

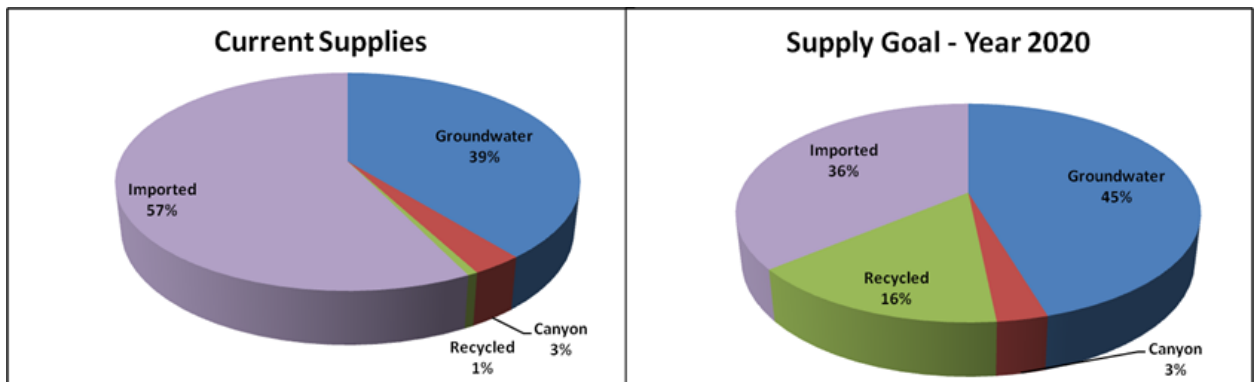
**Foothill Municipal Water District  
Local, Reliable Water Supply Program**

Water Supply Crisis and Response

The Foothill Region has been impacted by three years of drought in Northern California, eight years on the Colorado River watershed and a decision by a Federal Judge that severely restricted pumping in the Sacramento–San Joaquin Delta due to the diminishing population of the Delta Smelt. In response, Foothill Municipal Water District’s Board of Directors took action to reduce the impacts by initiating a long-term program to achieve increased independence from imported water supplies. Thus, began the Local, Reliable Water Supply Program.

The purpose of the program is to develop recycled water, increase stormwater capture and recharge, and increase conservation throughout the service area to avoid significant shortages in the future. The goal is to reduce by one-third to one-half the service area’s dependence on imported supplies from the current average of 57% by developing these supplies and increasing conservation to meet the statutory mandate of 20% conservation by 2020. Drought proofing the Foothill MWD service area will also reduce our costs of purchasing MWD imported water, including drought penalty rates and Tier 2 purchases.

Currently, demands in the Foothill service area average about 20,000 acre-feet annually. Groundwater meets 7,800 acre-feet of those demands, canyon runoff about 600 acre-feet, recycled water about 120 acre-feet and the balance of 11,400 acre-feet is imported water, purchased from Metropolitan Water District of Southern California and pumped up into our service area.



Please note that the ultimate supply goal is based on 3000 AF of recycled water development and 1300 AF of stormwater produced from the groundwater basins. Should recycled water use increase to 5000 AF, imported water would decrease to 26% of total use. Also, the groundwater production does not include water produced from the pump back project that is part of the FWC PIP.

In 2020, demands are expected to grow to about 23,600 acre-feet annually. Through the Local, Reliable Water Supply Program, Foothill plans on developing 3,000-5,000 acre-feet of recycled water by 2020 through the construction of three satellite membrane bioreactor plants and 1,300 acre-feet of stormwater capture and recharge through the use

of debris basins and off-channel infiltration galleries. Additionally, 3,500 acre-feet of conservation is expected as Foothill develops conservation programs and as the legislative mandate for 20% conservation by 2020 is met. With this conservation, demands will stay at 20,000 acre-feet rather than increasing to the 23,600 acre-feet.

In addition to decreasing dependence on imported supplies, current system rehabilitation and improvements are also needed. These include new backup power generators, rehabilitating pumps and rehabilitating existing reservoir storage and adding new storage to the system.

### Benefits of the Program

#### ***Reliability During Droughts and Emergencies***

By increasing independence from Metropolitan, Foothill is less susceptible to financial penalties associated with cutbacks of imported supply deliveries. Additionally, the cutbacks themselves will not impact Foothill's customers as greatly. By having more supplies, should a major catastrophe occur which impacts imported supplies such as levee failure on the State Water Project, agencies will have access to more local supplies and feel the impacts of that emergency less. Additionally, Foothill's rehabilitation program increases the reliability of Foothill during emergencies and shutdowns of service from Metropolitan for repair of their own infrastructure.

