



**THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA**

Office of the Board of Directors

January 25, 2018

Mr. Cecil Rhambo, City Manager
The City of Compton
205 S. Willowbrook Avenue
Compton, CA 90220

Dear Mr. Rhambo,

As the chairman of the Metropolitan Water District of Southern California, I am pleased to provide you with the attached brochure detailing our recent progress to ensure continued water supply reliability and some of the exciting challenges ahead for the region.

Thanks to last year's record wet winter, Metropolitan and its member agencies have restored supplies in local reservoirs to near pre-drought levels and helped replenish many of the region's groundwater basins. Long-term, we need to ensure a strong baseline of our essential imported supplies from the Sacramento-San Joaquin Delta and the Colorado River. This commitment is being matched with an investment strategy to advance local supplies including recycled and storm water projects, maintain our existing infrastructure in the region, promote conservation and stewardship of our natural resources and adapt to climate change impacts.

As Metropolitan marks its 90th year of leadership for Southern California, we remain committed to our core values and pioneering spirit to drive innovation, secure value and provide safe, reliable water. Thanks to a strong partnership with our member and retail water agencies, elected officials, stakeholders and communities, we have met our past challenges, no matter how daunting, and now are more prepared than ever before to make the generational investments that will serve this region for decades to come.

Sincerely,

A handwritten signature in black ink, appearing to read "Randy Record".

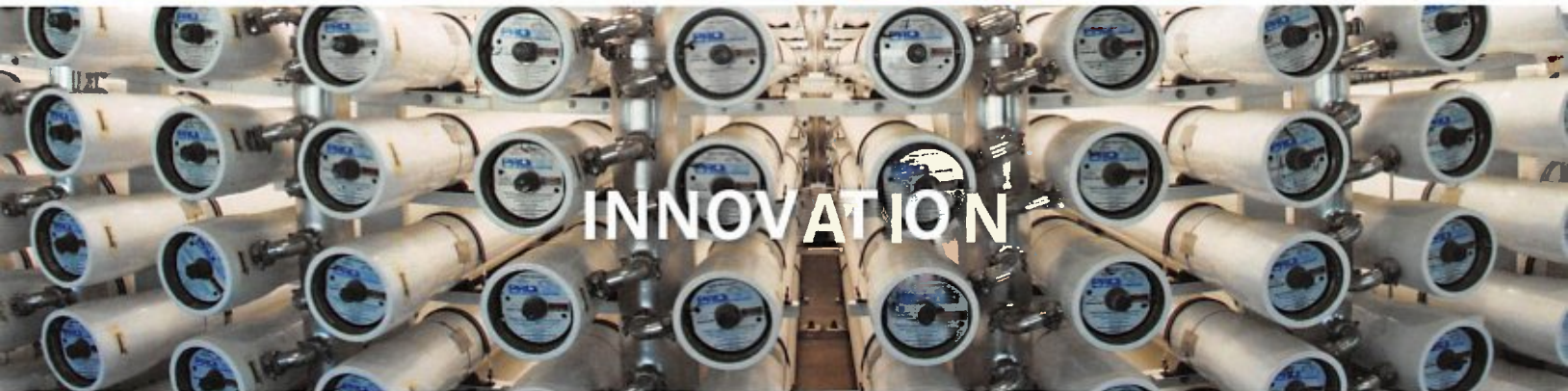
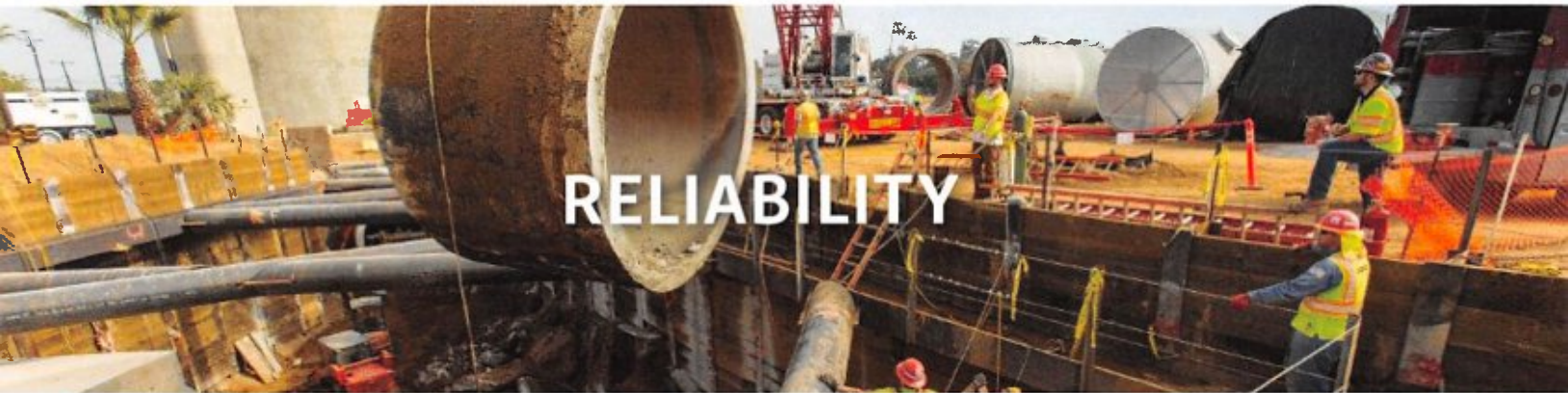
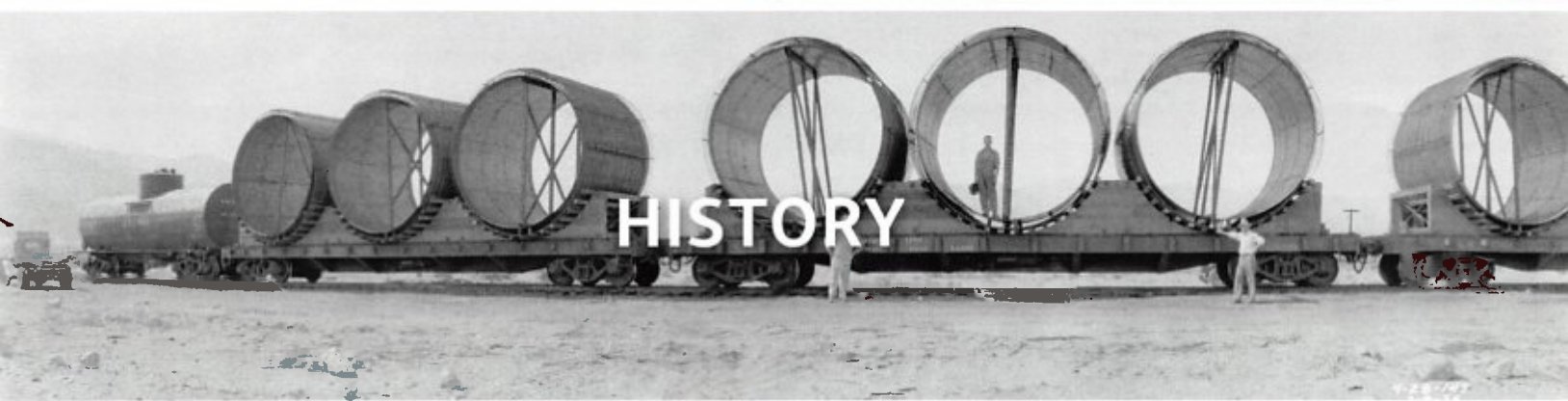
Randy Record
Chairman of the Board

