

REGULAR MEETING
OF THE BOARD OF DIRECTORS
MUNICIPAL WATER DISTRICT OF ORANGE COUNTY
18700 Ward Street, Board Room, Fountain Valley, California
January 15, 2014, 8:30 a.m.

AGENDA

PLEDGE OF ALLEGIANCE

ROLL CALL

PUBLIC COMMENTS/PARTICIPATION

At this time, members of the public will be given an opportunity to address the Board concerning items within the subject matter jurisdiction of the Board. Members of the public may also address the Board about a particular Agenda item at the time it is considered by the Board and before action is taken. If the item is on the Consent Calendar, please inform the Board Secretary before action is taken on the Consent Calendar and the item will be removed for separate consideration.

The Board requests, but does not require, that members of the public who want to address the Board complete a voluntary "Request to be Heard" form available from the Board Secretary prior to the meeting.

ITEMS RECEIVED TOO LATE TO BE AGENDIZED

Determine need and take action to agendize items(s) which arose subsequent to the posting of the Agenda. (ROLL CALL VOTE: Adoption of this recommendation requires a two-thirds vote of the Board members present, or, if less than two-thirds of the Board members are present, a unanimous vote of those members present.)

ITEMS DISTRIBUTED TO THE BOARD LESS THAN 72 HOURS PRIOR TO MEETING

Pursuant to Government Code section 54957.5, non-exempt public records that relate to open session agenda items and are distributed to a majority of the Board less than seventy-two (72) hours prior to the meeting will be available for public inspection in the lobby of the District's business office located at 18700 Ward Street, Fountain Valley, California 92708, during regular business hours. When practical, these public records will also be made available on the District's Internet Web site, accessible at <http://www.mwdoc.com>.

EMPLOYEE SERVICE AWARDS

NEXT RESOLUTION NO. 1973

CONSENT CALENDAR (Items 1 to 5)

(All matters under the Consent Calendar will be approved by one motion unless a Board member requests separate action on a specific item)

1. MINUTES

- a. December 4, 2013 Workshop Board Meeting
- b. December 10, 2013 Special Board Meeting
- c. December 18, 2013 Regular Board Meeting

Recommendation: Approve as presented.

2. COMMITTEE MEETING REPORTS

- a. Planning & Operations Committee: December 2, 2013
- b. Administration & Finance Committee: December 11, 2013
- c. Executive Committee Meeting: December 19, 2013

Recommendation: Receive and file as presented.

3. TREASURER'S REPORTS

- a. MWDOC Revenue/Cash Receipt Register as of December 31, 2013
- b. MWDOC Disbursement Registers (December/January)

Recommendation: Ratify and approve as presented.

- c. Summary of Cash and Investment and Portfolio Master Summary Report (Cash and Investment report) as of November 30, 2013
- d. PARS Monthly Statement (OPEB Trust)
- e. Water Use Efficiency Projects Cash Flow

Recommendation: Receive and file as presented.

4. FINANCIAL REPORT

- a. Combined Financial Statements and Budget Comparative For the Period Ending November 30, 2013
- b. Financial Report for the Year Ending June 30, 2013

Recommendation: Receive and file as presented.

5. DWR PROPOSITION 50 GRANT FOR DESALINATION – APPLICATION FOR DOHENY DESA FUNDING

Recommendation: Receive and file.

– End Consent Calendar –

ACTION CALENDAR**6-1 REORGANIZATION OF THE MWDOC BOARD OF DIRECTORS; ELECTION OF PRESIDENT AND VICE PRESIDENT RES. NOS. ____ & ____**

Recommendation: Nominate, and by Resolution(s), elect the President and Vice President of the Board.

6-2 APPOINTMENT OF SECRETARY, TREASURER(S), AND LEGAL COUNSEL RES. NO. ____

Recommendation: Adopt Resolution(s) appointing the Board Secretary, Treasurer, and Legal Counsel.

6-3 BUREAU OF RECLAMATION WATERSMART GRANT RESOLUTION
RES. NO. _____

Recommendation: Adopt the proposed Resolution in support of MWDOC's 2014 WaterSMART: Water and Energy Efficiency grant application to be submitted to the Bureau of Reclamation by January 23, 2014.

6-4 FOUNDATIONAL ACTION PROGRAM FUNDING AGREEMENTS FOR CONSIDERATION:

- (1) AGREEMENT BETWEEN MWDOC AND MET AND AGREEMENT BETWEEN MWDOC AND SOUTH COAST WATER DISTRICT AND LAGUNA BEACH COUNTY WATER DISTRICT FOR THE DOHENY DESAL PROJECT; AND**
- (2) AGREEMENT BETWEEN MWDOC AND MET AND AGREEMENT BETWEEN MWDOC AND SAN JUAN BASIN AUTHORITY (SJBA) FOR THE SJBA PROJECT**

Recommendation: Authorize staff to execute all four agreements substantially in the form presented, subject to final review and comment by Legal Counsel.

6-5 ADOPT RESOLUTION ESTABLISHING THE DISTRICT'S RETIREE HEALTH AND MEDICAL EXPENSE REIMBURSEMENT PLAN
RES. NO. _____

Recommendation: Adopt the proposed Resolution establishing the District's Retiree Health and Medical Expense Reimbursement Plan, effective January 15, 2014; and implement the Plan accordingly.

INFORMATION CALENDAR (All matters under the Information Calendar will be Received/Filed as presented following any discussion that may occur)

7. GENERAL MANAGER'S REPORT, JANUARY 2014 (ORAL AND WRITTEN)

Recommendation: Receive and file report(s) as presented.

8. MWDOC GENERAL INFORMATION ITEMS

- a. Board of Directors - Reports re: Conferences and Meetings and Requests for Future Agenda Topics

Recommendation: Receive and file as presented.

CLOSED SESSION ITEMS**9. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION**

Pursuant to Paragraph (1) of subdivision (d) of Government Code Section 54956.9. One Case: *San Diego County Water Authority v. Metropolitan Water District of Southern California*; all persons interested in the validity of the rates adopted by the Metropolitan Water District of Southern California on April 13, 2010, et al., former Los Angeles Superior Court, Case No. BS 126888, transferred on October 21, 2010, to San Francisco Superior Court, Case No. CPF-10-510830.

10. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION

Pursuant to Paragraph (1) of subdivision (d) of Government Code 54956.9). One Case: *San Diego County Water Authority v. Metropolitan Water District of Southern California*; all persons interested in the validity of the rates adopted by the Metropolitan Water District of Southern California on April 10, 2012 to be Effective January 1, 2013 and January 1, 2014; and Does 1-10, et al. (Los Angeles Superior Court Case No. BS137830), transferred on August 23, 2012 to San Francisco Superior Court, Case No. CPF-12-512466.

11. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION

Significant exposure to litigation pursuant to paragraph (2) of subdivision (d) of Section 54956.9:

(One Case: Orange County Water District v. Northrop Corporation, et al.; Northrop Grumman Systems Corporation v. Metropolitan Water District of Southern California (Orange County Superior Court, Case No. 04CC00715))

12. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION

Significant exposure to litigation pursuant to paragraph (2) of subdivision (d) of Section 54956.9. One case.

ADJOURNMENT

Note: Accommodations for the Disabled. Any person may make a request for a disability-related modification or accommodation needed for that person to be able to participate in the public meeting by contacting Maribeth Goldsby, District Secretary, at (714) 963-3058, or writing to Municipal Water District of Orange County at P.O. Box 20895, Fountain Valley, CA 92728. Requests must specify the nature of the disability and the type of accommodation requested. A telephone number or other contact information should be included so that District staff may discuss appropriate arrangements. Persons requesting a disability-related accommodation should make the request with adequate time before the meeting for the District to provide the requested accommodation.

**MINUTES OF THE WORKSHOP BOARD MEETING
OF THE BOARD OF DIRECTORS OF
MUNICIPAL WATER DISTRICT OF ORANGE COUNTY (MWDOC)
WITH THE MWDOC MET DIRECTORS**

December 4, 2013

At 8:30 a.m. President Finnegan called to order the Workshop Board Meeting of the Board of Directors of Municipal Water District of Orange County (MWDOC) at the District facilities located in Fountain Valley. Director Clark led the Pledge of Allegiance and Secretary Goldsby called the roll.

MWDOC DIRECTORS

Brett R. Barbre*
Wayne A. Clark
Larry Dick*
Susan Hinman
Wayne Osborne
Jeffery M. Thomas (absent)
Joan Finnegan

MWDOC STAFF

Robert Hunter, General Manager
Karl Seckel, Assistant General Manager
Mal Richardson, Legal Counsel
Maribeth Goldsby, Board Secretary
Harvey De La Torre, Principal Water Res. Planner
Joe Berg, Water Use Efficiency Prog. Mgr.
Warren Greco, Assoc. Water Resources Analyst
Darcy Burke, Director of Public Affairs

*Also MWDOC MET Directors

OTHER MWDOC MET DIRECTORS

Linda Ackerman

OTHERS PRESENT

William Kahn
Robert Hanford
Don Froelich
John Kennedy
Jim Leach
Bob Moore
Rick Erkeneff
West Curry
Ed Means

El Toro Water District
Golden State Water Company
Moulton Niguel Water District
Orange County Water District
Santa Margarita Water District
South Coast Water District
South Coast Water District
City of San Juan Capistrano
Means Consulting

ITEMS RECEIVED TOO LATE TO BE AGENDIZED

Determine need and take action to agendize item(s), which arose subsequent to the posting of the Agenda. (ROLL CALL VOTE: Adoption of this recommendation requires a two-thirds vote of the Board members present or, if less than two-thirds of the Board members are present, a unanimous vote.)

No items were presented.

ITEMS DISTRIBUTED TO THE BOARD LESS THAN 72 HOURS PRIOR TO MEETING

President Finnegan inquired as to whether there were any items distributed to the Board less than 72 hours prior to the meeting.

No items were presented.

PUBLIC PARTICIPATION/PUBLIC COMMENTS

President Finnegan whether any members of the public wished to comment on agenda items.

No public comments were received, however the Board welcomed President Finnegan back after suffering an illness.

PRESENTATION/DISCUSSION/INFORMATION ITEMS**WATER SUPPLY CONDITIONS FOR 2014**

Principal Water Resources Planner, Harvey De La Torre, reported that DWR's November snow survey resulted in the initial Table A State Water Project allocation of 5% for 2014. The initial allocation is the first estimate of what DWR expects it can deliver for the new year. Mr. De La Torre advised that this is only the second time in history that the initial forecast is so low, however it is still early in the water year and DWR will update the allocation as the winter progresses. Mr. De La Torre did note that California is currently on course to experience the driest calendar year period (2013) ever recorded, highlighting that several California counties are considered in extreme drought right now, the state is in need of a very wet winter in terms of rainfall and snowpack to replenish groundwater and reservoir levels.

Considerable discussion ensued regarding shortage levels and triggers for water shortage allocations.

The Board received and filed the report as presented.

MWD ITEMS CRITICAL TO ORANGE COUNTY

- a. MET's Water Supply Conditions
- b. MET's Finance and Rate Issues

Considerable discussion ensued regarding MET's discretionary funds, MET's two-year budget, how to allocate available revenue (pay debt, build reserves, etc.), and how to avoid major rate increases.

The Board also discussed MET's efforts on water use efficiency and how this might affect the budget (less sales).

- c. Colorado River Issues
- d. Bay Delta/State Water Project Issues
- e. MET's Ocean Desalination Policy and Potential Participation by MET in the South Orange Coastal Ocean Desalination Project (formerly Dana Point Desalination Project)
- f. Second Lower Cross Feeder Project
- g. Orange County Reliability Projects

The Board received and filed the report as presented.

OTHER INPUT OR QUESTIONS ON MET ISSUES FROM MEMBER AGENCIES

Director Dick reported that the December MET agenda is anticipated to be fairly light.

Director Barbre reported on his activities with MET's Business and Legislative Committees.

METROPOLITAN (MET) BOARD AND COMMITTEE AGENDA DISCUSSION ITEMS

- a. Summary regarding November MET Board Meeting
- b. Review Items of significance for the Upcoming MET Board and Committee Agendas

The Board received and filed the reports as presented without discussion or comments.

ADJOURNMENT

There being no further business to come before the Board, the meeting adjourned at 9:50 a.m.

Respectfully Submitted,

Maribeth Goldsby, Board Secretary

MINUTES OF THE SPECIAL MEETING
OF THE BOARD OF DIRECTORS
MUNICIPAL WATER DISTRICT OF ORANGE COUNTY
December 10, 2013

At 4:00 p.m., President Finnegan called to order the Special Meeting of the Municipal Water District of Orange County Board of Directors Conference Room 101 at the District facilities, 18700 Ward Street, Fountain Valley, California. Director Osborne led the Pledge of Allegiance and Secretary Goldsby called the roll.

MWDOC DIRECTORS

Brett R. Barbre
Wayne A. Clark
Larry Dick
Joan Finnegan
Susan Hinman
Wayne Osborne
Jeffery M. Thomas

STAFF PRESENT

Robert Hunter, General Manager
Karl Seckel, Assistant General Manager
Maribeth Goldsby, Board Secretary
Harvey De La Torre, Prin. Water Res. Planner

ALSO PRESENT

Robert Hanford
Doug Reinhart
Larry McKenney
Mike Markus
John Kennedy
Laer Pearce
John Earl
Debbie Cook

Golden State Water Company
Irvine Ranch Water District
Moulton Niguel Water District
Orange County Water District
Orange County Water District
Laer Pearce & Associates
Surf City Voice

PUBLIC COMMENTS

No public comments were received.

DISCUSSION ITEMS

**DISCUSS KEY PRINCIPLES WITH THE MWDOC BOARD REGARDING
CONSOLIDATION DISCUSSIONS**

President Finnegan suggested that the Chairman of MWDOC's Ad Hoc Committee on Consolidation (Director Brett Barbre) update the Board regarding the Committee's activities.

Director Barbre advised that the Ad Hoc Committee has met a number of times and discussed a variety of issues regarding consolidation. The MWDOC Ad Hoc Committee also met jointly three times with OCWD's Ad Hoc Committee on Consolidation. The first joint meeting consisted of establishing the principles of the committee (one agency, one vote, and to jointly report progress). At the second joint meeting, the Ad Hoc Committees reviewed the Comparison of Powers and Authority prepared by Legal Counsel, and the Committees directed both Legal Counsels to meet and discuss how to approach the powers of a new agency, including the powers of both agencies. At the third joint meeting, it was noted that the OCWD Board needed to review the issues prior to further joint discussions of the Ad Hoc Committees. Director Barbre referenced the First Consolidation Report that

was reviewed by the MWDOC/OCWD Joint Planning Committee on October 23, 2013 (Attachment 1).

