

- **Board of Directors**
Audit Subcommittee
Water Planning, Quality and Resources Committee

June 8, 2004 Board Meeting

10-2

Subject

Report on Local Resources Program performance

Description

This letter summarizes the staff response to the General Auditor's report on the effectiveness of Metropolitan's Local Resources Program and an assessment of the project sponsors' ability to achieve proposed project production. The General Auditor submitted his report to the Audit Subcommittee in May following a six-week period during which member agencies were afforded an opportunity to provide comments and corrections.

Through December 2003, Metropolitan has provided approximately \$151 million of incentive payments for the production and distribution of about 846,000 acre-feet of recycled water and recovered groundwater for the purpose of ensuring regional supply reliability. **Attachment 1** shows a comparison of the agencies' original proposals of yield development over time with actual and projected program performance.

The General Auditor's report, which covers a three-year period from July 2000 through June 2003, recommended that staff:

- Review projects not achieving projected yield;
- Assess agencies' ability to achieve full contractual production;
- Amend Metropolitan's contractual commitment to reflect more realistic production targets; and
- Ascertain factors that contribute to project success and solicit future projects with similar attributes to help achieve yield expectations.

Based on comments received by the member agencies, the General Auditor's recommendations, and our review, staff will initiate steps to adjust or withdraw Metropolitan's contractual commitments. Making these adjustments will result in:

- Improved confidence in assessing the need for future water supply reliability investments;
- Expanded opportunity to assist new development of reliable local resources through future competitive solicitation; and
- Clarity in financial exposure resulting in more accurate budgeting and improved rate setting.

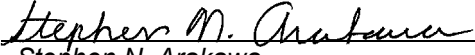
Since inception of the program, Metropolitan has entered into agreements for 75 water recycling and groundwater recovery projects, of which 56 projects are currently in operation. As of April 2004, agreements for 11 projects are no longer in effect or in the process of terminating. **Attachment 2** is a table that lists the current projects participating in the Local Resources Program and their respective contract yield and amounts of production for fiscal year 2002/03.

