the respective territories of electing member agencies as a mechanism for collection of the RTS Charge. In the event that the Standby Charge, any portion thereof, or the collection of the Standby Charge, is determined to be an unauthorized or invalid fee, charge or assessment by a final judgment in any proceeding at law or in equity, which judgment is not subject to appeal, or if the collection of the Standby Charge shall be permanently enjoined and appeals of such injunction have been declined or exhausted, or if Metropolitan shall determine to rescind or revoke the Standby Charge, then no further Standby Charge shall be collected within any member agency and each member agency which has requested the continuation of the Metropolitan Standby Charge as a means of collecting its RTS Charge obligation shall pay such RTS Charge obligation in full, as if such Standby Charge had never been sought.

Section 8. That the General Manager is hereby authorized and directed to take all necessary action to secure the collection of the Standby Charge by the appropriate county officials, including payment of the reasonable cost of collection.

Section 9. That the General Manager and the General Counsel are hereby authorized to do all things necessary and desirable to accomplish the purposes of this Resolution, including, without limitation, the commencement or defense of litigation.

Section 10. That if any provision of this Resolution or the application to any member agency, property or person whatsoever is held invalid, that invalidity shall not affect other provisions or applications of this Resolution which can be given effect without the invalid portion or application, and to that end the provisions of this Resolution are severable.

I HEREBY CERTIFY that the foregoing is a full, true and correct copy of a Resolution adopted by the Board of Directors of The Metropolitan Water District of Southern California, at its meeting held on May 14, 2024.

Secretary of the Board of Directors
of The Metropolitan Water District
of Southern California

NOTICE TO MEMBER AGENCIES OF PUBLIC HEARING FOR PROPOSED RATES FOR CALENDAR YEARS 2025 AND 2026, AND CHARGES FOR CALENDAR YEAR 2025, TO MEET THE REVENUE REQUIREMENTS FOR FISCAL YEARS 2024/25 AND 2025/26

Notice is hereby given to each member public agency of The Metropolitan Water District of Southern California (“Metropolitan”) that at its regular meeting to be held March 12, 2024 (or such other date as the Board shall hold its regular meeting in such month), Metropolitan’s Finance, Audit Insurance, and Real Property (“FAIRP”) Committee will hold a public hearing at 12:00 p.m. in the Board Room of Metropolitan’s headquarters building at 700 North Alameda Street, Los Angeles, California before Metropolitan’s Board of Directors, at which interested parties may present their views regarding the proposed rates for Calendar Years (“CY”) 2025 and 2026, and charges for CY 2025, to meet the revenue requirements for Fiscal Years (“FY”) 2024/25 and 2025/26.

Notice is hereby given to each member public agency of Metropolitan that at its regular meeting to be held April 9, 2024 (or such other date as the Board shall hold its regular meeting in such month), Metropolitan’s Board of Directors will consider whether to adopt its water rates for Calendar Years 2025 and 2026, and charges for CY 2025, including the readiness-to-serve charge and capacity charge, to meet the revenue requirements for FYs 2024/25 and 2025/26.

The schedule for presentation of the proposed FYs 2024/25 and 2025/26 Biennial Budget and proposed rates and charges effective January 1, 2025 and January 1, 2026 to meet the revenue requirements for FY 2024/25 and 2025/26 is as follows:

FAIRP Committee: present FY 2024/25 and 2025/26 Biennial Budget, and water rates and charges; hold Workshop #1	February 12, 2024
FAIRP Committee: Workshop #2	February 27, 2024
FAIRP Committee: Workshop #3	March 12, 2024
Public Hearing on proposed water rates and charges	March 12, 2024
FAIRP Committee: Workshop #4, if needed	March 26, 2024
FAIRP Committee: Recommended Biennial Budget and Calendar Year	April 8, 2024
Board Action regarding Biennial Budget and Calendar Year rates and charges	April 9, 2024

The Board reserves the right to make changes to any of these rates and charges as a result of comments received at the public hearing.

Notice is also hereby given to each member public agency of Metropolitan that at its regular meeting to be held May 13, 2024 (or such other date as the Board shall hold its regular meeting in such month), the Board will consider whether to adopt the General Manager’s recommendation to continue Metropolitan’s water standby charge for fiscal year 2024/25 under authority of Section 134.5 of the

Metropolitan Water District Act on land within Metropolitan at the same rates, per acre of land, or per parcel of land less than an acre, as presently in effect.

Any such water standby charge will be continued as a means of collecting the readiness-to-serve charge.

Information about the proposed FYs 2024/25 and 2025/26 Biennial Budget and proposed rates and charges effective January 1, 2025 and January 1, 2026 to meet the revenue requirements for FYs 2024/25 and 2025/26 is available at www.mwdh2o.com and may also be requested from the Board Executive Secretary at (213) 217- 6291.

Dated: February 12, 2024



Katano Kasaine
Assistant General Manager/Treasurer/Chief Financial Officer

PROOF OF SERVICE

STATE OF CALIFORNIA)
) ss.
 COUNTY OF LOS ANGELES)

I am employed in the County of Los Angeles, State of California. I am over the age of 18 years and am employed by The Metropolitan Water District of Southern California; my business address is 700 North Alameda Street, Los Angeles, California 90012.

On February 12, 2024, I served the foregoing document described as:

NOTICE TO MEMBER AGENCIES OF PUBLIC HEARING FOR PROPOSED RATES FOR CALENDAR YEARS 2025 AND 2026, AND CHARGES FOR CALENDAR YEAR 2025, TO MEET THE REVENUE REQUIREMENTS FOR FISCAL YEARS 2024/25 AND 2025/26

on the Metropolitan member public agencies via electronic mail (email) to the following email addresses:

cobegolu@glendaleca.gov; chris.garner@lbwater.org; Martin.adams@ladwp.com;
cbilezerian@torranceca.gov; cparker@anaheim.net; cmiller@wmwd.com;
ddenham@sdewa.org; dpedersen@lvmwd.com; edwardc@westbasin.org;
garry.hofer@amwater.com; hdelatorre@mwdoc.com; mouawadj@emwd.org;
kmccaffrey@calleguas.com; mlitchfield@tvmwd.com; nsaba@santa-ana.org; nina.jaz@fmwd.com; PEskandar@cityofSanMarino.org;
rwilson@burbankca.gov; sepstein@beverlyhills.org; sdeshmukh@ieua.org;
sjackson@cityofpasadena.net; Stephen.Bise@cityoffullerton.com;
sunny.wang@smgov.net; tom@usgvmwd.org; vmeza@comptoncity.org;
vponto@bwslaw.com; wjohnson@sfcity.org

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct. Executed on February 12, 2024, at Los Angeles, California.

Mya Ros

 Mya Ros



Finance and Asset Management Committee

Water Standby Charge for Fiscal Year 2024/25

Item 8-2

May 14, 2024

Item 8-2

Water Standby Charge for Fiscal Year 2024/25

Subject

Adopt resolution to continue Metropolitan's Water Standby Charge for fiscal year 2024/25

Purpose

Adopt resolution to continue Metropolitan's Water Standby Charge for fiscal year 2024/25

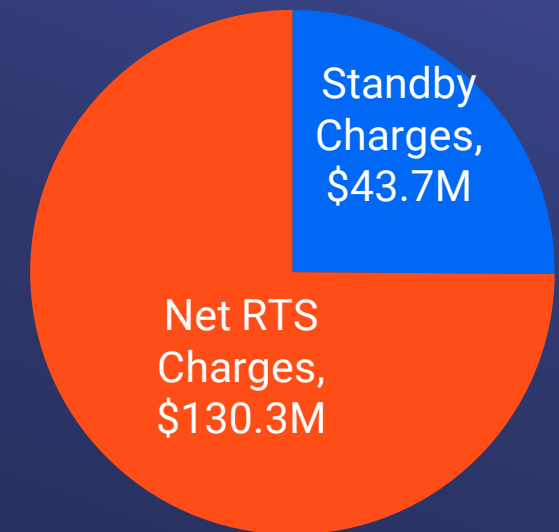
Next Steps

None

Standby Charge Background

- Section 134.5 of the Metropolitan Water District Act authorizes the Board to collect a service charge from member agencies or, as an alternative, to collect a service charge as a standby charge against individual parcels within the district
- Since FY 1993/94, 22 member agencies of Metropolitan have previously elected to pay all or a portion of their Readiness-to-Serve (“RTS”) Charge obligation through the continuance of the Metropolitan water standby charge (“Standby Charge”) collected from parcels within those member agencies;
 - Option to start participating is no longer available

RTS Charges for
FY 2024/25
(\$174 million)



Standby Charge Rates

- Standby Charge, per acre of land, or per parcel of land less than an acre, may vary by member agency, and shall not exceed the amount of the fiscal year 1993/94 Standby Charge for the member agency
 - Engineer's Report specified the method of Standby Charge calculation, and the specific data used in its determination
- Charge per acre or parcel, if less than an acre, for FY 2024/25 ranges from \$0.66 to \$14.20
- Produces annual net revenue of about \$43.7 million for those 22 electing agencies' RTS Charge obligation in FY 2024/25
- Standby Charges ~ 2% of \$2.16 billion total revenues or 25% of \$174 million RTS revenues for FY 2024/25

Board Actions on RTS and Standby Charges

- April 2024: Board adopted the Readiness-to-Serve Charge for CY 2025 at \$181 million
- May 2024: Board to consider Resolution to continue Water Standby Charge for FY 2024/25

Board Options

Option #1 – Adopt the resolution to continue the Standby Charge for fiscal year 2024/25

Option #2 – Do not adopt the resolution to continue the Standby Charge for fiscal year 2024/25, which would require the participating member agencies to pay the full RTS Charge directly to Metropolitan, rather than having a portion collected through the Standby Charge

Staff Recommendation

Option #1 – Adopt the resolution to continue the Standby Charge for fiscal year 2024/25





- **Board of Directors**
Finance and Asset Management Committee

5/14/2024 Board Meeting

8-3

Subject

Concur with the Climate Adaptation Master Plan for Water: Draft Year One Progress Report and Next Steps; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

In February 2023, the Board directed staff to integrate water resources, climate, and financial planning into a Climate Adaptation Master Plan for Water (CAMP4W or Master Plan). Specifically, the Master Plan will include: (1) Climate and Growth Scenarios; (2) Time-Bound Targets; (3) A Framework for Climate Decision-Making and Reporting; (4) Policies, Initiatives, and Partnerships; and (5) Business Models and Funding Strategies. CAMP4W will increase Metropolitan's understanding of the climate risks to water supplies, infrastructure, operations, workforce, and financial sustainability. CAMP4W will also develop decision-making tools and long-term planning guidance for adapting to climate change to strengthen Metropolitan's ability to fulfill its mission.

This item presents the Draft Climate Adaptation Master Plan for Water Year One Progress Report (Draft Report). The Draft Report documents progress since February 2023 and sets up the next steps for 2024, including a discussion of Metropolitan's business model and funding strategies, identified Go Projects, policy recommendations, partnership opportunities, and the adaptive management approach. Progress to date includes work to establish the values and priorities of the Board and Member Agencies, components of a Climate Decision-Making Framework, Time-Bound Targets, and the process for identifying projects and programs for evaluation.

Concurrence with the Draft Report confirms that the Report reflects the progress to date, recognizing that components are subject to change based on new information and analyses. CAMP4W is an iterative process that will require refinement and updating to ensure decision-making is based on the best available information under uncertain conditions. Concurrence would also confirm the Board's agreement with moving forward on the next steps identified in Sections 4-6 of the Draft Report on Business Model and Affordability; Policy, Initiatives and Partnerships; and Adaptive Management.

Proposed Action(s)/Recommendation(s) and Options

Staff Recommendation: Option #1

Option #1

Concur with the Climate Adaptation Master Plan for Water: Draft Year One Progress Report and Next Steps

Fiscal Impact: None at this phase

Business Analysis: Concurrence with next steps, in particular, provides guidance to staff on the CAMP4W process moving forward.

Option #2

Do not concur with the Report.

Fiscal Impact: None at this phase

Business Analysis: Without concurrence with next steps, in particular, staff will not have guidance on the identified next steps for CAMP4W process moving forward.

Alternatives Considered

N/A Applicable Policy

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

By Minute Item 52776, dated April 12, 2022, the Board adopted the 2020 Integrated Water Resources Plan Needs Assessment.

By Minute Item 52946, dated August 15, 2022, the Board adopted a resolution affirming Metropolitan's call to action and commitment to regional reliability for all member agencies.

By Minute Item 53381, dated September 12, 2023, the Board approved the use of Representative Concentration Pathway (RCP) 8.5 for planning purposes in the Climate Adaptation Master Plan for Water

Related Board Action(s)/Future Action(s)

Future presentation of different components of the Master Plan to committees and full board concurrence at meetings and dates set forth in the chart and text below.

Summary of Outreach Completed

Staff continues to engage Member Agencies, their Boards and Councils, as well as the public in the CAMP4W process. The General Manager held several Listening Sessions with environmental and community-based organizations and is planning additional sessions with different sectors in 2024.

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because it involves organizational, maintenance, or administrative activities; personnel-related actions; and/or general policy and procedure making that will not result in direct or indirect physical changes in the environment. (Public Resources Code Section 21065; State CEQA Guidelines Section 15378(b)(2) and (5).)

CEQA determination for Option #2:

None required

Details and Background

Background

Draft CAMP4W Year One Progress Report

The Draft CAMP4W Year One Progress Report (Draft Report) documents Metropolitan's progress to date and provides the next steps for developing a Draft Master Plan in December 2024. Since February 2023, the Board and Member Agencies have regularly and substantially engaged with Metropolitan staff to understand and assess climate risks, set priorities and goals for climate adaptation, and develop a Climate Decision-Making Framework to inform the Board's investment decisions. Working Memoranda #1-6, Board and Member Agency discussions and comment letters, public input, technical modeling, and analysis are compiled in the Draft Report.

Staff requests board concurrence with the Draft Report confirming the Board's agreement that the Report reflects the progress to date, recognizing that components are subject to change based on new information and analyses. Similar to the Long-Range Finance Plan Needs Assessment, the Draft Report is an important tool in the CAMP4W process. It documents input from the Board and Member Agencies to date, creates a foundation in climate adaptation needs and planning, and provides a framework for climate-based decision-making. Acknowledging that this is an iterative process, the Board will have many opportunities to adjust CAMP4W

components based on new information, analyses, and lessons learned. Concurrence would also support moving forward on the next steps identified in Sections 4-6 of the Draft Report on Business Model and Affordability; Policy, Initiatives and Partnerships; and Adaptive Management.

The complete Draft Report is included as Attachment 1. Today’s committee discussion will focus on adjustments made based on recent Board and Member Agency comments (Attachment 2) as well as the identified next steps.

2024 CAMP4W Next Steps

Specific Next Steps proposed thus far in Sections 4-6 include:

Business Model and Affordability

- Establish the schedule for ongoing integration of financial planning into CAMP4W
- Incorporate risk analysis into the Board’s investment decision-making
- Consider business model alternatives
- Identify how Metropolitan can pursue options that advance affordability and equity goals

Policies, Initiatives, and Partnerships

- Develop and consider policies and initiatives
- Explore Metropolitan and Member Agency partnership opportunities
- Pursue external partnership and collaboration opportunities
- Continue community engagement

Adaptive Management

- Refine Adaptive Management and how to institutionalize it into Metropolitan’s processes
- Further develop Signposts and specific metrics
- Develop CAMP4W Annual Report Template
- Refine process for integrating CAMP4W projects into CIP and budget
- Identify early “Go Projects” and program opportunities
- Continue development of dashboard and digital support tools

DRAFT 2024 CAMP4W Task Force and Committee Meeting Schedule and Discussion Topics

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	Go Projects and Programs

Other Committees	Discussion Topic
June / July	Legislation and Communications Committee: Community Engagement Update
August	One Water and Stewardship Committee: Policies and Initiatives
September	One Water and Stewardship Committee: Programs Update (LRP, SWM, WUE)



Elizabeth Crosson
Chief Sustainability, Resilience and
Innovation Officer

Date



Adel Hagekhalil
General Manager

Date

Attachment 1 – Draft CAMP4W Year One Progress Report

Attachment 2 – Compilation of Comments Submitted by Member Agencies

Ref# sri12695013

DRAFT



CAMP4W Climate Adaptation Master Plan for Water

Year One Progress Report



Metropolitan Water District
of Southern California

MAY 2024

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Adapting to Extreme Conditions brought on by a Changing Climate.

Flood
Fire El Niño
 Atmospheric River
 Earthquake
Drought
 La Niña Salinity
 Sea-Level Rise
 Wind
Heat

Acknowledgements

This progress report for the Climate Adaptation Master Plan for Water would not be possible except for the dedication of Task Force Members, Metropolitan's Staff, and consultants.

Task Force Members

Directors

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 Matt Petersen (Task Force Chair), *City of Los Angeles*
 Karl Seckel (Task Force Vice Chair), *Municipal Water District of Orange County*
 S. Gail Goldberg (Vice Chair of the Board – Finance Audit and Planning), *San Diego County Water Authority*
 Nancy Sutley (Vice Chair of the Board - Climate Action), *City of Los Angeles*
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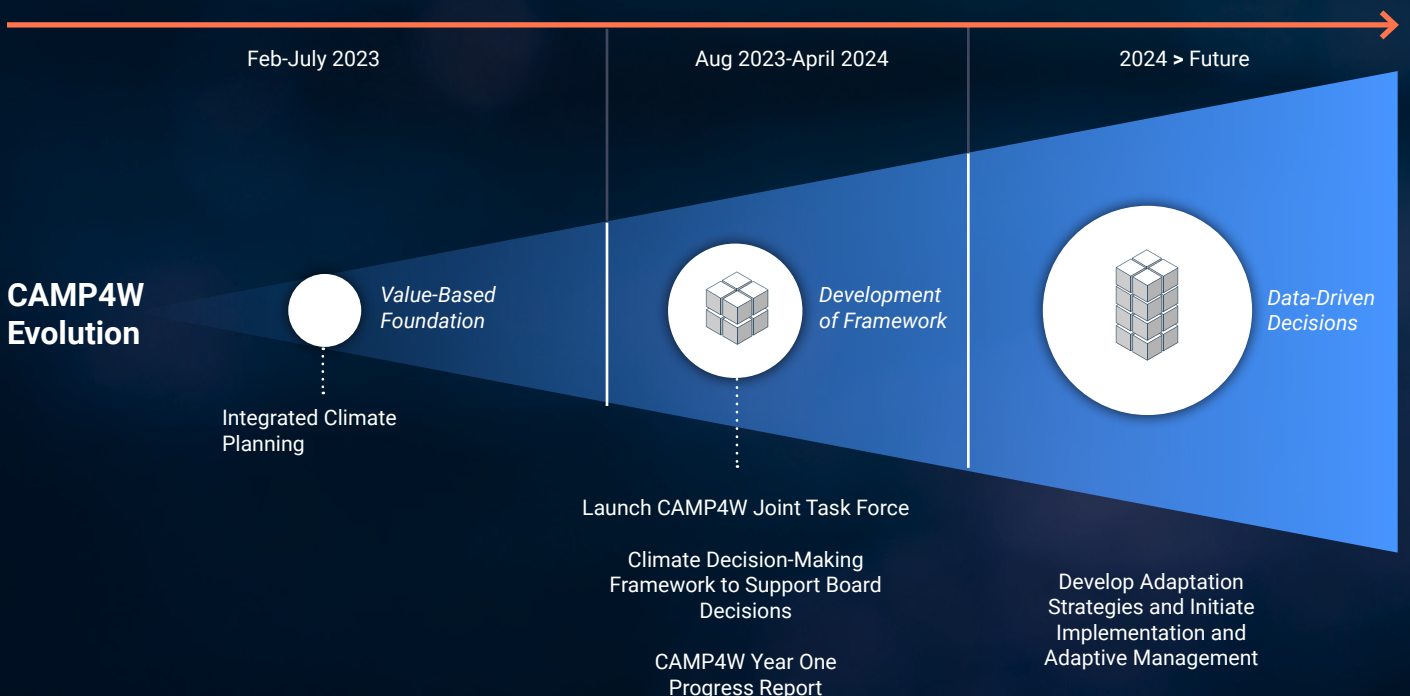
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Executive Summary

CAMP4W Problem Statement

Extreme weather conditions in recent years have presented Southern Californians with an unsettling preview of the challenges ahead – weather whiplash is abruptly swinging the state from periods of severe and extended drought to record-setting wet seasons. There is no question that climate change is here and putting mounting pressure on the year-to-year management of all our available water resources. To ensure the continued reliability of water supplies for the communities we serve, Metropolitan is developing a Climate Adaptation Master Plan for Water (CAMP4W), that will increase Metropolitan’s understanding of the climate risks to water supplies, water quality, infrastructure, operations, workforce, public health, and financial sustainability. It will provide a roadmap that will guide our future capital investments and business model as we confront our new climate reality in the years and decades ahead.

This CAMP4W Year One Progress Report presents an overview of the work Metropolitan has done to date and maps out the work to be done through the remainder of 2024 and beyond.



CAMP4W Joint Task Force Charter

On November 21, 2023, Metropolitan’s Board of Directors chartered a Joint Task Force of Board Members and Member Agency Managers to oversee the development of the CAMP4W process and Master Plan. CAMP4W was designed to include the following components:

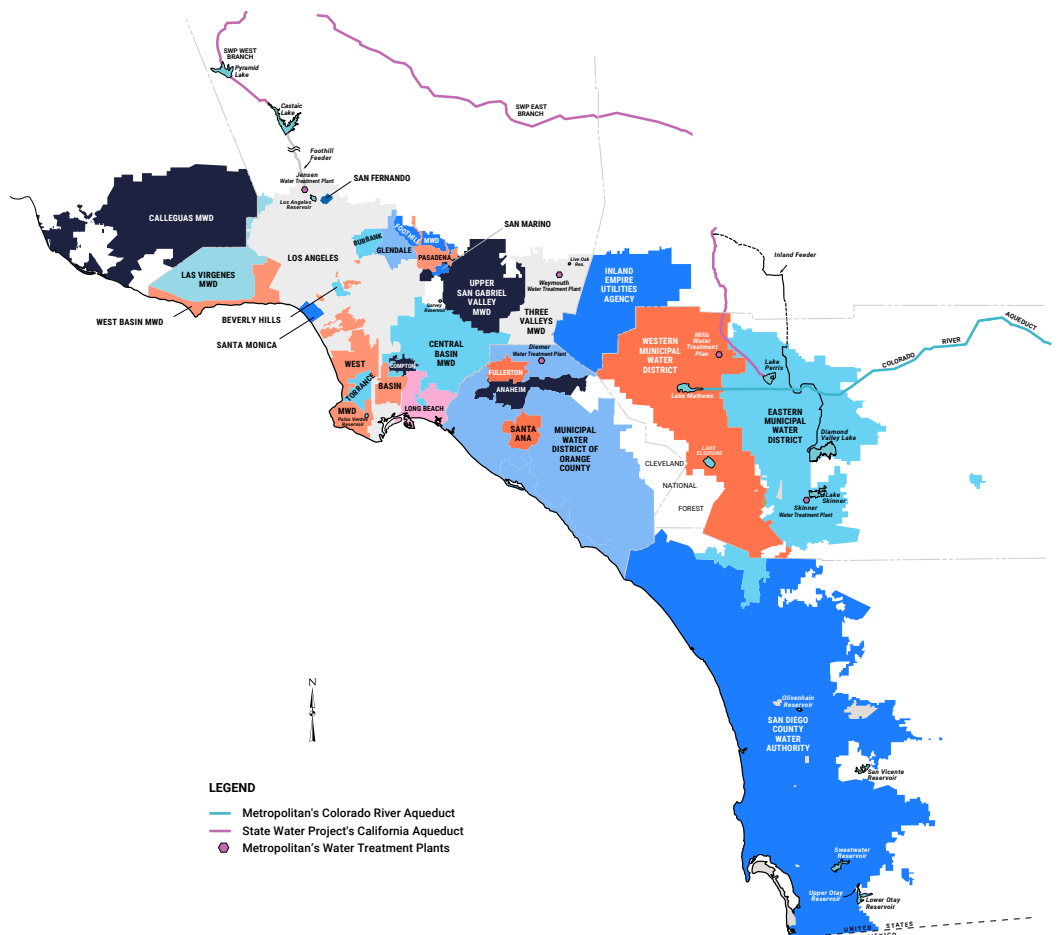
- **Climate and Growth Scenarios:** Utilize climate scenarios—based on RCP 8.5 as set by the Board and regularly updated to reflect real-world conditions and climate risks—to assess and set ranges of variability of water supplies from the State Water Project, the Colorado River, and regional hydrology as well as regional growth scenarios that indicate demands of different Member Agencies.
- **Time-Bound Targets:** Set near-, mid-, and long-term targets for core supply, flex supply, local agency supply, storage, equitable supply reliability, conservation, demand management and efficiency programs, and other targets as needed and identified.
- **Framework for Climate Decision-Making and Reporting:** Establish a Climate Decision-Making Framework for the Board of Directors to align Metropolitan’s project-level investments with a set of Evaluative Criteria developed to match the values and priorities of the Board while complementing Member Agencies’ individual plans and investments. The framework is part of an adaptive management approach and provides a platform for regular reporting—at least annually—on progress toward the targets and other indicators established by the master plan.
- **Policies, Initiatives, and Partnerships:** Implement policies, initiatives, and regional partnerships that will achieve the resource-based and policy-based targets in order to address (1) the range of potential regional supply gaps among Member Agencies and (2) infrastructure or financial constraints.
- **Business Models and Funding Strategies:** Assess and recommend business model options and rate enhancements—as well as strategies to secure funding at the State and Federal levels—that help achieve the targets while ensuring long term financial sustainability, equity, and affordability.



Reflecting the Values and Goals of the Joint Task Force through the CAMP4W Themes

Stronger together. Working collaboratively is a cornerstone of the CAMP4W process. The Task Force has committed itself to prepare Metropolitan and its Member Agencies for an uncertain future by developing a process for evaluating and prioritizing capital investments and programs that support a reliable and resilient supply of water resources. Founded on the themes of **reliability, resilience, financial sustainability, affordability, and equity**, CAMP4W will foster collaboration throughout the region by applying a “stronger together” approach.

<p>Reliability</p> <p>Ability to consistently meet Member Agency water demands.</p>	<p>Resilience</p> <p>Ability to withstand and recover from disruptions.</p>	<p>Financial Sustainability</p> <p>Revenues sufficient to cover expenses over the short and long-term.</p>	<p>Affordability</p> <p>Relative cost burden and elastic ability to access (pay for) service and support Member Agency efforts to provide affordable supply to their customers.</p>	<p>Equity</p> <p>Fair, just, and inclusive.</p>



As Metropolitan embarks on preparing for the future through **planning under deep uncertainty**, it is as important as ever that we make informed, educated, and intentional decisions on where and how we invest. We must balance the need to be prepared for the future, with the need to balance costs and not over build or create stranded assets. As an agency responsible for supplying water to our 26 Member Agencies, who serve the 19-million person service area across 5,200 square miles, the impacts of our decisions are far reaching.

PLANNING UNDER DEEP UNCERTAINTY

Worldwide, agencies are grappling with the impacts of climate change on our planet, resources, infrastructure, and workforce. In the past, analyses heavily relied on historical data to anticipate what might come in the future. With climate change, looking at the past to predict the future is less reliable. We must plan differently and be prepared for a level of volatility that we did not face in the past. It is as important as ever to be nimble in our planning, decision-making, and implementation process. For this, Metropolitan is employing an Adaptive Management Approach.



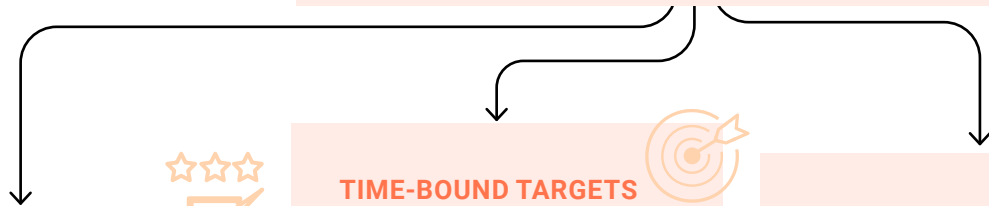
ADAPTIVE MANAGEMENT

Metropolitan recognizes that planning under deep uncertainty requires flexibility and adaptability and acknowledges that future projections represent a range of possible outcomes with varying levels of resource development needs. Adaptive management allows Metropolitan to make investment decisions incrementally and refining decisions over time, based on evolving information and real-world conditions following the Climate Decision-Making Framework.



THE CLIMATE DECISION-MAKING FRAMEWORK

The Climate Decision-Making Framework provides a process for evaluating projects to inform the Board's decision-making about investments. Key metrics used in the process include **Evaluative Criteria** that projects and programs are evaluated under, while striving to achieve established **Time-Bound Targets**. We regularly must track real-world **Signposts** to identify if the conditions under which the Time-Bound Targets were developed remain relevant or need to be adjusted.



EVALUATIVE CRITERIA

A defined set of criteria used to establish a score for projects and programs which support the Board's decision-making process. Evaluative Criteria are used in collaboration with the Time-Bound Targets and Signposts to support investment decisions.



TIME-BOUND TARGETS

A series of resource development targets and policy-based targets that establish goals to be achieved in the near-, mid-, and long-term. Time-Bound Targets are set based on current planning targets (current real-world conditions) and are updated based on Signposts.



SIGNPOSTS

Real-world metrics that allow Metropolitan to monitor how projections align with the real world. Signposts will guide the revision of Time-Bound Targets over time, shaping project and program development and helping inform the Board's investment decisions at different project stages.



Climate Decision-Making Framework Overview

The Climate Decision-Making Framework is intended to define a consistent, stepwise process of making project and program investment decisions. It is based on Metropolitan priorities and the need to remain reliable and resilient into the future, while considering financial sustainability, affordability, and equity. Figure 1 illustrates the Climate Decision-Making

Framework, which will continue to be refined and tested over the remainder of 2024 as the comprehensive CAMP4W is completed. Over time, Metropolitan will also have the opportunity to refine the framework in the future through the Adaptive Management process as conditions change and the region adapts.

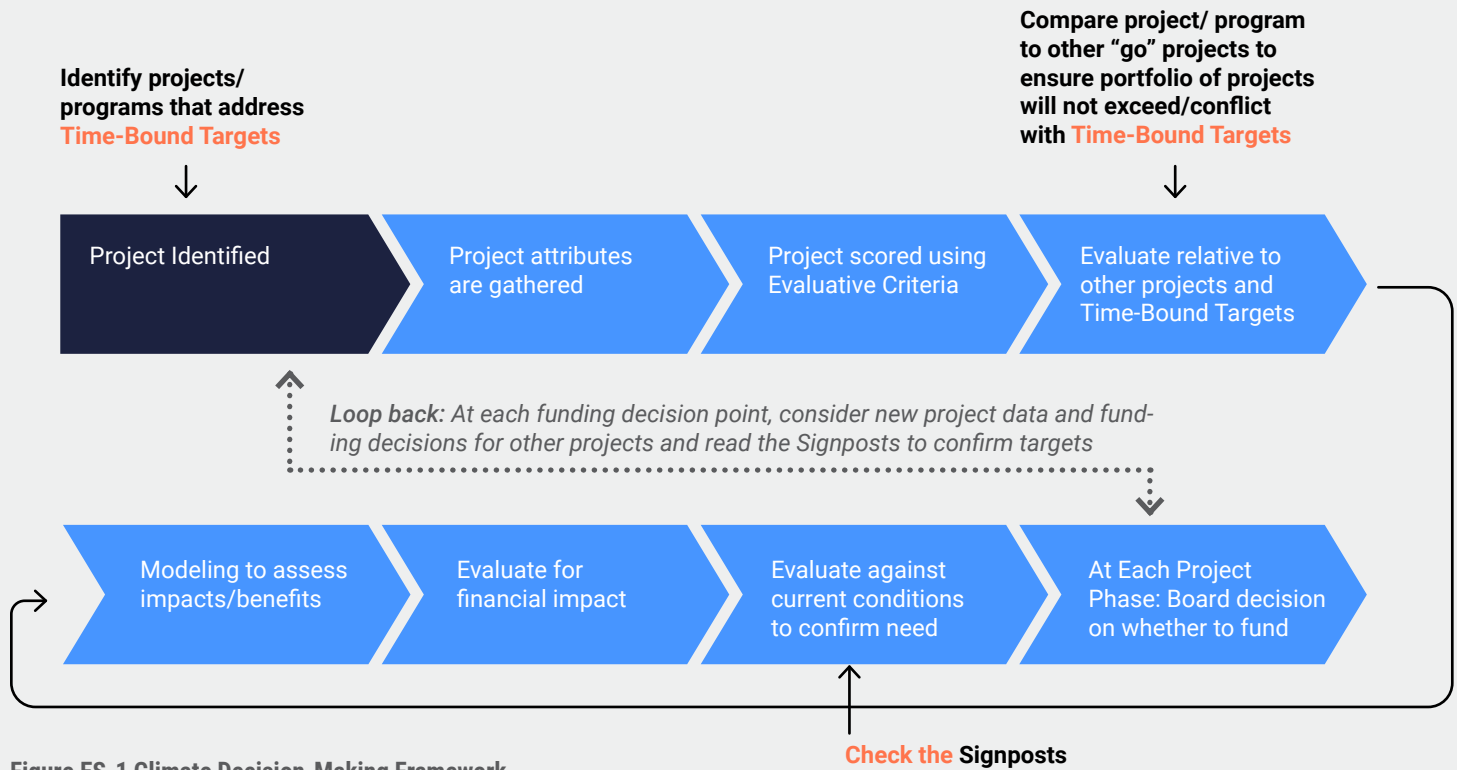


Figure ES-1 Climate Decision-Making Framework

Summary of CAMP4W Adaptive Management Approach







The Climate Decision-Making Framework utilizes three key elements including Evaluative Criteria, Time-Bound Targets, and Signposts to support the decision process and allow Metropolitan to refine decisions over time through an adaptive management approach. Each of these three elements were developed to represent actionable metrics that support the Board as expressed in the CAMP4W Themes. The following pages summarize the Evaluative Criteria, Time-Bound Targets, and Signposts under each Theme. Section 2 provides additional discussion on each of the three elements.



Five CAMP4W Themes include **reliability, resilience, financial sustainability, affordability, and equity** and reflect the Board values. They serve as overarching guiding principles for the CAMP4W process and are reflected in the Evaluative Criteria, Time-Bound Targets, and Signposts.



Evaluative Criteria

The Evaluative Criteria represent a defined set of criteria used to establish a score for projects and programs which support the Board’s decision-making process. Evaluative Criteria are used in collaboration with the Time-Bound Targets and Signposts to support investment decisions. The scoring components within each Evaluative Criteria category will be refined over 2024, as will the points distribution presented below. Evaluative Criteria and the scoring process will consist of quantifiable, meaningful, and measurable metrics. This approach supports a data-driven evaluation process for projects and programs.

 <p>RELIABILITY 25 POINTS</p>	 <p>RESILIENCE 25 POINTS</p>	 <p>FINANCIAL SUSTAINABILITY & AFFORDABILITY 20 POINTS</p>
<p>Supply Performance Equitable Reliability</p>	<p>Addresses known vulnerabilities Project’s ability to perform under climate impacts</p>	<p>Unit cost</p>
<p>Assess how a project or program performs under various hydrologic conditions, the extent to which it helps close gaps identified in the IRP Needs Assessment, and how it can address an inequity in supply reliability.</p>	<p>Evaluates how the project or program addresses known vulnerabilities and how it performs under climate impacts.</p>	<p>Assess a project’s financial sustainability and affordability based on its unit cost.</p>
 <p>ADAPTABILITY & FLEXIBILITY 10 POINTS</p>	 <p>EQUITY 10 POINTS</p>	 <p>ENVIRONMENTAL CO-BENEFITS 10 POINTS</p>
<p>Flexibility of existing assets Ease / Complexity Scalability</p>	<p>Programs for underserved communities Scale of community engagement Public health benefits Workforce development</p>	<p>Greenhouse gas emissions Benefits Ecosystem services Habitat/wildlife benefits</p>
<p>Considers how a project or program improves operational flexibility, the difficulty of implementation, and if a program is able to be phased. Flexibility addresses the capability of Metropolitan’s system to respond to changes in water supply, water quality, treatment requirements, or demands during planned and unplanned facility outages.</p>	<p>Consideration of underserved communities, scale of community engagement, public health, and workforce development.</p>	<p>Measures greenhouse gas emissions, ecosystem services, and benefits to habitat and wildlife.</p>

Time-Bound Targets

Below is a summary of the initial resource development targets and policy-based targets that will be expanded over the coming year. Section 2 presents additional categories of Time-Bound Targets that will also be explored. As part of the Adaptive Management process, the Time-Bound Targets may shift over time as modeling and other analyses are updated. The process and time frame for these updates will be refined over 2024, with the goal of providing an initial update by the end of 2024.