The MWDOC Board held considerable discussion regarding many of the outstanding issues, including the governance structure, the MET representation, and weighting of votes between basin/non-basin agencies.

Director Barbre suggested the new agency might consist of 8 divisions, plus the Cities of Anaheim, Santa Ana, and Fullerton, thereby consisting of 11 Directors. He advised that the Ad Hoc Committees agreed that the three cities would be unaffected by the consolidation.

Director Hinman expressed concern with respect to the South County agencies, noting that South County purchases a significant amount of water from MWDOC; she advised that further analysis would be necessary.

The Board then reviewed the proposed Draft Principles of Consolidation.

Several comments/questions from the audience were received, including what, if anything, would the region be gaining, does this make financial sense, what were the hurdles that halted prior discussions on consolidation, how basin agencies would vote on non-basin issues, and vice versa, and whether the issue of incompatibility of offices would be addressed in any new legislation. The Board also discussed how the new Board would be elected (e.g., at large or by division).

Following discussion, the Board confirmed that a formal position supporting a consolidation has not been adopted, that many issues need to be ironed out prior to expressing support, both Boards would have to adopt support positions prior to seeking legislation, and that more information will be reviewed by the Ad Hoc Committees and subsequently shared as discussions progress.

Upon general concurrence, the Board supported the Principles of Consolidation, with the following additions:

- Support for the concept of 11 Directors (8 divisions, plus the three Cities), and
- A statement be included in the Principles that “that all elected directors shall vote on all matters”

Said revised Principles of Consolidation (as revised) is attached (Attachment 2).

It was noted that the Orange County Water District Board of Directors would be reviewing this item on December 11, 2013.

ADJOURNMENT

On behalf of the Board, President Finnegan thanked all in attendance for attending and providing input, and at 5:35 p.m., President Finnegan adjourned the special meeting.

Respectfully submitted,

Maribeth Goldsby, Secretary

First Consolidation Report

OCWD - Phil Anthony, Denis Bilodeau, Shawn Dewane, Vince Sarmiento

MWDOC – Brett Barbre, Wayne Clark, Jeff Thomas

Principles of the Committee:

One Agency, One Vote

Jointly Report Progress

- 1) It was agreed that the Three Cities would be unaffected, either in their ability to appoint directors to the NEW Successor Agency or in appointing directors to MET and maintaining their status as MET Member Agencies;
- 2) Formation of a NEW Successor Agency with a new name was recommended to eliminate the perception of “one taking over the other”;
- 3) The Legal Team (Joel Kuperberg and Russ Behrens) was requested to outline and review powers of each agency and other types of agencies and bring back a “suggested” form for the NEW Successor Agency;
- 4) The Ad Hoc Committees are to continue reporting back to their respective Boards.

The next meeting date for the Ad Hoc Committees to meet is Tuesday November 5 at 8:30 am and the main purpose is to review the suggested legal structure.

(Following MWDOC Board Input on 12-10-13)

MWDOC PRINCIPLES OF CONSOLIDATION

GENERAL

The overriding basis for consolidation decisions is "the best interest of the citizens of Orange County," the best management of regional water resources and the most effective and efficient organizational structure.

EXISTING RIGHTS & LIABILITIES

- The consolidation will not change existing groundwater or surface water rights.
- Existing financial liabilities will remain with the currently responsible agencies.
- The rights and representation of the Three Cities will not change. They retain their status, seats and voting power as MWD member agencies.

GOVERNANCE

- The initial and subsequent Board of Directors will be elected from defined geographic divisions (except for the Directors appointed by the Three Cities).
- Divisions will be independently developed to reflect the "community of interest" being the retail water service boundaries to the maximum extent possible.
- The total number of Directors will be reduced from existing combined total of the MWDOC and OCWD boards. The general preference would be for a Board with 8 elected directors, plus the 3 directors from the Three Cities, for a total of 11 directors. The preference is for all elected directors to vote on all matters.
- The Three Cities will each retain one Director.

ORGANIZATION & POWERS

- The consolidation will require state legislation.
- In order to maximize the effectiveness of the consolidated organization, new legislation should be developed which forms a new organization with a new name.
- The existing legislative powers of both MWDOC and OCWD should be maintained in the new legislation. Powers should not be increased or decreased.

**MINUTES OF THE REGULAR MEETING
OF THE BOARD OF DIRECTORS
MUNICIPAL WATER DISTRICT OF ORANGE COUNTY
December 18, 2013**

At 8:30 a.m. President Finnegan called to order the Regular Meeting of the Municipal Water District of Orange County in the Board Room at the District facilities located in Fountain Valley. Director Clark led the Pledge of Allegiance and Secretary Goldsby called the roll.

MWDOC DIRECTORS

Brett R. Barbre
Wayne A. Clark
Larry Dick
Joan C. Finnegan
Susan Hinman
Wayne Osborne
Jeffery M. Thomas

STAFF

Rob Hunter, General Manager
Karl Seckel, Assistant General Manager
Russ Behrens, Legal Counsel
Maribeth Goldsby, Board Secretary
Darcy Burke, Director of Public Affairs
Cathy Harris, Admin. Services Manager
Joe Berg, Water Use Efficiency Prog. Mgr.
Harvey De La Torre, Prin. Water Res. Planner
Warren Greco, Assoc. Water Res. Analyst
Judy Pfister, Accounting Supervisor

ALSO PRESENT

Ray Miller
Gary Melton
Mike Dunbar
Doug Reinhart
William Kahn
Bob Hill
Bob Moore
Andrew Brunhart
Brian Ragland
John Kennedy
Betsy Eglash

City of San Juan Capistrano
Yorba Linda Water District
Emerald Bay Service District
Irvine Ranch Water District
El Toro Water District
El Toro Water District
South Coast Water District
South Coast Water District
City of Huntington Beach
Orange County Water District
Brady & Associates

PUBLIC PARTICIPATION/PUBLIC COMMENT

President Finnegan announced members of the public wishing to comment on agenda items could do so after the item has been discussed by the Board and requested members of the public identify themselves when called on. Ms. Finnegan asked whether there were any comments on other items which would be heard at this time.

South Coast Water District (SCWD) Director Bob Moore introduced SCWD's new General Manager, Andrew Brunhart, to the Board.

ITEMS RECEIVED TOO LATE TO BE AGENDIZED

Determine need and take action to agendize items(s), which arose subsequent to the posting of the Agenda. (ROLL CALL VOTE: Adoption of this recommendation requires a two-thirds vote of the Board members present or, if less than two-thirds of the Board members are present, a unanimous vote.)

No items were presented.

ITEMS DISTRIBUTED TO THE BOARD LESS THAN 72 HOURS PRIOR TO MEETING

President Finnegan inquired as to whether there were any items distributed to the Board less than 72 hours prior to the meeting.

No items were presented.

EMPLOYEE AWARDS

President Finnegan presented Judy Pfister a commemorative clock on behalf of the Board; Ms. Finnegan and Assistant General Manager Seckel recognized her upcoming retirement and twenty-nine years of service with the District.

President Finnegan then presented Lina Gunawan with an award for five-years of service with the District.

CONSENT CALENDAR

President Finnegan stated all matters under the Consent Calendar would be approved by one MOTION unless a Director wished to consider an item separately.

Upon MOTION by Director Barbre, seconded by Directors Dick and Thomas, and carried (7-0), the Board approved the of Consent Calendar items as follows:

MINUTES

The following minutes were approved.

November 6, 2013 Workshop Board Meeting
November 7, 2013 Special Board Meeting
November 20, 2013 Regular Board Meeting

COMMITTEE MEETING REPORTS

The following Committee Meeting reports were received and filed as presented.

Planning & Operations Committee Meeting: November 4, 2013
Administration & Finance Committee Meeting: November 13, 2013
Public Affairs & Legislation Committee Meeting: October 21, 2013
Public Affairs & Legislation Committee Meeting: November 12, 2013
Executive Committee Meeting: November 21, 2013

TREASURER'S REPORTS

The following items were ratified and approved as presented.

MWDOC Revenue/Cash Receipt Register as of November 30, 2013
MWDOC Disbursement Registers (November/December)

The following items were received and filed as presented.

MWDOC Summary of Cash and Investment and Portfolio Master Summary Report (Cash and Investment report) as of October 31, 2013

PARS Monthly Statement (OPEB Trust)

Water Use Efficiency Projects Cash Flow

FINANCIAL REPORT

The following item was received and filed as presented.

Combined Financial Statements and Budget Comparative for the period ending October 31, 2013

METROPOLITAN FUNDED – MEMBER AGENCY ADMINISTERED FUNDING FOR MWDOC AND MEMBER AGENCY WATER USE EFFICIENCY PROGRAMS

The Board ratified the General Manager's execution of pass-through funding agreements for member agency access to Metropolitan Funded – Member Agency Administered Programs.

TRAVEL TO WASHINGTON, DC IN 2014 TO COVER FEDERAL INITIATIVES

The Board received and filed the report.

END CONSENT CALENDAR

ACTION CALENDAR

AMENDMENT TO THE DISTRICT FLEXIBLE BENEFITS SPENDING PLAN

Upon MOTION by Director Barbre, seconded by Director Thomas, and carried (7-0), the Board authorized the amendment to the District's Flexible Benefits Spending Plan to allow plan participants to carry over into a new plan year up to \$500 of the unused health Flexible Spending Account balances remaining at the end of a Plan year; and eliminate the current policy of the "grace period" provision, effective with the January 1, 2014 Plan Year.

REVISIONS TO PERSONNEL MANUAL SECTION REGARDING RETIREE HEALTH AND WELFARE COVERAGE

Upon MOTION by Director Thomas, seconded by Director Barbre, and carried (7-0), the Board approved revisions to the Personnel Manual section regarding Retiree Medical and Elective Health and Welfare Coverage, as presented.

**ADOPT RESOLUTION IN ACCORDANCE WITH THE CALIFORNIA PUBLIC
EMPLOYEES RETIREMENT SYSTEM (CALPERS) FOR THE POST-RETIREMENT
EMPLOYMENT OF JUDY PFISTER IN ACCORDANCE WITH GOVERNMENT
CODE SECTION 7522.56**

Upon MOTION by Director Thomas, seconded by Director Hinman, and carried (7-0), the Board adopted RESOLUTION NO. 1971, approving an exception to the 180-day waiting period for the post-retirement employment of Judy Pfister in accordance with Government Code Section 7522.56. Said RESOLUTION NO. 1971 was adopted by the following roll call vote:

AYES:	Directors Barbre, Clark, Dick, Finnegan, Hinman, Osborne & Thomas
NOES:	None
ABSENT:	None
ABSTAIN	None

APPOINTMENT OF DEPUTY TREASURER

Upon MOTION by Director Barbre, seconded by Director Thomas, and carried (7-0), the Board adopted RESOLUTION NO. 1972, appointing Hilary Chumpitazi as Deputy Treasurer. Said RESOLUTION NO. 1972 was adopted by the following roll call vote:

AYES:	Directors Barbre, Clark, Dick, Finnegan, Hinman, Osborne & Thomas
NOES:	None
ABSENT:	None
ABSTAIN	None

INFORMATION CALENDAR

GENERAL MANAGER'S REPORT, DECEMBER 2013

General Manager Hunter advised that the General Manager's report was included in the Board packet.

General Manager Hunter referenced a recent article in the *OC Register* regarding the consolidation discussions between MWDOC and OCWD, noting his disappointment with the article which focused on the issues surrounding a name change, rather than the substantive issues facing both Boards.

Assistant General Manager Seckel advised that Irvine Ranch Water District awarded the Baker Treatment Plant agreements; he congratulated Orange County on another great project.

The Board received and filed the report as presented.

MWDOC GENERAL INFORMATION ITEMS**BOARD OF DIRECTORS**

In addition to the regular (and special) MWDOC Board and Committee meetings attended by the Directors, the following reports were made on conferences and meetings attended on behalf of the District.

Director Hinman reported on attending the WACO and WACO Planning Committee meetings, the MWDOC Special Board meeting on consolidation, and the ACWA Local Government Committee meeting.

Director Thomas reported on attending two Ad Hoc Committee meetings on consolidation, the Santa Margarita Water District Board meeting (wherein he introduced Rob Hunter), the Colorado River Water Users Association conference, and the ACWA conference.

Director Clark reported on attending the WACO meeting, the Ad Hoc Committee meetings on consolidation, and the Urban Water Institute planning meetings.

Director Osborne highlighted his attendance at the Special Board meeting on consolidation, and the WACO meeting.

Director Barbre reported on his attendance and participation at MET meetings, as well as a Colorado River inspection trip he hosted, a recent legislative trip to Washington, DC, the Yorba Linda Water District Board meeting, and the Brea and La Habra City Council meetings. Mr. Barbre also updated the Board on his efforts working with representatives from Orange County Water District on removing MET from litigation.

Director Dick reported on his attendance and participation at MET meetings, as well as attending WACO, a tour with Assembly Member Travis Allen, the Orange County Taxpayers Association meeting, a meeting with Senator Ackerman, the ACWA conference, the Colorado River Water Users Association conference, and the WACO Planning Committee meeting.

Director Finnegan reported on attending the ISDOC Executive Committee meeting, the Orange County Water District meeting regarding consolidation discussions, the MWDOC Special Board meeting on consolidation, and the Center for Demographic Research meeting.

Legal Counsel Behrens made an announcement on voting procedures, that pursuant to SB 751 (effective January 1, 2014), which requires governing bodies to publicly report and assure recordation of each director's vote, and that the President of the Board will now need to call for Ayes, Noes, and Abstentions during each vote.

CLOSED SESSION ITEMS

At 9:08 a.m., President Finnegan announced that the Board would adjourn to closed session for conferences with Legal Counsel regarding the following:

CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION

Significant exposure to litigation pursuant to paragraph (2) of subdivision (d) of Section 54956.9. One case.

RECONVENE

The Board reconvened at 9:34 a.m. and Legal Counsel Behrens announced that no reportable action was taken in closed session.

ADJOURNMENT

There being no further business to come before the Board, President Finnegan adjourned the meeting at 9:35 a.m.