Enclosure



Metropolitan Today & Tomorrow

JANUARY 2018



THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

The Foundation of Supply Reliability

Meeting Demands and Managing Supplies

For the second year in a row, water supplies available to Metropolitan in 2017 exceeded demands. Annual water demands from 1990 to present average about 1.9 million acre-feet. An acre-foot is roughly the amount of water used by three Southern California families in a year. At the start of the water year (October 2016), California was experiencing historic drought conditions. By February 2017, the state had experienced significant rain and snow, signaling the end of the drought for most of California. Metropolitan was able to manage its system and capitalize on storage opportunities that position us well for future challenges.



STORAGE

- 1.2 million acre-feet was stored in 2017 – more than any previous single year.
- The total MWD storage now stands at about 2.5 million acre-feet, a near record and an important resource for future droughts and emergencies.

INFRASTRUCTURE

- By building a more innovative, flexible water delivery system, water can be moved throughout Southern California to where it is most needed.
- New investments, including system-wide ozone treatment, help to ensure the highest water quality and promote sustainability.

CONSERVATION

- In 2017, for the first time, annual conservation savings in the Southland topped 1 million acre-feet of water.
- Potable per capita water use in the region has dropped nearly 40% since 1990, from 205 gallons to about 127 gallons per capita per day.



SUMMARY OF RECENT HIGHLIGHTS

Operations Milestones

2017 was a historic year for operations thanks to conservation and a historic wet winter in California. During the year, Metropolitan moved 1.2 million acre-feet into storage, a new record. This was achieved through major milestones in storage, infrastructure improvements and regional investments.

- Nearly 350,000 acre-feet of Metropolitan's Colorado River supplies, which were kept in Lake Mead—a new record, makes supplies available for future use.
- Local groundwater basins were replenished through conjunctive use and cyclic programs to revitalize groundwater quality and supplies throughout the region.
- Metropolitan's Diamond Valley Lake went from its lowest level ever in 2015 to nearly full.
- Installing a new gate system on the Colorado River Aqueduct at the Whitewater River allowed Metropolitan to store about 350,000 acre-feet in desert groundwater storage accounts with Desert Water Agency and Coachella Valley Water District.