	CATEGORY	NEAR TERM	MID TERM	LONG TERM
 <p>Resource-Based Targets Numbers reflect additional supplies unless indicated otherwise</p>	Core Supply ¹	N/A	Identify 300 TAF for potential implementation by 2035. Alternatively, 250 TAF of new storage will reduce core supply need to 200 TAF	Identify 650 TAF for potential implementation by 2045. Alternatively, 250 TAF of new storage will reduce core supply need to 550 TAF or, 500 TAF of new storage will reduce core supply need to 500 TAF
	Storage	Identify up to 500 TAF for potential implementation by 2035		
	Flex Supply (Dry Year Equivalent)	Acquire capability for up to 100 TAFY		
 <p>Policy-Based Targets</p>	Equitable Supply Reliability	Add 160 CFS capacity to the SWPDA by 2026	Implement additional 130 CFS capacity to SWPDA by 2032	Implement capacity, conveyance, supply, and programs for SWPDA by 2045
	Local Agency Supply ²	Maintain 2.09 to 2.32 MAF (under average year conditions)	2.12 to 2.37 MAF (under average year conditions)	2.14 to 2.40 MAF (under average year conditions)
	Demand Management ³	Implement structural conservation programs to achieve 300 TAF by 2045		
	Regional Water Use Efficiency	Assist Retail Agencies to achieve, or exceed, compliance with SWRCB Water Use Efficiency Standards ⁴		
		GPCD target for 2030 ⁵	GPCD target for 2035	GPCD target for 2045
	Greenhouse Gas Reduction	N/A	40% below 1990 emission levels by 2030	Carbon Neutral by 2045
	Surplus Water Management	Develop capability to manage up to 500 TAFY of additional wet year surplus above Metropolitan’s Storage Portfolio and WSDM action		

Notes

- 1** Core Supply sub-targets will be considered later this year and may include targets for groundwater remediation and stormwater capture.
- 2** This initial target includes existing (and under construction) local agency supplies and can be augmented later this year to include new local agency supply.
- 3** Used to offset the need for additional core supply and using 2024 as a baseline.
- 4** Each retail water supplier will report progress to the State Water Board annually through a Water Use Objective (WUO) equaling the sum of efficiency budgets for a subset of urban water uses: residential indoor water use, residential outdoor water use, real water loss and commercial, industrial and institutional landscapes with dedicated irrigation meters. Each efficiency budget is calculated using a statewide efficiency standard and local service area characteristics (population, climate, etc.).
- 5** Specific GPCD Time-Bound Targets will be identified later this year based on final SWRCB standards. If the Board wishes to set a higher target, it would be designed to track water use efficiency trends by sector over time and will take local conditions, including climate, into consideration.

Signposts

A key part of the Adaptive Management process involves reading the Signposts to understand the real-world conditions and determine if the Time-Bound Targets need to be revised, which would in turn impact investments. The complete CAMP4W will include a comprehensive and detailed list of Signposts that Metropolitan will be tracking. Below is a summary of the initial categories, which will be expanded upon over the coming year.

Proposed Signposts Metrics Examples

Signposts should be measurable, updatable, and readily available

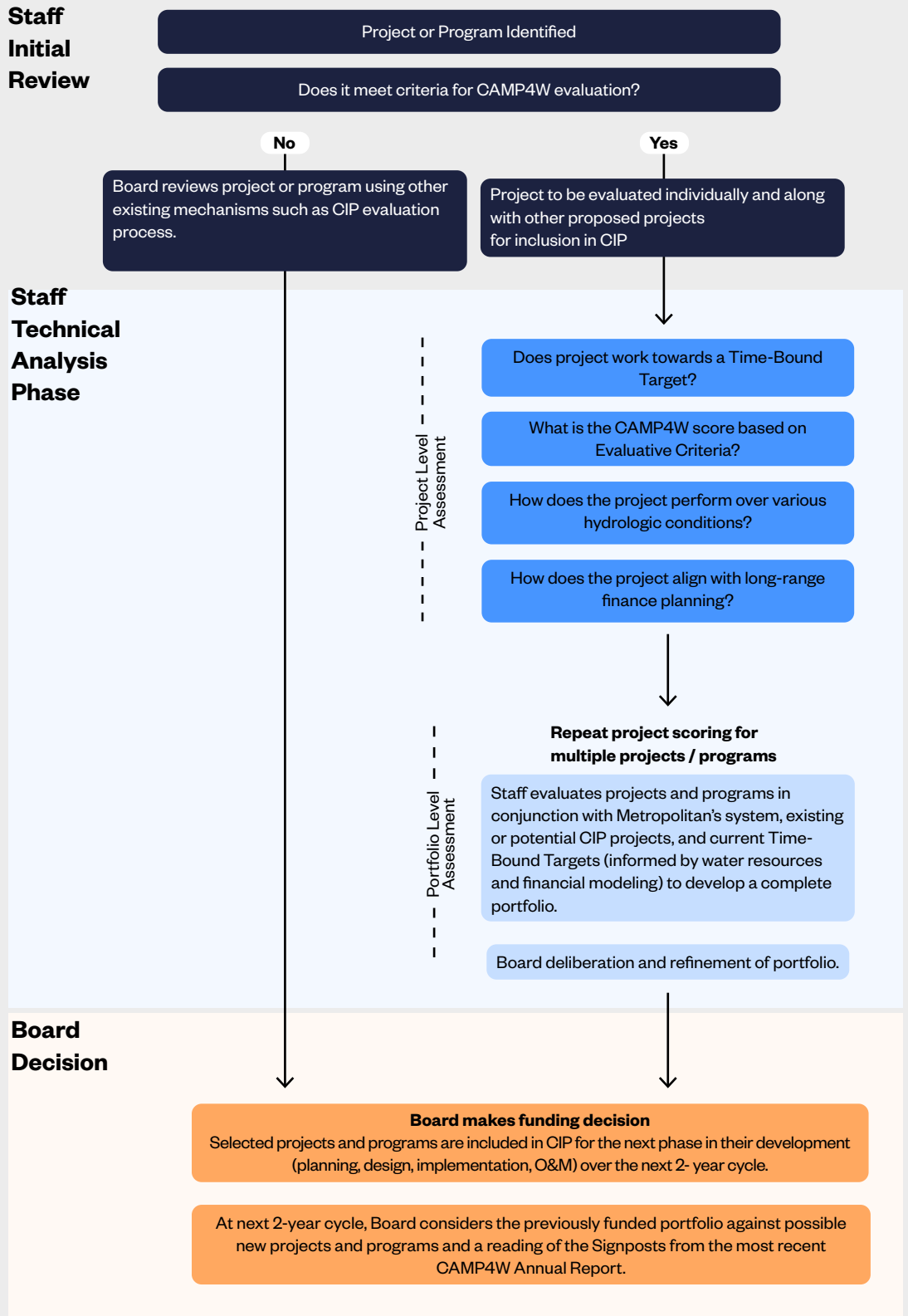
DEMAND	SUPPLY	INFRASTRUCTURE	FINANCIAL
Population	Climate Change Indicators	Unexpected Shutdowns	O&M Trends
Economy	Regulations	Infrastructure Loss	Capital Cost Trends
Local Agency Supply	Storage	Emergency Response	Emergency Response Costs
Demand Management	Water Quality	Power Interruptions	
Regulations		Connectivity and Robustness	
		Infrastructure Capability	



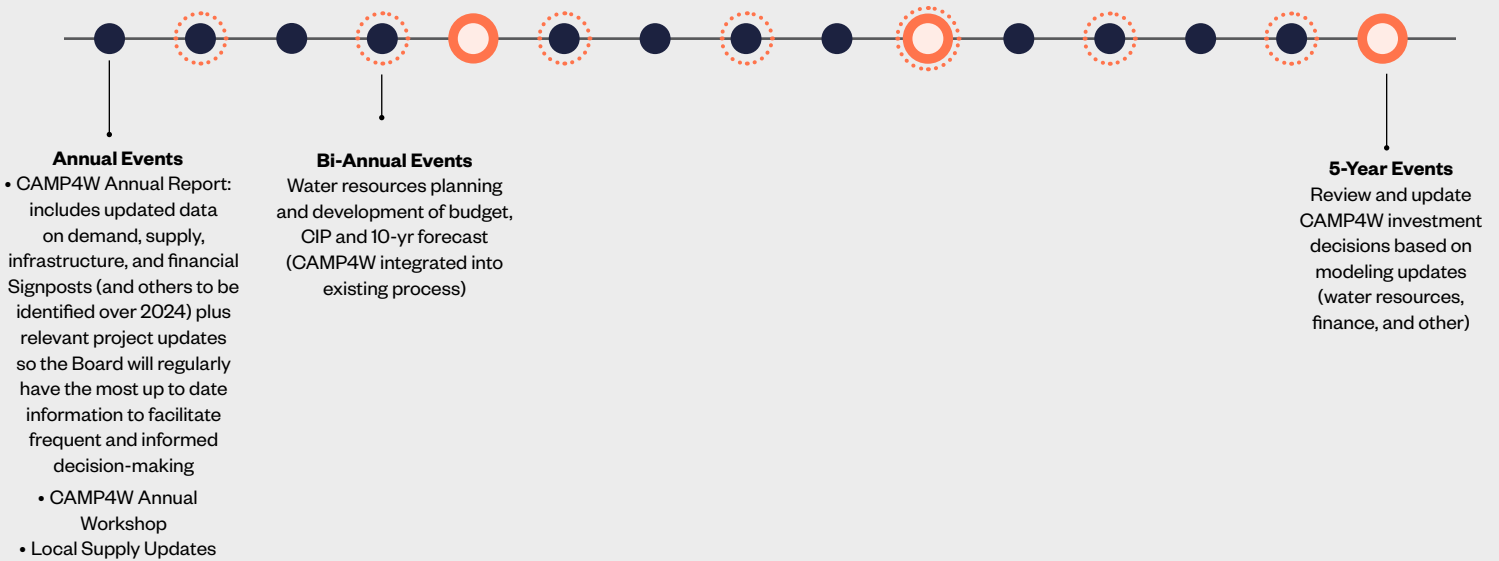
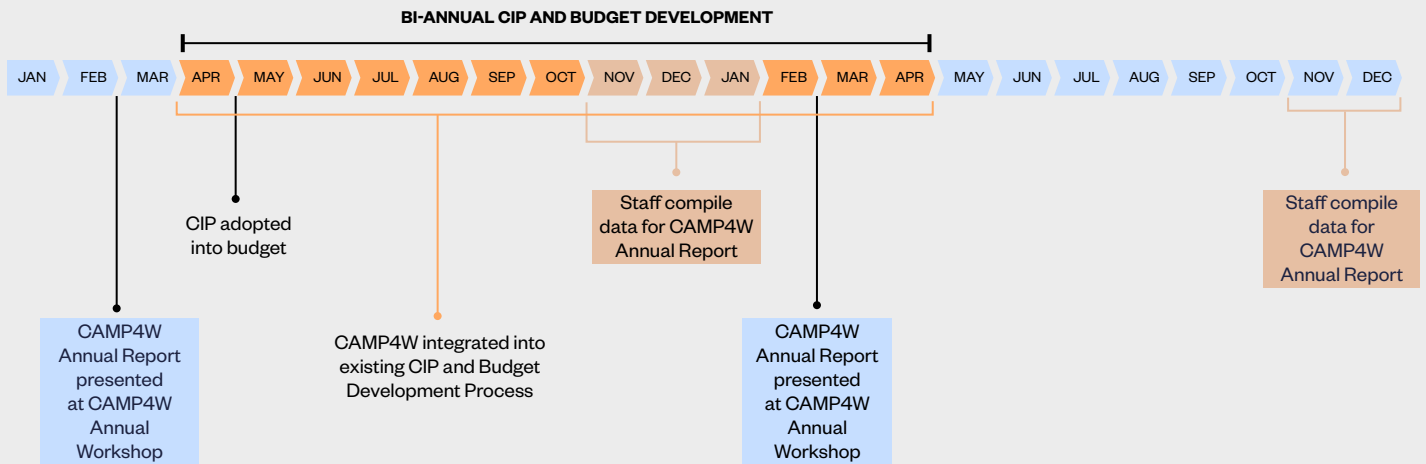
Annually, Metropolitan will “Read the Signposts” to provide the Board a summary of the current status of each Signpost. It will include a brief assessment of any trends and what the findings may indicate. This will help the Board with making investment decisions, evaluating progress and identifying any adaptive management actions.

Board Deliberation Process

The Board deliberation process will be integrated into Metropolitan’s existing processes while allowing for additional evaluation of CAMP4W projects and programs as outlined in the Climate Decision-Making Framework.



Integrating CAMP4W Into Metropolitan’s Existing Processes



Legend

- Annual Events
- Bi-Annual Events
- 5-Year Events

Next Steps



Business Model

- ▶ Develop mutual understanding of current business model and objectives for refinement
- ▶ Establish the schedule for ongoing integration with the 10-year financial forecast
- ▶ Incorporate risk analysis into the Board's investment decision-making
- ▶ Consider business model alternatives
- ▶ Identify how Metropolitan can pursue options that advance affordability and equity goals

Policies, Initiatives, and Partnerships

- ▶ Develop and consider policies and initiatives
- ▶ Explore Metropolitan and Member Agency partnership opportunities
- ▶ Pursue external partnership and collaboration opportunities
- ▶ Continue community engagement

Adaptive Management

- ▶ Refine Adaptive Management and how to institutionalize it into Metropolitan's processes
- ▶ Further develop Signposts and specific metrics
- ▶ Develop CAMP4W Annual Report Template
- ▶ Refine process for integrating CAMP4W projects into CIP and budget
- ▶ Identify early "Go Projects" and program opportunities
- ▶ Continue development of dashboard and digital support tools

CAMP4W Background, Need, and Outcome

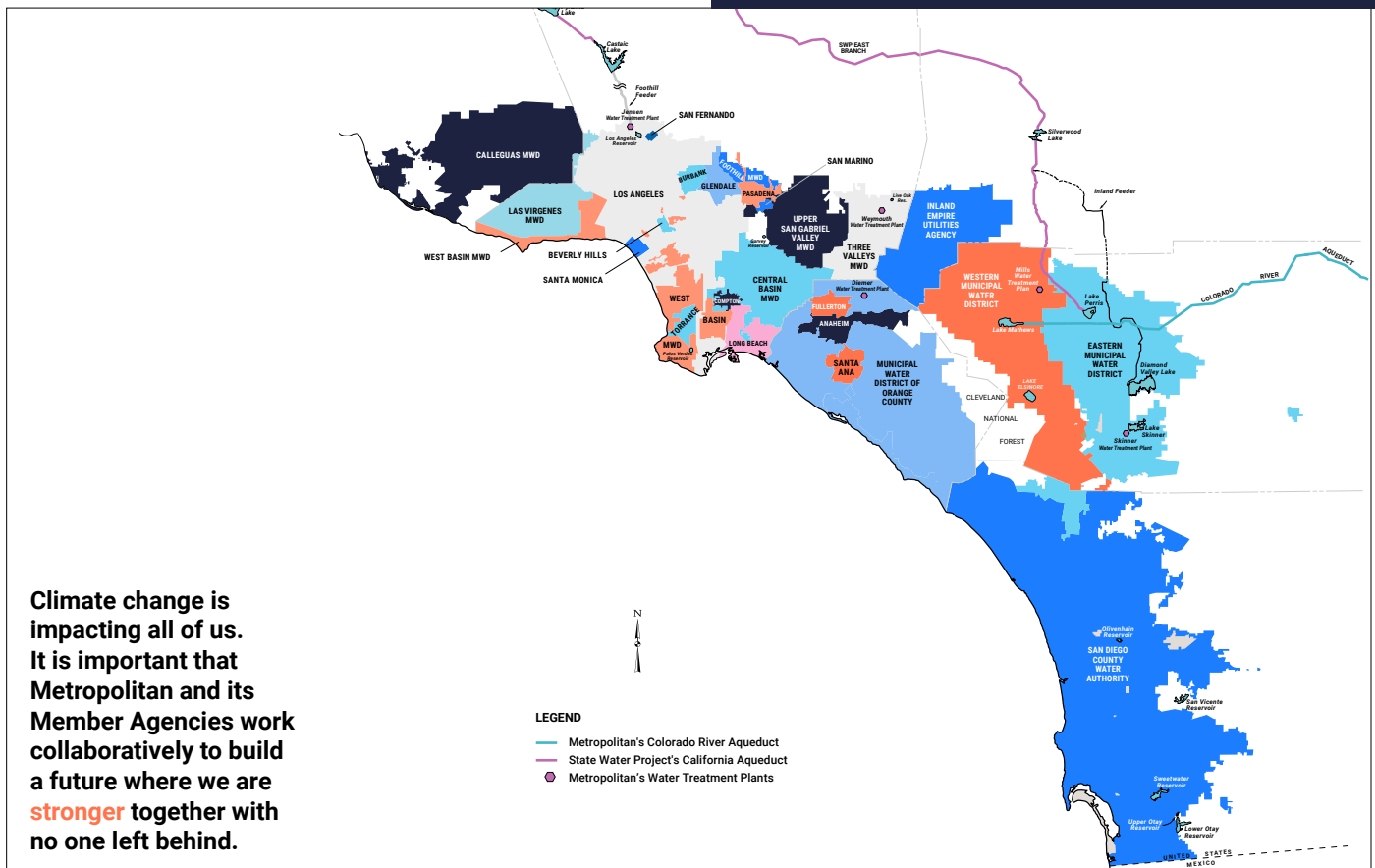
I.1 Summary of Metropolitan’s System, Assets, and Member Agencies

Metropolitan’s mission 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. To do this, Metropolitan delivers approximately 1.5 billion gallons of water daily to its 26 Member Agencies, who serve the 19-million person service area across 5,200 square miles. Metropolitan operates and maintains an expansive range of reservoirs, five water treatment plants, hydroelectric facilities, 830 miles of pipelines including large-diameter pipelines and tunnels and about 400 service connections.

Metropolitan’s 26 Member Agencies, presented on the map, vary widely in terms of their size, whether they are retailers or wholesalers, the climate they experience, and their percent dependence on Metropolitan.

Climate zones range from the cooler coastal areas to hotter inland regions, while land use ranges from densely urban areas to heavy industrial areas to open agricultural lands, where the volume and nature of water use varies significantly. Nearly one third of the region’s population is classified as disadvantaged, indicating that affordability considerations will vary across the region (DWR DAC Mapping tool, <https://water.ca.gov/Work-Withy-Us/Grants-And-Loans/Mapping-Tools>).

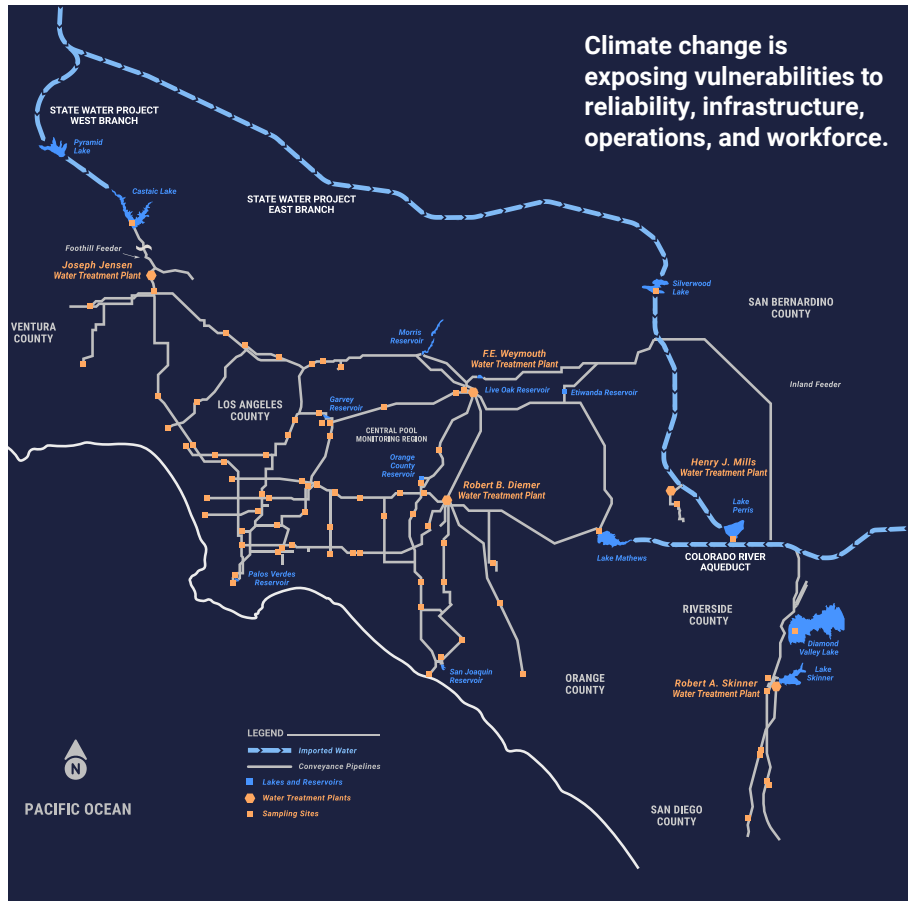
Southern California’s water supplies are facing major long-term threats, brought on by climate change, emerging contaminants and evolving ecological needs. For example, State Water Project dependent areas faced shortages during the recent drought due to supply shortage and infrastructure constraints, threatening the health and wellbeing of our residents. Metropolitan is committed to helping the region overcome these challenges with careful planning, vision and leadership to ensure our communities have the water they need for generations to come.



1.2 Purpose and Need for Climate Adaptation Planning

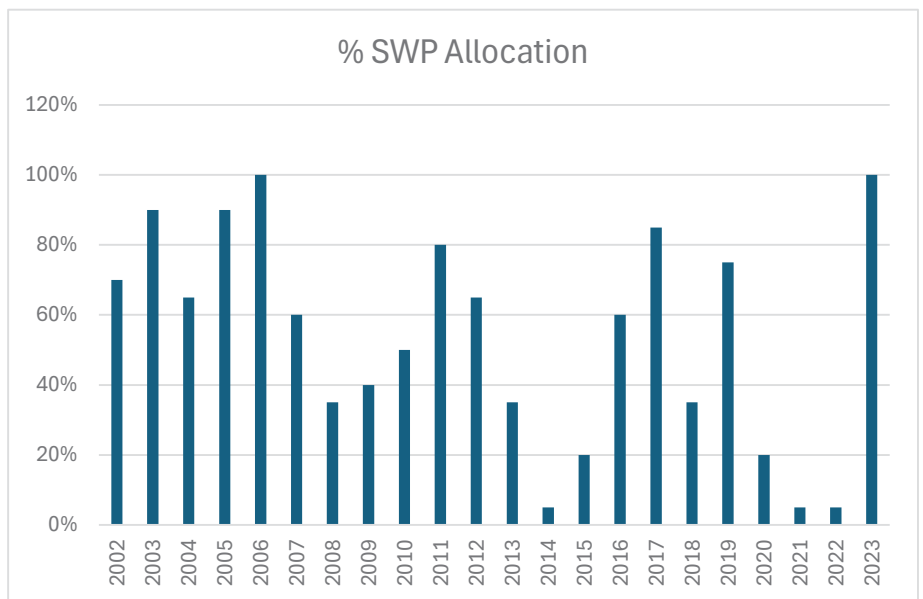
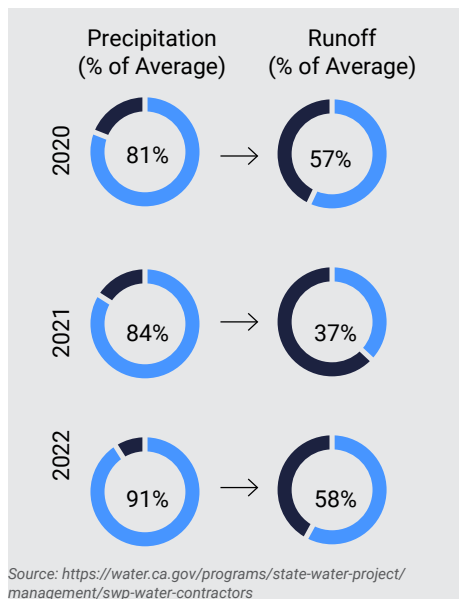
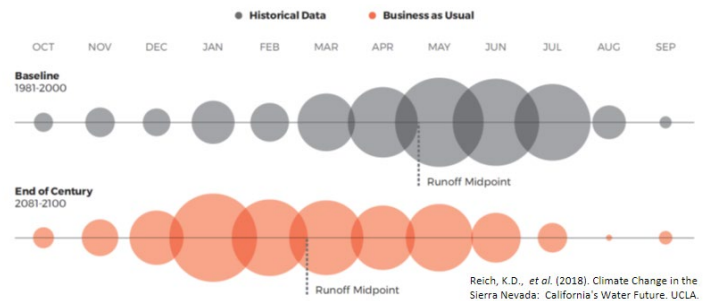
Worldwide, agencies are grappling with the reality that climate change is impacting our lives in a multitude of ways. Extreme weather events such as drought, flooding, wildfires, heat waves, and windstorms, as well as sea level rise and the compounded impacts of climate change on other hazards such as earthquakes, are driving decisions. Metropolitan faces these challenges and must prepare for the future.

Preparing for the future and providing a reliable supply of water to its Member Agencies is not new to Metropolitan. What the CAMP4W process addresses is the need to put climate change at the forefront, to intentionally look at all aspects of Metropolitan's system through that lens, and to recognize that hard decisions will need to be made and a transparent process will need to be in place.



IMPACTS TO RUNOFF: CLIMATE CHANGE STRESSES THE WATERSHEDS FEEDING OUR STORAGE

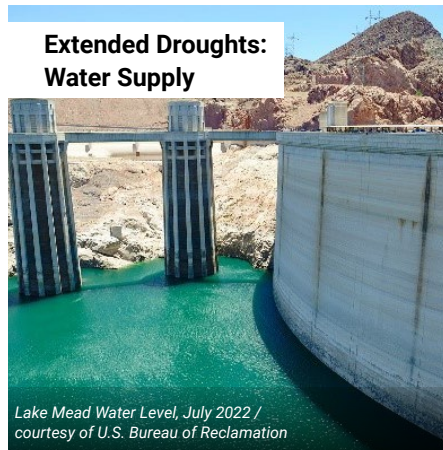
- Less snow and more rain
- More frequent and hotter fires
- More frequent and severe flooding
- Longer and drier dry periods



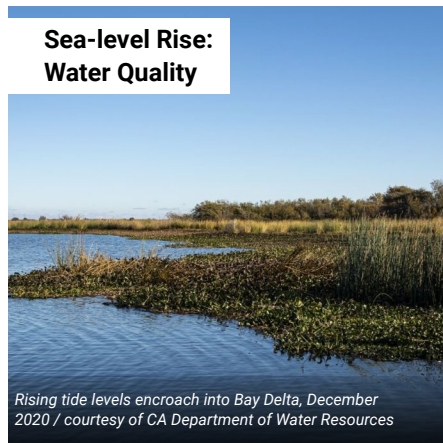
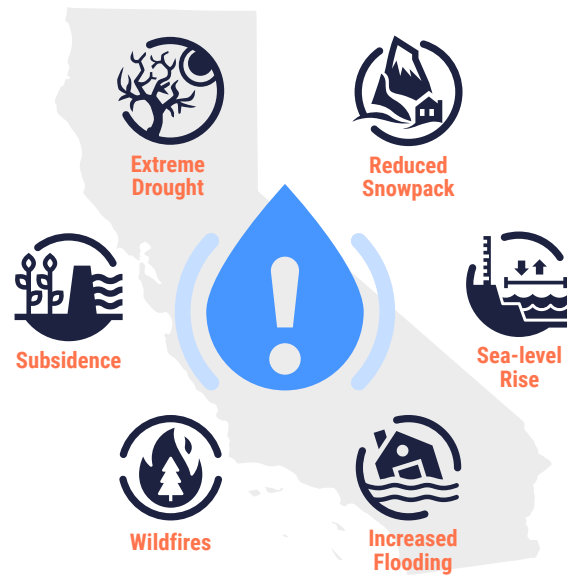
Reliability of runoff efficiency and supplies are decreasing

Impacts Beyond Drought

Metropolitan faces many challenges operating in a changed climate.



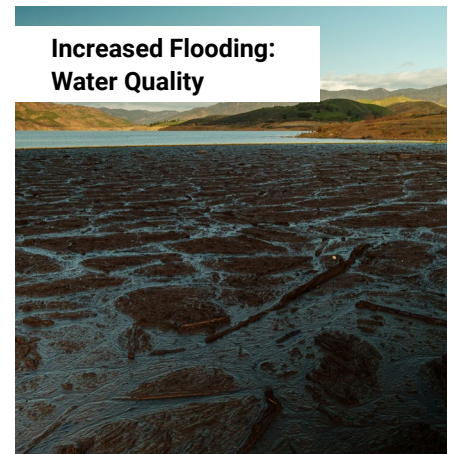
Both of Metropolitan's major imported water sources, the Colorado River and the Northern Sierra, are threatened by extreme and extended droughts.



Increased salinity associated with sea-level rise could impact water quality in the Sacramento-San Joaquin Delta, as well as in coastal water basins situated throughout Metropolitan's service area.



Major rain and flooding events can damage Metropolitan's delivery and storage system, such as when Tropical Storm Hilary caused a suspension in deliveries to DWCV storage in 2023.



Major rain and flooding events also create water quality concerns, such as the increased turbidity of inflows to Metropolitan's Jensen Water Treatment Plant from Castaic Lake in January 2023.



Wildfires can threaten Metropolitan's water treatment facilities and delivery systems, such as when the Freeway Complex Fire broke out in proximity to the Diemer Water Treatment Plant in November 2008.



Reduced annual snowpack threatens the long-term sustainability of Metropolitan's two major sources of imported water, the Colorado River and the Northern Sierra.



In addition to its damaging impacts on Metropolitan's existing infrastructure, extreme heat also threatens the health and safety of field staff across our service area.

1.3 Summary of Planning Efforts to Date

IRP Needs Assessment

Metropolitan’s robust integrated planning process and evaluation of projected future conditions has guided Metropolitan for decades, starting with the 1996 Integrated Water Resources Plan (IRP). Member Agency data has been an integral part of the process, facilitated by Metropolitan’s annual outreach to each Member Agency. While Metropolitan has consistently evaluated future uncertainty, the 2020 IRP Needs Assessment saw Metropolitan take its future planning processes into an expanded direction with the inclusion of **scenario planning**.

Metropolitan developed four scenarios (A, B, C and D, see Figure 1-2), which serve to represent the range of potential drivers that impact the region’s supply and demand including economic conditions, population growth, regulatory requirements, and climate impacts to name a few. Based on the modeling done during the IRP Needs Assessment (Figure 1-2), the range in the water supply gap was determined, as shown in Table 1. This analysis forms the basis for the Adaptive Management metrics discussed in Section 2.2.

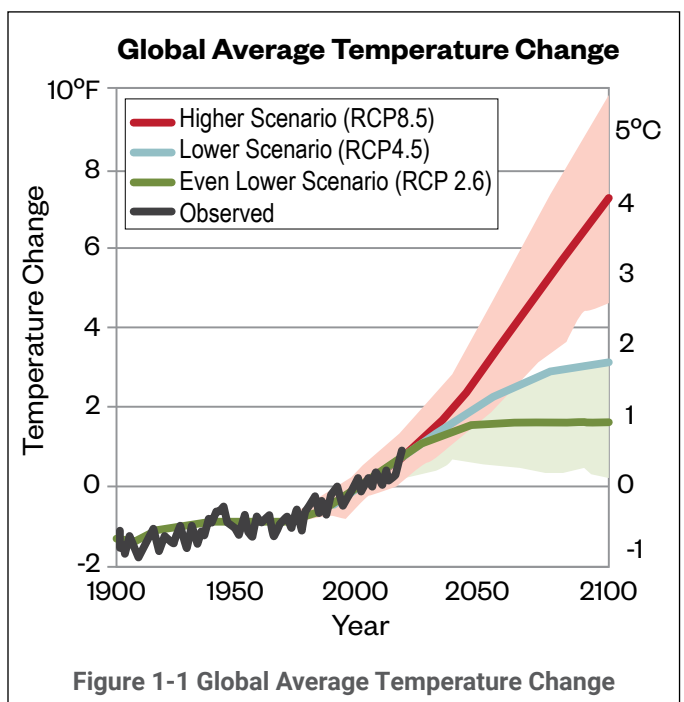


SCENARIO PLANNING

Recognizing that a multitude of factors contribute to the demands on Metropolitan and the availability of its supplies, Scenario Planning allows us to examine the boundaries of what is reasonably likely to occur in the future since scenario planning “bookends” the range of possible future needs. By understanding what the supply gap could be under a variety of conditions, Metropolitan is able to decide what direction to plan towards. Next, using the Adaptive Management Approach, Metropolitan will be able to adjust planning targets as real-world conditions reveal where along the spectrum our needs are trending, which will inform incremental investment decisions.



In 2024, Metropolitan’s Board voted to plan toward Representative Concentration Pathway (RCP) 8.5, which acknowledges a need to prepare for a more extreme climate impacted future. RCP 8.5 is expressed in Scenarios C and D. By planning toward Scenario D and implementing based on real-world conditions Metropolitan will balance the need to be prepared while limiting the risk of stranded assets if conditions change.



IRP NEEDS ASSESSMENT IDENTIFIED THREE CATEGORIES OF SUPPLY

Core Supply: A supply that is generally available and used every year to meet demands under normal conditions and may include savings from efficiency gains through structural conservation.

Flexible Supply: A supply that is implemented on an as-needed basis and may or may not be available for use each year and may include savings from focused, deliberate efforts to change water use behavior.

Storage: The capability to save water supply to meet demands at a later time. Converts core supply into flexible supply and evens out variability in supply and demand.

Table 1: How Much Core Supply Do We Need Based on How Much Storage We Develop?				
If we build this much storage...	We will need this much additional core supply... (conservation reduces demands and "counts" toward core supply needs)			
	IRP Scenario A	IRP Scenario B	IRP Scenario C	IRP Scenario D
0 TAF	No supply or storage requirements	100 TAF	50 TAF	650 TAF
100 TAF		70 TAF	15 TAF	600 TAF
250 TAF		30 TAF	15 TAF	550 TAF
500 TAF		30 TAF	15 TAF	500 TAF

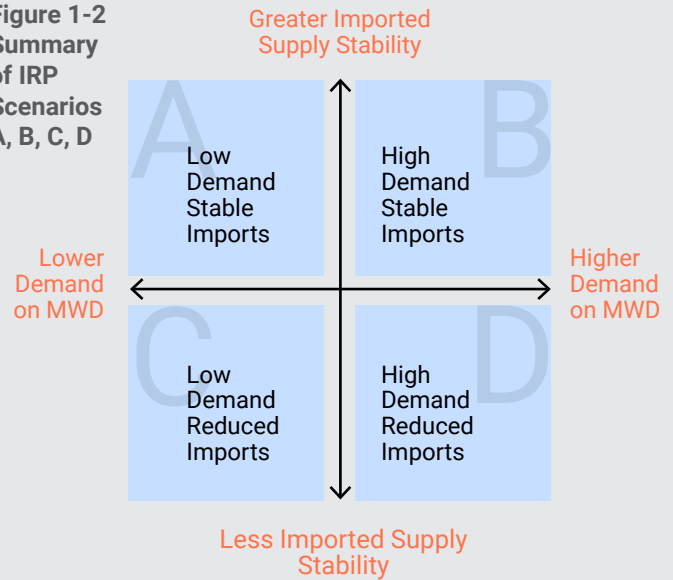
* TAF=thousand acre-feet; 1 acre-foot is the amount of water that would cover an acre of land at 1-foot depth

UNCERTAINTY AND THE ESTABLISHMENT OF ASSUMPTIONS

There is **inherent uncertainty** whenever an assumption is made, and in the IRP Needs Assessment, each scenario is defined by numerous assumptions. **Scenario planning and adaptive management capture that uncertainty** in the space between each scenario – the spectrum along which real-world conditions are likely to unfold. Each scenario presents a data point along that spectrum, where any number of variables could shift the outcome in one direction or another.

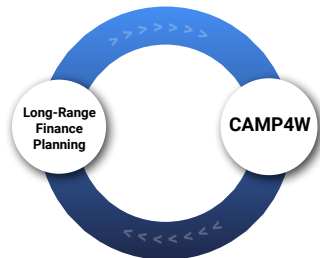
By adapting and modifying investment decisions over time, **Metropolitan will align implementation with real-world conditions** to reduce the risk of over or under developing resources.