Respectfully submitted,

Maribeth Goldsby, Secretary

MINUTES OF THE MEETING OF THE
BOARD OF DIRECTORS OF THE
MUNICIPAL WATER DISTRICT OF ORANGE COUNTY
Jointly with the
PLANNING & OPERATIONS (P&O) COMMITTEE
December 2, 2013 8:30 a.m. to 8:55 a.m.
MWDOC Conference Room 101

P&O Committee:

Director Wayne Osborne, Chair
Director Brett Barbre
Director Susan Hinman

Staff:

Karl Seckel, Joe Berg,
Pat Meszaros

Also Present:

President Joan Finnegan
Director Wayne Clark
Joe Byrne, Best, Best and Krieger
John Earl, Surf City Voice

Director Osborne called the meeting to order at 8:30 a.m.

PUBLIC PARTICIPATION

No comments were received.

ITEMS RECEIVED TOO LATE TO BE AGENDIZED

No items were presented.

ITEMS DISTRIBUTED TO THE BOARD LESS THAN 72 HOURS PRIOR TO MEETING

No items were presented.

ACTION ITEMS

**METROPOLITAN FUNDED—MEMBER AGENCY ADMINISTERED FUNDING FOR
MWDOC AND MEMBER AGENCY WATER USE EFFICIENCY PROGRAMS**

Director Barbre inquired whether these programs were pass-through funding, i.e., pass through from MET to MWDOC and MWDOC administers it or pass through MWDOC entirely to our member agencies and why wouldn't we want to maintain the administration of these programs because that pass through minimizes MWDOC's role. Director Barbre further noted that one of the challenges we have policy wise is the view that we're irrelevant and not needed as an agency. Mr. Berg responded that the programs you see listed are much more customized and tailored to our retail agencies' advantage and that MWDOC is involved in every aspect of the program. Director Barbre stated that at every opportunity we should remind our member agencies that even though these are core projects, we (MWDOC) used our influence to customize the program to our retail agencies' advantage.

Director Osborne inquired as to how payment is made on these programs to which Mr. Berg responded that when a program is completed, the retail agency pays the contractor and then reports and invoices MWDOC and then we report and invoice MET. MET then provides us a credit on our water bill and we, in turn, credit the retail agency.

Discussion ensued on low flow toilets and the saturation rate in Orange County. Director Hinman inquired about the older toilets and what the gallons per flush were. Mr. Berg responded that the highest were 5—7 gallons per flush; currently, they're at 1.6 gallons per flush and in 2014, 1.28 gallons per flush for any toilet manufactured and sold in California. Director Hinman inquired what our productive saturation rate is in Orange County and also what our most productive challenge is. Mr. Berg responded that in 2000, MWDOC conducted a plumbing fixture saturation study and, at that time, we were over 75% saturated with low flow shower heads and our toilet saturation was 65-75% saturated with 1.6 gallons per flush toilets. If you were to project to where we're at today, we are fully saturated with 1.6 gal toilets. We'll never get 100% saturation because there are some people who will never switch out to low flow toilets. With regard to our most productive challenge, about 50% of our urban water use is in landscape which involves planting material, maintaining irrigation equipment and people's habits. And, you could be 100% efficient on paper but as soon as you plant, it's reduced to 80%.

Director Dick stated that MWDOC staff is doing a fine job with the water use efficiency programs and inquired whether we have a minimum square footage on turf replacement. Mr. Berg responded that we do have a 250 square foot minimum, although there have been some that came in at less; however, we still process the applications as a customer service incentive. Director Dick stated that we have issues in some buildings with low flow toilets and waste lines are at issue. Mr. Berg responded that in large commercial buildings, primarily warehouse-type buildings, if you have restroom at back end and a long distance drain line, there have been problems with lines getting clogged. This is something the standards people are looking at to resolve that issue.

Director Barbre reported that he read an article about Chicago skyscrapers ripping out all low flow toilets because they were creating clogs. Mr. Berg responded that he wasn't familiar with the situation but he did express that waterless urinals have been a problem and create clogging issues and he does not recommend them. Also, that disposable wipes are creating a lot of difficulty for wastewater agencies as they don't degrade as manufacturers claim and are causing blockages and agencies are having to hydroflush.

The item was unanimously referred to the December 18, 2013 Board meeting for approval.

INFORMATION ITEMS

STATUS OF ONGOING MWDOC RELIABILITY AND ENGINEERING/PLANNING PROJECTS

WATER USE EFFICIENCY REPORTS

- a. Status of Water Use Efficiency Projects
- b. Water Use Efficiency Programs Savings and Implementation Report

REVIEW OF ISSUES RELATED TO CONSTRUCTION PROGRAMS, FACILITY AND EQUIPMENT MAINTENANCE, WATER STORAGE, WATER QUALITY, CONJUNCTIVE USE PROGRAMS, EDUCATION, DISTRICT FACILITIES, and MEMBER-AGENCY RELATIONS

No information was presented.

ADJOURNMENT

There being no further business to be brought before the Committee, the meeting adjourned at 8:55 a.m.

MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS OF THE
MUNICIPAL WATER DISTRICT OF ORANGE COUNTY

Jointly with the

ADMINISTRATION & FINANCE (A&F) COMMITTEE

December 11, 2013 – 5:00 p.m. to 5:17 p.m.

MWDOC Conference Room 101

Committee Members:

Director Jeff Thomas, Chair (absent)
Director Brett Barbre
Director Wayne Osborne

Staff:

Karl Seckel, Cathy Harris, Darcy Burke,
Judy Pfister, Katie Davanaugh
Hilary Chumpitazi

Also Present:

Director Susan Hinman
Kevin Burton, Irvine Ranch Water District

Director Barbre chaired the meeting in the absence of Director Thomas and called the meeting to order at 5:00 p.m. Director Hinman acted as committee member.

PUBLIC COMMENTS

Cathy Harris introduced Hilary Chumpitazi as the new Accounting Supervisor. Hilary attended Cal State Fullerton and has a degree in Finance.

ITEMS RECEIVED TOO LATE TO BE AGENDIZED

No items were presented.

ITEMS DISTRIBUTED TO THE BOARD LESS THAN 72 HOURS PRIOR TO MEETING

No items were presented.

PROPOSED BOARD CONSENT CALENDAR ITEMS-ACTION

TREASURER'S REPORT

- a. Revenue/Cash Receipt Report – November 2013
- b. Disbursement Approval Report for the month of December 2013
- c. Disbursement Ratification Report for the month of November 2013
- d. GM Approved Disbursement Report for the month of November 2013
- e. Water Use Efficiency Projects Cash Flow – November 30, 2013
- f. Consolidated Summary of Cash and Investment – October 2013
- g. OPEB Trust Fund monthly statement

The Committee reviewed the Treasurer's Report with Director Osborne requesting an explanation of the disbursements to 1) Ron Gastelum and 2) Means Consulting. Mr. Seckel responded that the payment to 1) Ron Gastelum is a shared cost between a workgroup comprised of 10-12 MWDOC member agencies for work on Metropolitan Water District issues and 2) Ed Means has been tracking MET issues and has been assisting Karl Seckel and Darcy Burke on various reliability and communications issues.

**FINANCIAL REPORT Combined Financial Statements and Budget Comparative
for the period ending October 31, 2013**

Upon MOTION by Director Osborne, seconded by Director Hinman, and carried (3-0), the Treasurer's Report and Financial Reports were referred to the December 18, 2013 Board meeting for approval.

Director Barbre inquired when the contracts for Townsend and Barker reports are due for renewal and held discussion on whether they were renewed on an annual basis or during the budget. Staff will bring those 2 contracts for consideration in January, noting that they are due in January.

Director Barbre inquired what the voting process will be with items presented to the Committee due to changes with the Brown Act, and whether a formal roll call vote will be required. Staff noted that a memo from legal counsel is pending that will discuss the procedures starting in January.

ACTION ITEMS**APPOINTMENT OF DEPUTY TREASURER**

Upon MOTION by Director Osborne, seconded by Director Hinman, and carried (3-0) the Appointment of the Deputy Treasurer was referred to the December 18, 2013 Board meeting for approval.

AMENDMENT TO THE DISTRICT FLEXIBLE BENEFITS SPENDING PLAN

Upon MOTION by Director Osborne, seconded by Director Hinman, and carried (3-0) the Amendment to the Flexible Benefits Spending Plan was referred to the December 18, 2013 Board meeting for approval.

**REVISIONS TO PERSONNEL MANUAL SECTION REGARDING RETIREE HEALTH
AND WELFARE COVERAGE**

It was noted that this item was presented for 'housekeeping' only, clarifying some of the language in the policy.

Upon MOTION by Director Osborne, seconded by Director Hinman, and carried (3-0) the Revisions to the Personnel Manual Regarding Retiree Health and Welfare Coverage was referred to the December 18, 2013 Board meeting for approval.

Ms. Harris noted that a formal policy will be presented to the Committee in January regarding the \$1,800 supplemental insurance reimbursement for retirees.

ADOPT RESOLUTION IN ACCORDANCE WITH THE CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM (CalPERS) FOR THE POST-RETIREMENT EMPLOYMENT OF JUDY PFISTER IN ACCORDANCE WITH GOVERNMENT CODE SECTION 7522.56

Upon MOTION by Director Osborne, seconded by Director Hinman, and carried (3-0) the Resolution for post-retirement employment by Judy Pfister was referred to the December 18, 2013 Board meeting for approval.

INFORMATION ITEMS

UPDATE REGARDING (1) AGREEMENT RELATING TO BAKER PIPELINE CAPACITY TRANSFERS AMONG THE BAKER WATER TREATMENT PLANT PARTICIPANTS (CAPACITY TRANSFER AGREEMENT) AND (2) AMENDED AND RESTATED AGREEMENT FOR CONSTRUCTION, OPERATION AND MAINTENANCE OF BAKER WATER TREATMENT PLANT (CONSTRUCTION & OPERATIONS AGREEMENT)

Mr. Kevin Burton (Irvine Ranch Water District) noted that all of the participants' Boards have approved the agreements and the Irvine Ranch Water District Board is anticipated to finalize the agreement on December 16, 2013 and award the construction contract.

MONTHLY WATER USAGE DATA, TIER 2 PROJECTION & WATER SUPPLY INFORMATION

Director Hinman inquired on water sales from MET to basin vs. non-basin agencies.

The following informational reports were received and filed.

GENERAL LIABILITY INSURANCE COVERAGE

DEPARTMENT ACTIVITIES REPORTS

- a. Administration
- b. Finance and Information Technology

OTHER ITEMS

REVIEW ISSUES REGARDING DISTRICT ORGANIZATION, PERSONNEL MATTERS, EMPLOYEE BENEFITS FINANCE AND INSURANCE

ADJOURNMENT

There being no further business to be brought before the Committee, the meeting adjourned at 5:17 p.m.

MINUTES OF THE MEETING OF THE
BOARD OF DIRECTORS OF THE
MUNICIPAL WATER DISTRICT OF ORANGE COUNTY
jointly with the
EXECUTIVE COMMITTEE
December 19, 2013, 8:30 a.m. to 10:20 a.m.
Conference Room 102

Committee:

Director Finnegan, President
Director Thomas, Vice President (absent)
Director Clark

Staff:

R. Hunter, K. Seckel, M. Goldsby

Also Present:

Director Osborne
Director Hinman
Director Dick
Director Barbre

At 8:30 a.m., President Finnegan called the meeting to order.

PUBLIC PARTICIPATION

No public comments were received.

ITEMS RECEIVED TOO LATE TO BE AGENDIZED

No items were presented.

ITEMS DISTRIBUTED TO THE BOARD LESS THAN 72 HOURS PRIOR TO MEETING

At the beginning of the meeting, Staff distributed the draft agendas for the January Committee meetings.

DISCUSSION REGARDING UPCOMING ACTIVITIES OF SIGNIFICANCE

The Committee discussed the progress of the Ad Hoc Committee on Consolidation's efforts with OCWD, advising that the OCWD Board also adopted Principles of Consolidation at its meeting on December 18. The Committee held considerable discussion regarding the differences between the Principles of Consolidation that each agency adopted, as well as various components/issues facing the consolidation discussions, including division boundaries (and the need to retain an independent consultant to draw division boundaries), pros and cons, and South County issues, voting issues, etc.

MEMBER AGENCY RELATIONS

The Committee reviewed the proposed Budget schedule for FY 2014/15, noting that the Core/Choice programs will be discussed with the Member Agencies later in the day at the Member Agency Manager's meeting.

EXECUTIVE COMMITTEE PROPOSALS FOR FUTURE AGENDAS

The Committee reviewed and discussed the draft agendas for each of the Committee meetings and made revisions/additions as noted below.

a. Planning & Operations Committee

No new information was added.

b. Workshop Board Meeting

No new information was added.

c. Administration & Finance Committee

No new information was added.

d. Public Affairs & Legislation (PAL) Committee

The Committee discussed the Townsend Public Affairs contract (and TPA's services), the budget and advocacy efforts in general. Director Dick commented on Sacramento involvement, noting that it would be prudent for TPA to secure dates for Directors to travel to Sacramento; it was noted staff would discuss this issue with TPA.

e. MWDOC/OCWD Joint Planning Committee

The Committee suggested topics could include an update on the Poseidon Project, an update on OCWD's lawsuits, and conjunctive use within the OCWD basin by South County agencies.

GENERAL MANAGER'S ACTIVITIES

It was noted that Mr. Hunter would be collecting goals and objectives from each Director in preparation of a workshop on strategic planning.

The Committee also requested that staff provide regular updates to the MET Directors on issues/concerns/priorities of other MET member agencies.

REVIEW AND DISCUSS DISTRICT AND BOARD ACTIVITIES

No new information was presented.

ADJOURNMENT

There being no further business to be brought before the Committee, the meeting adjourned at 10:20 a.m.