Policy

None

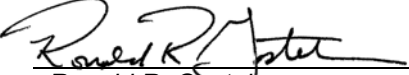
Fiscal Impact

None


Stephen N. Arakawa
Manager, Water Resource Management

5/14/2004

Date


Ronald R. Gastelum
Chief Executive Officer

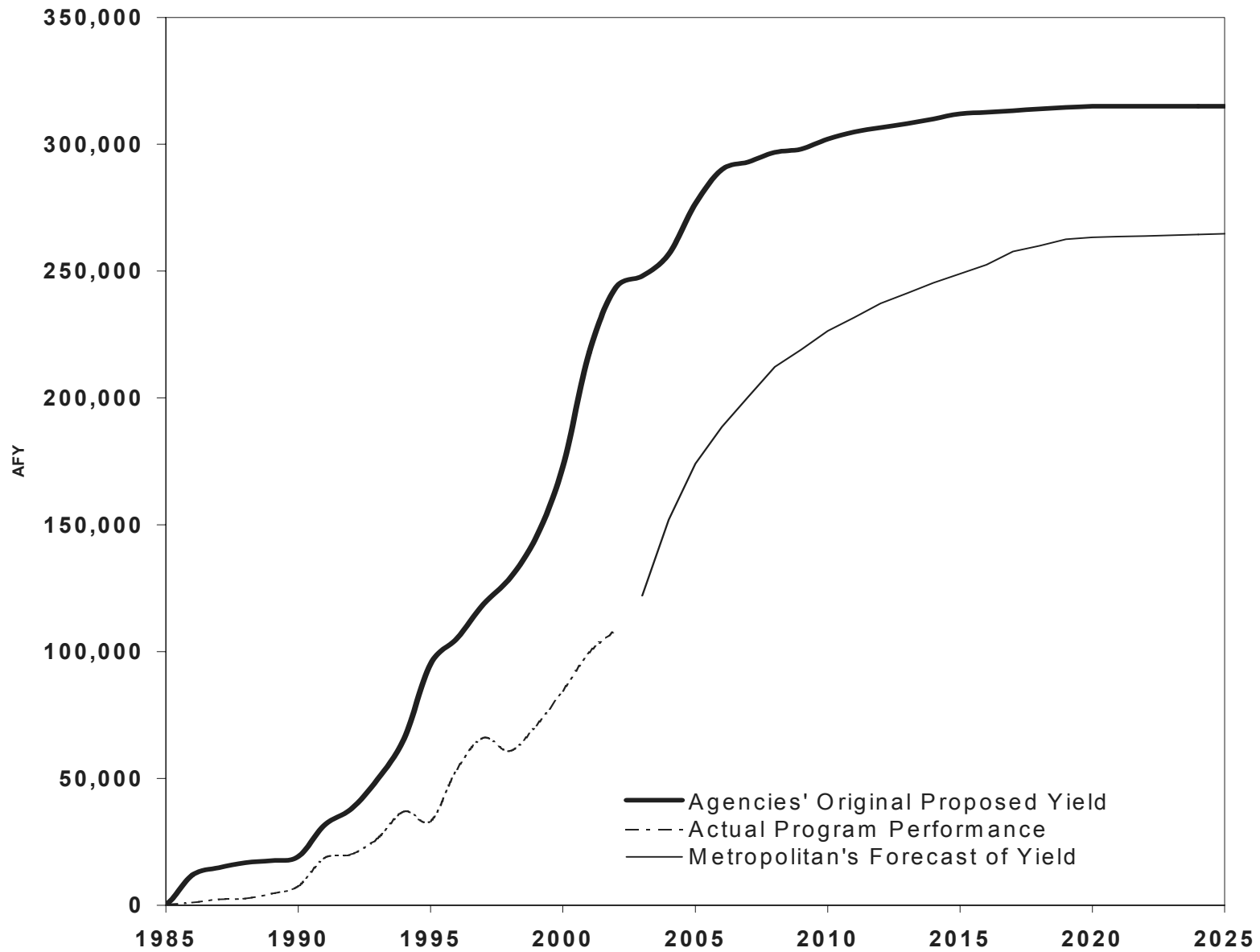
5/18/2004

Date

Attachment 1 – Agency Projections vs. Actual Production

Attachment 2 – LRP Projects & Production

BLA #2851



Agency Projections vs. Actual Production

RECYCLING PROJECTS
Cost and production data through December 2003

MEMBER AGENCY	PROJECT	AGREEMENT DATE ¹	NON-ACTIVE ⁸	CONTRACT YIELD (AFY)	FY 02-03 ² YIELD (AFY)	FY 03-04 ² YIELD (AFY)	TOTAL TO DATE ²	
							YIELD (AF)	Contribution (\$)
LOCAL PROJECTS PROGRAM:								
Calleguas MWD	1. Oak Park/North Ranch Reclaimed Water Dist. System	1991		1,300	1,160	607	9,424	1,451,250
	2. Conejo Creek Diversion Project	1998		14,000	126	562	688	105,890
Central Basin MWD	3. Cerritos Reclaimed Water Extension Project ³	1993	✓	260	167	174	2,472	288,226
	4. Lakewood Water Reclamation Project	1989		440	365	240	5,955	917,039
Eastern MWD	5. Rancho California Reclamation Expansion Project	1993		6,000	1,990	2,185	20,381	3,138,720
	6. Eastern Regional Reclaimed Water System	1995		4,830	0	0	0	0
	7. Eastern Reach 1, Phase II Water Reclamation Project	1996		1,700	610	NR	1,595	245,584
City of Glendale	8. Glendale Water Reclamation Expansion Project	1989		600	232	110	3,156	486,009
Inland Empire Utility	9. Carbon Canyon Reclamation Project	1996		13,500	1,129	NR	3,753	577,900
Las Virgenes MWD	10. Calabasas Reclaimed Water System Extension Project	1989		700	700	700	7,143	1,099,976
	11. Las Virgenes Reclamation Project ³	1993	✓	2,700	2,394	1,599	41,941	2,806,369
City of Long Beach	12. Long Beach Reclamation Project	1995		1,700	1,198	783	19,959	2,977,020
	13. Long Beach Reclaimed Water Master Plan Phase I	1986		2,750	NR	NR	0	0
City of Los Angeles	14. Los Angeles Greenbelt Project	1990		1,610	714	545	7,804	1,201,862
	15. Sepulveda Basin Water Reclamation Project	1993		1,900	0	0	0	0
MWD of Orange County	16. Irvine Reclamation Project	1986		10,000	10,000	5,601	131,703	18,984,795
	17. Moulton Niguel Water Reclamation Project	1992		8,000	6,620	3,697	38,212	5,884,710
	18. San Clemente Water Reclamation Project	1990		4,000	134	0	4,158	640,363
	19. Santa Margarita Water Reclamation Project	1987		3,600	2,138	1,390	26,796	4,052,646
	20. South Laguna Reclamation Expansion Project	1988	✓	700	0	0	54	8,239
	21. South Laguna Reclamation Project	1993	✓	860	NR	NR	12,852	610,167
San Diego County Water Authority	22. Trabuco Canyon Reclamation Expansion Project	1989		800	361	191	3,454	531,839
	23. Encina Water Pollution Control Reclamation Project ⁴	1992	✓	165	165	83	1,642	113,098
	24. Oceanside Water Reclamation Project	1991		300	165	51	796	122,538
	25. Rancho Santa Fe Reclaimed Water System	1993	✓	220	0	0	0	0
San Diego County Water Authority	26. Santa Maria Water Reclamation Project	1990		1,600	190	132	925	142,450
	27. Shadowridge Water Reclamation Project	1989		375	141	0	3,097	476,984
Three Valleys MWD	28. Walnut Valley Water Reclamation Expansion Project ⁴	1991	✓	500	500	250	4,380	240,117
	Subtotal			85,110	31,200	18,898	352,338	47,103,791
LOCAL RESOURCE PROGRAM CONVERSIONS:								
City of Burbank	29. Burbank Reclaimed Water System Expansion Project	1994		850	372	291	3,630	907,185
Central Basin MWD	30. Century Reclamation Program ⁵	1991		5,500				