Figure 1-2 Summary of IRP Scenarios A, B, C, D



Long-Range Finance Plan

To address the reliability gaps identified in the IRP Needs Assessment, Metropolitan has begun the multi-phased, multi-year Long-Range Financial Plan (LRFP) development process. The initial LRFP Needs Assessment (LRFP-NA) builds upon the IRP Needs Assessment and is consistent with the goals and objectives of the CAMP4W process pertaining to resilience, reliability, financial sustainability, affordability, and equity.



Iterative process: Ongoing and iterative financial planning will be integrated with CAMP4W so as to incorporate updated resource needs and inform investment decisions.

THE LONG-RANGE FINANCE PLAN – NEEDS ASSESSMENT

The LRFP-NA provides high-level guidance on the rate impacts and funding opportunities and is designed to:

- Provide high-level financial analysis of rate and tax impacts under the IRP scenarios.
- Discuss the primary capital financing and funding methods Metropolitan has at its disposal.
- Introduce potential financial tools that could become components of a tailored financial strategy.
- Catalogue Metropolitan's key policies related to the capital markets.

The next phase of the LRFP will consider additional capital needs to address other vulnerabilities in addition to drought and assess the impacts of specific projects. Ongoing long-term finance planning will be an integrated part of the CAMP4W process.

Vulnerability Assessments, Hazard Mitigation, and Emergency Response

Climate Vulnerability and Risk Assessment: In conjunction with this process, Metropolitan has prepared a Climate Vulnerability and Risk Assessment (CVRA) to investigate how it is currently incorporating climate change risk into its planning and operational activities. The CVRA will inform the CAMP4W process by identifying how Metropolitan is currently managing risk associated with climate change and provide structural recommendations that will enable it to better adapt.

Strategic Infrastructure Resilience Planning: The Strategic Infrastructure Resilience Plan (SIRP) is a multi-hazard and multidisciplinary plan that will address Metropolitan's ability to manage an event or risk as it unfolds, covering the water and electric power systems owned and operated by Metropolitan. The focus will be on restoring any lost or reduced services to Member Agencies in a timely manner following an event. The timeliness of service restoration will focus on the Member Agency's public health and safety needs and the regional socio-economics as related to water use.

Local Hazard Mitigation Planning: Metropolitan is developing a Local Hazard Mitigation Plan (LHMP) as part of its ongoing reliability efforts. The LHMP will document the risks from natural hazards such as earthquakes, drought,

and wildfires and identify goals and strategies for mitigating those risks. The LHMP is vital to help maintain Metropolitan's mission to provide its service area with reliable supplies even in emergencies caused by unplanned natural events.

Facility Reliability Assessments and Emergency Response Planning: Metropolitan invests in maintaining a reliable system and in its capability to respond to emergencies and restore service. MWD has formal emergency response plans that include staff, materials, and facilities needed to repair systems and restore service. The exercising and assessment of these plans identify projects that increase the resilience and sustainability of Metropolitan's infrastructure. These plans are regularly exercised and periodically assessed.

Additionally, Metropolitan conducts regular system reliability assessments to identify vulnerabilities that can lead to unplanned outages and proposes options to reduce these vulnerabilities.

Projects that are identified in this process that are not R&R projects will be evaluated in the CAMP4W process.



1.4 CAMP4W Process Overview

In February 2023, the Board directed staff to integrate its water resources, climate, and financial planning into a Climate Adaptation Master Plan for Water (CAMP4W). Metropolitan conducted a series of workshops with the Board and held regular meetings with Member Agency Managers throughout 2023. To further facilitate the development of the CAMP4W in a timely and transparent manner, a Joint Task Force was chartered by the Board on November 21, 2023. The Task Force is made up of Board members and Member Agency Managers, and is supported by Metropolitan staff. Staff have been developing the CAMP4W through iterative steps to allow for Board and Member Agency input at each step. The process involved outreach and engagement efforts, to encourage public input.

CAMP4W involves a multi-year iterative process in which various aspects of the process build upon one another (Figure 1-3). The initial development tasks outlined for the Task Force includes the development of this report through April 2024. The development of the remaining CAMP4W components will continue throughout the remainder of 2024.

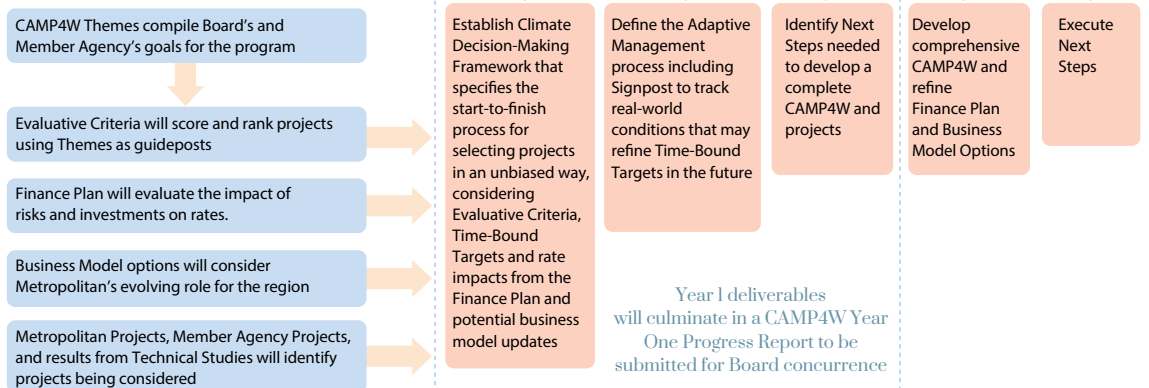
Preliminary objectives (that will be refined through the process) include:

- Increase the resilience and reliability of Southern California’s water supplies
- Build greater equity into our regional water storage and delivery systems, so that all our 26 Member Agencies have access to reliable water supplies, even in severe drought periods
- Pursue collaborative cost-sharing partnerships and promote affordability initiatives as we make the necessary investments to adapt Southern California’s water infrastructure to the demands of the 21st century
- Clearly understand the Metropolitan/Member Agency network of water resource supplies and infrastructure to determine opportunities to provide additional connectivity.
- Understand the climate risks and vulnerabilities the network is facing
- Identify adaptation strategies that strengthen the network and reduce vulnerabilities
- Identify opportunities to expand water resources
- Identify opportunities for strategic sharing of resources and infrastructure across Member Agencies to maximize all potential local supply options
- Develop a financial strategy to fund capital investments and equitably share both water supplies and costs among Member Agencies
- Develop a business model that supports Metropolitan’s role into the future
- Explore partnerships with outside agencies and stakeholders to work towards our common goals.



CAMP4W will increase Metropolitan’s understanding of the climate risks to **water supplies, infrastructure, operations, workforce, and financial sustainability**. CAMP4W will also develop decision-making tools and long-term planning guidance for adapting to climate change, to strengthen Metropolitan’s ability to fulfill its mission.

Figure 1-3. CAMP4W Process Overview



Climate Decision-Making Framework

2.1 Overall Climate Decision-Making Framework Process

The Climate Decision-Making Framework establishes the process by which projects and programs will be evaluated through CAMP4W to inform the Board’s investment decisions. Figure 2-1 presents this process and identifies key considerations. To support the Adaptive Management process, which is at the cornerstone of CAMP4W, three key areas have been developed as part of the Year One effort. These include the Evaluative Criteria and Time Bound Targets (discussed in this section) and Signposts (discussed in Section 6).

Part of the Decision-Making Process

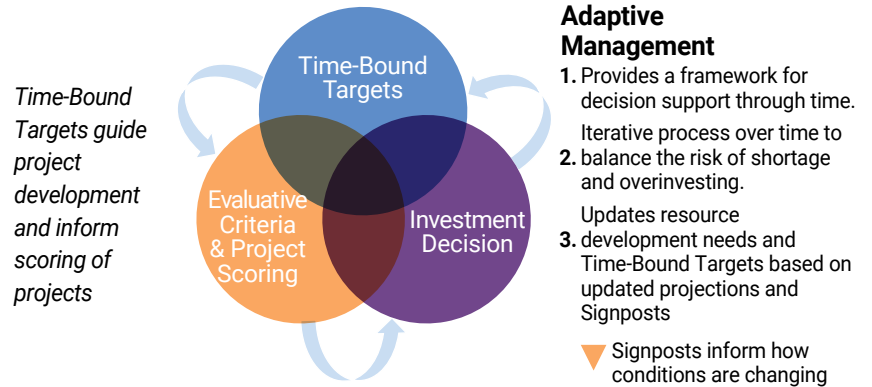
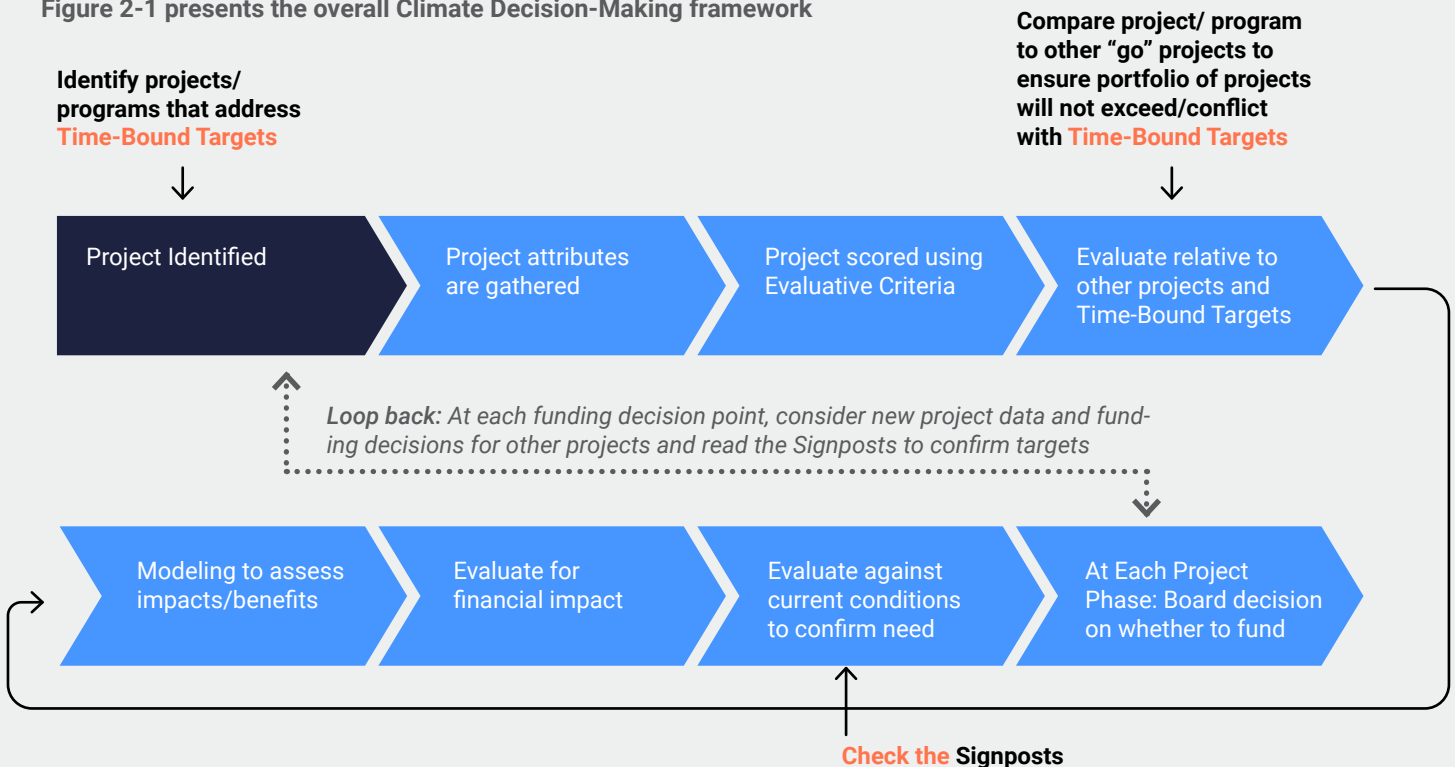


Figure 2-1 presents the overall Climate Decision-Making framework



2.2 Adaptive Management

As a living document, CAMP4W will be adjusted based on changing conditions to support Board decisions and provide the most up to date information available. More comprehensive updates will occur at intervals agreed upon by the Joint Task Force, such as at 5-year intervals as discussed in Section 6, or potentially driven by the frequency of updates to the California Climate Change Assessment and/or the release of the Intergovernmental Panel on Climate Change (IPCC) Assessment Reports. Through this adaptive management process, the Board will have multiple points along each project’s trajectory to make informed decisions on investments as projects move from one phase to the next (Figure 2.2)

Adaptive Management Process Planning for Rapid Change and Adjusting based on Real World Conditions

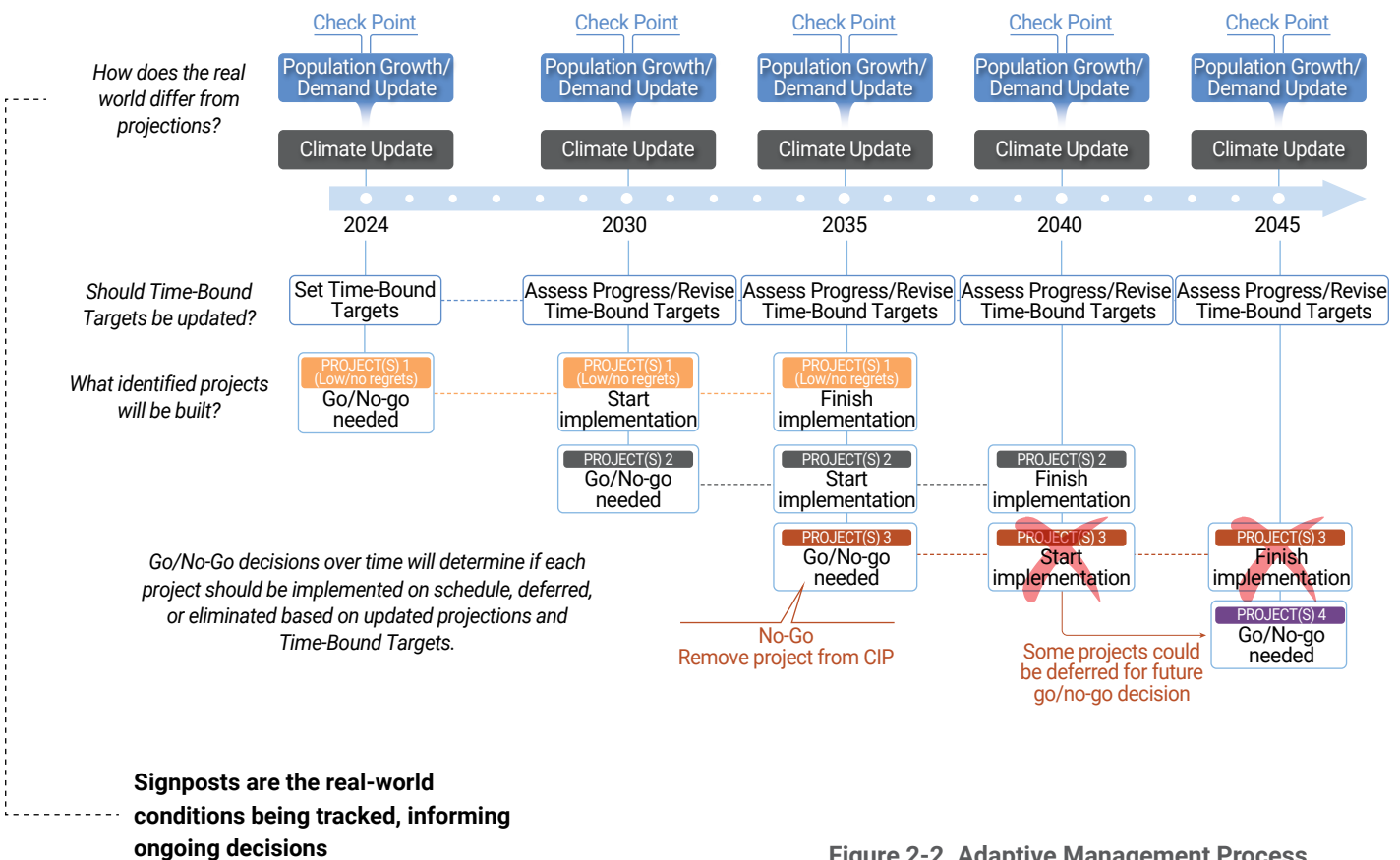


Figure 2-2. Adaptive Management Process

2.2.1 Evaluative Criteria

Evaluative Criteria are a key part of the Climate Decision-Making process. Figure 2-3 presents the proposed Evaluative Criteria that will be workshopped with the Board and Member Agencies through 2024. The scoring components within each Evaluative Criteria category will be refined over 2024, as will the points distribution presented below.

Evaluative Criteria and the scoring process will consist of quantifiable, meaningful, and measurable metrics. This approach supports a data-driven evaluation process for projects and programs.

Evaluative Criteria

Evaluative Criteria are being developed based on the CAMP4W Themes of reliability, resilience, financial sustainability, affordability, and equity.

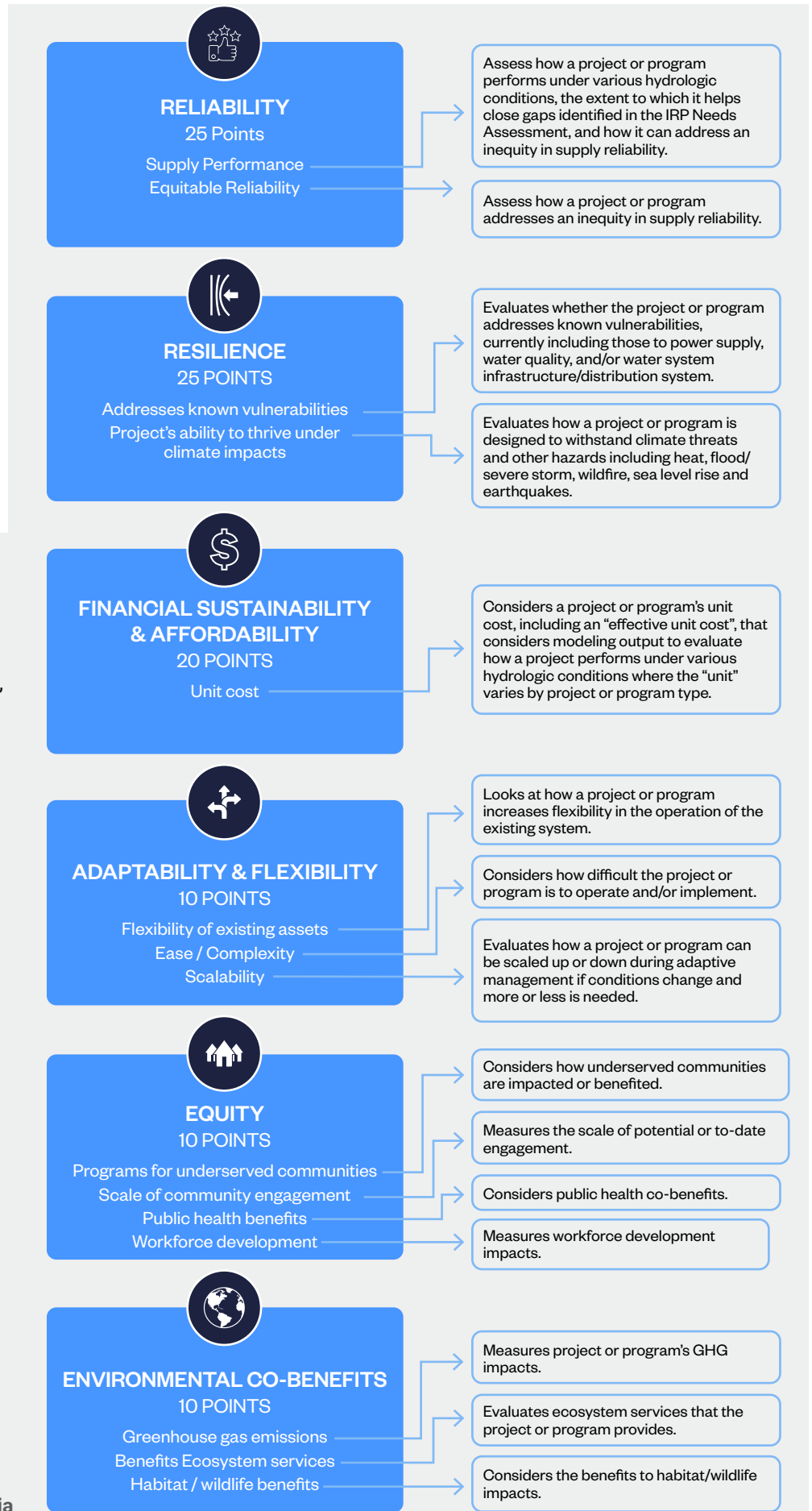


Figure 2-3. Evaluative Criteria

2.2.2 Time-Bound Targets

Figure 2-4 presents an initial set of Time-Bound Targets which will be refined over 2024 and may include additional categories, such as those presented below. As part of the Adaptive Management process, the Time-Bound Targets may shift over time as modeling and other analyses are updated. The process and time frame for these updates will be refined over 2024, with the goal of providing an initial update by the end of 2024.



	CATEGORY	NEAR TERM	MID TERM	LONG TERM
 Resource-Based Targets Numbers reflect additional supplies unless indicated otherwise	Core Supply ¹	N/A	Identify 300 TAF for potential implementation by 2035. Alternatively, 250 TAF of new storage will reduce core supply need to 200 TAF	Identify 650 TAF for potential implementation by 2045. Alternatively, 250 TAF of new storage will reduce core supply need to 550 TAF or, 500 TAF of new storage will reduce core supply need to 500 TAF
	Storage	Identify up to 500 TAF for potential implementation by 2035		
	Flex Supply (Dry Year Equivalent)	Acquire capability for up to 100 TAFY		
 Policy-Based Targets	Equitable Supply Reliability	Add 160 CFS capacity to the SWPDA by 2026	Implement additional 130 CFS capacity to SWPDA by 2032	Implement capacity, conveyance, supply, and programs for SWPDA by 2045
	Local Agency Supply ²	Maintain 2.09 to 2.32 MAF (under average year conditions)	2.12 to 2.37 MAF (under average year conditions)	2.14 to 2.40 MAF (under average year conditions)
	Demand Management ³	Implement structural conservation programs to achieve 300 TAF by 2045		
	Regional Water Use Efficiency	Assist Retail Agencies to achieve, or exceed, compliance with SWRCB Water Use Efficiency Standards ⁴		
		GPCD target for 2030 ⁵	GPCD target for 2035	GPCD target for 2045
	Greenhouse Gas Reduction	N/A	40% below 1990 emission levels by 2030	Carbon Neutral by 2045
	Surplus Water Management	Develop capability to manage up to 500 TAFY of additional wet year surplus above Metropolitan's Storage Portfolio and WSDM action		

Figure 2-4 Time-Bound Targets

Notes

1 Core Supply sub-targets will be considered later this year and may include targets for groundwater remediation and stormwater capture.

2 This initial target includes existing (and under construction) local agency supplies and can be augmented later this year to include new local agency supply.

3 Used to offset the need for additional core supply and using 2024 as a baseline.

4 Each retail water supplier will report progress to the State Water Board annually through a Water Use Objective (WUO) equaling the sum of efficiency budgets for a subset of urban water uses: residential indoor water use, residential outdoor water use, real water loss and commercial, industrial and institutional landscapes with dedicated irrigation meters. Each efficiency budget is calculated using a statewide efficiency standard and local service area characteristics (population, climate, etc.).

5 Specific GPCD Time-Bound Targets will be identified later this year based on final SWRCB standards. If the Board wishes to set a higher target, it would be designed to track water use efficiency trends by sector over time and will take local conditions, including climate, into consideration.

Time-Bound Targets Defined

CORE SUPPLY	STORAGE	FLEX SUPPLY
<p>Refers to resource management actions that augment supply or reduce Metropolitan demand and remain available each year and are based on the outcome of the IRP Needs Assessment, and which can be refined through the adaptive management process.</p>	<p>Refers to an asset that allows Metropolitan to capture water during times of surplus to use when it is needed. Can include surface storage, groundwater storage, or other. Values presented are based on the outcome of the IRP Needs Assessment, which can be refined through the adaptive management process</p>	<p>Includes resource management actions implemented as needed (e.g., water transfers, following programs), including savings from deliberate efforts to change water use behavior.</p>
LOCAL AGENCY SUPPLY	DEMAND MANAGEMENT	REGIONAL WATER USE EFFICIENCY
<p>Includes existing (and under construction) local agency supplies and can be augmented later this year to include new local agency supply.</p>	<p>Target is used to offset the need for additional core supply and uses 2024 as a baseline.</p>	<p>Each retail water supplier will report progress to the State Water Board annually through a Water Use Objective (WUO) equaling the sum of efficiency budgets for a subset of urban water uses: residential indoor water use, residential outdoor water use, real water loss and commercial, industrial and institutional landscapes with dedicated irrigation meters. Each efficiency budget is calculated using a statewide efficiency standard and local service area characteristics (population, climate, etc.)</p> <p>Specific GPCD Time-Bound Targets will be identified later this year based on final SWRCB standards as well as Metropolitan’s overall demand management target. The target will be designed to track water use efficiency trends by sector over time and will take local conditions, including climate, into consideration</p>
GREENHOUSE GAS REDUCTION	SURPLUS WATER MANAGEMENT	
<p>Refers to goals for reducing the GHG emissions that are integrated into individual project or program considerations</p>	<p>Refers to management of water available under certain conditions, which exceeds what is required at the time to meet demands.</p>	
EQUITABLE SUPPLY RELIABILITY		
<p>Targets to address a known inequity in supply reliability, such as those identified in the August 16, 2022 Board resolution and ensuing commitment to regional reliability.</p>		

Additional Time-Bound Targets will be considered throughout 2024 and will include categories such as the following:

Community Equity: Focus on investing in underserved communities, affordability measures and providing meaningful community engagement.

New Local Supply: Targets around local and Member Agency supply and/or program development.

Water Quality: Ensuring research, innovation, and progress in addressing emerging contaminants of concern and new regulatory requirements.

Infrastructure Resilience: Investments necessary to meet growing climate-driven vulnerabilities during and after disruptions.

Imported Water Source Resilience: Investment in protecting source watersheds and existing infrastructure to reduce risks presented by accelerated climate change.

Ecosystem Health: Measurable improvements to natural systems that provide value, resilience and regulatory benefits to water supplies.

Development of Adaptation Strategies

3.1 Development of Adaptation Strategies

The CAMP4W themes and Time-Bound Targets form the foundation in the selection of projects and programs to be considered for CAMP4W evaluation. They may be projects for new or improved infrastructure or rehabilitation and repair (R&R) with climate adaptation enhancements. They may also be programs to improve resource management or increase structural conservation, that do not have an infrastructure component. The CAMP4W process has been designed to evaluate projects and programs that are intended to address climate adaptation needs. Because of this, not all projects that require Board approval will go through the CAMP4W process. Projects needed to maintain existing infrastructure and those that are not related to climate resilience will not be required to go through the process, however, the Board may request a CAMP4W evaluation if it would help inform their approval decisions. The distinction will be refined through the CAMP4W process over 2024.

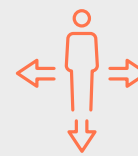
Capital Projects: Every two years, the Metropolitan Board approves a biennial budget which includes its Capital Investment Plan (CIP). The CIP prioritizes needed capital investments to support core infrastructure refurbishment and replacement work, along with key additional initiatives like drought mitigation portfolio projects and sustainability initiatives. As part of Metropolitan's biennial budget process, Engineering Services Group develops a recommended two-year budget and expenditure plan for the CIP using a rigorous evaluation process that includes a risk analysis to identify and prioritize projects for implementation. During the CIP development process, all new and existing projects are evaluated against an objective set of criteria to ensure existing and future capital investments are aligned with Metropolitan's priorities for water supply reliability, water quality, and public safety.

The CIP evaluation criteria cover four characteristics or objectives for capital projects: Project Justification, Directive, Service Disruption, and Cost/Sustainability/Customer Service. In addition, a multiplier is applied to a project rating to factor in a risk assessment. For the evaluation, **a CIP Evaluation Committee comprised of staff from Operations, Water Resource Management, Real Property, Engineering Services, Finance, Information Technology, Environmental Planning, Safety & Regulation, and External Affairs** evaluate and score all project proposals. An iterative process is employed to first score and rank every new and existing project, and then solicit feedback

Characteristics or Objectives for Metropolitan Capital Planning



Project Justification



Directive



Service Disruption



Cost/Sustainability/Customer Service

from project sponsors, resource providers, and management to establish schedules and cash flow requirements. The resulting CIP for the upcoming two-year cycle comprises a mix of projects supporting Metropolitan’s strategic plan and financial targets.

Replacement and Refurbishment Projects: System related tasks, such as conveyance pipeline or pump station repairs and other activities such as system-wide paving and roofing are categorized as replacement and refurbishment (R&R) projects. Many projects are non-discretionary and are timed for implementation to ensure continued operational function. Thus, CAMP4W evaluations will focus on investments aimed to meet CAMP4W resource-based and policy-based projects, as well as those projects or programs beyond an identified threshold that are designed to address a known climate vulnerability.

The CIP adopted for FY 2024/25 and 2025/26 includes ten programs ranging from Climate Adaptation and Drought Mitigation for SWP dependent areas to programs focused on elements of Metropolitan’s regional water system including Dams and Reservoirs, Treatment Plant Reliability, and Water Quality. Projects within each program include new infrastructure as well as R&R. The Climate Decision-Making Framework (including the Evaluative Criteria developed through the CAMP4W process) will be used to evaluate investments that go beyond identified R&R needs. The intention is to not create a new or separate CIP timeline and process for CAMP4W evaluated projects, but rather to integrate CAMP4W evaluations into the existing CIP and budget approval process and timeline. Section 6 presents a discussion on the timeline and process that CAMP4W will be integrated into.

An important outcome of the CAMP4W planning process includes establishing the threshold that determines whether a project or program will be evaluated under the CAMP4W process. Some projects that are of a certain type or size will continue to be evaluated through Metropolitan’s established CIP process while others will be evaluated under CAMP4W. Both evaluation pathways will lead to one comprehensive CIP.

Programs and Non-Capital Projects: Metropolitan is continually considering programs and projects to improve water and energy resource management and conservation. Examples include groundwater banking, conjunctive use, power sourcing, water efficiency direct install programs and more. These may not have associated infrastructure or physical assets and would not be evaluated within the CIP process. Nevertheless, they can be powerful climate adaptation strategies and will be considered within the CAMP4W process.

Urgent and/or Emergency Projects: The CAMP4W process is not intended to hinder the existing process for pursuing and implementing projects of an urgent or emergency nature, as will be further defined over 2024.

Focusing the projects and programs to be evaluated through the CAMP4W process allows the Board to make informed investment decisions that improve Metropolitan’s adaptation to a changing climate and future uncertainty.

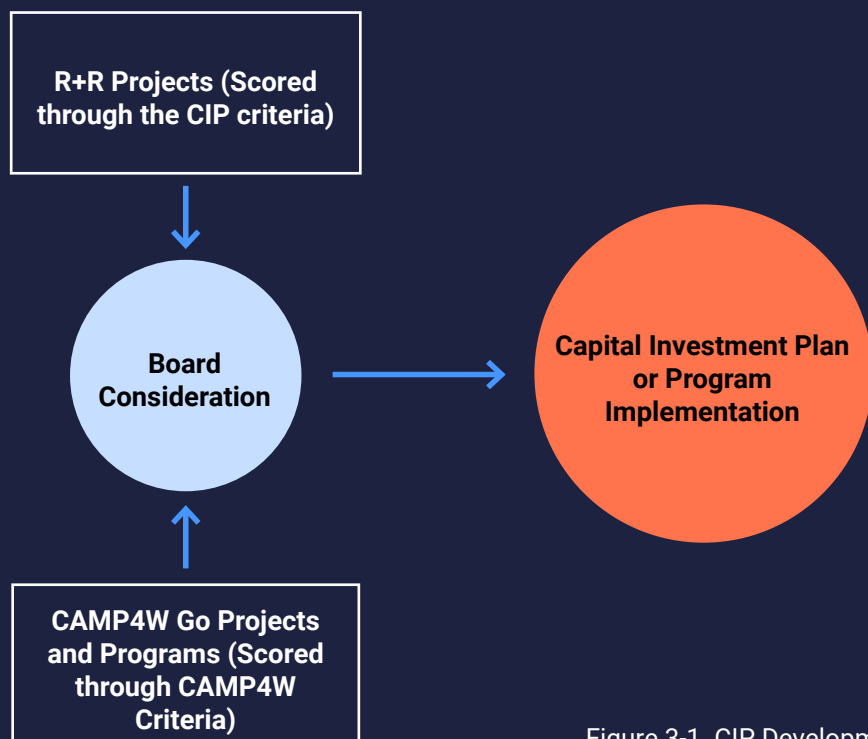


Figure 3-1. CIP Development

3.2 Project and Program Evaluation Process

Determining which Metropolitan project and programs will be evaluated through the CAMP4W Climate Decision-Making Framework will be a collaborative process for staff.

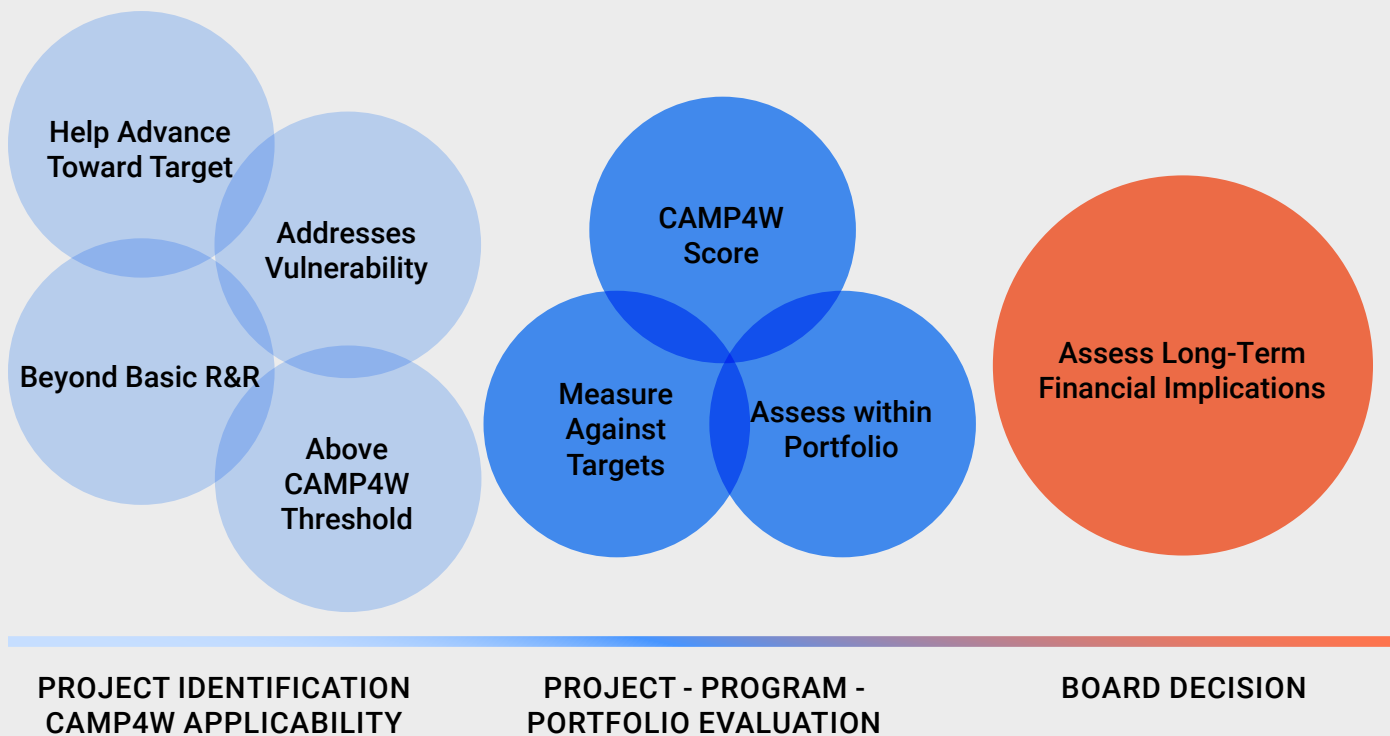
Once a proposed investment is identified as a CAMP4W project or program, it will be scored using the Evaluative Criteria, which were designed to focus investments on the guiding principles of the CAMP4W process: Reliability, Resilience, Financial Sustainability, Affordability and Equity. Using Metropolitan’s system and financial models, project scores will be developed to reflect assessments of within Metropolitan’s existing system and modeled future conditions. It will also reflect potential financial impacts over time. These elements are laid out below.