Municipal Water District of Orange County
REVENUE / CASH RECEIPT REPORT
December 2013

WATER REVENUES

Date	From	Description	Amount
12/02/13	City of Seal Beach	October 2013 Water deliveries	128,630.17
12/02/13	City of La Palma	October 2013 Water deliveries	115,843.21
12/06/13	South Coast Water District	October 2013 Water deliveries	442,574.68
12/06/13	East Orange County Water District	October 2013 Water deliveries	563,745.35
12/06/13	City of Fountain Valley	October 2013 Water deliveries	388,260.01
12/06/13	City of Buena Park	October 2013 Water deliveries	256,756.17
12/06/13	City of Brea	October 2013 Water deliveries	303,450.19
12/06/13	City of Huntington Beach	October 2013 Water deliveries	730,442.83
12/06/13	City of San Clemente	October 2013 Water deliveries	744,814.59
12/09/13	El Toro Water District	October 2013 Water deliveries	735,320.39
12/09/13	City of Garden Grove	October 2013 Water deliveries	668,256.19
12/10/13	City of Newport Beach	October 2013 Water deliveries	842,301.55
12/11/13	Serrano Water District	October 2013 Water deliveries	183,438.61
12/11/13	City of Westminster	October 2013 Water deliveries	511,080.15
12/12/13	Santa Margarita Water District	October 2013 Water deliveries	2,286,323.15
12/12/13	Yorba Linda Water District	October 2013 Water deliveries	846,228.57
12/12/13	City of Orange	October 2013 Water deliveries	795,123.17
12/13/13	Laguna Beach County Water District	October 2013 Water deliveries	304,056.79
12/13/13	Orange County Water District	October 2013 Water deliveries	4,545,483.09
12/13/13	City of San Juan Capistrano	October 2013 Water deliveries	430,085.61
12/13/13	Trabuco Canyon Water District	October 2013 Water deliveries	12,413.17
12/13/13	Irvine Ranch Water District	October 2013 Water deliveries	413,370.69
12/13/13	Moulton Niguel Water District	October 2013 Water deliveries	2,356,587.64
12/13/13	Golden State Water Company	October 2013 Water deliveries	446,135.92
12/13/13	Mesa Water	October 2013 Water deliveries	631,394.81
12/13/13	Santiago Aqueduct Commission	October 2013 Water deliveries	176,788.13
12/18/13	City of La Habra	November 2013 Water deliveries	12,819.05
12/20/13	City of Huntington Beach	November 2013 Water deliveries	268,502.00
12/23/13	City of Buena Park	November 2013 Water deliveries	191,627.03
12/27/13	City of Brea	November 2013 Water deliveries	197,594.08
TOTAL REVENUES			\$ 20,529,446.99

Municipal Water District of Orange County
REVENUE / CASH RECEIPT REPORT
December 2013

MISCELLANEOUS REVENUES

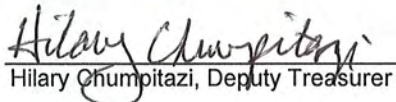
Date	From	Description	Amount
12/26/13	Jemal Public Affairs	10/23/13 Water policy dinner	75.00
12/06/13	Stan Sprague	December 2013 Retiree medical premium	250.13
12/26/13	Stan Sprague	January 2014 Retiree medical premium	259.97
12/23/13	Phil Letrong	Jan-Mar 2014 Retiree medical premium	39.60
12/30/13	Lorraine Roy	Jan-Mar 2014 Retiree medical premium	31.94
12/26/13	Beverly Crowe	Jan-May 2014 Retiree medical premium	35.80
12/23/13	Susan Hunt	January 2014 COBRA Health premium	617.96
12/13/13	Anthony Carreira	Movie tickets	96.00
12/18/13	Kelly Hubbard	Movie tickets	56.00
12/23/13	5 Checks	Movie tickets	292.50
12/26/13	3 Checks	Movie tickets	415.00
12/16/13	NSFE LLC	Refund for job posting	100.00
12/23/13	Irvine Ranch Water District	Additional deposit for plan check	70,200.00
12/02/13	Moulton Niguel Water District	August 2013 Smartimer rebate program	225.00
12/02/13	Moulton Niguel Water District	September 2013 Smartimer rebate program	136.55
12/13/13	City of Huntington Beach	October 2013 Smartimer rebate program	75.00
12/16/13	Santa Margarita Water District	October 2013 Smartimer rebate program	225.00
12/20/13	2 Checks	October 2013 Smartimer rebate program	225.00
12/23/13	2 Checks	October 2013 Smartimer rebate program	150.00
12/06/13	City of Orange	October 2013 Smartimer & Turf Removal rebate program	180.00
12/09/13	Golden State Water Company	October 2013 Turf Removal rebate program	105.00
12/02/13	Golden State Water Company	October 2013 So Cal Watersmart rebate program	2,162.94
12/16/13	Santa Margarita Water District	October 2013 So Cal Watersmart rebate program	3,108.94
12/30/13	Golden State Water Company	November 2013 So Cal Watersmart rebate program	355.00
12/03/13	Bureau of Reclamation	Apr-Oct 2013 Spray to Drip Conversion Pilot Project	1,447.61
12/03/13	Bureau of Reclamation	Apr-Sep 2013 CA Sprinkler Adjustment Subscription system	10,834.50
12/03/13	Bureau of Reclamation	Apr-Sep 2013 HOA Training, Certification & Retrofit program	16,820.47
12/03/13	Bureau of Reclamation	Apr-Sep 2013 Hotel Water Smart program	50,546.50
12/03/13	Bureau of Reclamation	Apr-Sep 2013 Industrial Process Water Use phase 1	13,822.58
12/03/13	Bureau of Reclamation	Apr-Sep 2013 Industrial Process Water Use phase 2	5,549.91
12/03/13	Bureau of Reclamation	Apr-Sep 2013 Smart Irrigation Timer rebate program	27,311.50
12/03/13	Bureau of Reclamation	Apr-Sep 2013 Water Efficient Site Certification & Smartimer program	2,903.35
12/11/13	Irvine Ranch Water District	October 2013 Landscape Performance Certification program	750.00
12/16/13	South Coast Water District	FY 12-13 O & M Costs of the EOCF #2	1,087.76
12/17/13	City of Newport Beach	FY 12-13 O & M Costs of the EOCF #2	8,590.48
12/17/13	Irvine Ranch Water District	FY 12-13 O & M Costs of the EOCF #2	66,628.21
12/18/13	East Orange County Water District	FY 12-13 O & M Costs of the EOCF #2	17,772.33
12/19/13	City of Orange	FY 12-13 O & M Costs of the EOCF #2	14,339.96
12/20/13	City of Huntington Beach	FY 12-13 O & M Costs of the EOCF #2	8,671.09
12/20/13	City of San Clemente	FY 12-13 O & M Costs of the EOCF #2	1,223.72
12/23/13	City of San Juan Capistrano	FY 12-13 O & M Costs of the EOCF #2	20,395.41
12/23/13	Laguna Beach County Water District	FY 12-13 O & M Costs of the EOCF #2	2,039.54
12/23/13	Moulton Niguel Water District	FY 12-13 O & M Costs of the EOCF #2	61,186.24
12/23/13	Santa Margarita Water District	FY 12-13 O & M Costs of the EOCF #2	24,606.23
12/26/13	Mesa Water	FY 12-13 O & M Costs of the EOCF #2	19,240.04

Municipal Water District of Orange County
REVENUE / CASH RECEIPT REPORT
December 2013

MISCELLANEOUS REVENUES

<u>Date</u>	<u>From</u>	<u>Description</u>	<u>Amount</u>
12/02/13	City of San Juan Capistrano	FY 13-14 Choice billing	59,745.49
12/02/13	Yorba Linda Water District	FY 13-14 Choice billing	19,327.42
12/09/13	City of Seal Beach	FY 13-14 Choice billing	7,699.93
12/13/13	City of Huntington Beach	FY 13-14 Choice billing	72,152.17
TOTAL MISCELLANEOUS REVENUES			<u>\$ 614,185.77</u>
TOTAL REVENUES			<u>\$ 21,143,632.76</u>


Robert J. Hunter, General Manager


Hilary Chumipitazi, Deputy Treasurer

**Municipal Water District of Orange County
Disbursement Approval Report
For the month of January 2014**

<i>Invoice#</i>	<i>Vendor / Description</i>	<i>Amount to Pay</i>
Core Expenditures:		
	ACWA Joint Powers	
OCT-DEC13	October-December 2013 Workers Compensation insurance	5,351.00
	*** Total ***	5,351.00
	Aleshire & Wynder LLP	
26233/26234	November 2013 Legal services	4,968.50
	*** Total ***	4,968.50
	Awards & Trophies Co., Inc.	
10006	Office name plate for H. Chumpitazi	15.88
10052	Service award for J. Pfister	135.00
	*** Total ***	150.88
	Best Best and Krieger LLP	
55401-NOV13	November 2013 Legal services	29,247.01
	*** Total ***	29,247.01
	CDW	
HP92986	Backup software for exchange server	649.00
	*** Total ***	649.00
	Constant Contact	
XR8WAECAB36413	January-December 2014 Constant Contact e-mail marketing service	1,638.00
	*** Total ***	1,638.00
	FoodCraft Coffee & Refreshment	
5-537139	12/2/13 Coffee & tea supplies	249.88
	*** Total ***	249.88
	Fry's Electronics	
19964326	12/10/13 Computer supplies	8.63
	*** Total ***	8.63
	Humanscale Corporation	
1793242	Ergonomic keyboard tray with installation for L. Gunawan	267.24
	*** Total ***	267.24
	James C. Barker, P.C.	
105-1213	December 2013 Federal legislative advocacy services	7,000.00
	*** Total ***	7,000.00
	Karen's Detail Custom Frames	
2456	Framing of service certificate for K. Seckel	97.20
	*** Total ***	97.20

**Municipal Water District of Orange County
Disbursement Approval Report
For the month of January 2014**

<i>Invoice#</i>	<i>Vendor / Description</i>	<i>Amount to Pay</i>
	<i>Lewis Consulting Group, LLC</i>	
1293	December 2013 Professional services	3,125.00
	*** Total ***	3,125.00
	<i>Metropolitan Water District</i>	
40563	FY 12-13 Operation & maintenance cost for East Orange County Feeder #2	245,781.01
	*** Total ***	245,781.01
	<i>Norco Delivery Services</i>	
557799	11/27/13 Delivery charges for Board packets	206.98
	*** Total ***	206.98
	<i>Orange County Fast Print, Inc.</i>	
48724	1,000 Printed business cards	108.00
	*** Total ***	108.00
	<i>Orange County Water District</i>	
13334	November 2013 Office expense, postage & window replacement	15,082.13
	*** Total ***	15,082.13
	<i>Patricia Kennedy Inc.</i>	
5333	January 2014 Plant maintenance	214.00
	*** Total ***	214.00
	<i>Petty Cash</i>	
121331	November-December 2013 Petty Cash reimbursement	203.96
	*** Total ***	203.96
	<i>Robert Half International</i>	
39000380	10/14/13-10/18/13 Services for Finance Department transition review	1,422.00
39211501	11/13/13 Services for Finance Department transition review	474.00
	*** Total ***	1,896.00
	<i>Top Hat Productions</i>	
88325	12/19/13 Lunch for Managers' meeting	673.11
	*** Total ***	673.11
	<i>Townsend Public Affairs, Inc.</i>	
9288	December 2013 State and Federal legislative advocacy services	12,500.00
	*** Total ***	12,500.00
	<i>Tustin Irvine Medical Group</i>	
00703324	11/20/13 New hire pre-employment exam	160.00
	*** Total ***	160.00

**Municipal Water District of Orange County
Disbursement Approval Report
For the month of January 2014**

<i>Invoice#</i>	<i>Vendor / Description</i>	<i>Amount to Pay</i>
	Union Bank, N.A.	
840368	September-November 2013 Custodial bank services	625.00
	*** Total ***	625.00
	Pauline D. Wennerstrom	
121613	January-March 2014 Retiree medical premium	803.55
	*** Total ***	803.55
	Total Core Expenditures	<hr/> 331,006.08

Choice Expenditures:

	Adapt Consulting, Inc	
21465B	250 Window clings for Water Smart Home program	271.81
	*** Total ***	271.81
	Discovery Science Center	
113013MWDOC	November 2013 School program	14,755.75
	*** Total ***	14,755.75
	Top Hat Productions	
88237	12/5/13 Lunch for WUE workgroup meeting	430.76
	*** Total ***	430.76
	Total Choice Expenditures	<hr/> 15,458.32

Other Funds Expenditures:

	ACWA Joint Powers	
OCT-DEC13	October-December 2013 Workers compensation insurance	242.00
	*** Total ***	242.00
	AquaFicient Consulting	
02-055	November 2013 Landscape Performance Certification program funded by IRWD & MET	1,500.00
	*** Total ***	1,500.00
	Arizona Trailer Specialists	
12428	1 Potable water trailer	33,152.00
	*** Total ***	33,152.00
	The Boeing Company	
121113B	Incentive payment for Industrial Process Water Use Reduction program-Phase II	37,924.96
	*** Total ***	37,924.96

**Municipal Water District of Orange County
Disbursement Approval Report
For the month of January 2014**

<i>Invoice#</i>	<i>Vendor / Description</i>	<i>Amount to Pay</i>
	ConserVision Consulting, LLC	
LPCP-213	November 2013 Consulting services for Landscape Performance Certification program	7,029.00
	*** Total ***	7,029.00
	City of Newport Beach	
24370	10/1/13-10/30/13 Activity for residential WBIC & Rotating Nozzle installation program	3,668.00
24372	10/15/13-11/14/13 Activity for commercial WBIC & Rotating Nozzle installation program	5,370.00
	*** Total ***	9,038.00
	Turf Removal Program	
TR4-ET-001	K. Pascoo-Moreno	1,379.00
TR4-GSWC-002	E. Woo	708.00
TR4-HB-006	M. Sugranes	761.00
TR4-HB-008	A. Boucher	1,090.00
TR4-IRWD-009	Z. Brenner	802.50
TR4-IRWD-011	K. Pan	3,555.00
TR4-IRWD-013	I. Morrell	1,800.00
TR4-IRWD-017	K. Huxman	721.50
TR4-MESA-001	D. Haynes	616.50
TR4-SC-003	N. Ryffel	889.00
TR4-SC-004	J. Shultz	3,392.00
TR4-SC-005	K. Wright	1,107.00
TR4-SC-009	J. Elston	1,000.00
TR4-SC-010	K. Wareham	410.00
TR4-SM-006	J. Clark	962.00
TR4-SOCO-003	K. Shoaf	1,375.00
TR4-SOCO-006	N. Erhardt	1,509.00
TR4-TC-004	R. Goodbrand	509.00
	*** Total ***	22,586.50
	URS Corporation Americas	
5736918	October 2013 Professional services for Industrial Process Water Use Reduction program	2,390.00
	*** Total ***	2,390.00
	WaterWise Consulting, Inc.	
2968	December 2013 Professional services for Hotel program	6,820.00
	*** Total ***	6,820.00
	Total Other Funds Expenditures	120,682.46
	Total Expenditures	467,146.86