	31. Rio Hondo Water Reclamation Program ⁵	1992		5,000	3,610	2,235	33,346	7,863,197
City of Glendale	32. Glendale Brand Park Reclaimed Water Project ⁵	1996		225				
	33. Glendale Verdugo-Scholl Reclaimed Water Project ⁵	1994		2,000	869	548	6,208	1,531,484
MWD of Orange County	34. Green Acres Reclamation Project ^{6,7} (MWDOC)	1988		5,400	1,879	742	15,296	3,585,231
				800	321	159	1,551	387,850
San Diego County Water Authority	35. Encina Basin Water Reclamation Project Phase I	1993		2,050	1,171	693	12,993	2,518,604
	36. Escondido Regional Reclaimed Water Project	1995		2,800	0	0	0	0
	37. Fallbrook Public Utility District Water Reclamation Project	1989		1,200	373	205	5,847	1,345,319
	38. North City Water Reclamation Project	1993		17,500	3,079	2,058	16,785	4,067,780
	39. Otay Water Reclamation Project Phase I	1991		1,500	1,013	611	10,179	2,277,431
	40. Padre Dam MWD Reclaimed Water System Phase I	1995		850	518	427	2,779	694,700
	41. San Elijo Water Reclamation System	1996		1,600	895	673	2,614	653,600
City of Santa Ana	42. San Pasqual Water Reclamation Project	1991		1,100	0	0	1,569	380,168
	Green Acres Reclamation Project ⁷ (Santa Ana)	1988		800	86	56	2,485	608,309
West Basin MWD	43. West Basin Water Reclamation Program	1991		70,000	27,107	13,454	174,355	43,402,850
	Subtotal			119,175	41,292	22,150	289,637	70,223,707

RECYCLING PROJECTS
Cost and production data through December 2003

MEMBER AGENCY	PROJECT	AGREEMENT DATE ¹	NON- ACTIVE ⁸	CONTRACT YIELD (AFY)	FY 02-03 ² YIELD (AFY)	FY 03-04 ² YIELD (AFY)	TOTAL TO DATE ²	
							YIELD (AF)	Contribution (\$)
COMPETITIVE LOCAL RESOURCES PROGRAM:								
City of Santa Monica	44. Dry Weather Runoff Reclamation Facility	1999		280	NR	NR	0	0
Central Basin MWD	45. Alamitos Barrier Reclaimed Water Project	2000		3,024	0	0	0	0
City of Los Angeles	46. Harbor Water Recycling Project	2000		5,000	0	0	0	0
MWD of Orange County	47. Capistrano Valley Non-Domestic Water System Expansion	2000		2,895	0	0	0	0
	48. Moulton Niguel Phase 4 Reclamation System Expansion	2000		1,276	0	0	0	0
	49. Development of Non-Domestic Water System Expansion in Ladera Ranch and Talega Valley	2000		2,772	0	0	0	0
San Diego County Water Authority	50. Encina Basin Water Reclamation Program - Phase 2	2000		2,950	0	0	0	0
	51. Olivenhain Recycled Project - Southeast Quadrant	2000		1,788	0	105	105	15,705
	52. Otay Recycled Water Distribution Expansion Project	1999		8,515	0	0	0	0
	53. Rincon del Diablo Recycled Water Program	2000		648	0	0	0	0
	Subtotal			29,148	0	105	105	15,705
Operating Projects:	39			233,433	72,491	41,153	642,080	117,343,203

1. Original execution date is shown and is not necessarily indicative of the date the project commenced operation.
2. Totals through December 2003 as reported to date - not all information is complete.
3. Agreement expired April 2003, agency continues to provide monthly production.
4. Expired agreement. Project operation continues but production is not certified. Production shown is Contract Yield.
5. Projects operate separately, but are administered as one agreement for the respective agency as of July 1, 1999.
6. MWDOC delivers 800 AFY from a project formerly operated by Coastal Municipal Water District.
7. Green Acres Reclamation Project delivers water to MWDOC and Santa Ana and is approved as one project with a Total Contract Yield of 7,000 AFY.
8. Agreements no longer in effect or in the process of being ended through April 2004.