#### ***Reduction in energy consumption and greenhouse gas emissions***

Foothill uses over 6,000 megawatt hours a year pumping electricity from Metropolitan Water District to our service area. Every acre-foot developed locally or conserved reduces this use of energy. In addition, each acre-foot of water delivered through the State Water Project uses net about 3,200 kilowatt hours when delivered on the east branch. Assuming that we reduce our dependence on imported water by about 8,000 acre-feet through the development of recycled water and stormwater capture and increased conservation, the average annual energy savings for delivering water to the Foothill service area would be over 30,000 megawatt hours. This will be offset by about 5,000 megawatts of power consumption for the recycled water facilities and about 1,600 megawatt hours for additional groundwater production. This will result in a savings of over 23,000 megawatt hours of electrical power, about the amount used by 3,300 California homes annually.

Because recycled water uses less energy compared to higher energy intensive water sources, replacing those sources with recycled water decreases carbon output and greenhouse gases. For example, scientists estimate that recycled water saves an estimated 1.43 tons of carbon per acre-foot compared to the production of desalinated water.

#### ***Benefits to River Species and Environments***

Additionally, the reduction of exports from the Delta helps protect the fish species that live in those waters, benefiting the entire State.

***Meets Governor’s Mandate of 20% Conservation by 2020***

A mandate by the governor that was passed into law by the legislation requires 20% conservation by 2020. The Local, Reliable Water Supply Program ensures that Foothill meets that 20% conservation requirement through the development of additional conservation in combination with the development of recycled water.

Financing Plan

	<b>Local Contribution</b>	<b>State Funding</b>	<b>Federal Funding</b>	<b>Total</b>
<b>Existing System Rehab &amp; Improvements</b>	\$7 million	\$0	\$0	\$7 million
<b>Recycled Water</b>	\$25 million	\$12.5 million	\$12.5 million	\$50 million
<b>Stormwater Capture</b>	\$3 million	\$3 million	\$1-2	\$6 million
<b>Conservation</b>	\$.5 million	\$.5 million (and MWD)	\$0	\$1 million
<b>Total</b>	\$35.5 million	\$16 million	\$12-14 million	\$63-65 million

To finance the work, the District plans to sell about \$20 million in 30 year revenue bonds. By financing the payback over 30 years with tax exempt revenue as opposed to paying for it with current water rates, the program is more affordable and fair since current customers will pay their share in the current years and future customers—who will also benefit from these projects—will pay their share in future years. The remainder of the revenues will come from State and Federal grants, MWD LRP rebates and Foothill MWD rates and charges for recycled water and imported water service. It is currently expected that all of the conservation costs will be through the District’s annual operating budget (with MWD and State grants supplementing the local costs).

Grant money is available from the Bureau of Reclamation for recycling and conservation. There are also opportunities available from Proposition 50 and Proposition 84 monies for stormwater capture. Finally with the Governor’s signing of a comprehensive water package on November 6, 2009, a bond package will be placed on the ballot November 2010 for water supply enhancement programs. Should this bond package be accepted by the voters, all of Foothill’s water supply enhancement programs will be eligible for grant funding.

Foothill may also partner with Glendale, Pasadena and the San Gabriel Valley Municipal Water District and share costs of the recycled water projects but the details and the partnership arrangements are conceptual at this time.

Real Property Assessment

To pay back the bond, the District is considering asking property owners to vote on a real property assessment. A vote is required by Proposition 218. The parcel charge identifies

a unique benefit for each property and a specific assessment amount based on that specific benefit. Those customers receiving more benefits would pay more of the share of the financing through the property assessments. The votes would also be weighted to match the assessment.

One benefit of property assessment revenue is that it provides a revenue stream that may be considered more stable or reliable than normal water charges. An assessment also would allow the District to show a more diversified portfolio of revenues to rating agencies, demonstrating that we don't have "all our eggs in one basket".

Although the potential passage of an assessment does not guarantee that our ratings will be different, the combination of stable assessment revenue and the more diversified portfolio may enhance the bond rating and thus result in a lower interest rate and lower long term costs.