**Municipal Water District of Orange County
Disbursement Ratification Report
For the month of December 2013**

<i>Check #</i>	<i>Date</i>	<i>Vendor # Invoice/CM #</i>	<i>Name / Description</i>	<i>Net Amount</i>
Core Disbursements:				
125428	12/5/13	TIMEWA 5210-DEC13	Time Warner Cable December 2013 Telephone and internet expense ***Total ***	929.73 929.73
125429	12/13/13	ACKEEX/ACKERC 113013	Linda Ackerman November 2013 Business expense	63.28
125430		NOV2013	November 2013 MET Director's compensation ***Total ***	1,861.60 1,924.88
125436	12/13/13	C3OFFI INV22328	C3 Office Solutions LLC November 2013 Copier maintenance ***Total ***	216.72 216.72
125438	12/13/13	CLARKW 113013	Wayne Clark November 2013 Business expense ***Total ***	116.39 116.39
125440	12/13/13	DELAGE 20182626	De Lage Landen Public Finance December 2013 Copier lease ***Total ***	509.00 509.00
125450	12/13/13	IRONMO JBD1646	Iron Mountain December 2013 Storage/retrieval of archived documents ***Total ***	470.07 470.07
125458	12/13/13	HUNTER 091813 102913	Robert J. Hunter September 2013 Business expense July & October 2013 Business expense ***Total ***	175.84 1,341.63 1,517.47
125463	12/13/13	TIMEWA 3564-DEC13	Time Warner Cable December 2013 Telephone expense for 4 analog fax lines ***Total ***	126.73 126.73
125484	12/13/13	VERIZO 9715521147	Verizon Wireless November 2013 4G Mobile broadband unlimited service ***Total ***	38.01 38.01
125485	12/13/13	LAMVIV 112613	Vivian Lam October 2013 Business expense ***Total ***	41.81 41.81
ACH000761	12/13/13	BARBCO 113013	Brett Barbre November 2013 MET Director's compensation ***Total ***	2,327.00 2,327.00

**Municipal Water District of Orange County
Disbursement Ratification Report
For the month of December 2013**

<i>Check #</i>	<i>Date</i>	<i>Vendor # Invoice/CM #</i>	<i>Name / Description</i>	<i>Net Amount</i>
	12/13/13	DICKCO	Larry Dick	
ACH000763		NOV2013	November 2013 MET Director's compensation	2,094.30
ACH000764		113013	November 2013 Business expense	161.63
			***Total ***	2,255.93
	12/13/13	HINMAN	Susan Hinman	
ACH000766		113013	November 2013 Business expense	279.03
			***Total ***	279.03
	12/13/13	OUWERK	Jessica H. Ouwerkerk	
ACH000771		113013	November 2013 Business expense	94.54
			***Total ***	94.54
	12/13/13	THOMAS	Jeffery Thomas	
ACH000773		113013	November 2013 Business expense	174.81
			***Total ***	174.81
	12/30/13	C3OFFI	C3 Office Solutions LLC	
125487		INV22627	December 2013 Copier maintenance	216.72
			***Total ***	216.72
	12/30/13	HEDGES	Steve Hedges	
125491		120513	October-December 2013 Business expense	186.13
			***Total ***	186.13
	12/30/13	USBANK	U.S. Bank	
125497		NOV2013	10/23/13-11/22/13 Cal Card charges	3,124.94
			***Total ***	3,124.94
			(See attached sheet for details)	
	12/30/13	BERGJO	Joseph Berg	
ACH000777		121013	November-December 2013 Business expense	491.32
			***Total ***	491.32
	12/30/13	DELATO	Harvey De La Torre	
ACH000778		121713	November-December 2013 Business expense	914.59
			***Total ***	914.59
			Total Core Disbursements	15,955.82

**Municipal Water District of Orange County
Disbursement Ratification Report
For the month of December 2013**

<i>Check #</i>	<i>Date</i>	<i>Vendor # Invoice/CM #</i>	<i>Name / Description</i>	<i>Net Amount</i>
Choice Disbursements:				
ACH000771	12/13/13	OUWERK 113013	Jessica H. Ouwerkerk November 2013 Business expense	126.70
			***Total ***	126.70
			Total Choice Disbursements	126.70
Other Funds Disbursements:				
125425	12/5/13	ATTEOC 4492-NOV13 8200-NOV13 0532-NOV13	AT&T November 2013 S. EOC telephone expense November 2013 N. EOC telephone expense November 2013 N. EOC dedicated phone line ***Total ***	215.62 151.53 108.49 475.64
125445	12/13/13	GALYON 113013	Brent Galyon November 2013 Business expense ***Total ***	209.65 209.65
125447	12/13/13	HOMED1 7785-NOV13	Home Depot Credit Services Push broom for WEROC N. EOC ***Total ***	29.14 29.14
125448	12/13/13	HUBBAR 101813/103113A 113013	Kelly Hubbard October 2013 Business expense November 2013 Business expense ***Total ***	259.86 233.55 493.41
125489	12/30/13	CATALI 0009474	Catalina Island Conservancy December 2013 WEROC radio repeater site lease ***Total ***	1,413.64 1,413.64
125492	12/30/13	HUBBAR 093013	Kelly Hubbard August-September 2013 Business expense ***Total ***	147.35 147.35
125495	12/30/13	SANTAM OCT2013	Santa Margarita Water District October 2013 SCP Operation surcharge ***Total ***	31,080.15 31,080.15
125497	12/30/13	USBANK NOV2013	U.S. Bank 10/23/13-11/22/13 Cal Card charges ***Total *** (See attached sheet for details)	692.63 692.63

**Municipal Water District of Orange County
Disbursement Ratification Report
For the month of December 2013**

<i>Check #</i>	<i>Date</i>	<i>Vendor # Invoice/CM #</i>	<i>Name / Description</i>	<i>Net Amount</i>
WIRE-131230	12/30/13	METWAT 7840	Metropolitan Water District October 2013 Water deliveries	19,652,766.71
			***Total ***	19,652,766.71
Total Other Funds Disbursements				<u>19,687,308.32</u>
Total Disbursements				<u><u>19,703,390.84</u></u>


Robert J. Hunter, General Manager


Hilary Chumpitazi, Deputy Treasurer

Cal Card Statement Detail
Statement Date: November 22, 2013
Payment Date: December 30, 2013

Date	Description	Amount
<u>Karl's Card</u>		
10/22/13	UPS delivery charges for Board & Committee packets on Oct. 8, 10 & 15, 2013	\$ 113.78
10/22/13	Lunch for CPR & First Aid training	158.50
10/29/13	FedEx delivery charges for CSDA on Oct. 25, 2013	22.52
10/30/13	Staff development luncheon on Oct. 31, 2013	87.58
10/31/13	Flowers for MWDOC Director	83.13
11/05/13	UPS delivery charges for Board & Committee packets on Oct. 29, 2013	67.58
11/06/13	ACWA Fall conference in Los Angeles, CA from Dec. 3-6, 2013 - Refund for reduced registration for Director Hinman	(420.00)
11/06/13	Lunch for Administration staff training	56.57
11/07/13	Sandwiches for Elected Officials meeting on Nov. 7, 2013	673.73
11/12/13	UPS delivery charges for Board & Committee packets on Oct. 31, 2013	61.69
11/14/13	Annual subscription for Jobs Available service	30.00
11/14/13	Lunch for O.C. MET Caucus on Nov. 14, 2013	207.00
11/15/13	California Department of Parks & Recreation meeting in Sacramento, CA on Jan. 13, 2014 - Airfare for R. Hunter	153.80
11/15/13	California Urban Water Conservation Council Plenary meeting in Santa Rosa, CA from Dec. 10-12, 2013 - Airfare for J. Berg	156.80
11/19/13	Breakfast for WEROC training on Nov. 19, 2013	274.95
11/19/13	Lunch for WEROC training on Nov. 19, 2013	365.89
11/19/13	UPS delivery charges for Board & Committee packets on Nov. 14, 2013	5.91
11/19/13	Office supplies from Costco	428.16
11/19/13	Get well flowers for staff member	77.73
11/19/13	Annual subscription for Adobe PDF to Word converter	23.88
11/20/13	Emergency supplies	436.67
Total		<u><u>\$ 3,065.87</u></u>

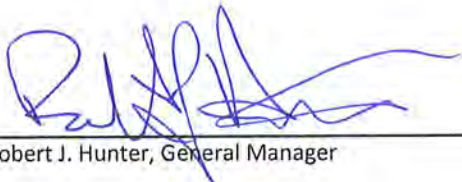
Cal Card Statement Detail
Statement Date: November 22, 2013
Payment Date: December 30, 2013

<u>Date</u>	<u>Description</u>	<u>Amount</u>
<u>Rob's Card</u>		
10/22/13-11/22/13	Meals for R. Hunter's meetings on various dates	\$ 651.70
11/20/13	Fastrak toll roads	100.00 ¹
Total		<u>\$ 751.70</u>

¹ Prepayment for Fastrak, R. Hunter to reimburse MWDOC for any personal charges

Municipal Water District of Orange County
GM Approved Disbursement Report (1)
For the month of December 2013

<i>Check #</i>	<i>Date</i>	<i>Vendor # Invoice/CM #</i>	<i>Name / Description</i>	<i>Net Amount</i>
Core Disbursements:				
125426	12/5/13	DAVANK 111313	Kathryn Davanaugh Employee personal computer purchase loan ***Total ***	547.00 547.00
125427	12/5/13	GOLDSB 120313	Maribeth Goldsby Employee personal computer purchase loan ***Total ***	1,579.82 1,579.82
125482	12/13/13	USPOST 20895-2014	U.S. Postal Service 2014 Annual fee for P.O. Box rental ***Total ***	1,120.00 1,120.00
125498	12/30/13	METOTH 122613	Metropolitan Water District Additional deposit for plan check to install an interconnection from Baker Treatment Plant to South County Pipeline ***Total ***	70,200.00 70,200.00
Total Core Disbursements				73,446.82
Choice Disbursements:				
Total Choice Disbursements				-
Other Funds Disbursements:				
Total Other Funds Disbursements				-
Total Disbursements				73,446.82


 Robert J. Hunter, General Manager


 Hilary Chumpitazi, Deputy Treasurer

(1) For disbursements that did not make the cut-off of previous month's Disbursement Approval report.
 Disbursements are approved by GM for payment and need A & F Committee ratification.



Municipal Water District of Orange County
Consolidated Summary of Cash and Investment
 November 30, 2013

Street Address:

18700 Ward Street
 Fountain Valley, California 92708

Mailing Address:

P.O. Box 20895
 Fountain Valley, CA 92728-0895

(714) 963-3058
 Fax: (714) 964-9389
www.mwdoc.com

Joan C. Finnegan
President

Jeffery M. Thomas
Vice President

Brett R. Barbre
Director

Larry D. Dick
Director

Wayne A. Clark
Director

Susan Hinman
Director

Wayne Osborne
Director

Robert J. Hunter
General Manager

MEMBER AGENCIES

City of Brea
 City of Buena Park
 East Orange County Water District
 El Toro Water District
 Emerald Bay Service District
 City of Fountain Valley
 City of Garden Grove
 Golden State Water Co.
 City of Huntington Beach
 Irvine Ranch Water District
 Laguna Beach County Water District
 City of La Habra
 City of La Palma
 Mesa Water District
 Moulton Niguel Water District
 City of Newport Beach
 City of Orange
 Orange County Water District
 City of San Clemente
 City of San Juan Capistrano
 Santa Margarita Water District
 City of Seal Beach
 Serrano Water District
 South Coast Water District
 Trabuco Canyon Water District
 City of Tustin
 City of Westminster
 Yorba Linda Water District

District investments and cash balances are held in various funds designated for certain purposes as follows:

Fund	Book Value	% of Portfolio
Designated Reserves		
General Operations	1,326,960	14.62%
Grant & Project Cash Flow	1,000,000	11.02%
Building Repair	239,491	2.64%
Total Designated Reserves	2,566,451	28.28%
General Fund	4,994,614	55.05%
Water Fund	1,393,024	15.35%
Conservation Fund	86,513	0.95%
Desalination Feasibility Study Fund	334,062	3.68%
WEROC Fund	126,593	1.40%
Water Trailers Grant	(431,000)	-4.75%
Trustee Activities	4,015	0.04%
Total	9,074,272	100.00%

The funds are invested as follows:

Term of Investment	% of Portfolio	Book Value	Market Value
Cash	0.82%	74,520	\$ 74,520
Short-term investment			
• LAIF	49.97%	4,534,236	4,534,236
• OCIP	26.01%	2,360,238	2,360,238
Long-term investment			
• Misc. Securities	22.10%	2,005,278	2,083,648
• Certificates of Deposit	1.10%	100,000	99,293
Total	100.00%	\$9,074,272	\$9,151,935

The average number of days to maturity/call as of November 30, 2013 equaled 152 and the average yield to maturity is 0.947%. During the month, the District's average daily balance was \$17,781,493.58. Funds were invested in Federal Agency Issues, Certificates of Deposit, Negotiable CD's, Miscellaneous Securities, the Local Agency Investment Funds (LAIF) and the Orange County Investment Pool (OCIP) during the month of November 2013.

The \$77,663 difference between the book value and the market value on November 30, 2013 represents the exchange difference if all investments had been liquidated on that date. Since it is the District's practice to "buy and hold" investments until maturity, the market values are a point of reference, not an indication of actual loss or gain. There are no current plans or cash flow requirements identified in the near future that would require the sale of these securities prior to maturity.