Figure 3-1 presents an overview of the Board deliberation process for evaluating projects, programs, and portfolios, which is further discussed below.

DETERMINING CAMP4W CONSIDERATION

A “yes” answer to any of the following three questions means a project or program will be considered through the CAMP4W process.

- Is the project or program providing a new core supply, flex supply, or storage, or is the project supporting a new core supply, flex supply or storage project?
- Is the project or program addressing a known vulnerability to an asset(s) and does it involve improvements beyond what would be required to perform traditional R&R for that asset?
- Does the project or program work towards meeting a Time-Bound Target?
- Does the project or program exceed a certain flow based threshold (CFS or AFY) or cost threshold (capital or O&M cost)?



Modeling outputs will work together with the Evaluative Criteria, Time-Bound Targets, and Signposts described in Sections 2 and 6. Once a supply or storage project is identified as a potential opportunity, it will be modeled using Metropolitan’s system model. This will estimate the project’s benefits over time, which can be referred to as its “effective yield” – meaning the amount of water it would be expected to supply given factors such as fluctuating rainfall patterns or other factors. These values will be part of the scoring process using the Evaluative Criteria. Modeling outputs will also be used to demonstrate how a project is helping reach the Time-Bound Targets. Finally, during the ongoing adaptive management process, when Signposts are read and modeling assumptions are adjusted, the Board will be able to see how the project is expected to perform based on refined real-world conditions. This will allow the Board to revise investment decisions at each phase of a project or program as new information that impacts its benefit and performance becomes available.

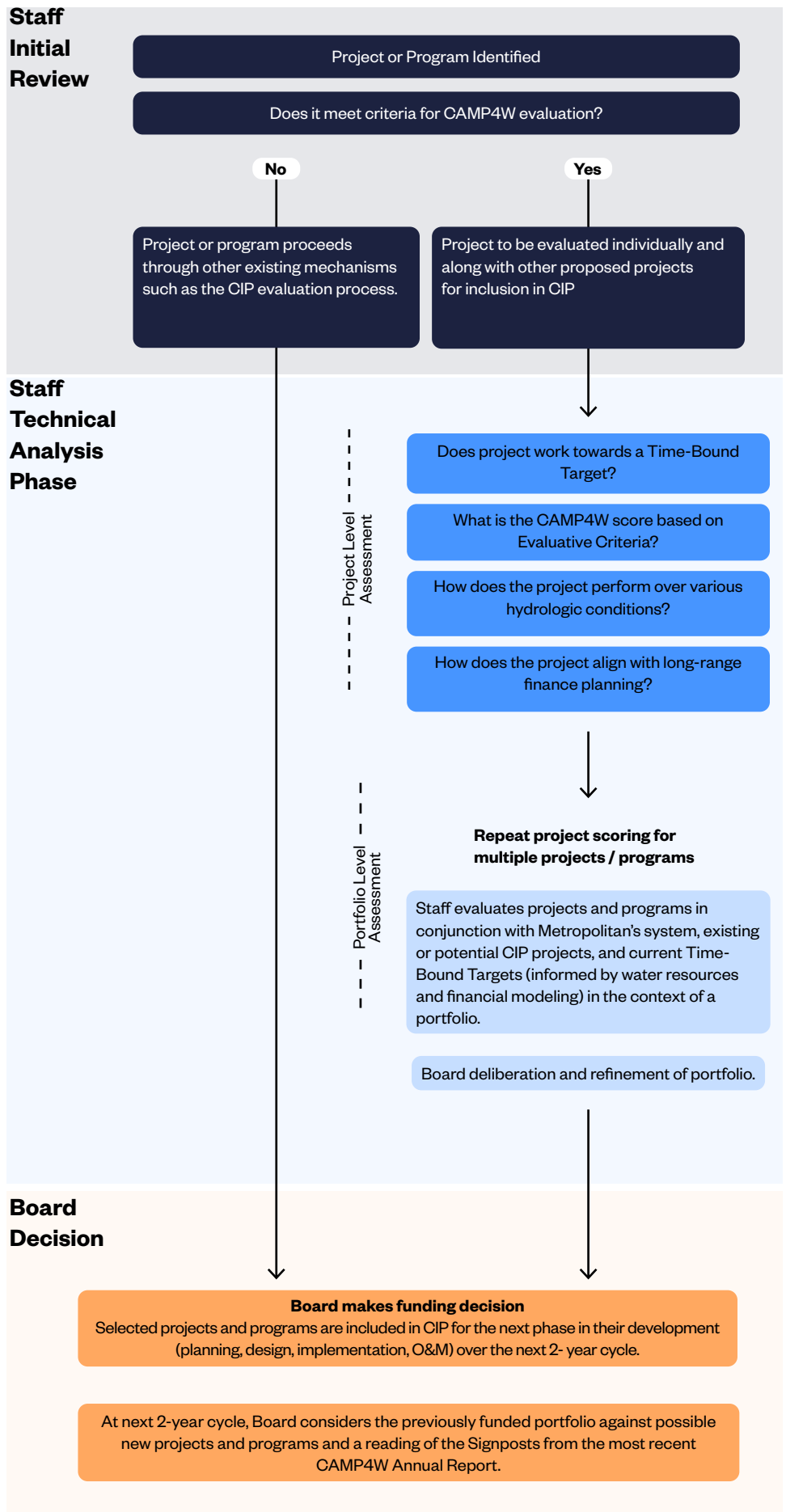
3.2.1 Portfolio Evaluation

Considering projects and programs as part of a portfolio will allow Metropolitan to understand the overall benefits of each project component as it relates to the whole. Staff will provide project and program evaluations as standalone evaluations along with a view on how a particular project or program would function within a portfolio. This provides a deeper understanding of the project or program's benefits and costs. Evaluating proposed projects and programs in portfolios addresses two key questions:

How will multiple potential supply and storage projects complement or interfere with one another?

- The Board will need to understand how potential supply and storage projects function together. If two projects address the same issue and do not complement one another, this is valuable information that will help Metropolitan understand that this is an "either/or" decision point.
- The Board will need to understand when a project is not a standalone project. Some examples include:
 - A storage project that requires a conveyance pipeline, pumping stations, and a new supply of energy. These could be considered separate project, but to fully understand the investment commitment, these projects should be evaluated together.
 - A supply project that would only make sense if a separate conveyance project was built. If the conveyance project is being considered separately, it would be critical to understand that the benefits from the new supply would only be seen if the conveyance project is built.

How do projects that are not



directly related to new supply or storage elements fit into the whole?

- Projects that improve system resilience and address a known vulnerability should be included in portfolios to create system wide reliability and resilience.
- Variability in the timing and development of different projects may not allow complete portfolios to be scored using the Evaluative Criteria, but providing the context of portfolios for projects and programs under consideration will provide a more comprehensive look at the benefits, risks, and true costs of proposed investments.

Metropolitan will continue to collaborate with Member Agencies, who have an in depth understanding of their local supplies, projects, programs and potential solutions.

PORTFOLIO: A GROUPING OF PROJECTS TO BE EVALUATED TOGETHER TO UNDERSTAND HOW THEY INTERACT

To the extent that a sufficient number and variety of projects are available to evaluate simultaneously at any given time, considering projects and programs in the context of portfolios will allow Metropolitan to see how they do or do not work together. By combining a portfolio evaluation with system modeling, we will be able to best understand what projects and programs can deliver the best results. As discussed in Section 6, CAMP4W projects/programs and portfolios will also be evaluated through the CIP and budget process to ensure comprehensive integration with all of Metropolitan's activities.



3.2.2 Assess Long-term Financial Implications

Affordability and financial sustainability are key themes identified by the Board that guide the CAMP4W process. It is critical that the financial impacts of any proposed project or program be understood as part of the evaluation process as they can have significant impacts on Metropolitan, its Member Agencies, and ultimately retail customers.

As is further described in Section 4, Metropolitan is developing a Long-Range Finance Plan (LRFP). A key outcome of this effort is the development of a financial model that allows the Board to understand the financial impacts of new projects and programs. Evaluating projects and programs through this lens will help Metropolitan remain financially sustainable and as affordable as it can.

The scoring process and Evaluative Criteria discussed in Section 2 recognize the importance of considering financial impacts of projects early on and throughout the adaptive management process. Unit cost is the financial metric identified in the Evaluative Criteria. While Unit Cost is anticipated to be the financial metric used to score an individual project or program, Debt Leverage is expected to be a primary financial metric when evaluating a portfolio-view.

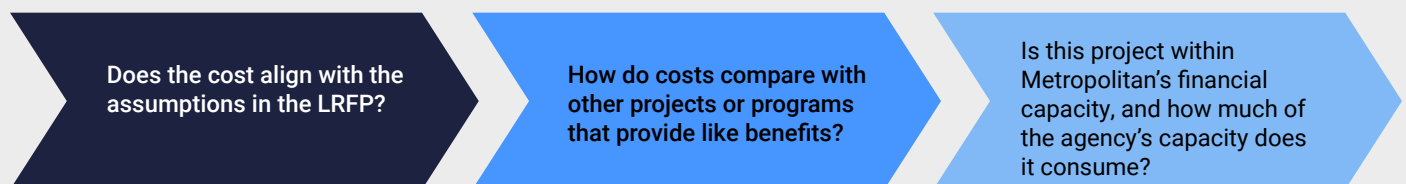
Unit Cost includes both the cost per acre-foot of supply or storage, or the cost per unit for other projects or programs that are not supply or storage-related. This flexibility in the “unit” definition allows this metric to be utilized in a

Financial metrics that will be integrated into the Evaluative Criteria include unit cost and debt leverage. Full financial evaluation will be integrated by including the CAMP4W process in Metropolitan’s existing budget development process.

consistent manner against projects or programs of a similar type. Tracking the “effective unit cost” is important to consider in the evaluation of a project or program. The effective yield of a project (based on modeling outputs) as opposed to the gross yield or design capacity, is most relevant as the effective yield can vary based on hydrologic conditions, project share among participants, or other factors. While total costs will be documented, for the purpose of CAMP4W analysis, unit costs will reflect the cost to Metropolitan as opposed to total unit cost.

When an identified project cost falls within the range of unit costs assumed in the LRFP, a project score will positively reflect this. Where a project is more costly than the LRFP assumed unit costs, additional evaluation will be required to determine if the project should be considered further. This evaluation would include consideration for other multi-benefits the project brings, exploration of alternative projects that address the need at a lower cost, and how critical the need for the project is. When a project is to be considered further, its financial impacts will be evaluated as part of the Climate-Decision Making Framework.

Debt Leverage



Debt Leverage focuses on (a) how much of Metropolitan’s forecasted bond capacity a project and/or program would utilize; and (b) the projected annual debt service coverage requirements on the aggregate debt issued. Whether a project or program is eligible to be funded through bonds can have a significant impact on Metropolitan’s short- and long-term costs. The ability to bond finance a project allows for generational equity – whereby current and future rate customers, who enjoy the benefits of a project or program, will pay their “fair share” of the associated costs. When aggregating projects and programs into a portfolio to address Metropolitan’s overall reliability and resilience objectives, it is important to understand the combined financial costs and constraints. This financial metric will aid in determining the relative cost burden of a portfolio while meeting certain minimum annual debt service coverage thresholds. The combination of these two debt metrics (in addition to unrestricted reserve balances) reflect the key credit factors that impact Metropolitan’s ratings, access to the capital markets, and cost of borrowing.

Business Model and Affordability

4.1 Role of Long-Range Finance Plan

The Long-Range Finance Plan (LRFP) is integral to planning for resource management to address climate adaptation and the reliability gaps identified in the IRP Needs Assessment. The initial Long-Range Finance Plan Needs Assessment (LRFP-NA) is the first phase in the process of providing the Board with information to support its decisions on a finance plan for funding new capital investments through 2045. The initial phase estimates the scale of potential capital investment requirements and overall water rate impacts associated with the four demand and supply scenarios taken from the 2020 IRP-Needs Assessment, which focuses on reliability and resilience to drought.

The ongoing long-range financial planning will consider the projects and programs needed to address all climate hazards. This will continue as the CAMP4W process progresses past the development of the decision-making framework and into the identification of specific proposed capital projects and programs that the Board determines are appropriate to achieve the Time-Bound Targets. Ongoing and iterative financial planning will be integrated with CAMP4W so as to incorporate updated resource needs and inform investment decisions.

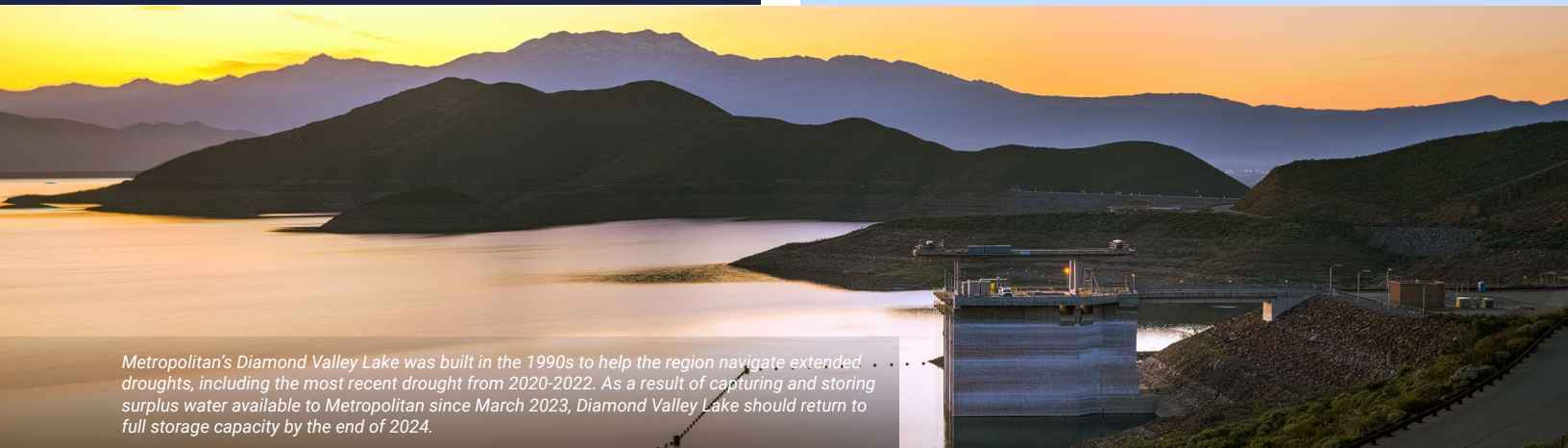
Long-range finance planning will provide a tailored financial analysis to outline funding and financing strategies based on Board input on policy goals and objectives and the outputs from the CAMP4W planning process.

SUMMARY OF LRFP-NEEDS ASSESSMENT:

The LRFP-NA provides high-level guidance on the rate impacts and funding demands Metropolitan must consider for the water resource development needs identified in the IRP. Cost assumptions were developed based on estimated unit cost per acre-foot of either supply or storage as follows:

- **Core supply unit cost:** \$3,000/AF (2023\$).
- **Storage unit cost:** \$300/AF of storage capacity (2023\$).
- **Flex supply unit cost:** \$600/AF.

Rate and capital investment values are anticipated to change as the CAMP4W process continues and project- and program-specific costs are evaluated, consistent with an adaptive management approach to planning. Project and program development will further impact the categories of projects or programs needed (supply, storage, conveyance, increased system flexibility, system resilience projects, conservation programs, etc.), which will impact the total estimated costs.



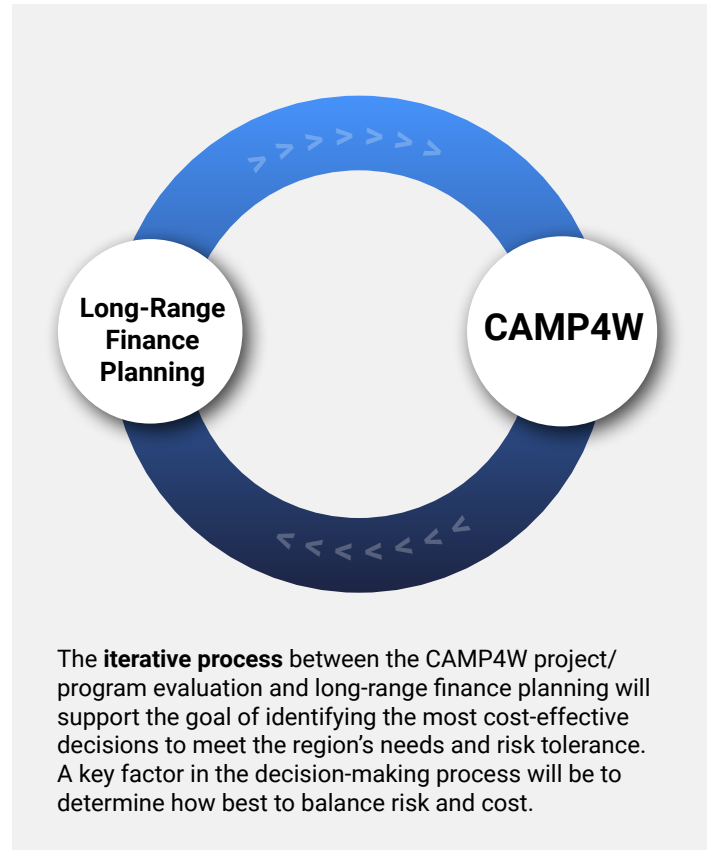
Metropolitan's Diamond Valley Lake was built in the 1990s to help the region navigate extended droughts, including the most recent drought from 2020-2022. As a result of capturing and storing surplus water available to Metropolitan since March 2023, Diamond Valley Lake should return to full storage capacity by the end of 2024.

Future updates to Metropolitan’s finance planning process will be accomplished as part of the comprehensive CAMP4W process discussed in Section 6.

Financial planning to support identification of risk tolerance:

Resource development decisions come with inherent risks and tradeoffs. One of the key risks facing Metropolitan is that demand conditions could deviate substantially from the capacity created by the selected development portfolio over the near- and long-term. Under the existing rate structure, if demand is lower than forecasted, it could result in higher rates. If demand is higher than forecasted, it could result in water shortages. Any resource development portfolio needs to balance rate increases against risks to reliability. To quantify the impacts of these risks, staff analyzed the rate impacts and net shortages caused by different demand levels on the IRP scenarios A through D. For example, assume that Metropolitan plans and develops resources to meet the demands in IRP D, but that projected demand does not materialize. Instead, assume what occurs is lower demands as projected in IRP A. In this sensitivity analysis, the over-development of core supply and storage to meet the unrealized projected demand in IRP D would result in substantially higher rates. The overall annual rate increase under this framework, based on Metropolitan’s current rate structure, increases from 7.1 percent to 10.9 percent over the forecast period through 2032 and from 5.6 percent to 8.1 percent through 2045, assuming development of 250 TAF of storage. The additional costs associated with resilience to hazards beyond drought would further impact these calculations. Conversely, if Metropolitan plans to meet the conditions outlined in IRP A (no new resource development), but experiences the demands of

IRP D, Metropolitan could experience shortages of up to 300 TAF from 8 percent to 14 percent of the time through 2032. For the forecast period through 2045, Metropolitan could experience maximum shortages of up to 1.2 MAF from 0 percent to 66 percent of the time. These examples underscore the importance of an adaptive management approach that enables Metropolitan to regularly read the Signposts and make adjustments to minimize risks.



4.2 Business Model

Metropolitan's core business is structured around the sale of treated and untreated water through the importation of water. To conduct this core business, Metropolitan must develop and maintain a network of supportive facilities, which includes conveyance facilities, storage facilities, treatment facilities, and other associated infrastructure. Metropolitan must also undertake additional responsibilities such as regional planning, design, water quality monitoring, maintenance, permitting, and other tasks necessary to provide a reliable supply of treated and untreated water. The Board and Member Agencies have expressed an interest in evolving Metropolitan's role in the region for financial sustainability purposes and to foster further development of local supply and storage options to address the reduced reliability of imported supplies. With the whiplash of alternating severely dry and severely wet weather, water demands and supplies follow a similar fluctuation and can disrupt necessary revenue streams. While the current Business Model has successfully facilitated the delivery of safe and reliable water for decades, adjustments to Metropolitan's business model could improve the ability of Metropolitan to serve the needs of its Member Agencies in the face of a changing climate and the level of investment necessary to prepare Metropolitan for the future. Metropolitan will be discussing the purpose, desired outcome, and components of the Business Model with the Board and Member Agencies in 2024. This is intended to involve reviewing Metropolitan's current Business Model, identifying the problem statement, evaluating the role Metropolitan may take moving forward, and determining how the existing Business Model should be updated and revised to address Metropolitan's problem statement and goals. As a two-directional process, some Business Model decisions may impact other CAMP4W components at the same time as those components may inform the Business Model decisions.

Across the nation utilities are faced with the challenge of evaluating their ability to maintain financial sustainability in the face of an uncertain climate, increased operational and capital costs, aging infrastructure, and expectations of greater equity (such the need to invest disproportionately in areas that historically have experienced under investment). Metropolitan faces similar challenges and has the added challenge of facing the potential for reduced water demands due to climate volatility, conservation and increased local supply.

These challenges support the examination of Metropolitan's existing revenue structure and the consideration of new revenue structures to support Metropolitan's continued role in the region and financial sustainability.



Metropolitan will be exploring multiple components that could be included in the updated Business Model to ensure the Business Model facilitates:

- Addressing equity and fairness concerns in current rates and charges, including the treatment surcharge.
- Capturing the value of Metropolitan's role in conservation, water use efficiency and local water resources development.
- Exchange of water resources and sharing of assets between Member Agencies.
- Expanding local capacity and regional benefits through Metropolitan co-investing in local resource development.
- Providing regional support to Member Agencies to develop affordability strategies for their customers across the region, including but not limited to technical or policy guidance, advocacy for state and federal action or funding, and fiscal capacity to facilitate external grants or other funding.
- Identifying additional revenue streams through increased monetization of assets and properties, grants, and service delivery.
- Exploring mechanisms for expanding financial capacity to make necessary investments and considering the balance between fixed and volumetric rates.

4.3 Addressing Affordability

A series of affordability panel discussions were conducted during Equity, Inclusion, and Affordability (EIA) Board Committee meetings in 2023 and early 2024. These affordability discussions are informing the Board's CAMP4W process and expanded on initial CAMP4W thematic statements on affordability and equity, which serve as guideposts in the development of the Climate Decision-Making Framework and evaluative criteria. Each panel was comprised of representatives from different sectors, including but not limited to non-governmental organizations, Member Agencies, utilities, and researchers. Metropolitan's role as a wholesale water provider naturally focuses its affordability strategies on the rates charged to its Member Agencies, not to retail customers. However, Metropolitan efforts to provide tools, direct programs, and support funding mechanisms can directly affect Member Agencies and the customers they serve. Metropolitan and its Member Agencies are also informed by California's

Human Right to Water (HR2W) Policy, AB 685 (2012), which states that "...every human being has the right to safe, clean, affordable, and accessible water adequate for human consumption, cooking, and sanitary purposes." Although not applicable to Metropolitan or other local agencies, this policy broadly applies to state agencies when revising, adopting, or establishing policies, regulations, or criteria. Currently domestic HR2W minimum indoor water use during curtailment is recognized as 55 gal./person/day (GPCD), reference Cal. Code Regs. Tit. 23, § 878.1.

Based on the affordability panels, Board and Member Agency input and community engagement thus far, staff will pursue options in the following categories during the CAMP4W process in 2024. Additional items can be added based on ongoing discussions and feedback.

- **Statewide and Federal Advocacy:** There was consensus among many panelists for Metropolitan to take an active role in advocating for statewide and federal policies that support water affordability. This includes supporting



legislation for statewide low-income rate assistance programs and seeking federal funding opportunities to offset the costs of essential water infrastructure projects.

- **Collaboration and Information Sharing:** Increased collaboration and information sharing among Member Agencies on successful affordability and conservation programs would allow agencies to learn from each other and adopt best practices suited to their unique circumstances.
- **Leverage Non-Rate Revenues:** Metropolitan could explore utilizing non-rate revenues to fund affordability programs. This approach could involve leveraging assets, partnerships, and grants to support low-income communities and conservation programs targeting disadvantaged communities. As an example, SFPUC uses approximately \$12 Million in annual real property lease revenue to fund its low-income assistance program.
- **Investment in Education and Outreach:** Discussions stressed the need for Metropolitan to invest in educational initiatives to ensure that affordability programs reach and are utilized by those most in need. This could

involve targeted outreach efforts and partnerships with community organizations to raise awareness about available assistance programs.

- **Policy and Program Innovation:** Metropolitan was encouraged to continue exploring innovative policies and programs that address both system-level and household-level affordability challenges. This might involve working with Member Agencies on exploring new billing structures, subsidies for low-income households, and programs that reduce the water bill impact on vulnerable populations.
- **Needs Assessment and Metrics:** Methodologies to identify, assess and address any inequities in benefits and services provided helps Metropolitan appropriately target its resources and programs. The team will also explore Time-Bound Targets focused on benefiting underserved communities, ensuring meaningful community engagement as well as options for advancing greater affordability for Board consideration through the CAMP4W process.



NEXT STEPS

- ▶ Develop mutual understanding of current business model and objectives for refinement
- ▶ Establish the schedule for ongoing integration with the 10-year financial forecast
- ▶ Incorporate risk analysis into the Board's investment decision-making
- ▶ Consider business model alternatives
- ▶ Identify how Metropolitan can pursue options that advance affordability and equity goals

Policies and Initiatives

5.1 Policies and Initiatives

Policies will provide direction in how Metropolitan will achieve resource development goals, establish new or maintain existing initiatives, where initiatives include specific programs, issues for further study or research, or other activities identified by the Board to pursue CAMP4W goals. Some areas where Metropolitan has or will be focusing policy efforts are expressed in the Policy-Based Time-Bound Targets (Section 2). Additional policies and initiatives will also be developed in this process. Areas of development for 2024 are included below.

SHAPING OUR FUTURE

Policies that focus on being equitable, forward-thinking, and environmentally sustainable can shape the direction Metropolitan takes into the future, impacting investment decisions and the footprint we leave behind.



EQUITABLE SUPPLY RELIABILITY

While Metropolitan's Resource-Development targets identify the supply and storage needs for long-term reliability, the decision to specifically focus on areas experiencing inequity is driven by policy-based targets. Metropolitan's policy goals can further identify the types of measures it will prioritize towards meeting these goals.



LOCAL AGENCY SUPPLY DEVELOPMENT

The IRP Needs Assessment assumes a certain amount of local supply will remain available overtime. By developing policies that focus on supporting Member Agencies in their efforts to protect, preserve, and share those supplies, Metropolitan will define its preference towards continuing to support local supply reliability as a key resource.



CONSERVATION AND EFFICIENCY

Metropolitan embraces Making Conservation a California Way of Life, by considering policies and programs that capture the true value of water efficiency and conservation to achieve our goals of long-term reliability, resilience and financial sustainability. This includes policies to support Member Agency compliance with SWRCB standards.



RESILIENT INFRASTRUCTURE

Assessing climate risks and expanding Metropolitan's current robust process of asset protection is critical. As our climate and risks shift, policies that direct Metropolitan to identify and address risks based on future conditions will help guide investment decisions.



SUSTAINABILITY

As an environmental steward, current and new Metropolitan policies can contribute to long-term environmental sustainability including reducing our greenhouse gas emissions, increasing energy and water efficiency, pursuing renewable energy and reducing waste.



SURPLUS WATER MANAGEMENT

Policies can support Metropolitan's management of surplus water such as during flooding events or when excess recycled water is available, by developing additional storage within existing basins and reservoirs and through new opportunities.



ECOSYSTEM AND HABITAT BENEFITS

Healthy ecosystems can impact water quality, water supply, and infrastructure resilience. Policies can drive investment to make the ecosystem more resilient to fires, flooding and other risks, protect the water quality coming from the watershed, influence supply reliability, and protect infrastructure from risk of loss or damages.



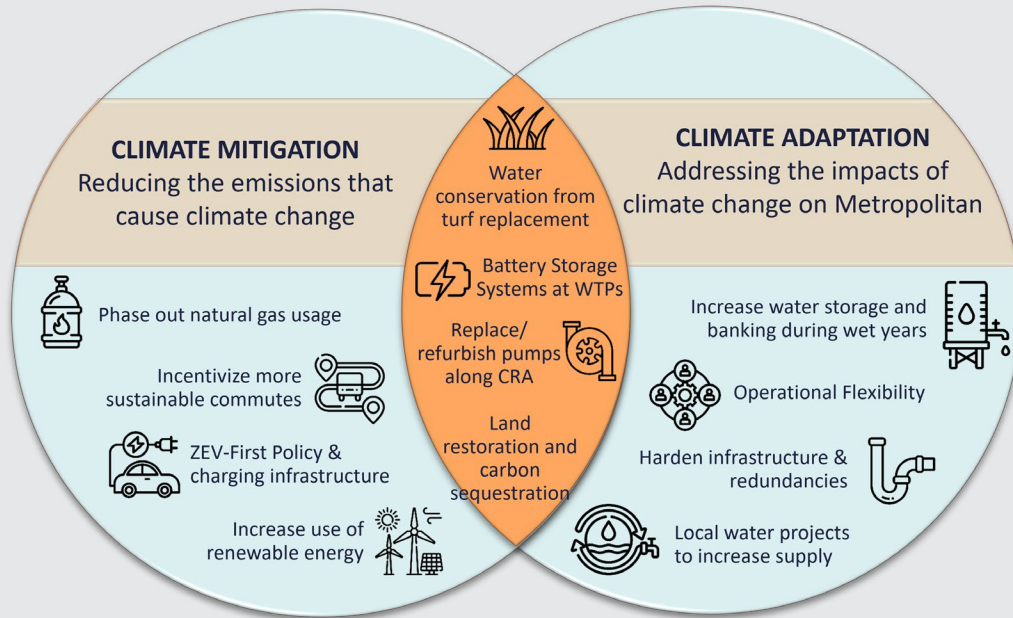
COMMUNITY EQUITY AND AFFORDABILITY

Metropolitan is committed to diversity, equity, and inclusion, through policies such as mitigating impacts to disadvantaged communities or engaging underrepresented communities in workforce development, and those that consider affordability and Metropolitan's role as a wholesaler.



WORKFORCE DEVELOPMENT

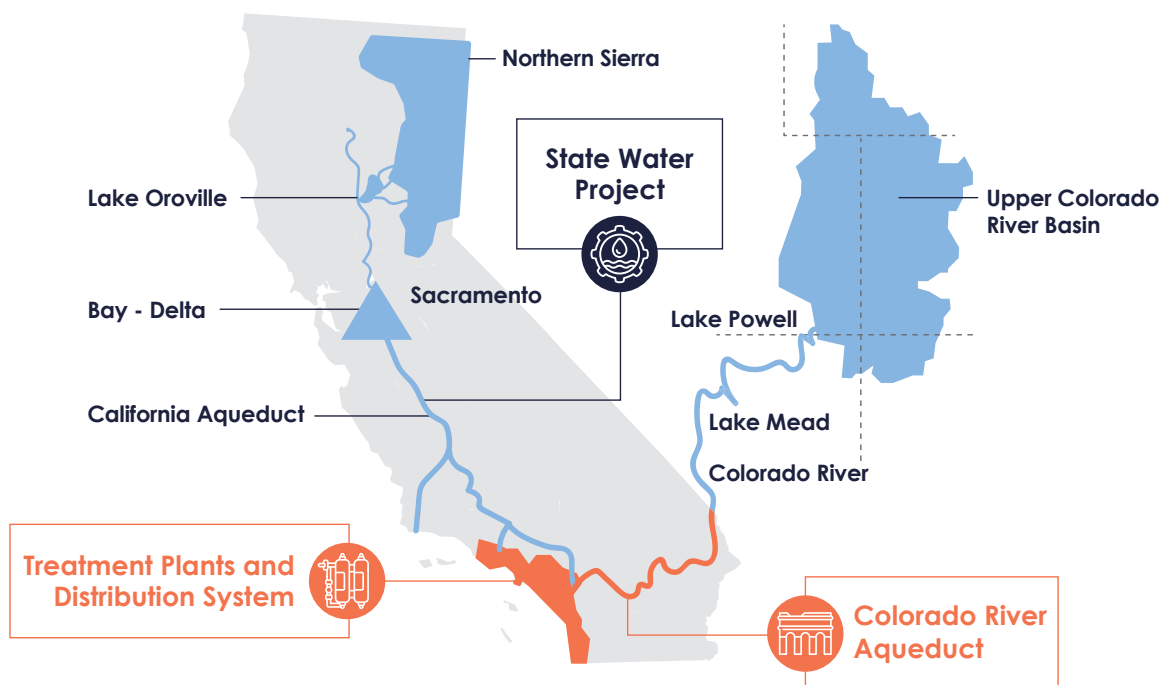
Preparing for a future with increased climate extremes drives the need for critical policies surrounding workforce development goals and Metropolitan's process for protecting employees operating under extreme or otherwise risky conditions.



5.2 Partnership Opportunities

Throughout the CAMP4W process, the Board and Member Agencies have expressed a shared commitment to working collaboratively to prepare for a changing climate. Discussions have emphasized the importance of partnerships and collaboration among Metropolitan and Member Agencies as we work towards identifying adaptive solutions that meet our Resource- and Policy-Based Targets and provide regional benefits.

Collaboration with external partners, both within and outside of Metropolitan’s service area such as those who rely on the same sources of our imported water, is also critical in achieving Metropolitan’s goals. As shown in Figure 5-2, Metropolitan’s assets and supplies cross multiple regions. Considering how to expand integrated planning and collaboration through “out of the box” thinking could result in broader benefits, such as increased reliability and cost savings.



5.2.1 Metropolitan and Member Agency Partnerships Opportunities

Metropolitan has long partnered with Member Agencies on projects and programs through its Local Resources Program (LRP). This program facilitates Metropolitan contributing funds to Member Agency projects that increase local water supplies and reduces the region’s dependence on imported water, thereby reducing Metropolitan’s resource development needs.



Demand Management



Surplus Water Management



Member Agency Exchange



Local Resources Program



Community Engagement



Grants & Technical Assistance

As Metropolitan contemplates the most effective and efficient use of its financial resources, exploring additional opportunities to maximize the use of existing assets within the region is a critical piece of the evaluation process. This could include water supply elements, such as exploring additional storage opportunities within the groundwater basins or evaluation of excess supply options, as well as resilience opportunities or opportunities to support conservation and other programs. CAMP4W will facilitate discussions among Metropolitan and Member Agencies to understand the extent to which collaboration should be planned for and what Metropolitan’s role will be.

Additionally, through the CAMP4W process, Metropolitan will establish how Metropolitan can facilitate similar partnerships between Member Agencies. This could include facilitating discussions on opportunities to convey water from an agency with excess supply but limited storage to an agency with excess storage but limited supply availability, or by facilitating how this type of exchange would work financially and operationally.

CAMP4W will establish the extent to which Metropolitan and Member Agencies intend to work collaboratively towards shared goals by maximizing the assets we already have, and being strategic in how we identify new reliability and resilience projects.

5.2.2 Additional External Partnership and Collaboration Opportunities

Shared goals and challenges present opportunities for Metropolitan to continue to explore partnerships with other water suppliers, State and Federal agencies, business and agricultural interests, community-based and environmental organizations, and many other entities. Metropolitan is actively working with business and agricultural entities on projects and research on new approaches that improve water efficiency and offer other benefits for carbon capture and sequestration. Metropolitan is also building relationships with community-based and environmental organizations to support their efforts to build capacity to undertake larger projects and programs in collaboration with public agencies. Beyond the value of understanding the needs and interests of other communities and industries, these efforts better leverage grant funding for the region as it becomes available through state and federal programs.

Metropolitan’s interests extend far beyond the boundaries of its service area. As a wholesaler of imported water, it relies on supplies that are also critical to other agencies and communities in California and the West. Metropolitan has long partnered with water districts, community organizations and agencies within the Bay-Delta watershed and within the Colorado River Basin. As each of these regions face similar climate vulnerabilities and challenges, opportunities to co-invest, maximize local resources, and diversify water supplies will grow in importance.

In upcoming conversations on the Business Model and specific project and program investments, new and expanded partnership models will be considered to:

1. Enhance opportunities to maximize co-benefits
2. Improve returns on investment and financial outcomes
3. Increase efficiencies
4. Build relationships and trust



LOS ANGELES COUNTY SANITATION DISTRICTS

Metropolitan is partnering with LACSD on Pure Water Southern California, a proposed water reuse program that would redirect treated wastewater into an advanced water treatment facility to produce up to 150 million gallons per day of purified water. If approved, this program would reduce discharges to the ocean, increase local water supply, reduce pressure on imported sources of water, leverage district resources and assets, and allow the two agencies to share the costs.