GROUNDWATER RECOVERY PROJECTS
Cost and production data through December 2003

MEMBER AGENCY	PROJECT	AGREEMENT		CONTRACT YIELD ² (AFY)	FY 02-03 ³ YIELD (AF)	FY 03-04 ³ YIELD (AF)	TOTAL TO DATE ³		
		DATE ¹	NON-ACTIVE ⁸				YIELD (AF)	Contribution (\$)	
GROUNDWATER RECOVERY PROGRAM:									
City of Beverly Hills	1. Beverly Hills Desalter	1998		2,600	399	1,033	1,432	357,925	
City of Burbank	2. Burbank Lake St. GAC Treatment Plant	1992		2,744	0	0	14,848	761,119	
Eastern MWD	3. Menifee Basin Desalter Project	1996		3,360	292	718	1,010	252,500	
MWD of Orange County	4. Capistrano Beach Desalter ⁷	1998		1,300	0	0	0	0	
	5. Tustin Desalter Project	1992		3,271	2,205	1,535	18,300	2,520,492	
	6. Irvine Desalter Project ⁷	1993		6,700	0	0	0	0	
	7. San Juan Basin Desalter ⁷	1998		4,800	0	0	0	0	
San Diego CWA	8. Oceanside Desalter Project Phase I ⁴	1993		2,000					
	9. Oceanside Desalter Project Phase II ⁴	1998		4,500	2,734	1,585	22,745	3,776,848	
	10. Lower Sweetwater Desalter Phase I	1996		3,600	2,840	755	12,048	3,012,025	
City of Santa Monica	11. Santa Monica Groundwater Treatment Plant ⁵	1993		1,800	1,800	900	20,470	0	
Three Valleys MWD	12. Rowland Desalter	1998	✓	516	0	0	0	0	
City of Torrance	13. Madrona Desalination Facility	1998		2,400	1,709	1,262	3,216	804,200	
West Basin MWD	14. West Basin Desalter Project	1992		1,524	716	0	11,254	2,500,454	
	15. Sepulveda Desalination Facility	1998	✓	2,400	0	0	0	0	
Western MWD/ Inland Empire Utility	16. Chino Basin Desalter Phase I	1995		8,000	8,593	4,315	27,161	6,790,125	
	Subtotal			51,515	21,288	12,102	132,483	20,775,689	
LOCAL PROJECTS PROGRAM:									
Foothill MWD	17. Glenwood Nitrate Water Reclamation Project	1988	✓	1,600	NR	NR	5,887	906,607	
Western MWD	18. Arlington Desalter	1988		6,100	4,925	3,251	54,998	12,383,036	
	Subtotal			7,700	4,925	3,251	60,885	13,289,643	
COMPETITIVE LOCAL RESOURCES PROGRAM:									
Central Basin MWD	19. Juan Well Filter Facility	2000		900	134	188	860	64,508	
MWD of Orange County	20. Colored Water Treatment Facility	1999		11,300	4,224	1,386	7,794	793,834	
Las Virgenes MWD	21. Westlake Wells - Tapia WRF Intertie Project ⁶	1999	✓	150	150	86	593	46,620	
Western MWD	22. Temescal Basin Desalting Facility	1999		10,000	8,043	755	15,801	1,580,120	
	Subtotal			22,350	12,400	2,415	25,048	2,485,082	
Operating Projects:	17	Total		81,565	38,613	17,768	218,415	36,550,414	

1. Original agreement execution date is shown and is not necessarily indicative of the date the project commenced operation.

2. Most contracts allow an additional 20% production.

3. Totals through December 2003 reported to date - not all information is complete.

4. Production shown is the total for both projects which are administered under one agreement.

5. Project production is not certified, however agency reports that Project operates at contract yield.

6. Agreement expired June 2002, agency continues to provide monthly production.

7. Project operation has not commenced.

8. Agreements no longer in effect or in the process of being ended through April 2004.