Robert J. Hunter
General Manager

Judy Pfister
Deputy Treasurer

MUNICIPAL WATER DISTRICT OF ORANGE COUNTY



Portfolio Management - Portfolio Summary November 30, 2013

	Par Value	Market Value	Book Value	% of Portfolio	Days to Mat/Call	YTM @ Cost
Certificates of Deposit - Bank	100,000.00	99,293.00	100,000.00	1.11	1150	1.050
Local Agency Investment Funds	4,534,236.18	4,534,236.18	4,534,236.18	50.41	1	0.263
Miscellaneous Securities - Coupon	2,000,000.00	2,083,647.50	2,005,277.66	22.24	623	3.346
Orange County Investment Pool	2,360,238.34	2,360,238.34	2,360,238.34	26.24	1	0.222
Total Investments	8,994,474.52	9,077,415.02	8,999,752.18	100.00%	152	0.947

Cash						
Passbook Checking	74,520.02	74,520.02	74,520.02		1	0.00
Total Cash and Investments	9,068,994.54	9,151,935.04	9,074,272.20		152	0.947

Total Earnings	Month Ending November	Fiscal Year to Date
Current Year	8,750.38	47,991.16
Average Daily Balance	17,781,493.58	
Effective Rate of Return	0.947%	

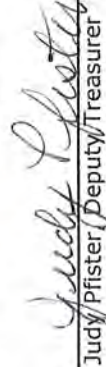
We certify that this report reflects the cash and investments of the Municipal Water District of Orange County and is in conformity with the Government Code requirements and the District Investment Policy and Guidelines in effect at the time of investment. The Investment Program herein shown provides sufficient cash flow liquidity to meet the next six month's estimated expenditure. The source for the market values are from Union Bank



Robert J. Hunter, General Manager

12.26.13

Date



Judy Pfister, Deputy Treasurer

12/26/13

Date

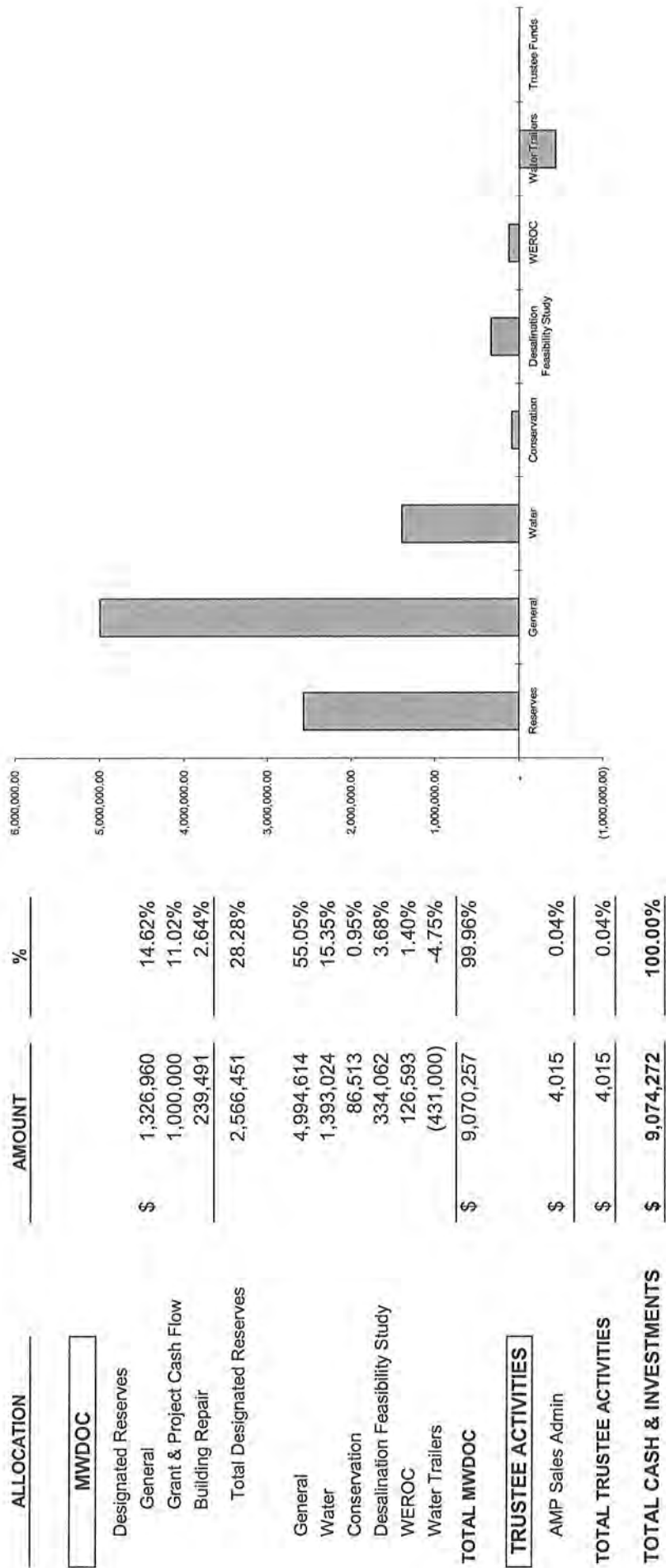
MUNICIPAL WATER DISTRICT OF ORANGE COUNTY
Portfolio Management
Long-Term Portfolio Details - Investments
November 30, 2013

Issuer	CUSIP/Ticker	Settlement Date	Par Value	Market Value	Book Value	Coupon Rate	YTM @ Cost	Days To Call/Maturity	Maturity Date
Certificate of Deposit - Bank									
Goldman Sachs Bank	38143A4T9	1/23/2013	100,000.00	99,293.00	100,000.00	1.050	1.050	1150	1/23/2017
Sub Total			100,000.00	99,293.00	100,000.00	1.050	1.050	1150	
Miscellaneous Securities - Coupon									
Bank of America	06051GED7	10/14/2010	250,000.00	261,852.50	252,828.49	3.700	3.000	640	9/1/2015
JPMorgan Chase	46825HHR4	11/23/2010	250,000.00	259,915.00	252,558.24	3.400	2.700	571	6/24/2015
MetLife Global	59217GAD1	2/25/2011	500,000.00	521,280.00	501,148.68	3.125	3.007	772	1/11/2016
Morgan Stanley	61747YCT0	3/9/2011	500,000.00	522,270.00	499,483.52	3.450	3.508	702	11/2/2015
UBS Financial Services	90261XFY3	6/10/2010	500,000.00	518,330.00	499,258.73	3.500	4.020	411	1/15/2015
Sub Total			2,000,000.00	2,083,647.50	2,005,277.66	3.500	3.346	623	
Total Investments			2,100,000.00	2,182,940.50	2,105,277.66	3.383	3.237	648	
Total Earnings									
Current Year		Month Ending November	5,489.73	Fiscal Year To Date	28,958.30				

MUNICIPAL WATER DISTRICT OF ORANGE COUNTY
Portfolio Management
Short-Term Portfolio Details - Cash and Investments
November 30, 2013

Investments	CUSIP/Ticker	Settlement Date	Par Value	Market Value	Book Value	Coupon Rate	YTM @ Cost	Days To Call/Maturity	Maturity Date
Local Agency Investment Funds									
LAIF LGIP	LAIF	6/30/2010	4,534,236.18	4,534,236.18	4,534,236.18	0.263	0.263	1	N/A
Sub Total			4,534,236.18	4,534,236.18	4,534,236.18	0.263	0.263	1	
Orange County Investment Pool									
County of Orange LGIP	OCIP	6/29/2005	2,360,238.34	2,360,238.34	2,360,238.34	0.222	0.222	1	N/A
Sub Total			2,360,238.34	2,360,238.34	2,360,238.34	0.222	0.222	1	
Total Investments			6,894,474.52	6,894,474.52	6,894,474.52	0.249	0.249		
Passbook Checking									
Bank of America Cash	CASH0547	7/1/2011	74,020.02	74,020.02	74,020.02	0.000	0.000	1	N/A
Petty Cash Cash	CASH	7/1/2011	500.00	500.00	500.00	0.000	0.000	1	N/A
Total Cash			74,520.02	74,520.02	74,520.02	0.000	0.000	1	
Total Cash and Investments			6,968,994.54	6,968,994.54	6,968,994.54	0.249	0.249	1	
Total Earnings									
Current Year		Month Ending November	Fiscal Year To Date						
		3,260.65	19,032.86						

**Municipal Water District of Orange County
Cash and Investments at November 30, 2013**



MUNICIPAL WATER DIST OF ORANGE COUNTY
PARS GASB 45 Program**Monthly Account Report for the Period**
11/1/2013 to 11/30/2013Rob Hunter
General Manager
Municipal Water Dist of Orange County
18700 Ward Street
Fountain Valley, CA 92708**Account Summary**

Source	Beginning Balance as of 11/1/2013	Contributions	Earnings	Expenses	Distributions	Transfers	Ending Balance as of 11/30/2013
Employer Contribution	\$837,543.37	\$0.00	\$10,175.30	\$488.93	\$0.00	\$0.00	\$847,229.74
Totals	\$837,543.37	\$0.00	\$10,175.30	\$488.93	\$0.00	\$0.00	\$847,229.74

Investment Selection

Moderate HighMark PLUS

Investment Objective

The dual goals of the Moderate Strategy are growth of principal and income. It is expected that dividend and interest income will comprise a significant portion of total return, although growth through capital appreciation is equally important. The portfolio will be allocated between equity and fixed income investments.

Investment Return

1-Month	3-Months	1-Year	Annualized Return			Inception Date
			3-Years	5-Years	10-Years	
1.22%	6.61%	14.15%	N/A	N/A	N/A	10/26/2011

Information as provided by US Bank, Trustee for PARS; Not FDIC Insured; No Bank Guarantee; May Lose Value

Past Performance does not guarantee future results. Performance returns may not reflect the deduction of applicable fees, which could reduce returns. Information is deemed reliable but may be subject to change.

Investment Return: Annualized rate of return is the return on an investment over a period other than one year multiplied or divided to give a comparable one-year return.

Inception Date: Plans inception date

Municipal Water District of Orange County
WATER USE EFFICIENCY PROJECTS

Cash Flow as of 12/31/13

	Jul 2013	Aug 2013	Sep 2013	Oct 2013	Nov 2013	Dec 2013	Jan 2014	Feb 2014	Mar 2014	Apr 2014	May 2014	Jun 2014	TOTALS
Cash - Beginning Balance	\$ (204,195.07)	\$ (120,906.78)	\$ 153,254.44	\$ 203,884.71	\$ 194,437.45	\$ 86,512.97	\$ 306,283.78	\$ 306,283.78	\$ 306,283.78	\$ 306,283.78	\$ 306,283.78	\$ 306,283.78	
REVENUES:													
BUREC						129,236.42							\$ 129,236.42
City of Anaheim, Brea, Buena Park		75.00				75.00							\$ 150.00
City of Fountain Valley, Fullerton				84.96									\$ 84.96
City of Garden Grove, Huntington Beach	75.00	105.00	224.28	394.96		75.00							\$ 874.24
City of La Palma, La Habra, Newport Bch			9.96	150.00									\$ 309.96
City of Santa Ana, San Clemente	300.00	75.00	220.91										\$ 670.91
City of San Juan Capistrano	105.00	315.00		241.92									\$ 661.92
City of Tustin, Westminster	315.00	285.00	75.00	70.91	87.25	150.00							\$ 983.16
City of Orange, CUWCC	945.00	7,842.25	554.85	324.96		180.00							\$ 9,847.06
Department of Water Resources	6,502.95		91,318.70	11,804.40									\$ 109,626.05
East Orange County Water District													\$ -
El Toro Water District	7,198.83		2,743.20	2,796.39	4,569.99								\$ 17,308.41
Golden State Water Company	525.00		892.84	1,039.99	210.00	2,622.94							\$ 5,290.77
Irvine Ranch Water District	55,800.00		1,500.00	43,514.14	2,250.00	750.00							\$ 103,814.14
Laguna Beach County Water District			9.96			75.00							\$ 84.96
Mesa Water District	654.96		75.00			75.00							\$ 804.96
Metropolitan Water District	116,677.96	292,381.42	722.05	5,372.28	22,225.79	158,856.54							\$ 596,236.04
Moulton Niguel Water District, NRCS	234.96	75.00	491.97			361.55							\$ 1,163.48
MWDOC				54,000.00									\$ 54,000.00
Santa Margarita Water District	300.00	534.96	1,106.21	6,402.99	246.99	3,333.94							\$ 11,925.09
Serrano Water District													\$ -
South Coast Water District		143.00											\$ 143.00
State Water Resources Control Board		127,400.00											\$ 127,400.00
Yorba Linda Water District		75.00		159.98									\$ 234.98
Trabuco Canyon Water District													\$ -
Miscellaneous Revenues													
Interest Revenue	1.20												
Total Revenues	189,635.86	429,306.63	99,944.93	126,357.88	29,815.02	295,791.39	-	-	-	-	-	-	\$ 1,170,851.71
EXPENDITURES:													
Alliance for WUE, A&N Technical	11,070.00	3,295.00	2,170.00	1,143.50									17,678.50
Aquaficient, ABG Mktg,	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00							9,000.00
Bridgecreek landscape, Boeing													-
CA Lndscope Contractor, Chang's Lndscp													-
Conservation Consulting, LLC, Earthco	7,659.00	7,105.50	6,858.00	7,818.75	7,326.00	7,175.25							43,942.50
City of Buena Park, City of Newport Bch	54,622.00	31,700.00			95,532.00	16,632.00							198,486.00
City of San Clemente, San Juan Cap		105.00											105.00
City of Tustin, City of Westminster		210.00		439.50									649.50
EOCWD, El Toro WD, Fountain Valley													-
Eco friendly landscape, EIS		8,850.00											8,850.00
Federal Express, Glen's Landscaping													-
Garden Grove, Hotel Prog part, IRWD					6,350.00								6,350.00
MED, MESA, MNWD				8,060.72									8,060.72
Mesa on RCD, Oakley, Paradise Designs	10,398.07	8,684.21	7,246.00	22,135.63		21,301.33							69,765.24
RFPellis Fin Consultants, Santa Rosa													-
San J D, SCWD				3,115.02									3,115.02
Terra Firma, Turf Removal, URS Corp	16,118.50	90,345.70	21,493.77	84,789.00	23,521.50	29,412.00							265,680.47
Water Landscaping, Waterwise Consult	4,980.00	3,350.00	2,050.00	1,700.00	3,510.00								15,590.00
Yorba													-
Miscellaneous Expenses													
Interest Expense				41.86									41.86
Salary & Benefit			7,996.89	5,061.16									13,058.05
Total Expenditures	106,347.57	155,145.41	49,314.66	135,805.14	137,739.50	76,020.58	-	-	-	-	-	-	\$ 660,372.86
Cash - Ending Balance	\$ (120,906.78)	\$ 153,254.44	\$ 203,884.71	\$ 194,437.45	\$ 86,512.97	\$ 306,283.78	\$ 306,283.78	\$ 306,283.78	\$ 306,283.78	\$ 306,283.78	\$ 306,283.78	\$ 306,283.78	

MUNICIPAL WATER DISTRICT OF ORANGE COUNTY
COMBINED FINANCIAL STATEMENTS
AND
BUDGET COMPARATIVE
JULY 1, 2012 THRU NOVEMBER 30, 2013

