

Review of the Water Stewardship Fund and funding for Metropolitan's Demand Management Programs

Finance and Insurance Committee
Item 9-3
October 12, 2020



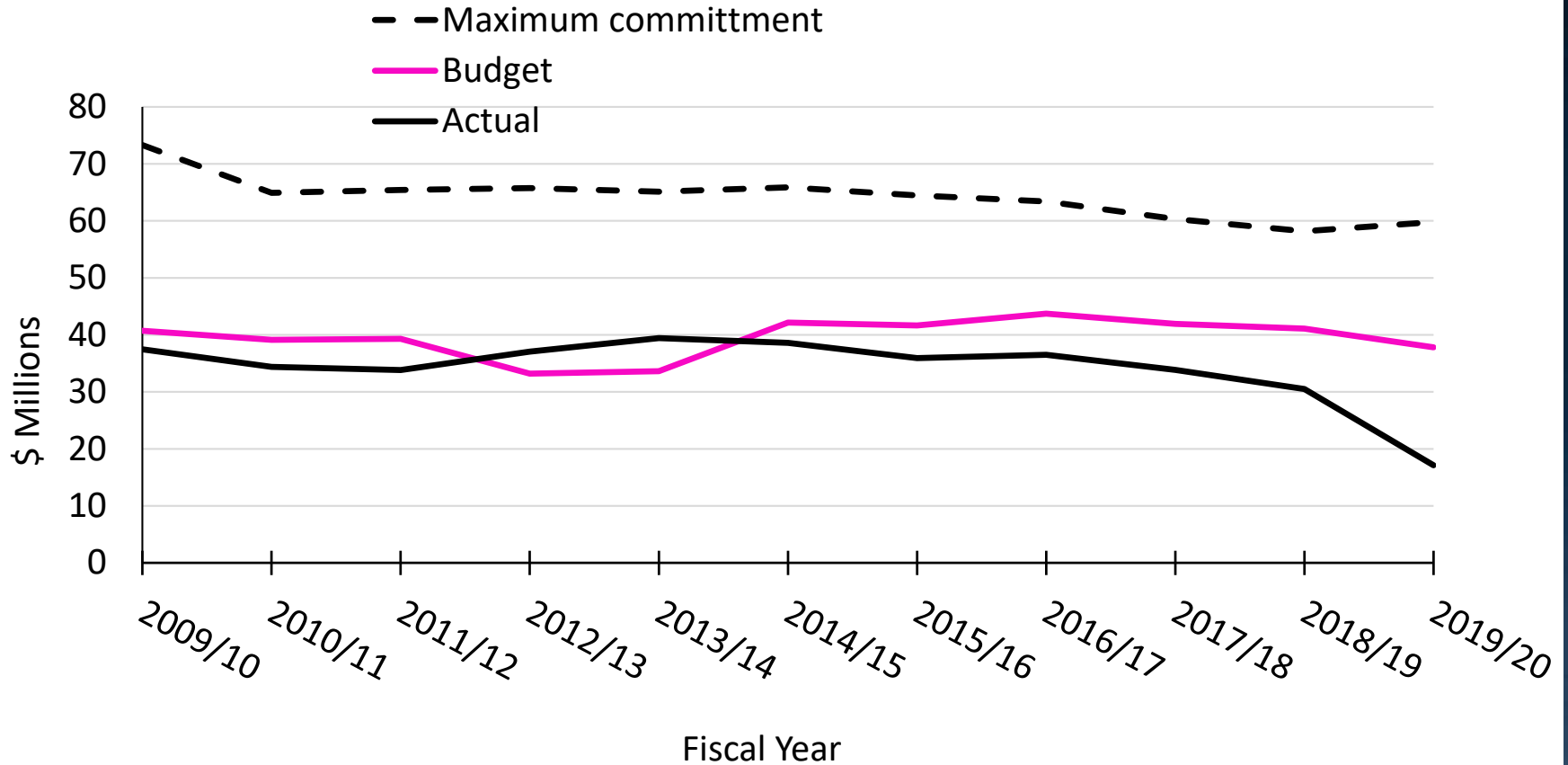
Background on Demand Management Funding

- Since 2003, the Water Stewardship Rate (WSR) has funded Metropolitan's demand management programs.
- In April 2018, the Board suspended collection of the WSR on SDCWA exchange transactions for calendar years 2018, 2019, and 2020.
- In December 2019, the Board considered alternatives to the WSR, but did not select an alternative rate design to collect revenues to fund demand management and directed staff to use reserves from the Water Stewardship Fund (WSF) for all demand management costs for FYs 2020/21 and 2021/22.
- Next steps is for the Board to adopt an alternative to the WSR funding.

