



June 26, 2025

Recommendation

Authorize the General Manager to execute Conjunctive Use Program Termination Agreements with the Metropolitan Water District of Southern California.

Executive Summary

The Metropolitan Water District of Southern California (MWD) Conjunctive Use Program (CUP) allows MWD to store imported water during wet years and extract the stored water during dry years, emergency conditions, or upon a call by MWD. The Long Beach Water Department executed the first Groundwater Storage Program Funding Agreement with MWD in 2002 and a subsequent agreement in 2005 (CUP Agreements). These two agreements each have a term of twenty-five years and are therefore set to terminate in 2027 and 2030, respectively, however, the early termination of these agreements would provide mutual benefits to both MWD and the Long Beach Public Utilities Department (LBPUD)

MWD is seeking to realize immediate cost savings and additional revenues in their current budget biennium ending June 30, 2025, and identified that the early termination of six CUP agreements could provide MWD with a cost savings of \$2.1 million and additional revenue of \$9.3 million. Therefore, on April 8, 2025, the MWD Board of Directors approved the termination of six CUP agreements, including the two with LBPUD.

Per the CUP agreements, MWD is obligated to pay member agencies an administrative fee to maintain the groundwater storage/extraction infrastructure in all years, not only the years when water is being stored or extracted. Terminating the CUP agreements would eliminate these costs for MWD, which are estimated to total approximately \$337,000 annually.

In wet years when water is stored for the CUP, member agencies like LBPUD do not pay MWD for the water stored. However, in dry years MWD will request member agencies to extract the stored CUP water instead of taking imported water, and at that time of extraction, member agencies like must pay MWD for the water at the MWD rate in effect at that time. Rather than waiting to receive the storage extraction revenues in future years, MWD is seeking to terminate the CUP agreements immediately so that they can receive payment for the stored water in the current budget biennium. Of the six CUP agreements being terminated, the 2002 LBPUD CUP agreement is the only one with a

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remaining stored water balance of 6,678 acre-feet, and at the current MWD rate of \$1,395 per acre-foot, this equates to approximately \$9.3 million that LBPUD would pay to MWD.

Although the \$9.3 million would be a significant cost for LBPUD, without the early termination, LBPUD would be expected to empty the CUP storage account by the 2027 termination date of the original agreement. Due to the forecasted MWD annual rate increases, it is estimated that it would cost LBPUD over \$9.8 million to perform on the CUP agreement according to the original agreement timeline. Therefore, early termination is estimated to save LBPUD \$500,000.

Under the CUP agreements, MWD normally pays member agencies a credit when CUP stored water is extracted to reimburse for operational costs. This reimbursement amount escalates over time based on inflationary indexes. As part of this early termination and storage buyout, a \$252 per acre-foot credit has been negotiated with MWD. LBPUD will receive a credit of approximately \$1.7 million, which brings the net payment to MWD down to \$7.6 million. LBPUD has these funds available to buy the stored water because the funds were previously set aside in reserves with the knowledge this would be an upcoming cost in future years.

Finally, the termination of the CUP agreements would restore LBPUD's autonomy and flexibility in managing its groundwater infrastructure operations. Due to the uncertainty of when it will be a wet or dry year, it has been operationally challenging and disruptive to quickly change LBPUD's water system operating plans and multi-year capital improvement project scheduling to accommodate CUP requests from MWD for storage/extraction.

Due to the mutual benefits for both LBPUD and MWD, staff recommends the authorization of the General Manager to execute two Conjunctive Use Program Termination Agreements with the Metropolitan Water District of Southern California.

Fiscal Impact

The cost to the Water Fund will be incurred in FY 25, with the total amount not to exceed \$9,315,392, and a credit to the Water Fund will be received in FY 25 in an amount not to exceed \$1,682,781. These costs are not included in the Water Fund FY 25 Budget and financial projections, but \$7.6 million is available in reserves for this transaction. These reserves are separate from the reported available Water Fund balance and therefore would not further reduce the fund balance. This is estimated to reduce costs for LBPUD by \$500,000 in FY 26 and FY 27.



Dean Wang
Director of Utilities Resources



B. Anatole Falagán
General Manager