**Municipal Water District of Orange County
Combined Balance Sheet
As of November 30, 2013**

<u>ASSETS</u>	Amount
Cash in Bank	74,520.02
Investments	8,999,752.18
Accounts Receivable	37,319,096.92
Accounts Receivable - Other	152,982.68
Accrued Interest Receivable	28,257.50
Prepays/Deposits	249,723.47
Leasehold Improvements	2,796,412.08
Furniture, Fixtures & Equipment	536,387.64
Less: Accum Depreciation	(2,364,968.77)
TOTAL ASSETS	<u>\$47,792,163.72</u>
 <u>LIABILITIES AND FUND BALANCES</u>	
Liabilities	
Accounts Payable	36,537,276.03
Accrued Salaries and Benefits Payable	255,534.48
Other Liabilities	461,981.79
Other post employment benefits (OPEB) liabilities	31,956.00
Unearned Revenue	1,188,194.86
Total Liabilities	<u>38,474,943.16</u>
 Fund Balances	
Restricted Fund Balances	
Water Fund - T2C	1,010,448.00
Water Fund - CC	90,285.64
Total Restricted Fund Balances	<u>1,100,733.64</u>
Unrestricted Fund Balances	
Designated Reserves	
General Operations	1,295,004.30
Grant & Project Cash Flow	1,000,000.00
Building Repair	239,491.00
Total Designated Reserves	<u>2,534,495.30</u>
GENERAL FUND	1,612,576.09
WEROC	49,543.25
Total Unrestricted Fund Balances	<u>4,196,614.64</u>
Excess Revenue over Expenditures	
Operating Fund	4,074,467.03
Other Funds	(54,594.75)
Total Fund Balance	<u>9,317,220.56</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$47,792,163.72</u>

Municipal Water District of Orange County
Revenues and Expenditures Budget Comparative Report
General Fund
From July thru November 2013

	Month to Date	Year to Date	Annual Budget	% Used	Encumbrance	Budget Remaining
<u>REVENUES</u>						
Retail Connection Charge	0.00	5,129,804.40	5,121,824.00	100.16%	0.00	(7,980.40)
Water Increment	42,193.00	428,103.69	709,840.00	60.31%	0.00	281,736.31
Water rate revenues	42,193.00	5,557,908.09	5,831,664.00	95.31%	0.00	273,755.91
Interest Revenue	8,471.70	46,703.88	138,000.00	33.84%	0.00	91,296.12
Subtotal	50,664.70	5,604,611.97	5,969,664.00	93.88%	0.00	365,052.03
Choice Programs	0.00	907,845.48	1,040,259.00	87.27%	0.00	132,413.52
Miscellaneous Income	177.53	1,741.16	3,000.00	58.04%	0.00	1,258.84
School Contracts	5,940.48	14,111.76	70,000.00	20.16%	0.00	55,888.24
Subtotal	6,118.01	923,698.40	1,113,259.00	82.97%	0.00	189,560.60
TOTAL REVENUES	56,782.71	6,528,310.37	7,082,923.00	92.17%	0.00	554,612.63

Municipal Water District of Orange County
Revenues and Expenditures Budget Comparative Report
General Fund
From July thru November 2013

	Month to Date	Year to Date	Annual Budget	% Used	Encumbrance	Budget Remaining
<u>EXPENSES</u>						
Salaries & Wages	221,966.26	1,161,797.68	2,914,175.00	39.87%	8,000.00	1,744,377.32
Salaries & Wages - Grant Recovery	0.00	(10,039.66)	(20,851.00)	48.15%	0.00	(10,811.34)
Directors' Compensation	13,496.60	67,715.70	200,357.00	33.80%	0.00	132,641.30
MWD Representation	6,282.90	34,672.30	114,490.00	30.28%	0.00	79,817.70
Employee Benefits	64,826.80	333,447.29	982,059.00	33.95%	0.00	648,611.71
OPEB Annual Contribution	0.00	0.00	111,112.00	0.00%	0.00	111,112.00
Employee Benefits - Grant Recovery	0.00	(3,018.39)	0.00	0.00%	0.00	3,018.39
Director's Benefits	6,955.96	34,348.43	87,592.00	39.21%	0.00	53,243.57
Health Ins \$'s for Retirees	2,761.88	21,721.64	44,463.00	48.85%	0.00	22,741.36
Training Expense	370.00	1,361.00	14,200.00	9.58%	0.00	12,839.00
Tuition Reimbursement	0.00	1,969.15	6,000.00	32.82%	0.00	4,030.85
Personnel Expenses	316,660.40	1,643,975.14	4,453,597.00	36.91%	8,000.00	2,801,621.86
Engineering Expense	22,500.00	30,000.00	170,000.00	17.65%	31,500.00	108,500.00
Legal Expense	33,957.01	155,088.79	304,500.00	50.93%	94,152.71	55,258.50
Audit Expense	0.00	15,500.00	23,000.00	67.39%	2,400.00	5,100.00
Professional Services	23,285.07	255,908.82	819,102.00	31.24%	267,899.00	295,294.18
Professional Fees	79,742.08	456,497.61	1,316,602.00	34.67%	395,951.71	464,152.68
Conference-Staff	0.00	3,640.00	12,520.00	29.07%	0.00	8,880.00
Conference-Directors	120.00	1,545.00	7,960.00	19.41%	0.00	6,415.00
Travel & Accom.-Staff	929.19	3,570.86	28,360.00	12.59%	450.00	24,339.14
Travel & Accom.-Directors	0.00	1,557.98	15,950.00	9.77%	0.00	14,392.02
Travel & Conference	1,049.19	10,313.84	64,790.00	15.92%	450.00	54,026.16
Membership/Sponsorship	17,107.00	68,625.70	88,087.00	77.91%	0.00	19,461.30
CDR Support	0.00	19,979.50	39,140.00	51.05%	19,979.50	(819.00)
Dues & Memberships	17,107.00	88,605.20	127,227.00	69.64%	19,979.50	18,642.30
Business Expense	682.70	2,982.41	7,000.00	42.61%	0.00	4,017.59
Maintenance Office	8,592.26	45,262.27	104,880.00	43.16%	54,727.73	4,890.00
Storage Rental & Equipment Lease	1,375.44	5,318.16	14,309.00	37.17%	7,989.84	1,001.00
Office Supplies	2,593.55	9,939.29	24,000.00	41.41%	2,396.30	11,664.41
Postage/Mail Delivery	847.18	3,578.75	15,100.00	23.70%	3,036.70	8,484.55
Subscriptions & Books	30.00	493.62	2,400.00	20.57%	0.00	1,906.38
Reproduction Expense	0.00	9,187.14	68,587.00	13.39%	9,828.45	49,571.41
Maintenance-Computers	588.50	1,233.29	7,500.00	16.44%	807.75	5,458.96
Software Purchase	0.00	1,769.94	9,500.00	18.63%	0.00	7,730.06
Software Support	0.00	9,015.14	54,400.00	16.57%	0.00	45,384.86
Automotive Expense	1,032.24	5,075.39	14,300.00	35.49%	0.00	9,224.61
Toll Road Charges	5.25	500.45	1,290.00	38.79%	0.00	789.55
Insurance Expense	7,078.18	40,593.40	96,000.00	42.28%	0.00	55,406.60
Utilities - Telephone	1,127.28	5,951.77	16,900.00	35.22%	0.00	10,948.23
Bank Fees	861.64	4,521.87	10,560.00	42.82%	0.00	6,038.13
Miscellaneous Expense	6,839.09	25,048.49	80,550.00	31.10%	2,844.74	52,656.77
MWDOC's Contrb. To WEROC	9,068.00	45,344.00	108,820.00	41.67%	0.00	63,476.00
Depreciation Expense	2,941.96	14,709.92	0.00	0.00%	0.00	(14,709.92)
Other Expenses	43,663.27	230,525.30	636,096.00	36.24%	81,631.51	323,939.19
Building Repair & Maintenance	0.00	13,596.00	315,000.00	4.32%	166,575.00	134,829.00
Capital Acquisition	6,559.77	10,330.25	23,500.00	43.96%	3,880.00	9,289.75
TOTAL EXPENSES	464,781.71	2,453,843.34	6,936,812.00	35.37%	676,467.72	3,806,500.94
NET INCOME (LOSS)	(407,999.00)	4,074,467.03	146,111.00			

Municipal Water District of Orange County
Revenues and Expenditures Budget Comparative Report
Water Fund
From July thru November 2013

	Month to Date	Year to Date	Annual Budget	% Used	Budget Remaining
<u>WATER REVENUES</u>					
Water Sales	14,895,752.30	80,963,956.80	145,306,842.00	55.72%	64,342,885.20
Readiness to Serve Charge	885,708.68	4,428,543.40	10,293,552.00	43.02%	5,865,008.60
Capacity Charge CCF	261,066.67	1,305,333.35	3,132,800.00	41.67%	1,827,466.65
SCP Surcharge	23,220.98	158,156.15	354,112.00	44.66%	195,955.85
Interest	241.43	1,243.59	4,630.00	26.86%	3,386.41
TOTAL WATER REVENUES	16,065,990.06	86,857,233.29	159,091,936.00	54.60%	72,234,702.71
<u>WATER PURCHASES</u>					
Water Sales	14,895,752.30	80,963,956.80	145,306,842.00	55.72%	64,342,885.20
Readiness to Serve Charge	885,708.68	4,428,543.40	10,293,552.00	43.02%	5,865,008.60
Capacity Charge CCF	261,066.67	1,305,333.35	3,132,800.00	41.67%	1,827,466.65
SCP Surcharge	23,220.98	158,156.15	354,112.00	44.66%	195,955.85
TOTAL WATER PURCHASES	16,065,748.63	86,855,989.70	159,087,306.00	54.60%	72,231,316.30
EXCESS OF REVENUE OVER EXPENDITURES	241.43	1,243.59	4,630.00		

Municipal Water District of Orange County
WUE Revenues and Expenditures (Actuals vs Budget)
From July thru November 2013

	Year to Date Actual	Annual Budget	% Used
Landscape Performance Certification			
Revenues	93,514.46	116,000.00	80.62%
Expenses	38,515.25	107,000.00	36.00%
Excess of Revenues over Expenditures	54,999.21	0.00	
SmarTimer Program			
Revenues	35,656.24	125,200.00	28.48%
Expenses	38,931.32	125,200.00	31.10%
Excess of Revenues over Expenditures	(3,275.08)	0.00	
Industrial Water Use Reduction			
Revenues	11,047.50	113,478.00	9.74%
Expenses	18,931.65	113,478.00	16.68%
Excess of Revenues over Expenditures	(7,884.15)	0.00	
Rotating Nozzles Rebate			
Revenues	111,866.00	0.00	0.00%
Expenses	111,926.62	0.00	0.00%
Excess of Revenues over Expenditures	(60.62)	0.00	
Hotel Water Use Reduction Program			
Revenues	7,100.00	189,484.00	3.75%
Expenses	18,621.62	189,484.00	9.83%
Excess of Revenues over Expenditures	(11,521.62)	0.00	
ULFT Rebate Program			
Revenues	21,940.89	40,000.00	54.85%
Expenses	26,925.96	40,000.00	67.31%
Excess of Revenues over Expenditures	(4,985.07)	0.00	
HECW Rebate Program			
Revenues	143,682.28	380,000.00	37.81%
Expenses	133,212.28	380,000.00	35.06%
Excess of Revenues over Expenditures	10,470.00	0.00	
Large Landscape Survey			
Revenues	21,928.47	21,600.00	101.52%
Expenses	37,651.96	21,600.00	174.31%
Excess of Revenues over Expenditures	(15,723.49)	0.00	
Indoor-Outdoor Survey			
Revenues	1,411.41	12,150.00	11.62%
Expenses	0.00	12,150.00	0.00%
Excess of Revenues over Expenditures	1,411.41	0.00	
Turf Removal Program			
Revenues	181,901.37	105,000.00	173.24%
Expenses	196,320.18	105,000.00	186.97%
Excess of Revenues over Expenditures	(14,418.81)	0.00	

Municipal Water District of Orange County
WUE & Other Funds Revenues and Expenditures (Actuals vs Budget)
From July thru November 2013

	Year to Date Actual	Annual Budget	% Used
WUE Master Plan			
Revenues	3,313.50	0.00	0.00%
Expenses	3,317.46	0.00	0.00%
Excess of Revenues over Expenditures	(3.96)	0.00	
WEROC			
Revenues	150,251.00	213,577.00	70.35%
Expenses	84,344.00	213,577.00	39.49%
Excess of Revenues over Expenditures	65,907.00	0.00	
WEROC Water Trailers (UASI) Grant			
Revenues	265,232.00	0.00	0.00%
Expenses	397,846.00	0.00	0.00%
Excess of Revenues over Expenditures	(132,614.00)	0.00	
WUE Projects			
Revenues	633,362.12	1,102,912.00	57.43%
Expenses	624,354.30	1,093,912.00	57.08%
Excess of Revenues over Expenditures	9,007.82	9,000.00	
RPOI Distributions			
Revenues	4,447,821.66	1,619,665.00	274.61%
Expenses	4,447,821.66	1,619,665.00	274.61%
Excess of Revenues over Expenditures	0.00	0.00	
Ocean Desalination			
Revenues	47,871.98	115,459.00	41.46%
Expenses	47,871.98	115,459.00	41.46%
Excess of Revenues over Expenditures	0.00	0.00	



Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

To the Board of Directors
Municipal Water District of Orange County
Fountain Valley, California

We have audited the financial statements of the Municipal Water District of Orange County (District) for the year ended June 30, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 4, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the District adopted Statement of Governmental Accounting Standards (GASB Statement) Nos. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* and 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, for the year beginning July 1, 2012. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements were:

Management's estimate were used in: determining fair market value of investments; depreciation expense and valuation of capital assets, including capitalized interest; and actuarial liabilities and annual required contributions pertaining to the District's retirement and medical retiree (OPEB) plans. We evaluated the key factors and assumptions used to develop these estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 19, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Board of Directors and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.



Laguna Hills, California
December 19, 2013



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Directors
Municipal Water District of Orange County
Fountain Valley, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Municipal Water District of Orange County (District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 19, 2013. In addition, our report included an emphasis of matter related to the District's implementation of GASB Statements Nos. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* and 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion was not modified with respect to this matter.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Laguna Hills, California
December 19, 2013

**MUNICIPAL WATER DISTRICT
OF ORANGE COUNTY**

**FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2013**

Table of Contents

	Page
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis (Unaudited)	3 - 9
Basic Financial Statements:	
▪ Statement of Net Position	10 - 11
▪ Statement of Revenues, Expenses and Changes in Net Position	12
▪ Statement of Cash Flows	13 - 14
▪ Notes to Financial Statements	15 - 26
Required Supplementary Information (Unaudited):	
▪ Other Post-employment Benefit Plan Schedule of Funding Progress	27

Independent Auditors' Report



INDEPENDENT AUDITORS' REPORT

Board of Directors
Municipal Water District of Orange County
Fountain Valley, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Municipal Water District of Orange County (District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2013, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, in 2013, the District adopted new accounting guidance, GASB Statements Nos. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* and 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress for the other post-employment benefit plan on pages 3 through 9 and 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Prior-Year Comparative Information

We have previously audited the 2012 financial statements of the District, and we expressed an unmodified audit opinion on the financial statements in our report dated January 7, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Laguna Hills, California
December 19, 2013

Management's Discussion and Analysis

(Unaudited)

**MUNICIPAL WATER DISTRICT OF ORANGE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

The following is a brief discussion of the Municipal Water District of Orange County's (District) activities and financial performance for the year ended June 30, 2013. Please read in conjunction with the District's basic financial statements and accompanying notes which follow this section.