AGRICULTURAL PARTNERS IN PALO VERDE VALLEY

Metropolitan continues to work with farmers along the Colorado River to conserve water and invest in water efficiency and soil health measures. This partnership results in water savings, local economic benefit, soil health and increased potential to store atmospheric carbon.

5.3 Community Engagement

Public engagement in the CAMP4W process is essential to public support and acceptance for implementation, and importantly public trust. It is the means to ensure transparency and provide opportunities for diverse voices to raise their priorities, concerns, and ideas with Metropolitan and the Member Agencies. In the first year, Metropolitan focused on developing communication tools and engagement strategies in collaboration with Member Agencies. CAMP4W has a prominent presence on Metropolitan’s website (mwdh2o.com/camp4w) with information and a library of resources. A video was created along with an information sheet to communicate the purpose and key ideas. Four listening sessions were held with environmental and community-based organizations to seek their input on themes, evaluative criteria, community equity and more. Metropolitan has presented CAMP4W in numerous public meetings, including to the boards of several Member Agencies as part of presentations by the Chair of the Board and the General Manager. Community engagement activities will increase over the coming months to ensure the Task Force has the benefit of community input in preparing the full plan for Board consideration. In collaboration with the Member Agencies, planned activities include workshops, listening sessions, forums, presentations, tabling at community events and work with community-based and tribal organizations.

NEXT STEPS

- ▶ Develop and consider policies and initiatives
- ▶ Explore Metropolitan and Member Agency partnership opportunities
- ▶ Pursue external partnership and collaboration opportunities
- ▶ Continue community engagement

Adaptive Management

6.1 Adaptive Management Approach

Through the CAMP4W process, the Board and Member Agencies have identified the adaptive management approach to be the path forward as Metropolitan embarks on its journey into this era of planning under deep uncertainty. Adaptive management will allow Metropolitan to continuously re-evaluate real-world conditions to adjust investment decisions based on the best available information at the time a decision needs to be made. It will allow Metropolitan to make decisions and course correct if conditions change or alternatives become available.

Phased decision-making is not new to Metropolitan. Significant projects have been assessed by the Board incrementally, allowing the Board to weigh the project or program’s benefits and costs at natural intervals. The adaptive management framework embraces this established process and adds specific metrics to track real-world conditions. This allows CAMP4W evaluations and inputs to be adjusted when needed. Figure 6-2 presents the Adaptive Management Process.

Incremental decisions based on real-world conditions will allow the Board to avoid, to the maximum extent possible, over or under investing. Committing to advance early phases of a project or program in the short term does not force Metropolitan to commit to funding that project over the long term if conditions or information changes. **The Board will ultimately have the flexibility to change course, when needed, through the Adaptive Management process.**

Adaptive Management Process
 Planning for Rapid Change and Adjusting based on Real World Conditions

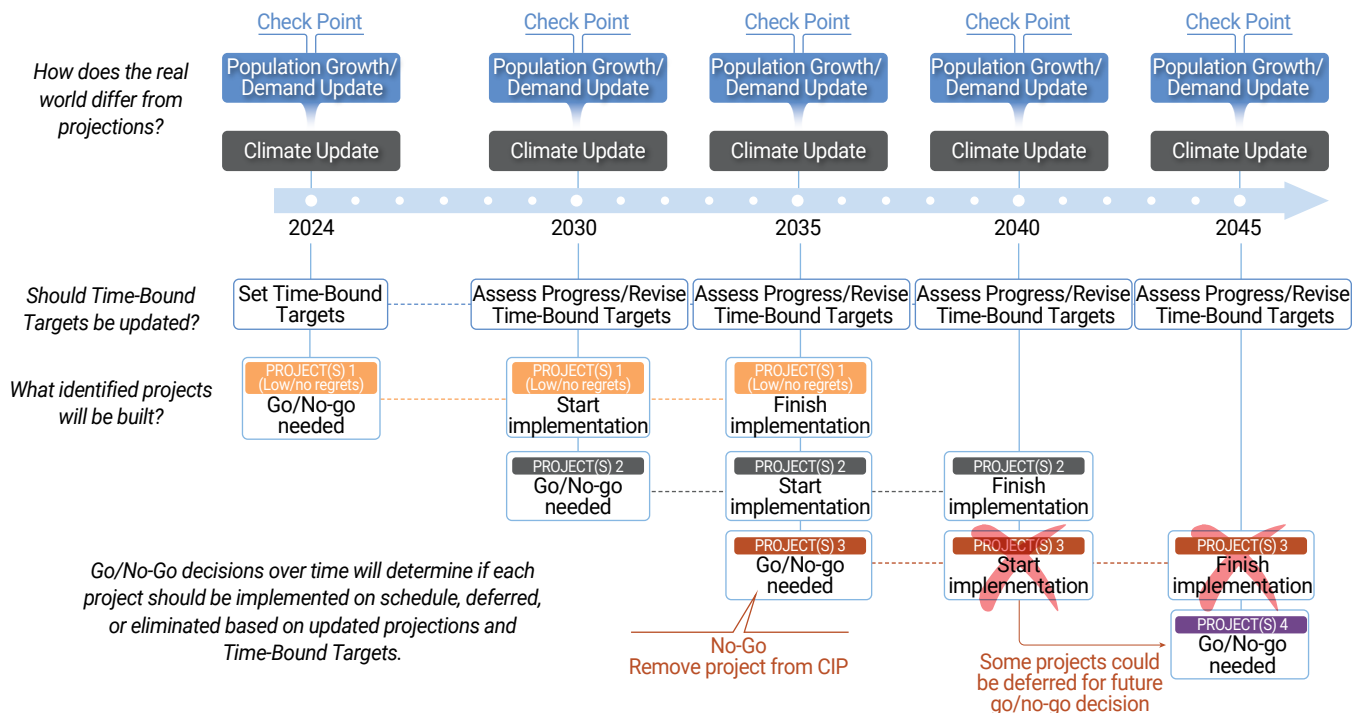


Figure 6-1 Adaptive Management Process

6.2 Signposts and Monitoring

A key part of the Adaptive Management Process involves reading Signposts to understand the real-world conditions and determine if the Time-Bound Targets need to be revised, which would in turn impact investment decisions. The Signposts must be based on metrics that are measurable and readily available so that Metropolitan staff can provide valuable updates to the Board.

Throughout 2024, the Task Force will work towards developing specific metrics under each of the categories shown in Figure 6-2. These metrics will be reviewed annually and presented to the Board as part of the CAMP4W Annual Report, as discussed further in the following section. The regularly updated Signpost data will be a critical factor in the Adaptive Management process and will facilitate the Board’s ability to make informed, incremental decisions based on up-to-date information. With the CAMP4W process designed to align with Metropolitan’s current CIP program, the Board will be positioned to change course as needed over time.

Proposed Signposts Metrics Examples

Signposts should be measurable, updatable, and readily available

DEMAND	SUPPLY	INFRASTRUCTURE	FINANCIAL
Population	Climate Change Indicators	Unexpected Shutdowns	O&M Trends
Economy	Regulations	Infrastructure Loss	Capital Cost Trends
Local Agency Supply	Storage	Emergency Response	Emergency Response Costs
Demand Management	Water Quality	Power Interruptions	
Regulations		Connectivity and Robustness	
		Infrastructure Capability	

Figure 6-2 Adaptive Management Process

6.3 CAMP4W Reporting and Updates

Adaptive management requires monitoring of conditions over time and revisiting past decisions on a regular basis. The CAMP4W planning process has been designed to follow a five-year cadence to ensure the Board has the information necessary to advance projects. This process will be done in three phases:

Annually. Metropolitan staff will prepare a CAMP4W Annual Report and hold a CAMP4W Annual Workshop to provide the Board with the tools it needs to understand the impacts of past decisions and to make informed decisions going forward. The first update will be prepared by the end of 2024. The annual report will include:

- **Reading of the Signposts:** Metropolitan will prepare a summary report that lists each signpost and provides an update on data, trends, or a timeframe when an update would be available, depending on the Signpost (e.g., population trends can be provided annually, but global climate

projections will not be updated at that same frequency).

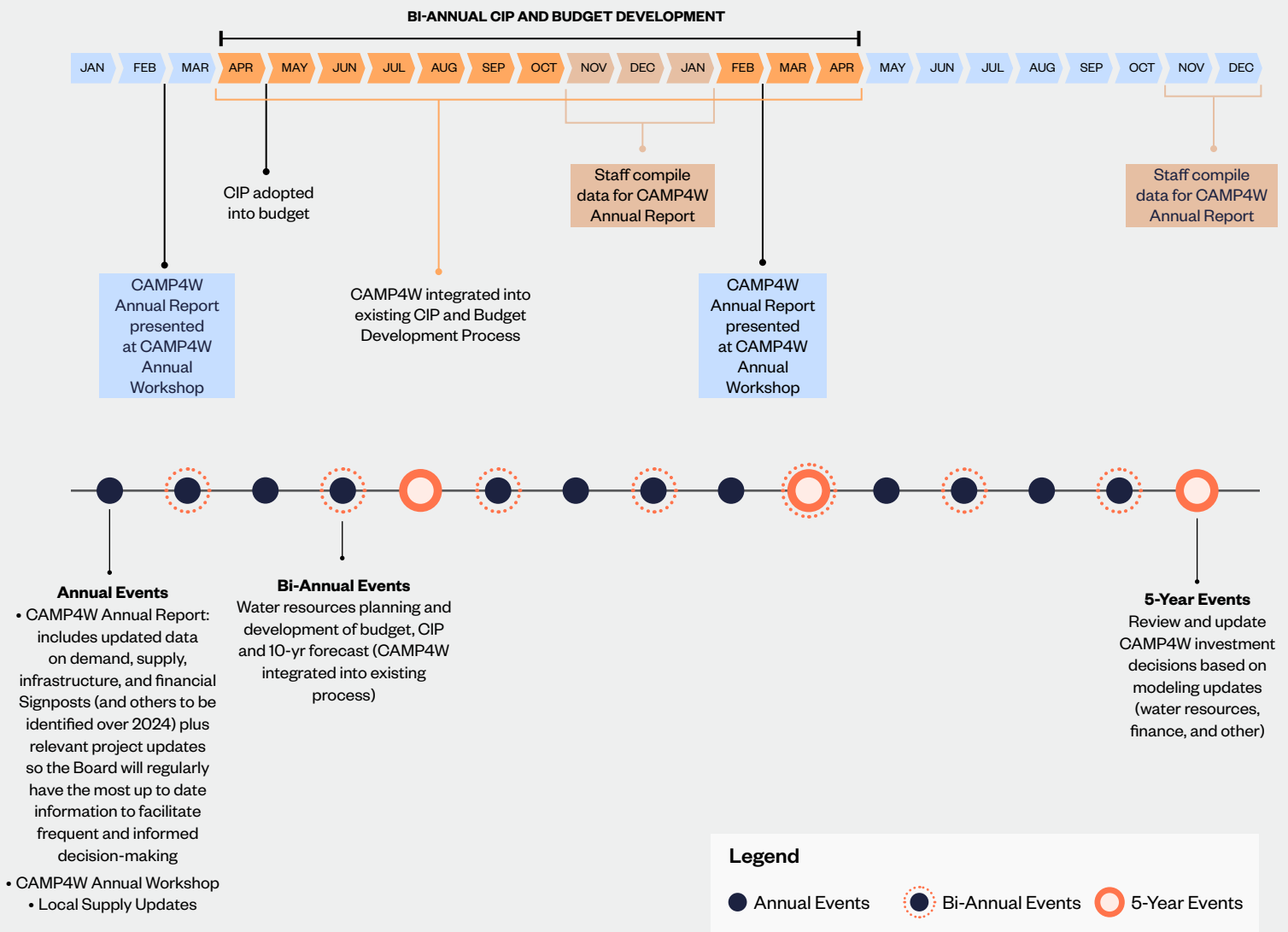
- **Recommended updates to the Time-Bound Targets:** Based on findings from the reading of the Signposts, Metropolitan will revisit the Time-Bound Targets if the new information suggests that developing towards the then-current Time-Bound Targets will result in over- or under-developing.
- **Project updates as needed:** Metropolitan will include a brief update on projects or programs included in the previous CIP as well as updates on any projects or programs.

Bi-annually. CAMP4W projects and programs will be evaluated for inclusion in the bi-annual CIP and budget. Project and program evaluation will follow the evaluation process discussed in Section 3. This will be informed by the Annual Report, Signposts, and Time-Bound Targets as well as the CIP and budget process.

Every Five Years. As time goes by and conditions change, more extensive planning and evaluation will be needed. This five year update will include a comprehensive CAMP4W update, inclusive of water resources and finance updates.

Figure 6-3 CAMP4W Deliverable Timeframe

Integrating CAMP4W into Metropolitan’s Existing Processes



6.4 Identification of Go Projects and Programs

As discussed in Section 3, the CAMP4W projects to include in the CIP and budget will be developed based on a robust evaluation at the project and program level. These projects and programs will be evaluated for funding of a given phase (planning, design, implementation, O&M), and through the Adaptive Management process, Metropolitan will have the opportunity to continue to fund subsequent phases, put a project or program on hold until further information is made available, or to remove a project from the CIP. This will provide the Board with control over the catalogue of investment decisions made over time, while allowing progress to continue to progress annually.





*The Metropolitan
Water District
of Southern California*

**THE METROPOLITAN WATER DISTRICT OF
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Hazen

Attachment 2 - Member Agency written comments on CAMP4W Year One Progress Report distributed May 2024				
Date	Agency	Category	Comment	Response
5/3/2024	Calleguas Municipal Water District	Member Agency Involvement	We appreciate the documentation of the State Water Project Dependent Area Go Projects in Section of 6.4 of the Progress Report. Pursuant to the Metropolitan Board’s commitment in its August 16, 2022 “Call to Action” resolution and commitment to regional reliability for all member agencies, the inclusion of these projects demonstrates that the CAMP4W process can respond to climate change even as the details of the plan continue to be developed. The involvement of the six member agencies in the SWP-D area in developing potential solutions, including the State Water Project Dependent Area Go Projects, provides a model of cooperative adaptation.	Noted. See revision on Page 3-5.
	Calleguas Municipal Water District	Member Agency Involvement	Section 3.2.1 has an excellent description of how the individual projects may contribute to the performance of a portfolio as a whole. While Metropolitan staff and its consultants have expertise on Metropolitan’s resource mix and facilities, member agency managers possess knowledge that may uniquely contribute to the analysis of CAMP4W projects and portfolios. In particular, the member agency managers are best positioned to inform Metropolitan’s analyses on probable local responses to Metropolitan’s resource strategies. As with the member agency collaboration to develop solutions to address issues in the SWP-D areas and the ongoing coordination with Metropolitan’s Pure Water SoCal and the City of Los Angeles’ Operation Next, including explicit coordination with and input from member agencies in the portfolio evaluation process will improve that process.	The Board Deliberation Process presented in the CAMP4W Year One Progress Report will be refined over 2024 based on Task Force discussions and further Member Agency input. Metropolitan welcomes your ideas on how to best expand on these concepts, including input on opportunities for additional collaboration among Metropolitan and Member Agencies.
	Calleguas Municipal Water District	Business Model, Governance, and the Treated Water Surcharge	In previous comments on the CAMP4W process, Calleguas has noted that Board governance is critical to equity considerations in aligning who pays, who benefits, and who decides. The issue has also been raised by others on the CAMP4W Task Force; in fact, it was the most commonly cited additional issue by Task Force members, as discussed at the April 24, 2024 Task Force meeting. We recognize governance is a politically fraught issue, but ignoring it may perpetuate structural distortions in the decisions we collectively face in adapting to climate change. We believe discussing the origin of the current governance structure, the diversity of member agencies’ current financial and resource interests, and how best to meet our collective future challenges would usefully inform the business model.	Noted. This suggestion will be addressed in Business Model refinement discussions.
	Calleguas Municipal Water District	Business Model, Governance, and the Treated Water Surcharge	Additionally, we appreciate the documentation of the priority of addressing the treated water surcharge as part of the business model discussion. The Metropolitan Board’s commitment to prioritize this issue was included in its adoption of biennial budget on April 9, 2024 as follows: Metropolitan will work with member agency staff and the CAMP4Water Task Force to understand and analyze the treatment surcharge and specifically address issues that arise from that analysis including but not limited to modifying the way the charge is calculated. A final method will be prioritized as part of the new business model discussion and recommended for adoption as soon as possible thereafter but no later than approval of the new business model.	Noted. This suggestion will be addressed in Business Model refinement discussions.
	Calleguas Municipal Water District	Overall	Multiple editorial comments	Revised.
5/3/2024	Inland Empire Utilities Agency	Time-Bound Targets	We believe that prior to finalization of the Time-Bound Targets, it would be helpful for all stakeholders to continue to discuss and understand their basis, rationale, and implications. This would help ensure the targets provide meaningful guideposts for evaluating potential investments, similar to the resource targets in previous planning efforts. Key issues to address include: 1) The data, assumptions, and modeling supporting the draft targets 2) Alignment of target amounts and timing with supply and demand projections 3) Lessons learned from Metropolitan’s experience in achieving previous IRP targets	Noted. Additional discussions over 2024 surrounding the Time-Bound Targets and Signposts will include discussion on each of these elements.

5/6/2024	Elsinore Valley Municipal Water District	Commitment to Public Health	<p>Many things will change when this planning process is over, however, we want to be assured that Metropolitan remains committed above all else, to ensuring and protecting public health. As a public water system, and in coordination with your mission 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, that is your primary responsibility. While we appreciate scenario planning, adaptive management, conservation, efficiency, carbon neutrality, environmental stewardship, and innovation, these become secondary to ensuring and protecting public health.</p> <p>If you need examples of those systems that prioritized other things, including cost, please be reminded of Flint, Michigan, and most recently, Jackson, Mississippi. Water Quality is at the core of ensuring and protecting public health. Water quality regulations for Maximum Contaminant Levels, or Response Levels, require three years or less to comply – including piloting treatment options, designing treatment facilities, building the facilities themselves, and operating them to meet state and or federal deadlines. While I appreciate the CAMP benefits, this process does not allow for water quality regulation compliance timelines, nor does it allow for public health assurance.</p>	Public health impacts have and will remain critical to Metropolitan. The CAMP4W process does not hinder Metropolitan's ability to continue its high standard of water quality and public health protection. On the contrary, CAMP4W addresses climate threats comprehensively to ensure that Metropolitan's core mission, to deliver safe and reliable water, continues to be possible in an uncertain future.	
5/6/2024	Elsinore Valley Municipal Water District	Commitment to Public Health	<p>System Water Quality should also be exempt from the CAMP process. For example, the extended Nitrification issue Metropolitan experienced this year. This was not the first time this has happened, and with demands remaining below average, this will more than likely occur more frequently. While from a CAMP perspective it may seem System Water Quality Improvements belong within this process, from a Water Quality and Public Health perspective, they do not. Nitrification is an acute public health issue. The world-class water quality experts Metropolitan has employed should have the flexibility to make system water quality recommendations that go directly to the Board of Directors for consideration. Member Agencies and Sub-Retail Agencies count on the highest quality water from Metropolitan consistently for direct customer delivery as well as blending to meet a wide variety of drinking water regulations.</p>	See revision to Page 3-2. Note that the CAMP4W process does not prevent Metropolitan from responding appropriately to urgent or acute needs. The Climate Decision-Making Framework will facilitate the Board in making informed investment decisions over time, from a long-term planning standpoint and from a biannual CIP and budget standpoint, while taking into consideration a multitude of climate risks that Metropolitan and the region faces. This long-term planning process is intended to better prepare Metropolitan over time, with the goal of being better prepared for long term water quality risks that could occur as a result of climate impacts and other factors. Refer to the response to the previous comment for further discussion.	
5/6/2024	Elsinore Valley Municipal Water District	Commitment to Public Health	<p>Elsinore Valley Municipal Water District strongly recommends the following:</p> <ol style="list-style-type: none"> 1. A statement be added to the Executive Summary reaffirming Metropolitan's commitment to public health in all climate conditions rather than being left for inference. 2. Water Quality improvements or investments that are necessary for regulatory compliance be exempted from the CAMP4W process. 3. System Water Quality improvements that address acute public health issues and threats be exempted from the CAMP4W process. 	Language has been added to the executive summary to address comment #1. Regarding items 2 and 3, since the CAMP4W process is not intended to prohibit or negatively impact water quality improvements or rapid decision making for urgent matters, at this time there appears to be no reason to exempt certain types of projects from the process. It should be noted that the threshold for what projects are to be considered through the CAMP4W process has not been fully defined, as discussed in Section 3.2, but initial Task Force discussions identified the potential of including a cost-based and size-based metric for determining what projects and programs would be processed within CAMP4W, where CAMP4W is intended to be integrated into the existing CIP and budget process/timeframe.	
5/3/2024	City of Los Angeles	Investments	As Metropolitan embarks on charting the course of its future, there must be recognition of the significant historical investments Member Agencies have made into Metropolitan, as well as their own local supplies, that provide significant benefits for the entire region of Metropolitan's service territory.	Noted.	
5/3/2024	City of Los Angeles	Scenario Planning	Scenario Planning – Metropolitan's CAMP4W process should incorporate the best information and assumptions into the adaptive management process. For example, scenarios developed during Metropolitan's 2020 Integrated Resource Plan based on past assumptions, studies, and/or reports may no longer reflect the latest social and economic conditions and trends and should be evaluated and updated if necessary. Scenarios that will be used for multi-billion dollar investment decisions are extremely important to the evaluation and outcome.	See revisions to Section 2.2.2. Modeling will be updated as part of the adaptive management process, which will allow the Board to utilize the most up-to-date information available when investment decisions are made. While these updates will be made regularly thereafter, the IRP defined four scenarios will continue to be utilized, with the assumptions used in the modeling process being updated over time to reflect the most recent available information at the time.	
5/3/2024	City of Los Angeles	Adaptive Management	Adaptive Management – Metropolitan should establish a transparent process for adaptive management, up front, by identifying the current trend and potential signposts when evaluation and/or decisions will be made on major investments, along with identifying potential off-ramps. A data-driven approach using the latest available information and trends will establish an accurate starting point.	Agreed. Metropolitan will be updating the assumptions utilized in the 2020 IRP to provide the Board with the most relevant data available as decisions are made.	

5/3/2024	City of Los Angeles	Signposts	Signposts – Signposts that may influence water demand forecasts need to be established up front and continually monitored. For example, “Equitable Supply Access” or “Supply Access Equity” signposts are reflected in the 2022 Human Health and Safety allocation in the State Water Project dependent areas due to limited access to regional supplies and storage. Additional signposts, such as housing, wages, and inflation impacts should be evaluated because of the significant influence on the demand forecasts.	The Signpost categories presented in Section 6 will be further developed throughout 2024, with specific metrics developed under each category based on discussions with the Task Force, industry standards, and scientific research.	
5/3/2024	City of Los Angeles	Business Model	Business Model – A clear understanding of the purpose and desired outcome of Metropolitan’s business model is necessary as deliberations of a new business model begin. A comprehensive analysis, including a gap analysis and current business model risks, would be helpful for transparency before any potential restructuring of Metropolitan’s current rate and financial structure.	Noted. Text added to Section 4.2 to refer to defining the purpose and desired outcome. The Task Force will be involved throughout the process which may involve identification of additional action items and next steps.	
5/3/2024	City of Los Angeles	Fixed Revenues	Fixed Revenues – It is important to have agreement and clear understanding of what constitutes as fixed revenue for Metropolitan when determining if fixed revenues are balanced with fixed expenses. Metropolitan’s minimum annual sales of approximately 1.2 million acre-feet based on lowest forecasted sales and the San Diego County Water Authority-Imperial Irrigation District water exchange revenues should be considered as fixed revenue, in addition to other fixed revenue from property taxes, capacity, standby, and readiness-to-serve charges. In considering changes in the balance of fixed versus variable charges, MWD should evaluate the impact on supply reliability, affordability, and the need to conserve water.	Noted. Business model discussions will be based on Metropolitan's current and projected financial considerations. This suggestion will be addressed in Business Model refinement discussions.	
5/3/2024	City of Los Angeles	Transparency	Transparency is paramount, especially a transparent adaptive management approach that can preserve rate affordability, using data-driven analyses to make strategic and timely investments while ensuring we address the climate crisis and its impacts, which is the intention of the CAMP4W process and plan. Any new financial and business model refresh should be made with the commitment to avoid unintended liabilities and financial burdens to its Member Agencies and their customers. The City of Los Angeles understands that comments raised by Board Directors and Member Agency Managers in recent CAMP4W meetings will be addressed and incorporated into the CAMP4W report and documentation before Metropolitan advances its planning efforts.	As a Board-led process, the CAMP4W process is evolving in a transparent, collaborative manner, such that comments and discussion items are being integrated into the CAMP4W process as it unfolds. As the business model discussions are in the early stages, and will be a critical development over 2024, the CAMP4W Year One Progress Report will not fully capture all comments pertaining to that topic. However, as 2024 progresses, additional Working Memoranda will be developed across a range of topics as committed to in the Year One Progress Report. These items will be further discussed at subsequent meetings, reflected in Working Memoranda, and incorporated into the comprehensive CAMP4W, which will be revised subsequently through the adaptive management process.	
4/3/2024	Las Virgenes Municipal Water District	Time-Bound Targets	Page 2, Last Paragraph. The time-bound target categories listed do not match the categories shown on pages ES-7 and 2-4. Add “equitable supply reliability” and “local agency supply” to the first sentence. “The Draft Report also includes a preliminary list of Signposts that will be used to monitor real-world conditions and inform adjustments to Evaluative Criteria and Time-Bound Targets, including core supply, flex supply, local agency supply, storage, equitable supply reliability, and conservation and efficiency programs.”	See response under 5/3/2024 comment (duplicate)	
4/3/2024	Las Virgenes Municipal Water District	Time-Bound Targets	Time-Bound Targets. The dates and time-bound target categories listed do not match the dates and categories shown on pages ES-7 and 2-4. Consider modifying this sentence. “Set near-, mid-, and long-term targets for core supply, flex supply, local agency supply, storage, equitable supply reliability, conservation and efficiency programs, and other targets as needed and identified.”	See response under 5/3/2024 comment (duplicate)	
4/3/2024	Las Virgenes Municipal Water District	Policies, Initiatives and Partnerships	Policies, Initiatives, and Partnerships. The range of potential regional supply gaps among Member Agencies needs to be addressed, as well as the infrastructure constraints. Please modify this sentence. “Implement policies, initiatives, and regional partnerships that will achieve the resource-based and policy-based targets in order to address (1) the range of potential regional supply gaps among Member Agencies and (2) infrastructure constraints”.	See response under 5/3/2024 comment (duplicate)	

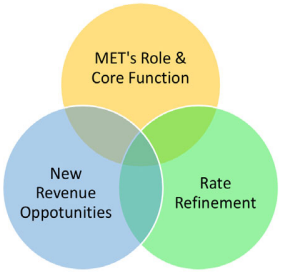
4/3/2024	Las Virgenes Municipal Water District	Time-Bound Targets	Pages ES-7 and 2-4. Time-Bound Targets Table. After listening to the dialogue at the Joint Task Force Meetings, we agree with other agencies that regional GPCD targets should not be used. There are equity issues associated with regional GPCD targets due to differences in land use and climate zones within Metropolitan's service area. Member Agencies should not be "evaluated" based on a regional GPCD target. Each Member Agency should identify, track, and monitor their own GPCD target. We support the other time-bound targets identified for Demand Management and Regional Water Use Efficiency.	See response under 5/3/2024 comment (duplicate)	
4/3/2024	Las Virgenes Municipal Water District	Signposts	Pages ES-8 and 2-5. Signposts. Another signpost for consideration under the supply category is "Infrastructure Capability". Infrastructure performance should be tracked and monitored regularly. The information collected can be used to identify future adaptive management actions and help ensure equitable supply reliability.	Revised.	
4/3/2024	Las Virgenes Municipal Water District	Section 1	Page 1-1, Insert – Top of Page. As indicated in the August 16, 2022, Board Letter and Resolution affirming Metropolitan's call to action and commitment to regional reliability, the unprecedented challenges faced by the agencies in the State Water Project-dependent areas were due to infrastructure constraints and water supply shortages. Please modify the text in this paragraph. "Infrastructure constraints coupled with three consecutive years of recent drought left the State Water Project-dependent areas with shortages, threatening the health and wellbeing of our residents".	See response under 5/3/2024 comment (duplicate)	
4/3/2024	Las Virgenes Municipal Water District	Section 1	Page 1-7, Middle of Page. A few bullet points refer to the "network". The meaning of "network" is unclear. Consider modifying the fourth bullet. "Clearly understand the Metropolitan/Member Agency network of water resource supplies and infrastructure to determine opportunities to provide additional connectivity".	See response under 5/3/2024 comment (duplicate)	
5/3/2024	Las Virgenes Municipal Water District	Process	Item 3b – PowerPoint Presentation, LTRPPBM Subcommittee March 27, 2024 <ul style="list-style-type: none"> Slide 16. This slide illustrates which projects will be assessed in CAMP4W. This is an important topic which merits further discussion at the Joint Task Force Meetings. It appears R&R projects will be scored through the standard CIP process while all other projects will be scored through the CAMP4W process. Our concern is that too many CIP projects might be sent to the CAMP4W Joint Task Force making the process slow and burdensome. We recommend that the Joint Task Force reviews and scores projects with a strong nexus to climate adaptation and drought mitigation. All other projects (e.g., R&R, regulatory, facility expansions, process improvements, seismic upgrades, security, etc.) should be reviewed and scored through the standard CIP process. Also, because of their knowledge and background, it might be appropriate for Metropolitan staff to provide the initial screening to determine which projects or programs should be reviewed by the Joint Task Force. Staff can summarize and present the screening results to the Joint Task Force as needed. 	Agreed. The determination of projects and programs that will be evaluated through CAMP4W as well as the Board deliberation process will be refined through 2024.	
5/3/2024	Las Virgenes Municipal Water District	Time-Bound Targets	Page ES-2, Time-Bound Targets. The dates and time-bound target categories listed do not match the dates and categories shown on pages ES-7 and 2-4. Consider modifying this sentence. "Set near-, mid-, and long-term targets for core supply, flex supply, local agency supply, storage, equitable supply reliability, conservation and efficiency programs, and other targets as needed and identified."	Agreed; revised.	
5/3/2024	Las Virgenes Municipal Water District	Policies, Initiatives and Partnerships	Page ES-2, Policies, Initiatives, and Partnerships. The range of potential regional supply gaps among Member Agencies needs to be addressed, as well as the infrastructure constraints. Please modify this sentence. "Implement policies, initiatives, and regional partnerships that will achieve the resource-based and policy-based targets in order to address (1) the range of potential regional supply gaps among Member Agencies and (2) infrastructure constraints".	See revisions.	
5/3/2024	Las Virgenes Municipal Water District	Time-Bound Targets	Pages ES-7 and 2-4, Time-Bound Targets Table. After listening to the dialogue at the Joint Task Force Meetings, we agree with other agencies that regional GPCD targets should not be used. There are equity issues associated with regional GPCD targets due to differences in land use and climate zones within Metropolitan's service area. Member Agencies should not be "evaluated" based on a regional GPCD target. Each Member Agency should identify, track, and monitor their own GPCD target. We support the other time-bound targets identified for Demand Management and Regional Water Use Efficiency.	See revisions.	

5/3/2024	Las Virgenes Municipal Water District	Signposts	Pages ES-8 and 6-2, Signposts. We support the four infrastructure signposts presented. Another infrastructure signpost for consideration is "connectivity and robustness". The events of 2022 that occurred in the State Water Project-dependent areas were a clear signpost that significant infrastructure constraints existed and needed to be addressed. Infrastructure performance in terms of connectivity and robustness should be tracked and monitored regularly. The information collected can be used to identify future adaptive management actions and help ensure equitable supply reliability.	Agreed; revised.	
5/3/2024	Las Virgenes Municipal Water District	Process	Pages ES-9 and 3-4, Flow Chart. The flow chart suggests that Metropolitan staff will conduct the project-level and portfolio-level assessments. We recommend that a scoring committee consisting of Metropolitan staff and representatives from Member Agencies be assembled to conduct these assessments.	The CAMP4W process is being developed to be transparent and inclusive. The scoring process will be conducted by Metropolitan staff and reported to the entire Task Force at the same time to allow all members to receive information and provide comment uniformly.	
5/3/2024	Las Virgenes Municipal Water District	Process	Page 1-1, Insert – Top of Page. As indicated in the August 16, 2022, Board Letter and Resolution affirming Metropolitan's call to action and commitment to regional reliability, the unprecedented challenges faced by the agencies in the State Water Project-dependent areas were due to infrastructure constraints and water supply shortages. Please modify the text in this paragraph. "Infrastructure constraints coupled with three consecutive years of recent drought left the State Water Project-dependent areas with shortages, threatening the health and wellbeing of our residents".	See revisions.	
5/3/2024	Las Virgenes Municipal Water District	Section 1	Page 1-7, Middle of Page. A few bullet points refer to the "network". The meaning of "network" is unclear. Consider modifying the fourth bullet. "Clearly understand the Metropolitan/Member Agency network of water resource supplies and infrastructure to determine opportunities to provide additional connectivity".	Revised.	
5/3/2024	Las Virgenes Municipal Water District	Time-Bound Targets	Page 2-5, Time-Bound Targets Defined. The table includes a definition for eight of the nine time-bound target categories. A definition for Equitable Supply Reliability is not included. Please include a definition for Equitable Supply Reliability. We also ask that the definition includes a reference to the August 16, 2022, Board resolution and commitment to regional reliability.	Revised.	
5/3/2024	Las Virgenes Municipal Water District	CIP development	Page 3-2, Figure 3-1 CIP Development. This figure illustrates two possible evaluation pathways leading to one comprehensive Capital Investment Plan. It appears R&R projects will be scored through the standard CIP process while all other projects will be scored through the CAMP4W process. Our concern is that too many CIP projects might be scored through the CAMP4W process making the process slow and burdensome. We recommend that only projects with a strong nexus to climate adaptation and drought mitigation be scored using the CAMP4W evaluation pathway. All other projects (e.g., R&R, regulatory, facility expansions, process improvements, seismic upgrades, security, etc.) should be reviewed and scored through the standard CIP evaluation pathway.	The distinction between which projects and programs will be evaluated using the CAMP4W process will be refined over 2024, including what threshold or other factors would apply.	
5/3/2024	Las Virgenes Municipal Water District	Process	Page 3-3, Insert, Determining CAMP4W Consideration. The criteria shown to determine if a project or program should be considered through the CAMP4W process needs to be expanded. Any project or program that advances a CAMP4W time-bound target (i.e., resource-based and/or policy-based) should be considered through the CAMP4W process.	Added additional bullet.	
5/3/2024	Las Virgenes Municipal Water District	Business Model	Page 4-5, Next Steps, Revised Business Model. The Next Steps should include some initial Business Model investigations including: (1) Review and summarize Metropolitan's current Business Model so everybody is starting from the same point, (2) Clearly identify the problem Metropolitan is trying to address, (3) determine the role of Metropolitan moving forward (e.g., importer of supplemental water supplies or an expanded role to include local resources ownership and development, etc. and (4) determine how the existing Business Model should be updated/revised to address Metropolitan's problem statement and goals.	Revised.	
5/3/2024	Las Virgenes Municipal Water District	Business Model	<ul style="list-style-type: none"> •We recognize the importance of revising Metropolitan's Business Model at this time and commend Metropolitan for initiating this effort. •The challenge at this point will be to expedite and focus this effort so something meaningful can be produced and implemented by early 2025. •We strongly support the idea of forming a subgroup of the Business Model Workgroup to address the Water Treatment Surcharge concerns that were recently raised at the Proposed Biennial Budget Workshops. 	Noted. This suggestion will be addressed in Business Model refinement discussions.	

