

CENTRAL BASIN MUNICIPAL WATER DISTRICT**JANUARY 7, 2004 - Water Resources**
Morse, Cole**JANUARY 26, 2004 - Board Meeting**

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INFORMATION CALENDAR

DISPOSITION OF CENTRAL BASIN'S SHARE OF FY 2003-04
METROPOLITAN WATER DISTRICT'S EXCESS REVENUES

SUMMARY:

On November 18, 2003, Metropolitan Water District's (MWD) Board of Directors took action to apply \$36.3 million in FY 2002-03 surplus revenues as a credit on member agency bills or provide the member agency's allocated portion of the funds to the member agency as a block grant(s). The block grants must be used to fund local resources development and water infrastructure reliability projects. Central Basin's allocated portion of the total is \$1,281,797.

Central Basin continues to develop a portfolio of "local resources" that together with local groundwater and imported water provide drought-proofing for its service area, and the Southern California region. These local resources include various conservation programs and recycled water distribution facilities that continue to expand. Central Basin's twenty-eight imported water customers maintain groundwater facilities and/or potable water distribution facilities that qualify as either local resources or "infrastructure reliability projects".

Facilitated Process Funding

In an earlier report to the Board (Exhibit "A"), staff suggested applying \$12,500 of Central Basin's share of the excess revenues towards the \$25,000 cost share required to extend the Conjunctive Use Working Group's Facilitated Process another six months. There was widespread support for this concept among Central Basin's customer agencies participating in the Process. The justification for applying the share of excess revenues is that all participants in the Process from Central Basin have contributed either directly (water rates) or indirectly (through WRD's Replenishment Assessment) to the excess revenues. A similar suggestion was made in West Basin for an equal amount of \$12,500, which is pending. The Department of Water Resources would match the combined \$25,000 for a total budget of \$50,000.

Options for Consideration

Staff presents the following options for the Board to consider regarding the disposition of Central Basin's share of excess revenues:

Apply \$12,500 towards the extension of the Facilitated Process and use the remaining \$1,269,297 to:

- 1) Return to each imported water customer agency as a credit on their water bill, according to the pro-rata allocation presented in Exhibit B; or,
- 2) Fund conservation programs throughout Central Basin's service area to assist customer agencies and Central Basin as a whole in maintaining annual retail demand within Tier 1 limits; or,
- 3) Offer customer agencies a choice of credit or local resource program, such as conversation, within their respective service areas; or,
- 4) Fund planned capital projects within the recycled water program and/or pay down existing debt related to the recycled water program.

A determination by Central Basin regarding the disposition of its share of the funds should also take into consideration the following:

- Actions that fund demand management through conservation or water recycling promote local water resources and regional reliability and are therefore consistent with the intent of the Metropolitan Board action that established Central Basin's share of the excess revenues. Returning the funds to the customer agencies is explicitly supported by the Metropolitan policy as well;
- Three of Central Basin's largest imported water customers, California Water Service Co., Park Water Company, and Southern California Water Company have formally provided input to the Board. Cal Water Service and So Cal Water have requested a credit. Park Water has requested consideration of options including credit, reduction of District's outstanding debt, and local resource project grants for customer agencies. All correspondence is included as Exhibit "C";
- Current economic conditions are impacting public water agencies and their ability to maintain water infrastructure; and
- There is no one-size-fits-all solution to returning funds for local resources development or infrastructure reliability because customer agency profiles vary from city departments to investor owned utilities to a replenishment district.

In order to ensure that the excess funds are utilized locally for purposes consistent with the Metropolitan action, staff recommends that Central Basin request a credit from Metropolitan for the entire \$1,281,797 and, after dedicating \$12,500 to the Facilitated Process, offer each customer agency the option of receiving its pro-rata share as a credit on their water bill, or partner with Central Basin on mutually acceptable conservation programs. In this manner, some customer agencies might realize a greater "bang for the buck" than they otherwise would in passing through a credit to consumers.

FISCAL IMPACTS:

None of the options presented would result in a negative fiscal impact to the District.

ENVIRONMENTAL COMPLIANCE:

Not applicable.

COMMITTEE STATUS:

This item was reviewed by the Water Resource Committee on January 7, 2004 and agendaized to the January 26, 2004 Board meeting as information for discussion and possible action.

RECOMMENDED MOTION: That the Board authorizes the General Manager to:

- 1) Request that Metropolitan return Central Basin's total share of FY 2002-03 Revenues in Excess of Maximum Reserves, or \$1,281,797, as a credit on the water bill;
- 2) Dedicate \$12,500 of the total share to extending the Facilitated Process; and
- 3) Offer each of Central Basin's imported water customer agencies a choice of receiving their pro-rata share of the remaining \$1,269,297 as a credit on their water bill or local resource program, such as conservation, within their service area.

LIST OF EXHIBITS:

Exhibit "A" - November 24, 2003 board memo regarding Conjunctive Use Working Group
Exhibit "B" - Customer Agency Allocations
Exhibit "C" - Correspondence from Customer Agencies