



NB-33

Memorandum

To: Mayor and City Council

October 21, 2008

From: Suja Lowenthal, Second District 

Subject: Metropolitan Water District (MWD) Monthly Update

REQUESTED ACTION:

Receive and file report on the actions taken at the Metropolitan Water District Board meeting held on October 14, 2008.

BACKGROUND INFORMATION:

I wish to bring the following actions (attached) to the Council's attention. Specifically, I wish to highlight changes to the Interim Agricultural Water Program (IAWP) and their relevance to Long Beach.

**Report for
Metropolitan Water District of Southern California
Board Meeting
October 14, 2008**

AGRICULTURAL WATER PROGRAM

The board approved changes to the Interim Agricultural Water Program. Under the revisions, the program will be completely phased out over a five-year period from 2008 to 2013. Current program participants may opt out of the program as of January 1, 2009. Details about this action are included in the attached board letter. (Agenda Item 8-5)

DIAMOND VALLEY LAKE

The board voted to complete design of a permanent ramp extension for Diamond Valley Lake, but not proceed with construction unless funding is obtained from outside sources. The board directed staff to expeditiously seek outside funding sources. Private boat launches were suspended October 13 because water levels had receded to the end of the existing ramps. (Agenda Item 8-11)

CHAIRMAN ELECTION

The board elected Chairman Timothy F. Brick to serve another two-year term as board chairman, beginning January 1, 2009. In remarks following the vote, Chairman Brick said sustainability and stewardship would remain the themes of his administration and identified fixing the environmental health as well as the water system reliability and water quality problems in the Sacramento-San Joaquin Delta; expanding local water management projects and programs through an updated Integrated Resources Plan and meeting energy challenges as the goals for his next term. (Agenda Item 5-G)

CONSERVATION PROGRAM

The board authorized refinements and additions to Metropolitan's Conservation Program. Potential benefits include increased conservation savings and reduced administrative steps. The refinements and additions include: a \$300 per device incentive for installation of high-efficiency, air-cooled commercial ice-making machines; a single melded incentive of \$100 per high-efficiency toilet to residential customers; discontinuance of commercial ultra-low-flush toilet rebates of \$60 per device; expanding the list of devices eligible for smart controller incentives; developing incentives for rain shut-off sensors; and discontinuing incentives for x-ray water re-circulating devices (Agenda Item 8-6)

SEMITROPIC GROUNDWATER TREATMENT

The board authorized entering into an agreement with Semitropic Water Storage District for a demonstration arsenic treatment program, and appropriated up to \$2.5 million in Metropolitan funds, an outlay of up to \$50 per acre-foot of returned banked water. (Agenda Item 8-9)

INVESTMENT POLICY

The board approved an amendment to Metropolitan's investment policy to allow the Treasurer, in consultation with an ad hoc committee made up of the Chairman of the Board, Chairman of the Business and Finance Committee and the General Manager, to avoid the immediate liquidation of securities when their value is depressed below investment grade due to extreme selling pressures or other market dislocations. The board action ratified an Executive Committee action to authorize the orderly, prudent disposal of notes issued by Lehman Brothers Holdings, which declared bankruptcy last month. (Agenda Item 8-10)

BANKING TEAM

The board approved the selection of Metropolitan's new investment banking team in response to recent changes in the municipal bond market. The board selected 10 staff-recommended firms to comprise Metropolitan's senior investment banking team pool, and six firms to comprise the co-manager pool. (Agenda Item 8-1)

TIJUANA WATER DELIVERIES

The board approved a five-year extension of the agreement to deliver emergency Colorado River water service to Tijuana, Mexico. When Mexico's Colorado River water conveyance system faces constraints, Metropolitan diverts small amounts of Mexican Treaty water at Lake Havasu and conveys it to the San Diego County Water Authority for delivery to Tijuana. (Agenda Item 7-4)

OTHER ACTION:

In other action, the board:

- Presented a plaque to retiring State Senator Bob Margett (R-Glendora) for his leadership on water issues and recognized Orange County Water District for receiving a 2008 global water award for groundwater management and development. (Agenda Item 4)
- Appropriated \$1.26 million and authorized two rehabilitation projects for Lake Skinner facilities (Agenda Item 7-1)
- Appropriated \$1.37 million and authorized award of three construction contracts for upgrades to 11 fuel-dispensing stations at Metropolitan facilities (Agenda Item 7-2)
- Authorized a reimbursable agreement for relocation of the Sepulveda Feeder for the Interstate 405 Sepulveda Pass Widening Project (Agenda Item 7-3)
- Appropriated \$2.08 million and authorized two valve-related rehabilitation projects in the San Fernando Valley (Agenda Item 8-2)



• **Board of Directors**
Water Planning and Stewardship Committee

October 14, 2008 Board Meeting

8-5

Subject

Approve changes to the Interim Agricultural Water Program

Description

In June 2008, the Board authorized staff to initiate a review of the Interim Agricultural Water Program (IAWP) and bring recommendations on proposed changes to the program before the end of 2008. This action item proposes revisions to the IAWP consistent with the September Board Information Item 9-2 – Proposed Changes to the Interim Agricultural Water Program. Details on the proposed revisions are included in **Attachment 1**.

Background

The Metropolitan Water District has a long history of providing discounted rates for agricultural users, beginning in 1958 with a 25 percent discount from the basic rate. The primary justification for lower rates has been interruptibility, as water for agricultural uses was, and is, considered to be a surplus sale subject to interruption in service. The current program has been in place since 1994 and for the first time under the IAWP, Metropolitan called on participants to reduce their water use by 30 percent, effective January 1, 2008.

Early indications are that IAWP participants are complying with the reduction guidelines and have reduced their use in 2008 per Metropolitan's request. Participants have taken many different actions to manage with reduced imported water supplies for 2008. Major citrus and avocado growers, representing about 75 percent of the total IAWP use, have stumped or removed trees from their groves in order to effect the water use reduction.

The impact of the ecological crisis in the Sacramento-San Joaquin River Delta and the associated pumping restrictions have fundamentally changed the profile of Metropolitan's surplus water availability. Before the pumping restrictions, surplus deliveries were estimated to be available in seven out of ten years. Until a Delta solution is implemented, surplus deliveries may only be available in three out of ten years. As long as these conditions persist, Metropolitan will almost certainly be forced to call upon IAWP participants to reduce their use a majority of the time.

Many IAWP participants have provided feedback that certainty and supply availability are important factors in the viability of their agricultural operations. While the discount is an important part of certain growers' ongoing economic viability, continuous supply reductions may also be crippling. On the other hand, Metropolitan member agencies that do not participate in the program have questioned the ongoing delivery of water at a discount while Metropolitan is pulling down storage reserves and purchasing dry-year transfer supplies to maintain reliability.

Given these and other concerns, Metropolitan staff has held discussions with member agency managers (both IAWP participants and non-participants), retail agency managers, growers within the region, and agricultural advocacy groups in order to determine the best course of action to address all these concerns. Staff recommends the following proposed revisions to the IAWP summarized below in order to provide the rate certainty and reliability desired by many agricultural water users while addressing the concerns with the program expressed by some board members.