5/2/2024	San Diego County Water Authority	Evaluation process	It is our understanding that the May draft Report will be revised to be clear that no projects or programs will be evaluated through the CAMP4W process until the scenarios are updated and time bound targets modified accordingly. Based on this understanding, we are pleased to express concurrence with the Report as a statement of where we are in the CAMP4W process at this moment in time, as a progress report—not as a basis for planning, reviewing, nor approving programs or projects	Consistent with an Adaptive Management approach, staff will be annually updating the inputs to the IRP needs assessment and resulting scenarios, and the Board may choose to adjust Time-Bound Targets accordingly. Staff will provide an annual update of inputs by the end of 2024. Starting in 2026, annual updates will be provided in the beginning of each year. These annual updates will help inform Board investment decisions over time. However, the Board can and should make timely decisions on programs and projects as opportunities become ripe for consideration, which may often be determined by external forces and timelines. Annual updates help ensure that decisions are made with the best available information while scenario planning contextualizes that information in the inherent uncertainties of forecasting the future.	
5/2/2024	San Diego County Water Authority		We look forward to board deliberation of the many issues to be addressed as part of the ongoing CAMP4W process as described in the draft Report. At the forefront, we would like to focus again on two critical foundational issues as part of the board's next steps: 1) how to maximize use of existing resources and facilities, including member agency local resource investments, before approving new MWD projects and programs; and 2) updating the planning premise ("scenario") used to set the ("time-bound") water supply development targets in Section 2's "decision making framework" to reflect current, real world conditions ("plausible reality") before any projects or programs are presented to the board through the evaluative process.	Noted. See responses below.	
5/2/2024	San Diego County Water Authority	Process	We provided detailed comments on the February 29 CAMP4W Report focusing at a high level on affordability, adaptive management, equity, and reliability. We reiterate these concerns, which many other board members also expressed, but which are not yet addressed in the current draft progress Report. Again, we look forward to ongoing productive discussion among board members.	Noted. Each of these topics will be further discussed as the process continues through 2024.	
5/2/2024	San Diego County Water Authority	Adaptive Management	As MWD board members, we are all accountable to MWD ratepayers and the agencies we represent. Water Authority board members expect MWD to update ("adaptively manage") the water supply development targets in the Report given broad agreement that Scenario D does not present a "plausible" future for the near-, mid-, nor long-term and could result in unnecessary rate increases and stranded assets that member agencies and their ratepayers can ill afford. We appreciate the assurances from staff that this update will be done before the MWD Board is asked to approve any new water supply or climate investments. We also appreciate assurances by staff that MWD will first build into the planning process the ability to maximize the use of all existing resources and facilities (MWD and member agency) before recommending or advancing new projects that may as a result, not be necessary.	Metropolitan will be updating the assumptions used in the 2020 IRP to refine the scenarios and evaluate whether there has been any change in the projected gap. Metropolitan's Board has directed staff to plan towards RCP 8.5, which aligns with Scenarios C and D. Planning towards a supply gap that could occur and adaptively managing investment decisions over time is intended to reduce the risk of being ill prepared in the future (allocations and shortages) while reducing the risk of stranded assets (over-development). This iterative process will be further defined over 2024 and will continue to be a Board-led process, whereby risk tolerance in either direction will be refined. The 2024 process will also explore Metropolitan and Member Agencies' interests in collaborating further, which will be a key part of the 2024 process.	
5/2/2024	San Diego County Water Authority	Affordability	The most important measure MWD can take to address affordability in Southern California is to carefully plan and mitigate its own spending to "right-size" current and future investments according to the needs of its member agencies and affordability constraints. This must be done working in close collaboration with MWD's 26-member agency customers and we look forward to continued reports on staff's efforts to do so.	Agreed and noted.	

5/6/2024	10 Agency Letter (EMWD, FMWD, MWDOC, Pasadena Water and Power, Three Valleys MWD, Upper San Gabriel Valley MWD, Western Water and the cities of Burbank, Glendale, and Santa Monica)		<p>The Draft Report outlines progress since February 2023 and delineates the next steps for 2024. Progress to date encompasses efforts to establish the values and priorities of the Board and Member Agencies, components of a Climate Decision-Making Framework, Time-Bound Targets, and the process for identifying projects and programs for evaluation.</p> <p>How will the Board action of a "Concurrence" impact the dynamic nature of this process? We seek confirmation that this action does not equate to a board-adopted policy.</p>	Staff seeks Board concurrence that the Draft Report is representative of the planning process to date as well as the delineated next steps. This recognizes that the CAMP4W is an iterative process subject to change based on new information and analyses. This action of concurrence is not a statement or adoption of policy.	
5/6/2024	10 Agency Letter (EMWD, FMWD, MWDOC, Pasadena Water and Power, Three Valleys MWD, Upper San Gabriel Valley MWD, Western Water and the cities of Burbank, Glendale, and Santa Monica)	Time-Bound Targets	<p>The description of the Joint Task Force Charter (page 3-2) references "Time-Bound Targets: Set targets to achieve by 2026, 2032, and 2045 for efficiency, conservation (including GPCD across the entire service area)." However, to align with the discussions and outcomes of the Task Force, footnote 5 on pages ES-7 and 2-4 states, "Specific [targets] will be identified later this year based on final SWRCB standards as well as Metropolitan's overall demand management target. The target will be designed to track water use efficiency trends by sector over time and will take local conditions, including climate, into consideration."</p> <p>We, the undersigned, express concern regarding the use of Gallons Per Capita Per Day (GPCD) as a time-bound target of value. Calculating a community's total water use per capita does not accurately measure water use efficiency. A gross GPCD value fails to account for the unique water needs of different communities within the Metropolitan's service area. Arid communities requiring more irrigation for parks, fields, schools, and yards would be disadvantaged, as would communities hosting water-intensive businesses such as food and beverage production, manufacturing, and agriculture. Additionally, the GPCD metric favors population centers along the coast with milder climates and lower irrigation demands.</p>	See revised language. Additional modifications will be discussed over 2024.	
5/6/2024	10 Agency Letter (EMWD, FMWD, MWDOC, Pasadena Water and Power, Three Valleys MWD, Upper San Gabriel Valley MWD, Western Water and the cities of Burbank, Glendale, and Santa Monica)	Time-Bound Targets	To maintain equity in measurement, any target involving GPCD should consider only indoor residential GPCD—total residential water use divided by total residential population. While not perfect, this approach would offer a more equitable comparison of communities within Metropolitan's service area. Assigning a regional GPCD target that averages data from all communities within Metropolitan would not benefit the Metropolitan member agency family. Furthermore, dividing the total water produced or imported within the service area by the population lacks meaning, considering the dynamic factors of population growth, industrial changes, fluctuating weather patterns, and the increasing demand for outdoor irrigation due to climate change.	See revised language. Additional modifications will be discussed over 2024.	
5/6/2024	10 Agency Letter (EMWD, FMWD, MWDOC, Pasadena Water and Power, Three Valleys MWD, Upper San Gabriel Valley MWD, Western Water and the cities of Burbank, Glendale, and Santa Monica)	Evaluation process	<p>We are pleased to note that Section 2.2.1 outlines the proposed Evaluative Criteria, which will undergo workshops with the Board and Member Agencies throughout 2024. Additionally, it specifies that the scoring components of each Evaluative Criteria category will be refined over the course of 2024, as depicted in the points distribution illustrated on pages ES-6 and 2-3.</p> <p>It is important to highlight that the Evaluative Criteria Scoring will consist of quantifiable, meaningful, and measurable metrics. This approach supports a data-driven evaluation process for projects and programs.</p>	See updated language on Section 2.2.1 and the executive summary.	

5/6/2024	10 Agency Letter (EMWD, FMWD, MWDOC, Pasadena Water and Power, Three Valleys MWD, Upper San Gabriel Valley MWD, Western Water and the cities of Burbank, Glendale, and Santa Monica)	Evaluation process	<p>Considering projects and programs as part of a portfolio will enable Metropolitan to grasp the comprehensive benefits of each project component in relation to the whole. Staff will furnish project and program evaluations as standalone assessments, coupled with insights into how a particular project or program would integrate within a portfolio.</p> <p>We recommend the establishment of a scoring committee comprising Metropolitan staff and representatives from Member Agencies to conduct these assessments.</p>	The CAMP4W process itself will be designed for transparency and discussion with the Task Force. As such, staff output will be presented to the Task Force as a whole.	
5/6/2024	10 Agency Letter (EMWD, FMWD, MWDOC, Pasadena Water and Power, Three Valleys MWD, Upper San Gabriel Valley MWD, Western Water and the cities of Burbank, Glendale, and Santa Monica)	Business Model	<p>Section 4.2 includes a list of components that could be included in the updated Business Model discussions.</p> <p>We suggest that the section initiates with (1) a clear understanding of Metropolitan’s current Business Model; (2) identification of the problem Metropolitan is addressing, categorized as a factor of Metropolitan’s role and core function, Rate refinement, or New revenue opportunities; and then (3) identification of the components Metropolitan will include in the Business Model discussion with respect to the problem(s) and goals.</p>	This suggestion will be addressed in Business Model refinement discussions.	
5/6/2024	10 Agency Letter (EMWD, FMWD, MWDOC, Pasadena Water and Power, Three Valleys MWD, Upper San Gabriel Valley MWD, Western Water and the cities of Burbank, Glendale, and Santa Monica)	Business Model	<p>In addition, updating the Business Model is foundational and critical to Metropolitan’s future, therefore we encourage ample time and resources be allocated for the robust deliberation that needs to occur to accomplish the task successfully.</p> <p>We offer the following graphic to illustrate the interrelation of the three primary problem/goal factors.</p>	Noted. This suggestion will be addressed in Business Model refinement discussions.	



Attachment 2 – Member Agency Comments Received

Draft CAMP4W Year One Progress Report

Calleguas Municipal Water District

Inland Empire Utilities Agency

San Diego County Water Authority

Las Virgenes Municipal Water District

City of Los Angeles

City of Burbank Water and Power

Eastern Municipal Water District

Foothill Municipal Water District

City of Glendale Water Services

Municipal Water District of Orange County

Pasadena Water and Power

City of Santa Monica

Three Valleys Municipal Water District

Upper San Gabriel Valley Municipal Water District

Western Municipal Water District

From: [Kristine McCaffrey](#)
To: [Camp4Water](#)
Cc: [Henry Graulich](#); [Ian Prichard](#); [Jacquelyn McMillan](#); [Schaffer,Carolyn A](#)
Subject: Calleguas Comments on CAMP4W Draft Year One Progress Report
Date: Friday, May 3, 2024 11:47:32 AM

Thank you for the opportunity to submit comments on the CAMP4W Draft Year One Progress Report. It is our understanding that these comments will help inform the presentation of the Progress Report to the Metropolitan Board's Finance and Asset Management Committee on May 14, 2024 and the subsequent implementation of CAMP4W through the Subcommittee on Long-Term Regional Planning Processes and Business Modeling (CAMP4W Task Force).

Member Agency Involvement

We appreciate the documentation of the State Water Project Dependent Area Go Projects in Section of 6.4 of the Progress Report. Pursuant to the Metropolitan Board's commitment in its August 16, 2022 "Call to Action" resolution and commitment to regional reliability for all member agencies, the inclusion of these projects demonstrates that the CAMP4W process can respond to climate change even as the details of the plan continue to be developed. The involvement of the six member agencies in the SWP-D area in developing potential solutions, including the State Water Project Dependent Area Go Projects, provides a model of cooperative adaptation.

Section 3.2.1 has an excellent description of how the individual projects may contribute to the performance of a portfolio as a whole. While Metropolitan staff and its consultants have expertise on Metropolitan's resource mix and facilities, member agency managers possess knowledge that may uniquely contribute to the analysis of CAMP4W projects and portfolios. In particular, the member agency managers are best positioned to inform Metropolitan's analyses on probable local responses to Metropolitan's resource strategies. As with the member agency collaboration to develop solutions to address issues in the SWP-D areas and the ongoing coordination with Metropolitan's Pure Water SoCal and the City of Los Angeles' Operation Next, including explicit coordination with and input from member agencies in the portfolio evaluation process will improve that process.

Business Model, Governance, and the Treated Water Surcharge

In previous comments on the CAMP4W process, Calleguas has noted that Board governance is critical to equity considerations in aligning who pays, who benefits, and who decides. The issue has also been raised by others on the CAMP4W Task Force; in

fact, it was the most commonly cited additional issue by Task Force members, as discussed at the April 24, 2024 Task Force meeting. We recognize governance is a politically fraught issue, but ignoring it may perpetuate structural distortions in the decisions we collectively face in adapting to climate change. We believe discussing the origin of the current governance structure, the diversity of member agencies' current financial and resource interests, and how best to meet our collective future challenges would usefully inform the business model.

Additionally, we appreciate the documentation of the priority of addressing the treated water surcharge as part of the business model discussion. The Metropolitan Board's commitment to prioritize this issue was included in its adoption of biennial budget on April 9, 2024 as follows:

Metropolitan will work with member agency staff and the CAMP4Water Task Force to understand and analyze the treatment surcharge and specifically address issues that arise from that analysis including but not limited to modifying the way the charge is calculated. A final method will be prioritized as part of the new business model discussion and recommended for adoption as soon as possible thereafter but no later than approval of the new business model.

We look forward to working with the Metropolitan Board and staff and our fellow Metropolitan member agencies to ensure that CAMP4W and business model processes deliver on this Board commitment.

Thank you for your consideration of these comments on behalf of Calleguas.

Kristine McCaffrey, P.E.
General Manager
Calleguas Municipal Water District

From: [Shivaji Deshmukh](#)
To: [Camp4Water](#)
Cc: [Christiana Dais](#); [Michael Hurley](#)
Subject: CAMP4W Taskforce: Comments on Draft Year One Progress Report
Date: Friday, May 3, 2024 5:01:09 PM
Attachments: [ieualogo_blue_16456a_e608be46-8d11-4c13-af88-f446139fe507.png](#)
[werehiring_d10e3190-0baa-4cb0-b4be-5ef696e27881.png](#)
[connectwithus_c8082cf8-163c-45e4-ba36-ed66c63e7a1a.png](#)
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[01_facebook_32d369e2-d6a3-4107-adea-0fc504dbeece.png](#)
[2_instagram_daefae77-223a-4342-b4cb-b3878148da63.png](#)
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[3_youtube_1e27c064-35b0-451a-a59a-9be6498225f4.png](#)

Dear Ms. Crosson,

On behalf of the Inland Empire Utilities Agency (IEUA), I would like to provide comments on the Climate Adaptation Master Plan for Water (CAMP4W) Year One Progress Report. We appreciate the significant work that has gone into developing this initial framework for adapting to climate change impacts on our region's water resources and infrastructure.

The draft report lays a solid foundation by defining the CAMP4W themes, establishing the Climate Decision-Making Framework with Evaluative Criteria, and proposing initial Time-Bound Targets and Signposts to guide adaptive management. These elements provide a starting point for this critical long-term planning effort.

We believe that prior to finalization of the Time-Bound Targets, it would be helpful for all stakeholders to continue to discuss and understand their basis, rationale, and implications. This would help ensure the targets provide meaningful guideposts for evaluating potential investments, similar to the resource targets in previous planning efforts.

Key issues to address include:

- 1) The data, assumptions, and modeling supporting the draft targets
- 2) Alignment of target amounts and timing with supply and demand projections
- 3) Lessons learned from Metropolitan's experience in achieving previous IRP targets

We request that Metropolitan engage in further dialogue with member agencies and stakeholders in the coming months to build shared understanding around the specific targets and how they will guide climate adaptation investments.

IEUA is committed to working collaboratively through the CAMP4W process to establish ambitious yet achievable targets for ensuring the long-term reliability, resilience, and sustainability of our region's water resources amidst a changing climate. We view this as an iterative process with opportunities to adjust course as conditions evolve and new information emerges.






Thank you for considering our input. We look forward to continued engagement as Metropolitan further develops its long-term climate adaptation strategy.

Shivaji Deshmukh , P.E.
General Manager



"Water Smart - Thinking in Terms of Tomorrow"
6075 Kimball Ave / Chino, California 91708
Tel: 909-993-1730 / Fax: (909) 993-1985 EMail: sdeshmukh@ieua.org Website: www.ieua.org

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May 2, 2024

Matt Petersen, Chair of Subcommittee on Long-Term Regional Planning Processes and Business Modeling

Gail Goldberg, Board Vice Chair

Adán Ortega, Board Chair

Metropolitan Water District of Southern California

700 N. Alameda Street

Los Angeles, CA 90012

Electronic copy via email Camp4Water@mwdh2o.com

RE: Comments on April 24 CAMP4W Draft Year One Report¹

Dear Chair Petersen, Board Vice Chair Goldberg, and Board Chair Ortega:

First, I want to thank each of you for your many hours and work to date advancing the CAMP4W process on behalf of our board of directors, with the hope and promise of making historic changes to ensure the long-term sustainability of MWD. I also want to acknowledge and express my appreciation for the dedicated work by General Manager Hagekhalil and his staff over the past several months, culminating in the draft Year One Progress Report (“Report”) presented at the April 24 Subcommittee on Long-Term Regional Planning Processes and Business Modeling.

It is our understanding that the May draft Report will be revised to be clear that no projects or programs will be evaluated through the CAMP4W process until the scenarios are updated and time bound targets modified accordingly. Based on this understanding, we are pleased to express concurrence with the Report as a statement of where we are in the CAMP4W process at this moment in time, as a progress report—not as a basis for planning, reviewing, nor approving programs or projects.

We look forward to board deliberation of the many issues to be addressed as part of the ongoing CAMP4W process as described in the draft Report. At the forefront, we would like to focus again on two critical foundational issues as part of the board’s next steps: 1) how to maximize use of existing resources and facilities, including member agency local resource investments, before approving new MWD projects and programs; and 2) updating the planning premise (“scenario”) used to set the (“time-bound”) water supply development targets in Section 2’s “decision making framework” to reflect current, real world conditions (“plausible reality”) before any projects or programs are presented to the board through the evaluative process.

¹ We provided [preliminary input on the proposed CAMP4W evaluative criteria on December 10, 2023](#) and [comments on the February 29 CAMP4W Subcommittee report 3b on March 12, 2024](#), and incorporate those letters by reference.

We provided detailed [comments on the February 29 CAMP4W Report](#) focusing at a high level on affordability, adaptive management, equity, and reliability. We reiterate these concerns, which many other board members also expressed, but which are not yet addressed in the current draft progress Report. Again, we look forward to ongoing productive discussion among board members.

As MWD board members, we are all accountable to MWD ratepayers and the agencies we represent. Water Authority board members expect MWD to update (“adaptively manage”) the water supply development targets in the Report given broad agreement that Scenario D does not present a “plausible” future for the near-, mid-, nor long-term and could result in unnecessary rate increases and stranded assets that member agencies and their ratepayers can ill afford.² We appreciate the assurances from staff that this update will be done before the MWD Board is asked to approve any new water supply or climate investments. We also appreciate assurances by staff that MWD will first build into the planning process the ability to maximize the use of all existing resources and facilities (MWD and member agency) before recommending or advancing new projects that may as a result, not be necessary.

The most important measure MWD can take to address affordability in Southern California is to carefully plan and mitigate its own spending to “right-size” current and future investments according to the needs of its member agencies and affordability constraints. This must be done working in close collaboration with MWD’s 26-member agency customers and we look forward to continued reports on staff’s efforts to do so.

Sincerely,



Lois Fong-Sakai, CAMP4W Task Force Member
on behalf of Water Authority’s MWD Delegation

cc: CAMP4W Task Force Members
 MWD Board of Directors
 Adel Hagekhalil, MWD General Manager
 Liz Crosson, MWD Sustainability, Resiliency, and Innovation Officer
 Dan Denham, Water Authority General Manager and CAMP4W Task Force Member
 Marty Miller, Water Authority MWD Delegate
 Tim Smith, Water Authority MWD Delegate and Finance and Asset Management Chair
 Water Authority Board of Directors

² Like MWD, the Water Authority is grappling with the financial impacts of reduced sales and focused on avoiding stranding assets or making investments that may not be necessary.

May 3, 2024

Las Virgenes Municipal Water District

Member Agency Comments

LTRPPBM Subcommittee April 24, 2024

Climate Adaptation Master Plan for Water – Draft Year One Progress Report

- Page ES-2, Time-Bound Targets. The dates and time-bound target categories listed do not match the dates and categories shown on pages ES-7 and 2-4. Consider modifying this sentence. “Set near-, mid-, and long-term targets for core supply, flex supply, local agency supply, storage, equitable supply reliability, conservation and efficiency programs, and other targets as needed and identified.”
- Page ES-2, Policies, Initiatives, and Partnerships. The range of potential regional supply gaps among Member Agencies needs to be addressed, as well as the infrastructure constraints. Please modify this sentence. “Implement policies, initiatives, and regional partnerships that will achieve the resource-based and policy-based targets in order to address (1) the range of potential regional supply gaps among Member Agencies and (2) infrastructure constraints”.
- Pages ES-7 and 2-4, Time-Bound Targets Table. After listening to the dialogue at the Joint Task Force Meetings, we agree with other agencies that regional GPCD targets should not be used. There are equity issues associated with regional GPCD targets due to differences in land use and climate zones within Metropolitan’s service area. Member Agencies should not be “evaluated” based on a regional GPCD target. Each Member Agency should identify, track, and monitor their own GPCD target. We support the other time-bound targets identified for Demand Management and Regional Water Use Efficiency.
- Pages ES-8 and 6-2, Signposts. We support the four infrastructure signposts presented. Another infrastructure signpost for consideration is “connectivity and robustness”. The events of 2022 that occurred in the State Water Project-dependent areas were a clear signpost that significant infrastructure constraints existed and needed to be addressed. Infrastructure performance in terms of connectivity and robustness should be tracked and monitored regularly. The information collected can be used to identify future adaptive management actions and help ensure equitable supply reliability.
- Pages ES-9 and 3-4, Flow Chart. The flow chart suggests that Metropolitan staff will conduct the project-level and portfolio-level assessments. We recommend that a scoring committee consisting of Metropolitan staff and representatives from Member Agencies be assembled to conduct these assessments.
- Page 1-1, Insert – Top of Page. As indicated in the August 16, 2022, Board Letter and Resolution affirming Metropolitan’s call to action and commitment to regional reliability, the unprecedented challenges faced by the agencies in the State Water Project-dependent areas were due to infrastructure constraints and water supply shortages. Please modify the text in this paragraph. “Infrastructure constraints coupled with three consecutive years of recent drought left the State

Water Project-dependent areas with shortages, threatening the health and wellbeing of our residents”.

- Page 1-7, Middle of Page. A few bullet points refer to the “network”. The meaning of “network” is unclear. Consider modifying the fourth bullet. “Clearly understand the Metropolitan/Member Agency network of water resource supplies and infrastructure to determine opportunities to provide additional connectivity”.
- Page 2-5, Time-Bound Targets Defined. The table includes a definition for eight of the nine time-bound target categories. A definition for Equitable Supply Reliability is not included. Please include a definition for Equitable Supply Reliability. We also ask that the definition includes a reference to the August 16, 2022, Board resolution and commitment to regional reliability.
- Page 3-2, Figure 3-1 CIP Development. This figure illustrates two possible evaluation pathways leading to one comprehensive Capital Investment Plan. It appears R&R projects will be scored through the standard CIP process while all other projects will be scored through the CAMP4W process. Our concern is that too many CIP projects might be scored through the CAMP4W process making the process slow and burdensome. We recommend that only projects with a strong nexus to climate adaptation and drought mitigation be scored using the CAMP4W evaluation pathway. All other projects (e.g., R&R, regulatory, facility expansions, process improvements, seismic upgrades, security, etc.) should be reviewed and scored through the standard CIP evaluation pathway.
- Page 3-3, Insert, Determining CAMP4W Consideration. The criteria shown to determine if a project or program should be considered through the CAMP4W process needs to be expanded. Any project or program that advances a CAMP4W time-bound target (i.e., resource-based and/or policy-based) should be considered through the CAMP4W process.
- Page 4-5, Next Steps, Revised Business Model. The Next Steps should include some initial Business Model investigations including: (1) Review and summarize Metropolitan’s current Business Model so everybody is starting from the same point, (2) Clearly identify the problem Metropolitan is trying to address, (3) determine the role of Metropolitan moving forward (e.g., importer of supplemental water supplies or an expanded role to include local resources ownership and development, etc. and (4) determine how the existing Business Model should be updated/revised to address Metropolitan’s problem statement and goals.

Revised Business Model – General Comments

- We recognize the importance of revising Metropolitan’s Business Model at this time and commend Metropolitan for initiating this effort.
- The challenge at this point will be to expedite and focus this effort so something meaningful can be produced and implemented by early 2025.
- We strongly support the idea of forming a subgroup of the Business Model Workgroup to address the Water Treatment Surcharge concerns that were recently raised at the Proposed Biennial Budget Workshops.



KAREN BASS
MAYOR

May 3, 2024

Ms. Liz Crosson
Chief Sustainability, Resilience, and Innovation Officer
Metropolitan Water District of Southern California
700 N. Alameda Street
Los Angeles, CA 90012

Dear Ms. Crosson:

Subject: Comments on the Climate Adaptation Master Plan for Water - Draft Year One Progress Report

The City of Los Angeles appreciates continued opportunities to collaborate with the Metropolitan Water District of Southern California (Metropolitan), fellow Board members, and Member Agencies during the Climate Adaptation Master Plan for Water (CAMP4W) preparation.

As Metropolitan embarks on charting the course of its future, there must be recognition of the significant historical investments Member Agencies have made into Metropolitan, as well as their own local supplies, that provide significant benefits for the entire region of Metropolitan's service territory.

Below are additional comments for Metropolitan's consideration following the recent Joint Task Force Meeting held last week on April 24, 2024.

Scenario Planning – Metropolitan's CAMP4W process should incorporate the best information and assumptions into the adaptive management process. For example, scenarios developed during Metropolitan's 2020 Integrated Resource Plan based on past assumptions, studies, and/or reports may no longer reflect the latest social and economic conditions and trends and should be evaluated and updated if necessary. Scenarios that will be used for multi-billion dollar investment decisions are extremely important to the evaluation and outcome.

Adaptive Management – Metropolitan should establish a transparent process for adaptive management, up front, by identifying the current trend and potential signposts

when evaluation and/or decisions will be made on major investments, along with identifying potential off-ramps. A data-driven approach using the latest available information and trends will establish an accurate starting point.

Signposts – Signposts that may influence water demand forecasts need to be established up front and continually monitored. For example, “Equitable Supply Access” or “Supply Access Equity” signposts are reflected in the 2022 Human Health and Safety allocation in the State Water Project dependent areas due to limited access to regional supplies and storage. Additional signposts, such as housing, wages, and inflation impacts should be evaluated because of the significant influence on the demand forecasts.

Business Model – A clear understanding of the purpose and desired outcome of Metropolitan’s business model is necessary as deliberations of a new business model begin. A comprehensive analysis, including a gap analysis and current business model risks, would be helpful for transparency before any potential restructuring of Metropolitan’s current rate and financial structure.

Fixed Revenues – It is important to have agreement and clear understanding of what constitutes as fixed revenue for Metropolitan when determining if fixed revenues are balanced with fixed expenses. Metropolitan’s minimum annual sales of approximately 1.2 million acre-feet based on lowest forecasted sales and the San Diego County Water Authority-Imperial Irrigation District water exchange revenues should be considered as fixed revenue, in addition to other fixed revenue from property taxes, capacity, standby, and readiness-to-serve charges. In considering changes in the balance of fixed versus variable charges, MWD should evaluate the impact on supply reliability, affordability, and the need to conserve water.

Transparency is paramount, especially a transparent adaptive management approach that can preserve rate affordability, using data-driven analyses to make strategic and timely investments while ensuring we address the climate crisis and its impacts, which is the intention of the CAMP4W process and plan. Any new financial and business model refresh should be made with the commitment to avoid unintended liabilities and financial burdens to its Member Agencies and their customers. The City of Los Angeles understands that comments raised by Board Directors and Member Agency Managers in recent CAMP4W meetings will be addressed and incorporated into the CAMP4W report and documentation before Metropolitan advances its planning efforts.

Sincerely,

Nancy Sutley
Tracy Quinn
On behalf of the City of Los Angeles Delegation

Cc: Chair Adan Ortega
MWD Board of Directors
Adel Hagekhalil



May 6, 2024

CAMP4W Task Force
Subcommittee on Long-Term Regional Planning Processes and Business Modeling
700 North Alameda Street
Los Angeles, CA 90012-2944

Subject: Member Agency Input on CAMP4W Year One Progress Report

Dear CAMP4W Task Force Members,

As participating member agencies in the Climate Adaptation Master Plan for Water (CAMP4W), we value the opportunity to contribute to discussions vital for ensuring Metropolitan's ability to reliably serve customers amidst climate-related threats to water supply.

As we conclude the inaugural year of the CAMP4W process, we are pleased with the collaborative efforts and meaningful dialogue that has shaped our shared vision for Metropolitan's future. The Year One Progress Report underscores the benefits of agency collaboration while acknowledging the significant task ahead.

Since the inception of the Joint Task Force on November 21, 2023, substantial progress has been achieved across key areas including Time-Bound Targets, Framework for Climate Decision-Making and Reporting, and Business Models and Funding Strategies. While we commend the progress made, we offer the following comments to ensure the Year One Progress Report provides clarity in specific areas as the process continues into 2024.

Thank you,



Richard Wilson, P. E.
Assistant General Manager
Burbank Water & Power



Joe Mouawad, P.E.
General Manager
Eastern Municipal Water
District



Nina Jazmadarian
General Manager
Foothill Municipal Water District



Chisom Obegolu
Assistant General Manager of
Water Services
City of Glendale



Harvey De La Torre
General Manager
Municipal Water District of
Orange County



Stacie N. Takeguchi, P.E.
Assistant General Manager -
Water
Pasadena Water and Power



Sunny Wang, P.E.
Water Resources Manager
City of Santa Monica



Matthew H. Litchfield, P.E.
General Manager
Three Valleys Municipal Water
District



Tom A. Love
General Manager
Upper San Gabriel Valley
Municipal Water District



Craig Miller, P.E.
General Manager
Western Municipal Water
District

OUTSTANDING QUESTION

The Draft Report outlines progress since February 2023 and delineates the next steps for 2024. Progress to date encompasses efforts to establish the values and priorities of the Board and Member Agencies, components of a Climate Decision-Making Framework, Time-Bound Targets, and the process for identifying projects and programs for evaluation.

How will the Board action of a “Concurrence” impact the dynamic nature of this process? We seek confirmation that this action does not equate to a board-adopted policy.

TIME-BOUND TARGETS

PAGES 3-2, ES-7, AND 2-4

The description of the Joint Task Force Charter (page 3-2) references "Time-Bound Targets: Set targets to achieve by 2026, 2032, and 2045 for efficiency, conservation (including GPCD across the entire service area)." However, to align with the discussions and outcomes of the Task Force, footnote 5 on pages ES-7 and 2-4 states, "Specific [targets] will be identified later this year based on final SWRCB standards as well as Metropolitan’s overall demand management target. The target will be designed to track water use efficiency trends by sector over time and will take local conditions, including climate, into consideration."

We, the undersigned, express concern regarding the use of Gallons Per Capita Per Day (GPCD) as a time-bound target of value. Calculating a community's total water use per capita does not accurately measure water use efficiency. A gross GPCD value fails to account for the unique water needs of different communities within the Metropolitan’s service area. Arid communities requiring more irrigation for parks, fields, schools, and yards would be disadvantaged, as would communities hosting water-intensive businesses such as food and beverage production, manufacturing, and agriculture. Additionally, the GPCD metric favors population centers along the coast with milder climates and lower irrigation demands.

To maintain equity in measurement, any target involving GPCD should consider only indoor residential GPCD—total residential water use divided by total residential population. While not perfect, this approach would offer a more equitable comparison of communities within Metropolitan’s service area. Assigning a regional GPCD target that averages data from all communities within Metropolitan would not benefit the Metropolitan member agency family. Furthermore, dividing the total water produced or imported within the service area by the population lacks meaning, considering the dynamic factors of population growth, industrial changes, fluctuating weather patterns, and the increasing demand for outdoor irrigation due to climate change.

EVALUATIVE CRITERIA SCORING

PAGES ES-6 AND 2-3

We are pleased to note that Section 2.2.1 outlines the proposed Evaluative Criteria, which will undergo workshops with the Board and Member Agencies throughout 2024. Additionally, it specifies that the scoring components of each Evaluative Criteria category will be refined over the course of 2024, as depicted in the points distribution illustrated on pages ES-6 and 2-3.

It is important to highlight that the Evaluative Criteria Scoring will consist of quantifiable, meaningful, and measurable metrics. This approach supports a data-driven evaluation process for projects and programs.

PORTFOLIO EVALUATION

PAGE 3-4

Considering projects and programs as part of a portfolio will enable Metropolitan to grasp the comprehensive benefits of each project component in relation to the whole. Staff will furnish project and program evaluations as standalone assessments, coupled with insights into how a particular project or program would integrate within a portfolio.

We recommend the establishment of a scoring committee comprising Metropolitan staff and representatives from Member Agencies to conduct these assessments.

BUSINESS MODEL

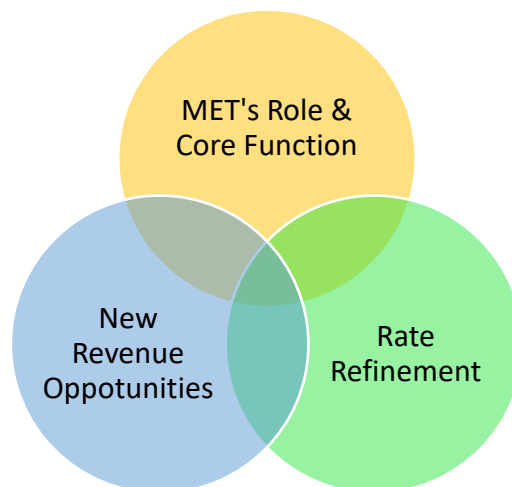
PAGE 4-3

Section 4.2 includes a list of components that could be included in the updated Business Model discussions.

We suggest that the section initiates with (1) a clear understanding of Metropolitan's current Business Model; (2) identification of the problem Metropolitan is addressing, categorized as a factor of Metropolitan's role and core function, Rate refinement, or New revenue opportunities; and then (3) identification of the components Metropolitan will include in the Business Model discussion with respect to the problem(s) and goals.

In addition, updating the Business Model is foundational and critical to Metropolitan's future, therefore we encourage ample time and resources be allocated for the robust deliberation that needs to occur to accomplish the task successfully.

We offer the following graphic to illustrate the interrelation of the three primary problem/goal factors.





Finance and Asset Management Committee

Climate Adaptation Master Plan for Water – Draft Year One Progress Report and Next Steps

Item 8-3

May 14, 2024

Item 8-3

Climate Adaptation Master Plan for Water - Draft Year One Progress Report

Subject

Concur with the Climate Adaptation Master Plan for Water – Draft Year One Progress Report and Next Steps

Purpose

The CAMP4W Draft Year One Progress Report documents progress since February 2023 and sets up next steps for 2024. Concurrence confirms that the Report reflects the progress to date and identifies next steps for 2024 recognizing that Report components are subject to change based on new information and analyses.

Climate Adaptation
Master Plan for Water

Year One Progress Report Sections

CAMP4W Year One
Progress Report

Executive Summary

Section 1: Background, Need
and Outcome

Section 2: Climate Decision-
Making Framework

Section 3: Development of
Adaptation Strategies

Section 4: Business Model
and Affordability

Section 5: Policies Initiatives
and Partnerships

Section 6: Adaptive
Management

2024 Next Steps



Member Agency Comments

7 Comment Letters representing 16 Agencies

Key focus areas

1. CAMP4W Annual Report and Data Updates
2. Water Use Efficiency Time-Bound Target (GPCD)
3. Member Agency Role in CAMP4W
4. Importance of Water Quality and Public Health
5. Business Model Considerations

Member Agency Comments

CAMP4W Annual Reports and Data Updates



Concern

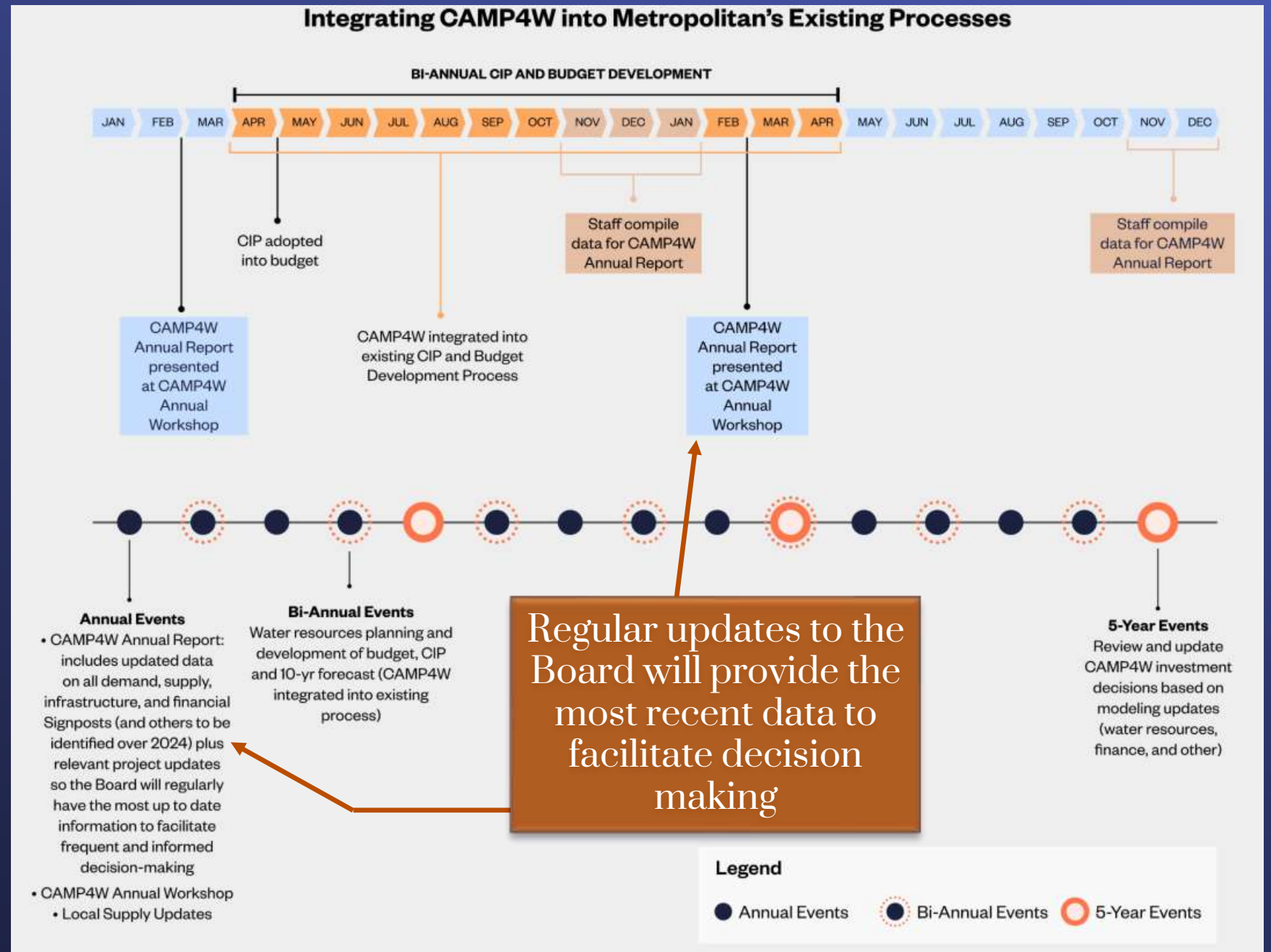
Assumptions used in the 2020 IRP Needs Assessment related to available supplies and demands need to be reviewed regularly, and Time-Bound Targets adjusted accordingly, to inform Board investment decisions.