LRP Commitments

- In October 2018, the Board increased the LRP goal to 170,000 acre-feet per year (AFY).
- Since revising the goal, the Board has authorized 8 new LRP agreements yielding 63,200 AFY.
- 4 additional LRP applications are under review with a total yield of 63,300 AFY.
- If the LRP applications under review move forward and are approved by the board, 43,500 AFY would remain to meet the LRP goal.
- In the next 10 years, annual LRP expenditures could reach \$67 to \$72 million.

Historical LRP Expenditures



Budgeted and Projected Local Resources Program Expenditures

based on fiscal years 2020/21 and 2021/22 biennial budget and 10 year financial forecast
in millions of dollars

Fiscal Year Ending	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Estimated cost of contracted LRP Projects	\$ 17	\$ 18	\$ 22	\$ 22	\$ 26	\$ 27	\$ 31	\$ 31	\$ 30	\$ 29
On-Site Retrofit Program	2	2	3	3	3	3	3	3	3	3
Future Projects to Meet IRP Target	0	0	1	6	11	16	22	27	32	38
Total Local Resources Program	\$ 19	\$ 20	\$ 25	\$ 31	\$ 40	\$ 47	\$ 55	\$ 61	\$ 65	\$ 70

Total Budgeted and Projected Demand Management Expenditures

based on fiscal years 2020/21 and 2021/22 biennial budget and 10 year financial forecast, in millions of dollars

Fiscal Year Ending	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Local Resources Program	\$ 19	\$ 20	\$ 25	\$ 31	\$ 40	\$ 47	\$ 55	\$ 61	\$ 65	\$ 70
Conservation Program	24*	24*	43	43	43	43	43	43	43	43
Future Supply Actions/Stormwater Pilot	4	7	3	2	2	2	2	2	2	2
O&M costs net of interest income	21	23	26	28	30	31	34	34	35	37
Demand Management Revenue Requirement	\$ 69	\$ 74	\$ 97	\$104	\$115	\$123	\$133	\$139	\$144	\$151

*The FY 2020/21 and FY 2021/22 conservation program reflects the Sept 2020 action to reduce demand management advertising by \$2M, the appropriated amount remains \$43 per year

WSR and Placeholder Demand Management Rate

Calendar Year	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Overall Rate Increases for all Rates and Charges		3%	4%	5%	5%	4%	3%	3%	3%	3%	3%
Demand Management Rate* (\$/AF)	\$65	-	-	\$53	\$65	\$71	\$73	\$79	\$82	\$84	\$89

*The 2020 \$65/AF rate is the WSR, for CYs 2023-2030 the rate represents only a placeholder until the Board approves a method to recover demand management costs.

The \$53/AF represents the entire 5% rate increase for 2023

Water Stewardship Fund (WSF)

in millions of dollars

Fiscal Year Ending	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Demand Management Revenues		47	-	39	96	115	125	132	140	145	151
Demand Management Rate Revenue Requirements		69	74	97	104	115	123	133	139	144	151
Over/(under) collection		(22)	(74)	(57)	(8)	(1)	2	(2)	1	1	(0)
End of year WSF Balance	133	111	36	-	-	-	2	1	2	3	2
Extra Funds Needed				21	8	1	-	-	-	-	-

The demand management rates do not generate enough revenue to fund the entire program and the WSF has been depleted.

Action is needed to address future Water Stewardship Fund Shortfall

- Staff will be engaging with the Board and member agency staff in the months to come to bring forward options for consideration leading to eventual adoption by the close of 2021.