California WaterFix

Metropolitan's board voted in October 2017 to formally support California WaterFix, the Governor's plan to upgrade the State Water Project with modern infrastructure and ecosystem restoration. The board approved the agency's share of financing, as well as a governance structure to build and fund the project. This action recognized the need for this investment to maintain a reliable water source for Southern California and protect billions of dollars in previous investments. Metropolitan and other state and federal water contractors are now making important decisions on how to proceed with project construction.

Delta Science

Progress toward habitat restoration goals in the Sacramento-San Joaquin Delta also is being made as a result of Metropolitan-funded science and environmental stewardship programs. These programs include California EcoRestore, a state initiative in coordination with state and federal agencies to advance the restoration of about 30,000 acres of Delta habitat by 2020. Driven by world-class science and guided by adaptive management, this project is working to revitalize and improve tidal wetlands, floodplains and fish passage.

Reliability/Infrastructure Investments

In partnership with the Sanitation Districts of Los Angeles County, Metropolitan broke ground September 2017 on a demonstration advanced water treatment facility in Carson that could lead to the future construction of the nation's largest full-scale recycled water plant. The water recycling program would help refill groundwater basins across Southern California and provide water for hundreds of thousands of businesses and residents. The endeavor will diversify the region's water supplies and meet the challenges presented by climate change, ecological demands and Southern California's growing economy.

In 2017, Metropolitan completed a decades-long upgrade program for the district's five water treatment plants, bringing ozone treatment online at the F.E. Weymouth Water Treatment Plant in La Verne to improve drinking water quality. This allows for greater operational flexibility, making it possible to move more State Water Project water throughout the service area. The addition of ozone has many benefits, including reducing disinfection byproducts and improving the aesthetics of the water.



LOOKING FORWARD

Conservation

Despite record rainfall, Southern Californians continued to embrace conservation as a permanent way of life. Since 1990, average per capita water use in the Southland has dropped from about 205 gallons per day to 127 gallons per day. And for the first time ever, conservation activities in the Southland saved an estimated 1 million acre-feet of water in 2017. In 2018, Metropolitan and its member agencies will continue to strengthen their conservation outreach and rebate programs, focusing on new ways to help homeowners, businesses and communities change outdoor landscapes and gardens, where most water typically is used.

San Diego Litigation Progress

Recently, the California Supreme Court reaffirmed a major legal victory for Metropolitan and its member public agencies in litigation brought by the San Diego County Water Authority challenging Metropolitan's water transportation rates. It let stand a lower court decision that was entirely in favor of Metropolitan on the central issue in the litigation, finding that it is reasonable and legal for Metropolitan to include in its transportation rates and wheeling rate the water transportation costs it incurs for its integrated system. Having prevailed on the major legal and financial issues in this litigation, it is time to move on to more productive activities and work toward real solutions for our future water needs.

Fiscal Integrity

Metropolitan's new biennial budget for FY 2018/19 and FY 2019/20 will provide important new investments for water quality, conservation and capital improvements. At the same time, the district's spending plan maintains a strong commitment to fiscal accountability, transparency and integrity. The budget will generate revenues to invest in the Southland's water future and manage rates through modest increases. The district maintains some of the highest credit ratings for government agencies in California by maintaining adequate reserves, limiting debt and planning strategically. You can follow our budget discussions @ mwdh2o.com/whoweare/board.

Infrastructure and Innovation

As regional growth, climate change and other challenges place new demands on aging and complex water infrastructure, Metropolitan will make water infrastructure investments to maintain reliable delivery and treatment. The district's Capital Investment Program will strategically address upgrades and additions to the system, placing priority on improvements that keep pace with regulations, as well as ensure safe and reliable delivery of water throughout the Southland. Increasingly, Metropolitan and its member agencies are looking to adopt innovative technologies and processes to bring new efficiencies to our existing water infrastructure and are planning for the future.



"In the state's wettest year on record, more water was put into reservoirs and groundwater basins than ever before. Our board made a once-in-a-generation decision to invest in California WaterFix, maintained its commitment to water resource stewardship, and launched innovative new local projects for a more diversified and reliable water supply. Today, we are well positioned for the future's challenges."

Chairman Randy Record
Metropolitan Board of Directors

ABOUT METROPOLITAN

The Metropolitan Water District of Southern California is the Southland's water provider for a six-county region with a population of 19 million. From the engineered gravity-flow of the Colorado River Aqueduct, to sustainable water recycling and groundwater replenishment, to today's investments in innovation and conservation - Metropolitan thinks ahead.

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P.O. Box 54153
Los Angeles, CA 90054-0153
mwdh2o.com
bewaterwise.com