Response

Consistent with an Adaptive Management approach, staff will be annually updating the inputs to the IRP Needs Assessment and resulting scenarios, and the Board may choose to adjust Time-Bound Targets accordingly. Staff will provide an annual update of inputs by the end of 2024. Starting in 2026, annual updates will be provided in the beginning of each year. (pgs. ES-7, ES-10, 2-4, 6-2, 6-3)

Section 6: Adaptive Management

Institutionalizing Adaptive Management



Member Agency Comments

Water Use Efficiency Time-Bound Target

Concern

Total GPCD does not account for economic growth, agricultural uses and differing climate conditions. Member agencies should not be evaluated based on GPCD.

Response

Footnote 5, pgs. ES-7 & 2-4:

*Specific GPCD Time-Bound Targets will be identified later this year based on final SWRCB standards. If the Board wishes to set a higher target, it would be **designed to track** water use efficiency trends **by sector** over time and will take **local conditions, including climate**, into consideration.*



Member Agency Comments

Member Agency Role in CAMP4W



Concern

Member Agency managers (MAM) are uniquely positioned to assess and inform local resource challenges and opportunities. SWP-D process provides a model of cooperative adaptation and Member Agencies should be involved in project and program evaluation.

Response

CAMP4W will continue to be a transparent process with oversight from the CAMP4W Task Force. Metropolitan staff will also continue to consult MAMs through its monthly meetings as well as topically-focused strategy sessions to inform inputs to the modeling, projects and programs. While Met staff will conduct initial scoring of Metropolitan projects and programs, methodologies and results will be discussed with and open to feedback from the Task Force.

Water Quality and Public Health



Concern

Seeking assurance that Metropolitan remains committed to protecting public health, that acute public health issues will be addressed expeditiously and requests that water quality improvements and investments be exempt from the CAMP4W process.

Response

Revisions made to reinforce Metropolitan's commitment to public health and clarify that CAMP4W is not intended to hinder urgent or emergency projects. CAMP4W is a long-term planning process to prepare Metropolitan for changes over time, which could help prepare for long term water quality risks exacerbated by climate change. The Task Force will also be identifying additional thresholds for inclusion in the CAMP4W process in 2024 and can take these concerns into account. (pgs. ES-1, 3-2)

Business Model Considerations

Comments/Concerns:

- Suggests focus on developing a clear understanding of Metropolitan's current Business Model and identification of the problem Metropolitan is addressing (suggests categories of Met's role and core function; rate refinement; new revenue opportunities) before identifying the Business Model components to address
- Need a clear understanding of the purpose and desired outcome of Business Model refinement
- A gap analysis and understanding current business model risks would inform Business Model discussion
- Treatment Surcharge was prioritized in the Biennial Budget adoption and that discussion should proceed
- Metropolitan should consider its minimum annual sales as fixed revenue
- Business Model discussion should address Board Governance
- Encourage ample time and resources be allocated for the robust deliberation needed to be successful

2024 Next Steps

Draft Year One
Progress Report
Sections 4

Business Model

- Establish the schedule for ongoing integration of finance planning into CAMP4W
- Incorporate risk analysis into the Board's investment decision-making
- Consider business model alternatives
- Identify how Metropolitan can pursue options that advance affordability and equity goals



2024 Next Steps

Draft Year One
Progress Report
Section 5

Policies, Initiatives, and Partnerships

- Develop and consider policies and initiatives
- Explore Metropolitan and Member Agency partnership opportunities
- Pursue external partnership and collaboration opportunities
- Continue community engagement



2024 Next Steps

Draft Year One
Progress Report
Section 6

Adaptive Management

- Refine Adaptive Management and how to institutionalize it into Metropolitan's processes
- Further develop Signposts and specific metrics
- Develop CAMP4W Annual Report Template
- Refine process for integrating CAMP4W projects into CIP and budget
- Identify early "Go Projects" and program opportunities
- Continue development of dashboard and digital support tools



Draft 2024 CAMP4W Task Force and Committee Meetings

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	Other Committees	Discussion Topic
October 23	CAMP4W Partnerships and Collaboration	June / July	Legislation and Communications Committee: Community Engagement Update
November 27	Business Model Refinement Update		
December	Go Projects and Programs	August	One Water and Stewardship Committee: Policies and Initiatives
		September	One Water and Stewardship Committee: Programs Update (LRP, SWM, WUE)

Board Options

Option No. 1

Concur with the Climate Adaptation Master Plan for Water: Draft Year One Progress Report and Next Steps

Option No. 2

Do not concur

Board Options

Staff Recommendation Option No. 1



Finance and Asset Management Committee



Renewable Energy Proposal – Palo Verde Mesa Property

Item 8-4

May 14, 2024

Overview of Lease

Subject

- Authorize an option agreement with The AES Corporation, LLC, for a long-term lease of up to 6,742 acres of land in the Palo Verde Valley, California

Purpose

- For carbon-free energy production and storage purposes to increase revenues or reduce energy costs and be in alignment with Metropolitan's 2022 Climate Action Plan

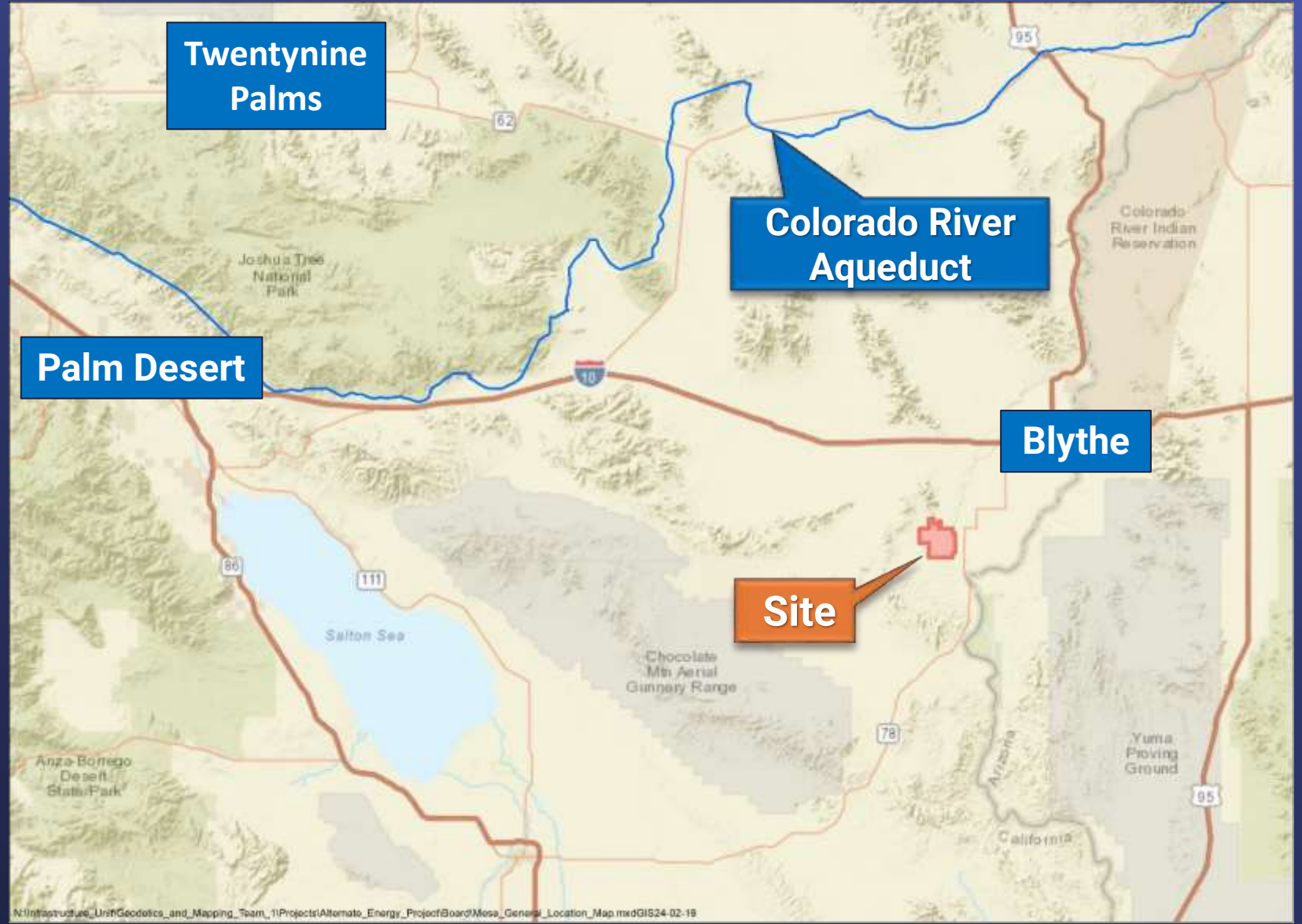
Today's Board Action

- Agenda
 - Location and Background on Palo Verde Mesa Property
 - Introduction to AES
 - Price and Terms of Option Agreement in closed session

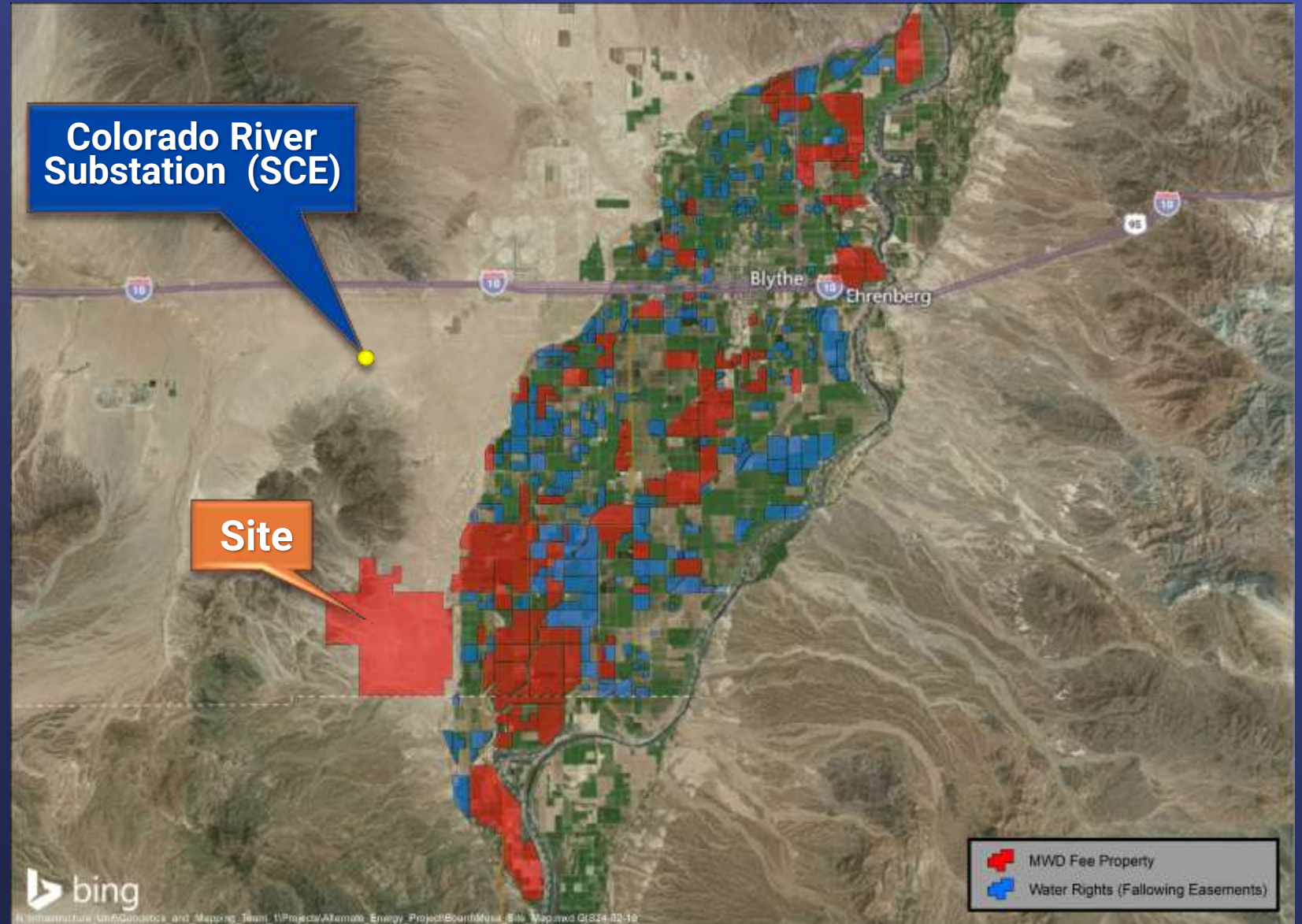
Service Area & CRA Map - PVID



General Location Map



Site Map



Background on Palo Verde Mesa

- 2001 -Property Purchased for \$42.5m
 - San Diego Gas & Electric Company
 - 16,344 acres
 - 9,602 acres of agricultural land
 - 6,742 acres on the Palo Verde Mesa
- Palo Verde Mesa Land is desirable land for carbon free energy generation
- 2010-14 Explored Renewable Energy
 - BrightSource Energy, Inc

Twin Palms & Twin Palms II

AES & Metropolitan Water District



Accelerating the future
of energy **together**

Who We Are

Our Team

- Chance Staley, Development Manager
- Drew Demos, Director of Land Acquisition
- Ken Koch, Permitting Project Manager



AES Purpose & Values

Accelerating the future of energy, together.



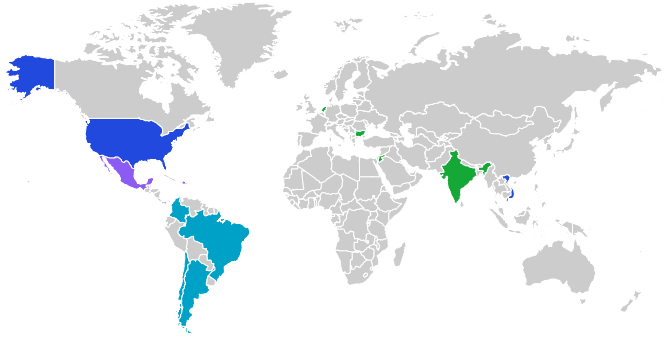
Safety first



Highest standards



All together



AES: a unique culture of **excellence**, **innovation** and **customer-centric** product development.

FLUENCE
A Siemens and AES Company



uplight



7x

Edison Award Winner



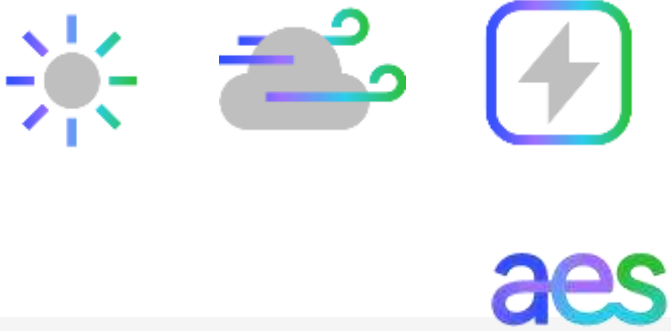
5B



AMS



AES' clean energy business in the US



1,400+ People

550 Projects

26 States

6.9 GW

Operating clean energy resources

51 GW

Clean energy projects in development



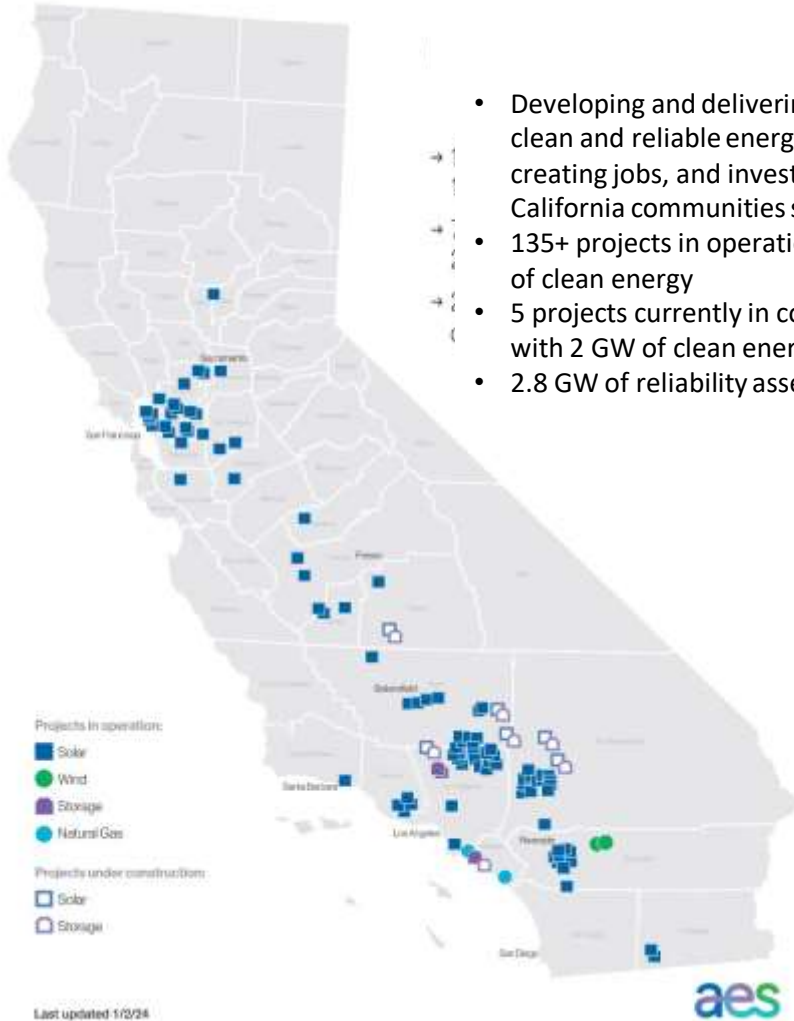
Fluence Energy, our joint venture with Siemens, was recognized in 2023 as the #1 Global Provider of Battery-Based Storage Systems by S&P Global Commodity Insights, reflecting AES' global leadership in energy storage.

Recognized for our commitment to sustainability



We are proud to be recognized by BloombergNEF for the past three years as one of the top two Sellers of Clean Energy to Corporations Through PPAs, reflecting our leadership in co-creating innovative energy solutions with our partners.

California Resume



- Developing and delivering innovative clean and reliable energy solutions, creating jobs, and investing in California communities since 1989
- 135+ projects in operation with 2+ GW of clean energy
- 5 projects currently in construction with 2 GW of clean energy
- 2.8 GW of reliability assets in operation



Project Timeline



Board Actions

Today's Action

- Have the board review and approve the key terms of the option agreement in closed session today

Future Action

- At a future date, once the project has been defined, the Board acting as a responsible agency will need to make a determination on the adequacy of the CEQA documents before issuing the lease





- **Board of Directors**
Finance and Asset Management Committee

5/14/2024 Board Meeting

9-2

Subject

Renewal Status of Metropolitan's Property and Casualty Insurance Program

Executive Summary

Pursuant to Metropolitan's Administrative Code, this letter reviews the current status of Metropolitan's insurance coverages and anticipated charges for fiscal year (FY) 2024/25. The premium estimates that follow are expected costs, but not actual quotes, at this writing. These expected costs are derived from Metropolitan's broker's experience with our current insurance carriers, other insurers that may be willing to quote our program, and the condition of the current marketplace overall. At this writing, we have reasonable confidence that the estimates or "indications" provided by the insurance carriers will not exceed the aggregate total estimated. Our broker will provide actual binding quotes once the insurance carriers have completed their review of Metropolitan's underwriting and risk profile information. In June, staff will present a board letter to request authority to purchase insurance based on those actual quoted premiums for the various lines of coverage.

Fiscal Impact

The total premium costs are anticipated to increase from \$1.838 million for FY 2023/24 to approximately \$2.093 million for FY 2024/25.

Applicable Policy

Metropolitan Water District Administrative Code Section 6413: Insurance Program Metropolitan Water District
Administrative Code Section 9101: Risk Retention and Procurements of Insurance

Related Board Action(s)/Future Action(s)

This letter is in preparation for a June board action; a separate board letter will be presented to the Board to approve the purchase of the insurance coverage for FY 2024/25.

Details and Background

Background

The following list includes the Casualty and Property Insurance Program lines of insurance, with coverage amounts, which expire June 30, 2024.

- \$25 million aircraft liability coverage; \$10 million liability for Unmanned Aerial Vehicles, and aircraft hull coverage up to the planes' assessed values.
- \$5 million Crime coverage for exposures such as fraud, theft, faithful performance, and employee dishonesty in excess of a \$150,000 deductible.
- \$75 million General Liability coverage in excess of a \$25 million self-insured retention.

- \$60 million Fiduciary and Employee Benefits Liability coverage in excess of a \$25 million self-insured retention.
- \$65 million Public Officials, Directors, and Officers Liability (D&O) coverage in excess of a \$25 million self-insured retention.
- Statutory Workers' Compensation, and \$1 million Employers Liability coverage, in excess of a \$5 million self-insured retention; statutory coverage for Washington, D.C. employees.
- Stated property value up to \$25 million Property Damage coverage limit.

Metropolitan's property and casualty excess and specialty insurance renewal cost is expected to increase by about 14 percent over FY 2023/24. The cost increase is due to a continuation of significant global trends and factors affecting the insurance market. These include lingering economic fallout from the global pandemic, increased frequency of climate change-induced mega-catastrophic weather events such as extreme storms and historic wildfires, and a continuation of significant social and political unrest. Though declining, continuing inflation resulting from national and international factors is putting additional upward price pressure on the insurance market. These events and conditions, in addition to pre-existing pricing pressure trends, are causing both higher insurance market pricing, and more restrictive policy terms and conditions. Metropolitan is somewhat well positioned by being significantly self-insured; consequently, the effect of price increases and policy restrictions are expected to be somewhat muted, but nonetheless will continue to be more noticeable than during the pre-pandemic era. The rate of cost increases for the coming year is expected to be similar to that experienced for FY 2023/24.

Attachment 1 compares the current coverages and premiums to those projected for FY 2024/25. These projections are pegged to the upper end of the expected price range. Premiums for the two layers of excess General Liability make up the largest portion of Metropolitan's casualty insurance budget. We expect up to a 15 percent premium increase from an aggregate amount of \$1,180,313 for FY 2023/24 to a projected \$1,357,360 for the coming year due to the factors discussed above and an anticipated wildfire surcharge for risks in California. The excess fiduciary policy premiums are anticipated to also rise by about 15 percent, from \$96,989, to an anticipated \$111,540. The excess D&O policies are projected to cost about \$362,100, up 12 percent from \$323,318 in FY 2023/24. Premiums for excess workers' compensation, and the first dollar coverage policy for Washington, D.C. employees, are expected to rise more mildly by up to 10 percent, from a combined \$129,111 in the current fiscal year to an estimated \$142,000 for FY 2024/25. To add context for this price trend, from FYs 2002/03 to 2005/06, the self-insured retention for workers' compensation coverage was incrementally raised from \$1 million to \$5 million in response to terror-risk-related premium spikes in that line of coverage. The rationale to increase the self-insured retention was that the premiums saved over a ten-year period would offset the financial risk of a "once in a decade" claim that would exceed the self-insurance coverage in that particular year. That analysis was based on calculations derived from the annual actuarial study. Metropolitan's risk exposure has remained stable since that review.

Because premiums for this line of coverage stabilized and then later decreased, Metropolitan maintained the self-insured retention of \$5 million, but raised the coverage limit from \$25 million to \$50 million in FY 2010/11. In FY 2015/16, Metropolitan was able to obtain excess workers' compensation coverage with statutory limits over the \$5 million retention without a price increase. As premiums are expected to be mildly to moderately higher than last year, at this time staff anticipates maintaining the same self-insured retention and coverage limit. Over the last five years, excess workers' compensation premiums have remained fairly stable with increases due mostly to increasing medical industry costs and inflation. Beginning in FY 2010/11, Metropolitan purchased a separate "first dollar" policy for the Washington, D.C. employees. That first dollar policy cost \$1,296 last year and is included in Metropolitan's total premium figure for workers' compensation coverage.

For all coverages staff continues to explore the cost-benefit of various options to maximize coverage without significantly increasing premium costs, and other options to reduce premium costs without increasing Metropolitan's risk exposure. Staff also reviews and analyzes the suitability of the retention levels and coverage limits along with input from actuaries and comparisons to other organizations. As long as premium

costs and Metropolitan’s risk exposures remain stable, the actuarial recommendations for retention and excess coverage levels remain in place. Staff continues to review and evaluate the viability of obtaining other lines of coverage such as fire, flood, cyber liability, and earthquake coverage as risks and needs change. In past years, Metropolitan has not purchased these coverages because it has not been financially favorable, compared with the risk exposure, and because Metropolitan can raise funds if repairs are required. Metropolitan did a deeper dive into cyber liability coverage and obtained board authority of up to \$100,000 to obtain a policy to provide expertise and logistics, and if necessary to finance some of that risk. The costs were still too high, and above the approved board authority amount, and consequently the policy was not purchased for FY 2022/23. Staff continues to seek cost effective options to insure a portion of the potential cyber liability exposure as an addition to Metropolitan’s robust cyber liability defense.

Premium costs for other excess and specialty policies will vary by line of coverage but are expected to have varying cost increases due to inflationary pressures described earlier, and also due to increased claims payment trends globally in some lines of coverage. The Aircraft Liability and Hull Policy premium is expected to increase from \$89,735 paid in FY 2023/24 to an estimated \$99,000. Metropolitan’s Crime policy premium is anticipated to rise by approximately five percent from \$11,401 to about \$12,000.

Metropolitan also maintains a property damage policy due to fire damage that occurred near the Diemer Facility in the fall of 2009. This policy was originally purchased in order to obtain reimbursement of over \$500,000 from the Federal Emergency Management Agency for damage repair. Last year the premium renewal cost \$7,350 due to continued wildfire-related losses in the western United States weighing on the insurance market and is expected to rise again by up to 25 percent, to an estimated \$9,200 for FY 2024/25.

Metropolitan also carries Travel Accident and Special Contingency three-year duration policies, last purchased in fiscal 2022/23, which are not up for renewal until July 2025. In 2022, the renewal premiums cost \$21,633 and \$4,442 respectively.

To complete the insurance renewal for FY 2024/25, with similar limits and retentions, staff anticipates renewal premium costs of about \$2.093 million compared with approximately \$1.838 million for FY 2023/24.


Timing and Urgency

This letter provides an update on the activities and estimated costs for the July 1, 2024 insurance renewal.

Project Milestone(s)

This is an ongoing annual process to renew or replace existing insurance coverages, or add or modify coverages to the portfolio as Metropolitan’s needs and market conditions dictate.


 _____ 4/25/2024
 Katano Kasaine Date
 Assistant General Manager/
 Chief Financial Officer


 _____ 4/29/2024
 Adel Hagekhalil Date
 General Manager

Attachment 1 – Metropolitan’s Casualty and Property Insurance Program Insurance Premium Comparison in Dollars

**Metropolitan’s Casualty and Property Insurance Program
Insurance Premium Comparison
In Dollars**

Insurance Policy Type	Self-Insured Retention (SIR)	Coverage Limits	2023/24 Insurance Premiums	2024/25 Estimated Premium Cost	2024/25 Estimated Insurance Premium Cost Change	2024/25 Estimated Insurance Premium % Change
Excess General Liability [■]	\$25 million	\$75 million	1,180,313	1,357,360	177,047	15%
Fiduciary and Employee Benefits Liability [■]	\$25 million	\$60 million	96,989	111,540	14,551	15%
Public Officials Directors and Officers Liability [■]	\$25 million	\$65 million	323,318	362,100	38,782	12%
Crime	\$150,000	\$5 million	11,401	12,000	599	5%
Aircraft Liability and Hull	\$7,500	\$25 million	89,735	99,000	9,265	10%
Excess Workers’ Compensation, CA	\$5 million	Statutory	127,944	140,740	12,796	10%
Excess Workers’ Compensation, D.C.	\$0	Statutory	1,167	1,260	93	8%
Property	\$0	Asset value	7,350	9,200	1,850	25%
Special Contingency [*]	\$0	\$5 million	4,442	NA	NA	NA
Travel Accident [*]	\$0	\$250,000	21,633	NA	NA	NA
Total Premiums	NA	NA	1,838,217	2,093,200	254,983	14%

■ Premium costs for two layers of General Liability, Fiduciary and Employee Benefits Liability, and Public Officials Directors and Officers Liability coverage.

* Three-year policies last purchased July 2022. Premium costs were \$4,442 for Special Contingency and \$21,633 for Travel Accident.



Finance and Asset Management Committee

Renewal Status of Metropolitan's Property and Casualty Insurance Program

Item 9-2

May 14, 2024

Item 9-2

Status of MWD's Property & Casualty Insurance Program

Subject

Renewal Status of Metropolitan's Property and Casualty Insurance Program

Purpose

Review the Current Property and Casualty Insurance Program and provide a preview of the upcoming insurance renewal

Next Steps

Present Options and request Board approval to renew and replace coverages at the June Committee meeting

Metropolitan's Property and Casualty Insurance Program

Review

Review the Current Program

Provide Cost Estimates for this year's Insurance Renewal

Metropolitan's Property and Casualty Insurance Program

Review

Self-Insured Retentions

Claims Programs to Manage Self-Insured Retentions

Liability / Property

Workers' Compensation

Excess and Specialty Insurance Coverages

Metropolitan's Property and Casualty Insurance Program

Self-Insured Retention

General Liability \$25 million

Workers' Compensation \$ 5 million

Property Damage * Self-Insured

* Excluding Stand Alone Property Insurance Coverage

Metropolitan's Property and Casualty Insurance Program

Claims Programs

Liability & Property

Risk Management Unit

Third Party Claims Administrator

MWD General Counsel

Workers' Compensation

Workers' Compensation / Medical Unit

Third Party Claims Administrator

MWD General Counsel

Metropolitan's Property and Casualty Insurance Program

Excess Insurance

General Liability	\$75 million
Workers' Compensation	Statutory
Public Officials, Directors & Officers Liability	\$65 million
Fiduciary & Employee Benefit Liability	\$60 million

Metropolitan's Excess General Liability Coverage Layers and Limits

In Million Dollars

Excess Coverage	SIR	AEGIS 1st Layer	EIM 2nd Layer	Coverage Limits
General Liability	25	35	40	100
Fiduciary Liability	25	35	25	85
Directors & Officers Liability	25	25	40	90

Associated Electric & Gas (AEGIS)
Energy Insurance Mutual (EIM)
Self-Insured Retention (SIR)

Metropolitan's Property and Casualty Insurance Program

Periodic Review

Periodic review of self-insured retention and excess coverage limits to ensure appropriate levels

- Actuarial Study, Insurance Broker and Staff Reviews
- Metropolitan's operations and risks remain stable
- Embedded safety programs in operations
- Environmental, Health & Safety training and monitoring
- Claims Management Programs
- Access to Capital

Metropolitan's Property and Casualty Insurance Program

Specialty Insurance

Aircraft Liability	\$25 million
Aircraft Hull	Assessed Value
Property Damage	Assessed Value
Crime	\$5 million
Special Risk *	\$5 million
Travel Accident *	\$250,000

* 3-year coverages last purchased FY 2022/2023

Metropolitan's Property and Casualty Insurance Program

2024/25 Outlook

14% Overall Cost Increase

Factors Driving Expected Cost Increase

- Continued higher Global and US inflation rates due to continuation of post-pandemic supply chain issues, Russia-Ukraine, and Middle East military conflicts causing market fluctuations and uncertainty
- Climate change induced mega-catastrophic weather events such as extreme storms and historic wildfires
- Domestic and Global political and social unrest

Total Policy Renewal is estimated to increase from

\$1.84 million

\$2.10 million

Metropolitan's Property and Casualty Insurance Program

Excess Insurance Premiums (in dollars)

Coverage Type	2023/24 Actual	2024/25 Projection	2024/25 % Change
General Liability	1,180,313	1,357,360	15%
Fiduciary and Employee Benefit Liability	96,989	111,540	15%
Public Officials Directors & Officers Liability	323,318	362,100	12%
Workers' Compensation	129,111	142,000	10%

Metropolitan's Property and Casualty Insurance Program

Excess Insurance Premiums (in dollars)

Coverage Type	2023/24 Actual	2024/25 Projection	2024/25 % Change
Aircraft Hull & Liability	89,735	99,000	10%
Crime	11,401	12,000	5%
Property *	7,350	9,200	25%
Total Premiums	1,838,217	2,093,200	14%

* Stand alone coverage for three structures previously damaged by fire

Metropolitan's Property and Casualty Insurance Program

Excess Insurance Premiums (in dollars)

Coverage Type	2022/23 Actual
❖ Special Contingency	4,442
❖ Travel Accident	21,633
Premium Costs	26,075

❖ **3-year policies purchased in 2022 / 2023**

Metropolitan's Property and Casualty Insurance Program

Premium Comparison by Fiscal Year

Actual 2019/20	Actual 2020/21	Actual 2021/22	Actual 2022/23	Actual 2023/24
\$ 1,181,848*	\$ 1,308,608	\$ 1,543,787	\$ 1,715,308*	\$ 1,973,708
		Estimated 2024/2025	\$ 2,093,200	

* Includes renewal cost of 3-year duration policies for Travel Accident and Special Contingency policies





Finance and Asset Management Committee

Financing Overview for Bond Issuance (SB450)

Item 6a

May 14, 2024

Item 6b
SB 450

Subject

Financing overview for Bond Issuance (SB 450)

Purpose

To inform the Board of Key Estimated Financial Metrics for Metropolitan's upcoming bond financing

Next Steps

Execute Financing and report back to the Board on summary results

SB 450 Reporting Mandate

- SB 450 Requirements
- Subordinate Water Revenue Refunding Bonds, 2024 Series B

SB 450 Requirements

- In October 2017, an approved state act (SB 450) added Section 5852.1 to the California Government Code
- Requires that an authorized governing body obtain a good faith estimate of and disclose at a public meeting (prior to issuance of bonds greater than 13 months in term), the following:
 - The TIC (true interest cost) of the bonds
 - The finance charge of the bonds (cost of issuance)
 - Net proceeds (par + premium – discount – COI)
 - Total bond payments to maturity (total debt service) + COI (not paid from bond proceeds)

**\$253.5 million
Subordinate
Water Revenue
Refunding
Bonds, 2024
Series B**

- During the weeks of June 3, 2024, and June 10, 2024 Metropolitan will price the 2024 Series B bonds on its Subordinate Lien to repay and redeem certain outstanding short-term notes, and fund costs of issuance.
- The transaction is expected to close on June 12, 2024.
- SB 450 Requirements:
 1. Net Proceeds: \$270.9 million, includes \$18.5 million in premium
 2. The estimated all-in true interest costs of the bonds: 3.23%
 3. The estimated average life of the bonds: 14.7 years
 4. The estimated debt service on the bonds: \$392.9 million
 5. The estimated financing costs of the bonds: \$1.1 million
- All estimates reflect rates and market conditions as of April 29, 2024