Summary of Proposed Revisions to the Interim Agricultural Water Program

1. **Five-Year Phaseout of the IAWP** – The IAWP would be completely phased out over a five-year period from 2008 to 2013. As of January 1, 2013 the IAWP would no longer exist.
 - a. The discount under the IAWP would be gradually reduced during the phase-out period.
 - b. The supply reduction provisions would be adjusted through the phase-out period. Required delivery cutbacks would also be adjusted as the discount diminishes through the phase-out period.
 - c. Each participating member agency would receive an adjustment to their baseline under Metropolitan's Water Supply Allocation Plan to reflect the reduction in their ability to purchase water through the IAWP.
2. **Immediate Opt-Out Opportunity** – This provision would allow current IAWP participants to exit the program as of January 1, 2009. Participants that opt-out would still be held accountable for performance against their reduction plans for calendar year 2008. The maximum annual IAWP delivery for each agency would be reduced by the total volume of opt-outs within their service area. Metropolitan's Administrative Code would be amended to reflect the lower maximum annual IAWP deliveries that result from these actions. Additional opt-outs would be allowed in each year of the phase-out period. Opt-out notifications received in a given calendar year would be effective beginning January 1 of the following calendar year.
3. **Tier 1 Limit Adjustment** – The annual Tier 1 limit of each participating member agency would be increased as their maximum annual IAWP delivery is reduced through the opt-out provision or the phase-out of the IAWP. In no case would a member agency's Tier 1 limit be higher than what it would have been had deliveries in the IAWP been included in the original calculation of Tier 1 limits.
4. **Water Supply Allocation Plan Baseline Adjustment** – Metropolitan's Water Supply Allocation Plan (WSAP) uses a period of calendar year 2004 through 2006 to establish the baseline imported water needs for each member agency. Deliveries under the IAWP are treated separately from this baseline. WSAP baselines for each member agency participating in the IAWP would be adjusted as their maximum annual IAWP delivery is reduced through the opt-out provision or the phaseout of the IAWP.
5. **Agricultural Conservation Incentives** – Agricultural customers paying Metropolitan's full service rates could be eligible for incentives through a new conservation program directed at agricultural users. Metropolitan staff would work with the member agencies, the agricultural community, and the Board to develop an agricultural conservation program to encourage the use of devices and activities that lead to greater water use efficiency in the agricultural sector. Staff would work to have the initial phase of new agricultural conservation incentives presented to the Board for consideration by June of 2009.
6. **Agricultural Water Use Reduction Contracts** – Metropolitan staff would work with the member agencies, agricultural land owners, and the Board to determine if a dry-year water use reduction contract makes sense for agricultural water users. A template for such a program would be developed for board review by the end of 2009. As an example, Metropolitan could develop contracts with certain landowners or lessees modeled after the agreements that are part of the Land Management Agreements with growers in the Palo Verde Irrigation District. Under such a model, in exchange for not irrigating contract lands for an agreed time period, Metropolitan could provide structured payments based on the amount of land and water used to irrigate. During shortages, Metropolitan would call on those participating landowners or lessees to reduce water usage.

Policy

Metropolitan Water District Administrative Code Section 4106: Interim Agricultural Water Program Purposes
Metropolitan Water District Administrative Code Section 4120: Purchase Order; Purchase Order Commitment
Metropolitan Water District Administrative Code Section 4122: Base Firm Demand; Initial Base Firm Demand



City of Long Beach Memorandum
Working Together to Serve

REQUEST TO ADD AGENDA ITEM

Date: *October 16, 2008*

To: Larry Herrera, City Clerk

From: *Suja Lowenthal, Second District*

Subject: Request to Add Agenda Item to Council Agenda of **October 21, 2008**

Pursuant to Municipal Code Section 2.03.070 [B], the City Councilmembers signing below request that the attached agenda item (due in the City Clerk Department by Friday, 12:00 Noon) be placed on the City Council agenda under New Business via the supplemental agenda.

The agenda title/recommendation for this item reads as follows:

“Receive and file report on the actions taken at the Metropolitan Water District Board meeting held on October 14, 2008.”

Council District	Authorizing Councilmember	Signed by
<i>2</i>	SUJA LOWENTHAL	<i>Suja Lowenthal</i>
<i>8</i>	Rae Gabelich	<i>Donette K...</i>
<i>5</i>	GERRIE SCHIPSKE	<i>Gerrie Schipske</i>

Attachment:

CC: Office of the Mayor