Finance and Asset Management Committee

Quarterly Financial Review

March 31, 2024

(Cash Basis)

Item 6b

May 14, 2024

Item 6b Overview of the Quarterly Financial Review

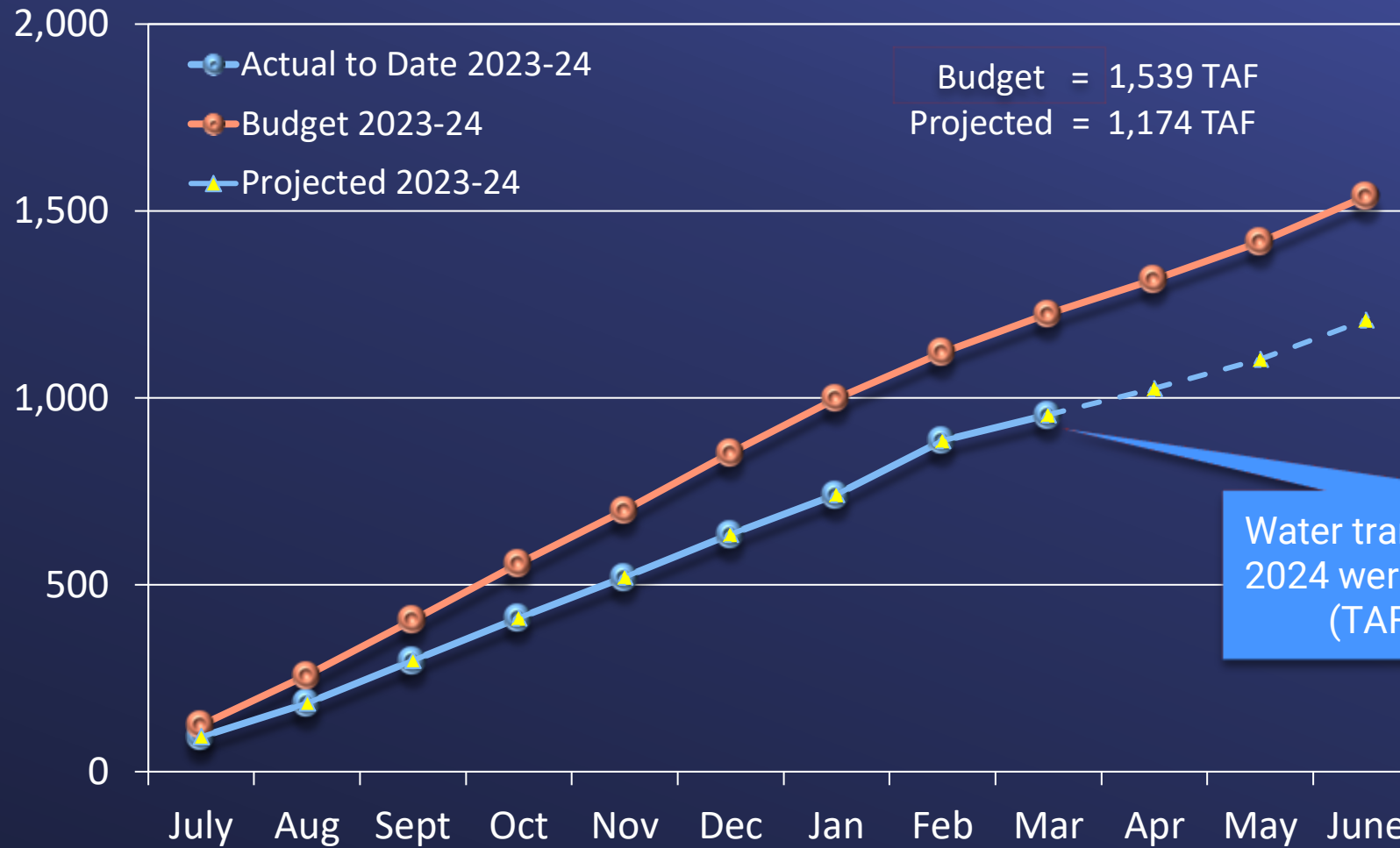
Subject

- The District's Financial Report for the quarter ended March 31, 2024 and projections through June 30, 2024

Purpose

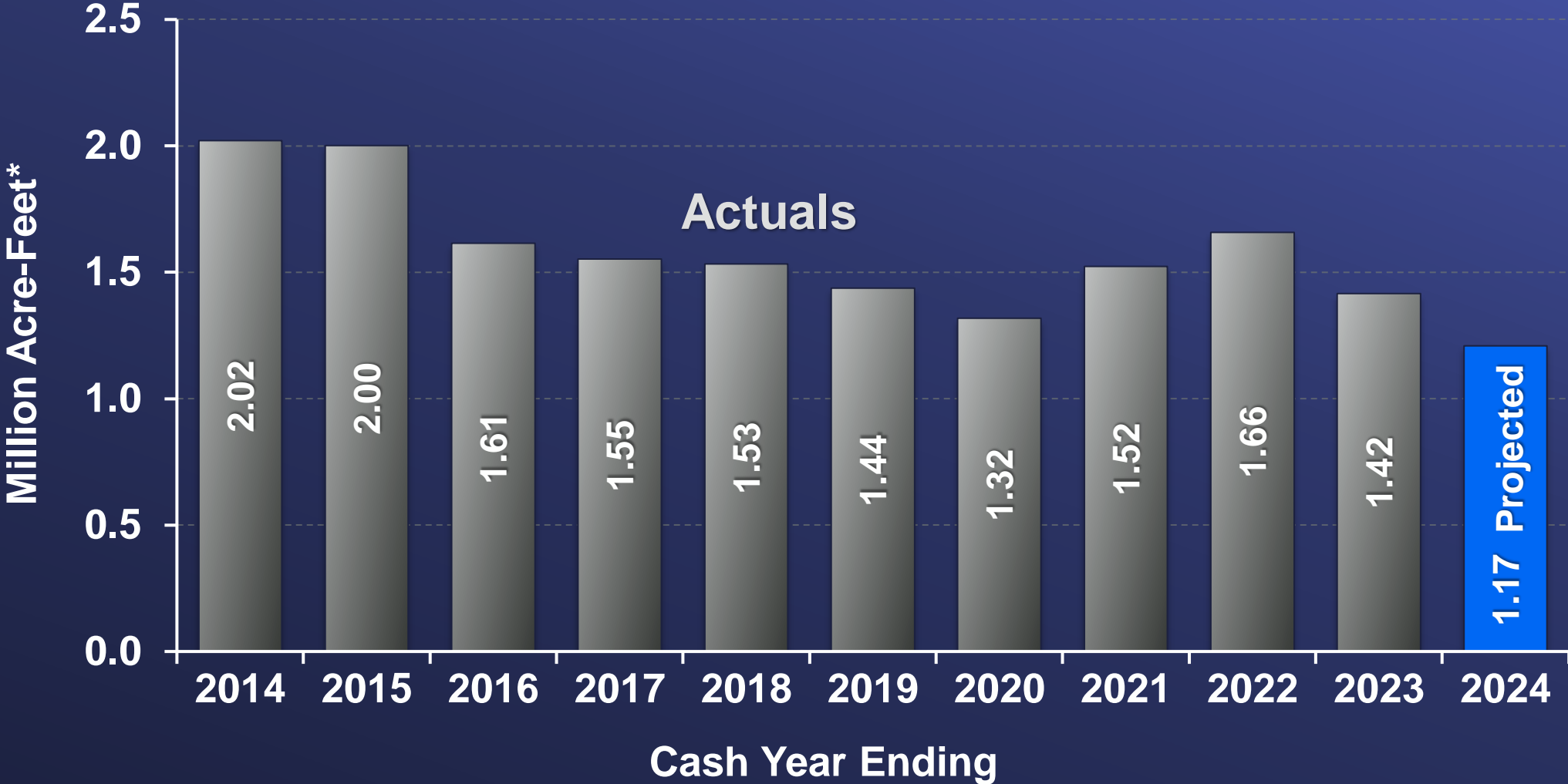
- Present the financial performance for the third quarter (cash basis, actuals)
- Present the cumulative water transactions and its components
- Assess revenues, expenses, and insights into cash flow
- Compare full-year Fiscal Year 23/24 projections with the budget
- Present projected Fiscal Year 23/24 unrestricted reserve ending balance

Cumulative Water Transactions⁽¹⁾ (AF in thousands)



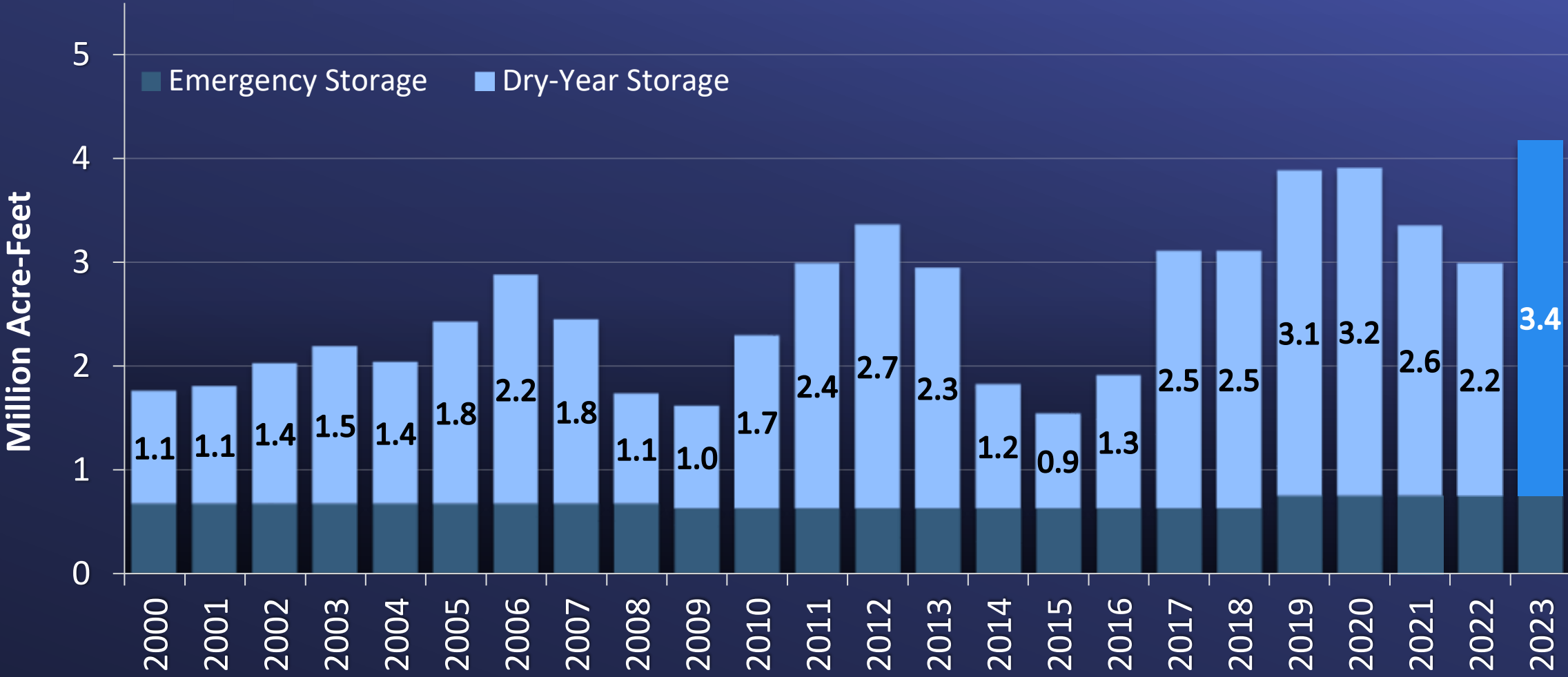
⁽¹⁾ Includes Water Sales, Exchanges, and Wheeling from member agencies. Non-member agency transactions are excluded.

Metropolitan's Water Transactions⁽¹⁾



⁽¹⁾ Includes Water Sales, Exchanges, and Wheeling from member agencies. Non-member agency transactions are excluded.

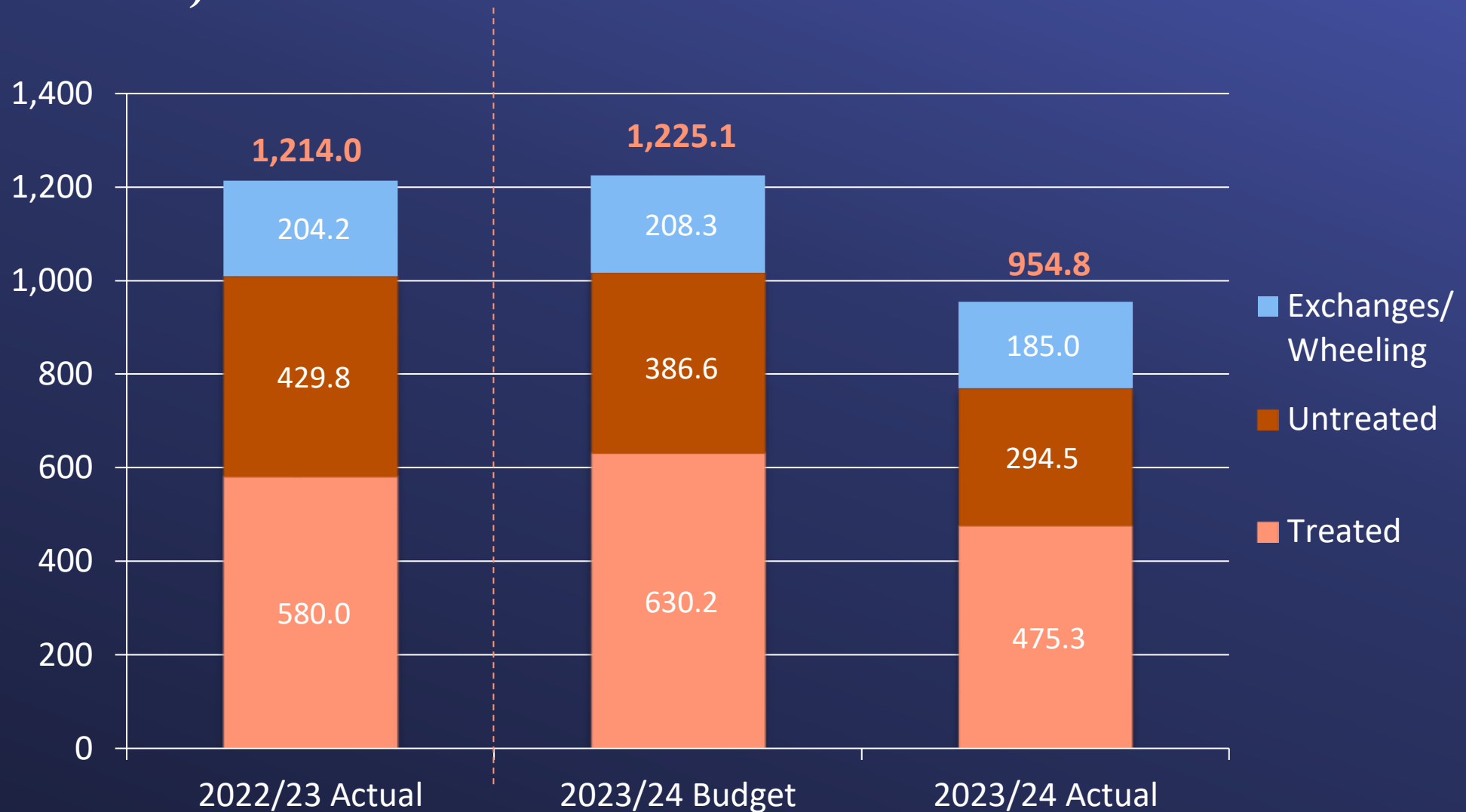
Record-High Storage Projection for Metropolitan End-of-Year Balances



Note:
2023 end-of-year balance is preliminary as it is subject to USBR final accounting.

Actual Water Transactions through March 2024⁽¹⁾

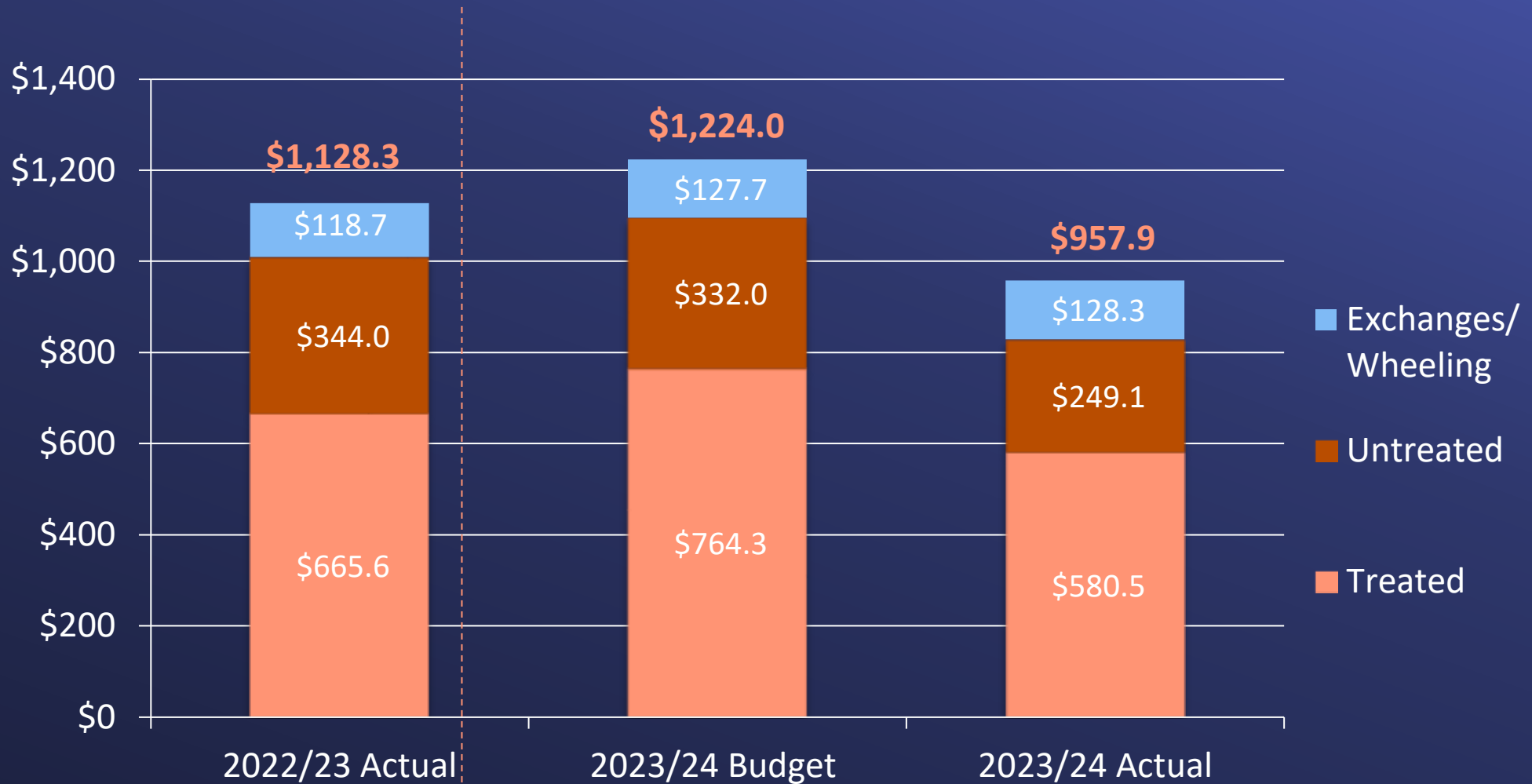
(AF in thousands)



⁽¹⁾ Includes Water Sales, Exchanges, and Wheeling from member agencies. Non-member agency transactions are excluded.

Actual Water Revenues through March 2024⁽¹⁾

(\$ in millions)



⁽¹⁾ Includes Water Sales, Exchanges, and Wheeling from member and non-member agencies.

(\$ in millions)

FY 23/24 Revenues (Cash Basis)

March 31, 2024

	2023/24 YTD Actuals	2023/24 Projected	2023/24 Budget	Variance
Water	\$ 957.9	\$ 1,172.5	\$ 1,538.3	\$(365.8)
RTS	95.4	160.5	160.5	-
Capacity Charge	21.2	35.2	35.2	-
Power	7.8	8.9	14.2	(5.3)
Taxes, net	119.8	185.9	168.3	17.6
Interest	35.3	43.2	9.6	33.6
Other ⁽¹⁾	17.2	24.9	30.5	(5.6)
Total Revenues	\$ 1,254.6	\$ 1,631.1	\$ 1,956.6	\$ (325.5)

⁽¹⁾ The Second Quarter Financial Report included \$47.3 million in projected grant revenue under IRA funding which is now expected to be received in FY 2024/25.

(\$ in millions)

FY 23/24 Expenses (Cash Basis)

March 31, 2024

	2023/24 YTD Actuals	2023/24 Projected	2023/24 Budget	Variance
State Water Contract	\$ 652.8	\$ 707.7	\$ 726.7	\$ (19.0)
Supply Programs	99.7	131.4	110.1	21.3
CRA Power Costs	34.8	42.3	85.7	(43.4)
Debt Service	281.2	327.3	301.0	26.3
Demand Management	45.2	63.9	67.1	(3.2)
Departmental O&M ⁽¹⁾	485.6	599.3	599.3	-
PayGo ⁽²⁾	37.5	35.0	135.0	(100.0)
Delta Conveyance	64.5	64.5	64.5	-
Total Expenses	\$ 1,701.3	\$ 1,971.4	\$ 2,089.4	\$ (118.0)

⁽¹⁾ Including Operating Equipment; Net of \$15 million PWSC expenditures to be funded from the \$80 million SWRCB grant

⁽²⁾ \$100 million of pay-as-you-go ("PayGo") CIP expenditures were bond financed

(\$ in millions)

FY 23/24 Net Cash Flow (Cash Basis)

Estimate June 30, 2024

	FY 2023/24 Projected
Total Revenues	\$ 1,631.1
Total Expenses	1,971.4
Net Expenses	<u>\$ (340.3)</u>

The FY 2023/24 operating deficit requires the use of approximately \$249.7 million from unrestricted reserves

(\$ in millions)
FY 23/24
Unrestricted
Reserves
(Cash Basis)

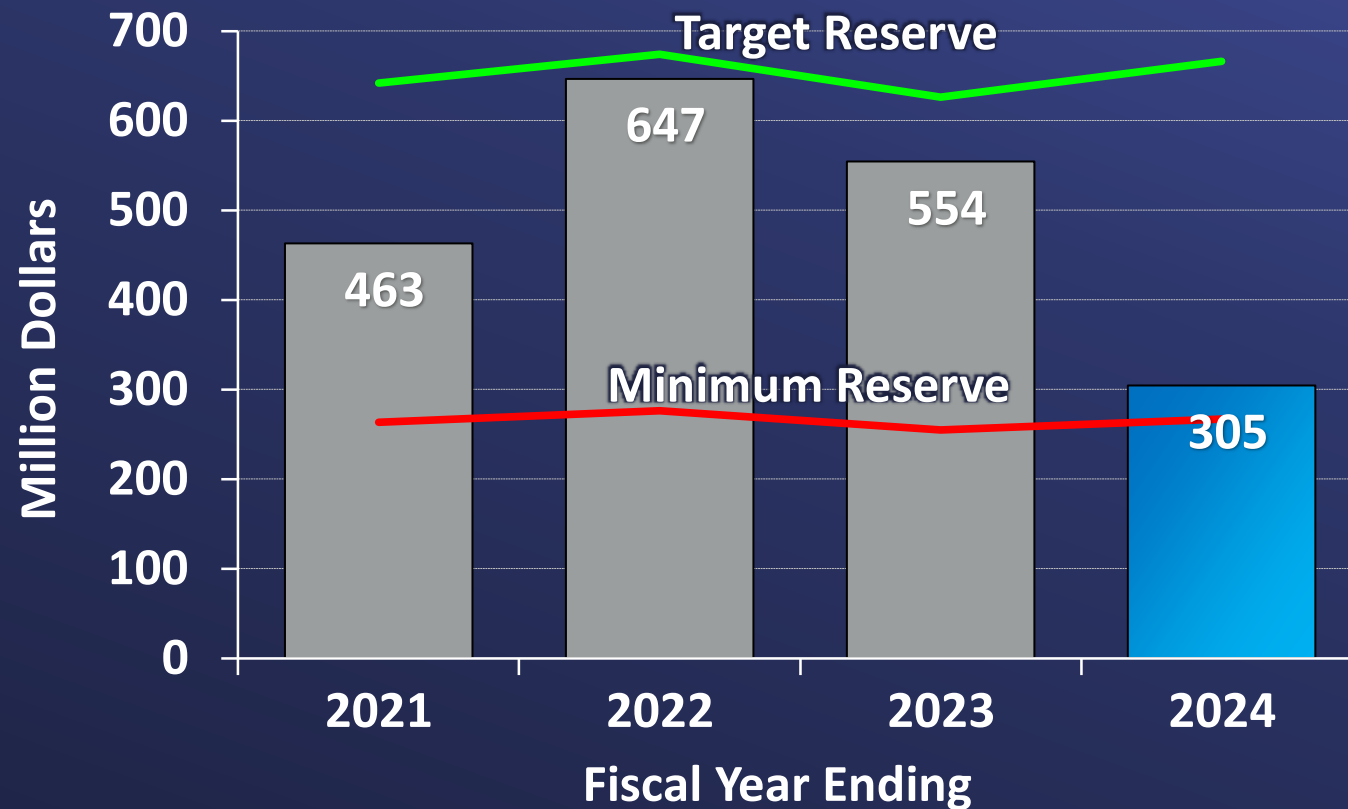
Estimate June 30, 2024

	FY 2023/24 Projected
Beginning Unrestricted Reserves Balance	\$ 554.2
Net Cash Flow	(340.3)
Increase in Required Reserves	(3.4)
Other Funding Sources (e.g., Debt and CWF Refund)	<u>94.0</u>
Ending Unrestricted Reserves Balance	<u>\$ 304.5</u>

The estimated FY 2023/24 ending unrestricted reserve balance is about \$38 million above the minimum policy level

(\$ in millions)
FY 23/24
Unrestricted Reserves
(Cash Basis)

Estimate June 30, 2024







THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Board Report

Finance Group and Administrative Services Section

- **Finance and Administrative Services Activities Report**

Summary

This report provides a summary of the Finance group and Administrative Services section activities for March 2024 and April 2024

Purpose

Informational

Attachments

Attachment 1–Finance group and Administrative Services section activities for March 2024 and April 2024

Finance Group and Administrative Services Section

Activities Report for March 2024 and April 2024

Maintain Strong Financial Position

Provide timely and discerning financial analyses, planning, and management to ensure that forecasted revenues are sufficient to meet planned expenses and provide a prudent level of reserves consistent with board policy.

Manage risk to protect Metropolitan's assets against exposure to loss.

The Risk Management Unit completed 53 incident reports communicating instances of Metropolitan property damage, liability, workplace injuries, regulatory visits, and spills.

Risk Management completed 58 risk assessments on contracts, including professional service agreements, construction contracts, entry permits, special events, and film permits.

Business Continuity

Facilitate district-wide planning and training to prepare employees and managers to effectively carry out critical roles and recover mission essential functions thus ensuring continuity of operations and resiliency in the event of a disaster.

Manage the Business Continuity Management Program in accordance with Operating Policy A-06.

- Distributed a memo from the Office of the General Manager regarding emergency communications and the need for employees to add their mobile numbers to MyHR.
- In conjunction with Information Technology, continued planning for employee webinars focused on creating awareness of alternate ways of accessing systems.
- Continued working with the district on Business Continuity Plan updates and approvals.
- In conjunction with the core planning team, continued working on the district-wide Local Hazard Mitigation Plan.
- Continued working on updates to Operating Policy A-06, Emergency Management and Business Continuity.

Financial Management

Manage Metropolitan's finances in an ethical and transparent manner and provide consistent, clear, and timely financial reporting. Update Metropolitan's capital financing plans and work with rating agencies and investors to communicate Metropolitan's financial needs, strategies, and capabilities, thus ensuring that Metropolitan has cost effective access to capital markets and the ability to finance ongoing future needs. In addition, actively manage Metropolitan's short-term investment portfolio to meet ongoing liquidity needs and changing economic environments

Record and report the financial activities of Metropolitan in a timely, accurate, and transparent manner to the Board, executive management, member agencies, and the financial community.

- Water Transactions for March 2024 (for water delivered in January 2024) totaled 68.2 thousand acre-feet (TAF), which was 34.8 TAF lower than the budget of 103.0 TAF and translates to \$66.6 million in receipts for March 2024, which was \$36.1 million lower than budget of \$102.7 million.

- Year-to-date water transactions through March 2024 (for water delivered in May 2023 through January 2024) were 954.8 TAF, which was 270.3 TAF lower than the budget of 1,225.1 TAF. Year-to-date water receipts through March 2024 were \$957.9 million, which was \$266.0 million lower than the budget of \$1,223.9 million.
- In March 2024, Accounts Payable processed approximately 3,500 vendor invoices for payment.

Update capital financing plans and work with rating agencies and investors to communicate financial needs and capabilities, ensure cost-effective access to capital markets, and maintain long-term bond ratings of AA or better.

Debt Management staff developed and coordinated comprehensive presentations between three rating agencies (Moody's, S&P, and Fitch) and Executive Management to secure credit ratings for Metropolitan's upcoming bond sales. The presentations covered Metropolitan's overall vision and strategic priorities, Water Supply Conditions and Resources, Historical Financial Performance, Proposed FY25 and FY26 Budget and Debt Issuance Overview. Debt management staff also managed the posting of key finance documents to Metropolitan's investor relations website to ensure that investors have access to Metropolitan's most current information.

Prudently manage the investment of Metropolitan's funds in accordance with policy guidelines and liquidity considerations.

As of March 31, 2024, Metropolitan's investment portfolio balance was \$1.04 billion; the total March earnings were \$3.8 million, and the effective rate of return was 4.33 percent.

Treasury staff managed daily cash flow to cover Metropolitan's operational expenditures and invest excess funds. Metropolitan's portfolio was managed in compliance with the Board's Investment Policy approved for FY24.

In March 2024, Metropolitan's portfolio manager executed 16 buy and 7 sale trades. The Treasury staff also performed treasury functions for the DCA, which includes 13 check deposits totaling \$2.92 million and 11 payments totaling approximately \$1.29 million.

In addition, Treasury staff processed 15 professional services invoice payment requests totaling approximately \$0.18 million.

Furthermore, 9,604 P-One Card transactions, totaling \$1.25 million, recorded in the March bank statement were monitored and processed by the P-One Card Administrator.

Administrative Services

Accomplishments

Records Management and Imaging Services (RMIS) had a busy month. The team worked with External Affairs to install an exhibit celebrating the 50th anniversary of Metropolitan's Water Quality Laboratory. The exhibit—staged in the lobby of the laboratory building at La Verne—features a historical timeline, narrative text, and archival records and objects that tell the story of the lab's creation and development. RMIS staff assisted External Affairs with conducting research, editing content, selecting materials and producing materials from and for the Metropolitan Archives and Water Quality library collection to showcase. The team also worked with External Affairs to produce the "2024 Leadership Today Water Tomorrow" booklet. This job required a cover with spot clear coverage (gloss), which we can now do with the new production machines. Also, in March, we

began offering a new service: outdoor signage. Our first request, which was just in time for wildflower season, was the replacement of Diamond Valley Lake signage that had deteriorated over time. This project consisted of a total of 55 signs of various sizes. The in-house production of signs and collateral increases the district's efficiency and effectiveness.





During the month of **April**, the Professional Services Contracting Team (PSCT) completed the following transaction in support of the General Manager's initiatives:

Request for Proposal (RFP) No. 1364—Pressure Control Structure (PCS) and Electrical Upgrades Progressive Design-Build Owner's Advisor (OA) Services. This solicitation is to provide OA services for the Lake Mathews PCS and Electrical Upgrade Project. The OA will complete the conceptual design report (CDR) of the new Lake Mathews PCS and the electrical upgrades, assist with the development of the project's design build procurement documents, assist in the selection of design-build contractor, including the preparation of an RFQ for the project, and assist Metropolitan in the administration of the design build contract.



Finance and Asset Management Committee

CFO Report

Item 7a

May 14, 2024

Metropolitan's Bond Ratings Affirmed

- Metropolitan regularly seeks ratings from the major rating agencies
- The Finance Group most recently met with S&P and Moody's as part of our Series 2024A (Senior Lien) Water Revenue Refunding Bonds, which successfully priced in April 2024
- Later this month and in early June, we will complete the two-phased ratings process with S&P and Fitch related to our Series 2024B transaction (Subordinate Lien)

Rating Agency	Metropolitan Lien and Mode	Rating Assigned	Rating Outlook
S&P Global Ratings	General Obligation Bonds	AAA (highest)	Stable
	Senior Lien – Long-Term Bonds	AAA (highest)	Stable
Moody's Ratings	General Obligation Bonds	Aaa (highest)	Stable
	Senior Lien	Aa1	Stable

Key Credit Rating Highlights: S&P

Rating Agency	Rating Rationale	Rating Upgrade Factors	Rating Downgrade Factors
<p>S&P Global Ratings</p> <p>AAA (Senior Lien)</p>	<p>District's comprehensive resource planning, well-defined risk management practices and financial policies are cornerstone to its credit quality</p> <p>Management's prudent approach to mitigating the short and long-term credit risk associated with Climate Change and related water shortages</p> <p>District's ability to maintain steady financial metrics despite variability in water sales is a key credit strength</p> <p>Strategic importance of District to both its member base and service area economy</p>	<p>N/A</p>	<p>Not continuing emergency measures to bolster interconnections between SWP-dependent areas to infrastructure that would provide access to other supplies</p> <p>Not adjusting rates to maintain consistently strong financial performance</p> <p>Material underperformance to forecast</p> <p>District's policies and practices no longer support strong liquidity and DSC levels</p>

Key Credit Rating Highlights: Moody's

Rating Agency	Rating Rationale	Rating Upgrade Factors	Rating Downgrade Factors
<p>Moody's Ratings</p> <p>Aa1 (Senior Lien)</p>	<p>Despite weakened Debt Service Coverage (DSC) and Liquidity, the District has adopted consistent, annual rate increases</p> <p>Moreover, a planned property tax increase will increase the share of revenues derived from fixed charges to 25%</p> <p>Assumed lower demand levels, in concert with above elements, position the District to meet its projected debt service coverage targets (closer to 2x)</p> <p>Lowest-priced alternatives for water supplies in the region</p> <p>Strong management practices, particularly with respect to efforts to increase storage, facilitate interstate agreements and develop water-reuse capabilities in the face of climate change impacts</p>	<p>Long-term alleviation of water supply pressure (storage and water reuse)</p> <p>Material and sustained increase in DSC and Liquidity (Reserves)</p>	<p>Drought conditions or pressures on Colorado River supplies that strain supplies, or stored water</p> <p>Weakened financial performance and key metrics, including DSC, Liquidity and increase of capital costs required to meet future supply or environmental requirements</p>

Series 2024A Bonds

Transaction Summary

\$772 million in total priority orders

47 different investors

All-in TIC of 3.10%

2054 final maturity (30 years)

Summary of Offering Terms

- Metropolitan successfully navigated the sale of its Senior Lien (Series 2024A) financing with impressively low spreads to market benchmark indices
- This was accomplished in the wake of significant market volatility and a heavy calendar of competing transactions in California and nationally

Issuer:	Metropolitan Water District of Southern California
Issue:	Water Revenue Refunding Bonds, 2024 Series A
SWS Role:	Senior Manager
Purpose:	Refunding of Bonds & Revolving Credit Facility
Par Size:	\$367,005,000
Pricing Date:	April 22, 2024
Delivery Date:	May 8, 2024
Call Date:	April 1, 2034 @ 100%
Ratings (M / S / F):	Aa1 / AAA / NR

Key Upcoming Transactions

- **June 2024**
 - Water Revenue Refunding Bonds, Series 2024-B (Subordinate Lien)
- **September 2024**
 - Water Revenue Bonds, Series 2024-C
 - FY 24/25 & FY 25/26 New Money Capital Improvement Program (tax-exempt, debt financed portion only)
 - MWD conservation (taxable) for 4-year period (FY 22/23 through FY 25/26)
- **October 2024**
 - Antelope Valley-East Kern (AVEK) High Desert Water Bank (tax-exempt)



Questions