FINANCIAL HIGHLIGHTS

- The District's revenues were \$176.0 million in FY 2012-13, compared to \$186.4 million in the prior fiscal year, a 5.6% decrease.
- The District's expenses were \$180.0 million in FY 2012-13, compared to \$186.6 million in the prior fiscal year, a 3.5% decrease.
- The District's assets at June 30, 2013 were \$40.3 million, a 15.4% decrease compared to total assets of \$47.7 million at June 30, 2012.
- The District's liabilities at June 30, 2013 were \$35.0 million, an 8.8% decrease compared to total liabilities of \$38.3 million at June 30, 2012.
- The District's net position at June 30, 2013 were \$5.4 million, a 42.7% decrease compared to net position of \$9.4 million at June 30, 2012.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied. The accompanying financial statements are reported using the economic resources measurement focus, and the accrual basis of accounting.

Under the economic resources measurement focus all assets and liabilities (whether current or noncurrent) associated with these activities are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The District's financial statements, prepared in accordance with generally accepted accounting principles (GAAP), offer key, high-level financial information about District activities during the reporting period. The financial statements of the District consist of three interrelated statements designed to provide the reader with relevant information on the District's financial condition and operating results. These statements offer short-term and long-term financial information about the District's activities utilizing the full accrual basis of accounting.

The *Statement of Net Position* includes all of the District's assets, less liabilities, and provides information about the nature and amounts of investments in resources (assets) and the obligations to the District's creditors (liabilities), with the difference being reported as Net Position. It also provides the basis for computing rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District.

**MUNICIPAL WATER DISTRICT OF ORANGE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
JUNE 30, 2013**

All of the current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses, and Changes in Net Position*. This statement measures the District's operations over the past year and can be used to determine whether the District has successfully recovered all its projected costs through its rates and other service related charges.

The final required financial statement is the *Statement of Cash Flows* which presents information about the District's cash receipts and cash payments during the reporting period classified as cash receipts, cash payments, and net changes in cash resulting from operations, and investing, non-capital financing, and capital and related financing activities. This statement also provides comparative information on the sources and uses of the District's cash during the reporting period.

FINANCIAL ANALYSIS OF THE DISTRICT

Our analysis of the District begins on page 3 of the Management's Discussion and Analysis. One of the most important questions asked about the District's finances is: "Is the District, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District's activities in a way that will help answer this question. These two statements report the net position of the District and changes in them. You can think of the District's net position (the difference between assets and liabilities) as one way to measure financial health or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other non-financial factors, such as changes in economic conditions, population growth, changes in rates and charges and new or changed government legislation or accounting standards.

**MUNICIPAL WATER DISTRICT OF ORANGE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
JUNE 30, 2013**

STATEMENT OF NET POSITION

Net position is the difference between assets, less liabilities, and may serve over time as a useful indicator of a government's financial position. The following is a summary of the District's Statement of Net Position.

**Table 1
Condensed Statements of Net Position
(In thousands of dollars)**

	<u>FY 2013</u>	<u>FY 2012</u>	<u>Variance</u>	<u>Total Percent Change</u>
Current Restricted Assets	\$ 4,194	\$ 8,877	\$ (4,683)	-52.8%
Current Unrestricted Assets	35,145	37,672	(2,527)	-6.7%
Capital Assets	983	1,117	(134)	-12.2%
Noncurrent Unrestricted Assets	-	13	(13)	-
Total Assets	40,322	47,679	(7,357)	-15.4%
Liabilities Payable from Restricted Current Assets	3,045	4,099	(1,054)	-25.7%
Liabilities Payable from Unrestricted Current Assets	31,880	34,211	(2,331)	-6.8%
Noncurrent Unrestricted Liabilities	32	-	32	-
Total Liabilities	34,957	38,310	(3,353)	-8.8%
Net Position:				
Net Investment in Capital Assets	982	1,117	(135)	-12.1%
Restricted for Trustee Activities	1,149	4,778	(3,629)	-76.0%
Unrestricted	3,234	3,474	(240)	-6.9%
Total Net Position	\$ 5,365	\$ 9,369	\$ 4,004)	-42.7%

As can be seen from the table above, net position decreased by \$4.0 million from Fiscal Year 2012 to 2013. This decrease is the result of the following:

- Current Restricted Assets decreased by \$4.7 million due mainly to a refund to the member agencies for the T2 charge of \$3.7 million and lower grant receivables of \$777,560.
- Liabilities Payable from Restricted Current Assets decreased \$1.1 million due to the use of Advances from Participants to cover the current fiscal years expenses.
- Net Investment in Capital Assets decreased by \$135,000 mainly due to the annual depreciation expenses.

**MUNICIPAL WATER DISTRICT OF ORANGE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
JUNE 30, 2013**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN ET POSITION

While the Statement of Net Position shows the change in financial position of net assets, the Statement of Revenues, Expenses, and Changes in Fund Net Position provides information as to the nature and source of these changes. The District reported a decrease in net assets of \$4.0 million for the year ended June 30, 2013, as compared to a decrease of \$158,000 for the year ended June 30, 2012. The following is a summary of the change in the District's net position.

**Table 2
Condensed Statements of Revenues,
Expenses, and Changes in Net Position
(In thousands of dollars)**

	<u>FY 2013</u>	<u>FY 2012</u>	<u>Variance</u>	<u>Total Percent Change</u>
Operating Revenues	\$ 172,357	\$ 182,777	\$ (10,420)	-5.7%
Special Projects Revenue	3,422	3,469	(47)	-1.4%
Non-operating Revenues	181	183	(2)	-1.1%
Total Revenues	175,960	186,429	(10,469)	-5.6%
Other Operating Expense	172,697	182,967	(10,270)	-5.6%
Special Projects Expense	3,422	3,469	(47)	-1.4%
Depreciation Expense	145	151	(6)	-4.0%
Special Item	3,700	-	3,700	0.0%
Total Expenses	179,963	186,587	(6,623)	-3.5%
Change in Net Position	(4,003)	(158)	(3,846)	2,434.2%
Beginning Net Position	9,369	9,527	(158)	-1.7%
Ending Net Position	\$ 5,366	\$ 9,369	\$ (4,004)	-42.7%

A closer examination of the source of changes in net position reveals that the District's operating revenues decreased by \$10.4 million in Fiscal Year 2013 due mainly to lower water sales caused by wetter and cooler weather.

Total expenses decreased by \$6.6 million due mainly to:

- Lower cost of water purchased in the amount of \$11 million from Metropolitan in Fiscal Year 2013.
- Election expense of \$497,000 incurred in Fiscal Year 2013.
- Special Item of \$3.7 million was due to a refund to the member agencies for the T2 charge collected in prior years (see note 10).

**MUNICIPAL WATER DISTRICT OF ORANGE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
JUNE 30, 2013**

CAPITAL ASSETS

The following is a summary of the District's capital assets at June 30, 2013 and June 30, 2012.

**Table 3
Capital Assets
(In thousands of dollars)**

	<u>FY 2013</u>	<u>FY 2012</u>	<u>Variance</u>	<u>Total Percent Change</u>
Leasehold Improvements	\$ 2,796	\$ 2,786	\$ 10	0.4%
Furniture & Fixtures	537	619	(82)	-13.2%
Subtotal	3,333	3,405	(72)	-2.1%
Less Accumulated Depreciation	(2,350)	(2,288)	(62)	2.7%
Net Capital Assets	\$ 983	\$ 1,117	\$ (134)	-12.0%

Additional information regarding capital assets can be found in Note 1 of the notes to financial statements.

DEBT ADMINISTRATION

The District had no debt outstanding as of June 30, 2013. No new long-term debt was incurred in the year ended June 30, 2013, and the District does not plan to issue new debt in the year ending June 30, 2014.

**MUNICIPAL WATER DISTRICT OF ORANGE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
JUNE 30, 2013**

BUDGETARY HIGHLIGHTS

The District is governed by a Board of Directors consisting of seven elected members. The Board adopts an annual appropriated budget for the prior to the start of the fiscal year. The Budget may be revised by Board action during the fiscal year. An actual vs. budget comparison statement for FY 2012-13 is presented in Table 4 to demonstrate compliance with the adopted budget.

**Table 4
FY 2013 Actual vs. FY 2013 Budget
(In thousands of dollars)**

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>Total Percent Change</u>
Revenues:				
From Operations	\$175,779	\$162,448	\$ 13,331	8.2%
Non-operating Revenues	181	164	17	10.4%
Total Revenues	175,960	162,612	13,348	8.2%
Expenses:				
From Operations				
Cost of Water	165,887	151,904	13,983	9.2%
Other Operating	10,231	9,070	1,161	12.8%
Depreciation	145	150	(5)	-3.4%
Special Item	3,700	-	3,700	100.0%
Total Expenses	179,963	161,124	18,839	11.7%
Change In Net Position	\$ (4,003)	\$ 1,488	\$ (5,491)	-369.1%

The variances on the budget to actual are as follows:

- Revenues from operations were \$13 million higher than budget due to unbudgeted basin replenishment water purchased in Fiscal Year 2013.
- Cost of Water purchased was \$14 million higher than budget due to unbudgeted basin replenishment water purchased in Fiscal Year 2013.
- Other Operating expenses are higher than budget due to increase of election expense, legal and salaries and benefits.
- Special Item of \$3.7 million was due to a refund to the member agencies for the T2 charge collected in prior years (see note 10).

**MUNICIPAL WATER DISTRICT OF ORANGE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
JUNE 30, 2013**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The District's Board of Directors and management considered many factors during preparation and approval of the annual budget for FY 2013-14. The budgeted operating expenses total \$168.6 million and operating and non-operating revenues total \$168.8 million.

Historically, the District's has recouped the cost of water purchased from the resale of imported water to the District's 28 water agencies located in Orange County. In addition MWDOC charges both a per acre-foot surcharge and a per retail meter charge to cover its operating budget. Over the years, the District's operating revenue has been approximately 65% from per retail connection charges, and 35% from per acre-foot charges. Beginning in 2011-12, MWDOC began transitioning from the two-component rate structure to one involving only a single component. Over a five year period, ending in 2015-16, MWDOC would transition from a water rate structure involving a per acre-foot charge and a per retail meter charge to 100% on the per retail meter charge.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is intended to provide the Board of Directors, customers, taxpayers, creditors, and other interested parties with a general overview of the District's financial operations and condition at the year ended June 30, 2013, and to demonstrate the District's accountability for the funds it receives. If you have questions about this report or need additional information, you may contact the Municipal Water District of Orange County, Finance Dept., at 18700 Ward Street, Fountain Valley, CA 92708, (714) 963-3058, www.mwdoc.com.

Basic Financial Statements

Statement of Net Position
Statement of Revenues, Expenses and Changes in Net Position
Statement of Cash Flows

MUNICIPAL WATER DISTRICT OF ORANGE COUNTY

Statement of Net Position

June 30, 2013

(with comparative data as of June 30, 2012)

	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>		
Current Assets:		
Restricted Assets:		
Cash and Cash Equivalents (Note 2)	\$ 2,810,231	\$ 7,231,063
Accounts Receivable Other	1,383,544	1,641,096
Accrued Interest Receivable	677	4,954
Total Restricted Assets	<u>4,194,452</u>	<u>8,877,113</u>
Unrestricted Assets:		
Cash and Cash Equivalents (Note 2)	4,308,620	3,235,358
Investments (Note 2)	2,380,121	3,090,528
Accounts Receivable:		
Water Sales	28,188,179	31,071,698
Other	171,106	177,283
Accrued Interest Receivable	29,482	34,610
Deposits and Prepaid Expenses	67,748	62,277
Total Unrestricted Assets	<u>35,145,256</u>	<u>37,671,754</u>
Total Current Assets	<u>39,339,708</u>	<u>46,548,867</u>
Noncurrent Assets:		
Unrestricted Assets:		
Capital Assets, Net (Note 4)	982,541	1,116,728
Net Other Post Employment Benefits (OPEB) Asset (Note 8)	<u>-</u>	<u>12,692</u>
Total Noncurrent Assets	<u>982,541</u>	<u>1,129,420</u>
TOTAL ASSETS	<u>40,322,249</u>	<u>47,678,287</u>

MUNICIPAL WATER DISTRICT OF ORANGE COUNTY

Statement of Net Position (Continued)

June 30, 2013

(with the comparative data as of June 30, 2012)

	<u>2013</u>	<u>2012</u>
<u>LIABILITIES</u>		
Current Liabilities:		
Payable from Restricted Assets		
Accrued Liabilities	382,222	462,079
Advances from Participants	1,233,803	2,265,746
Due to Participants (Note 5)	1,429,394	1,371,316
Total Payable from Restricted Assets	<u>3,045,419</u>	<u>4,099,141</u>
Unrestricted Liabilities:		
Accounts Payable, Metropolitan Water District of Southern California	30,875,672	33,548,640
Accrued Liabilities	1,003,929	661,990
Total Unrestricted Liabilities	<u>31,879,601</u>	<u>34,210,630</u>
Total Current Liabilities	<u>34,925,020</u>	<u>38,309,771</u>
Noncurrent Liabilities:		
Unrestricted Liabilities:		
Net Other Post Employment Benefits (OPEB) Obligation (Note 8)	31,956	-
Total Noncurrent Liabilities	<u>31,956</u>	<u>-</u>
TOTAL LIABILITIES	<u>34,956,976</u>	<u>38,309,771</u>
<u>NET POSITION</u>		
Invested in Capital Assets	982,541	1,116,728
Restricted for Trustee Activities	1,149,032	4,777,971
Unrestricted	3,233,700	3,473,816
TOTAL NET POSITION	<u><u>\$ 5,365,273</u></u>	<u><u>\$ 9,368,516</u></u>

MUNICIPAL WATER DISTRICT OF ORANGE COUNTY
Statement of Revenues, Expenses and
Changes in Net Position
For the Fiscal Year Ended June 30, 2013
(with comparative data for the Year Ended June 30, 2012)

	<u>2013</u>	<u>2012</u>
Operating Revenues:		
Water Sales	\$ 172,357,485	\$ 182,776,850
Special Projects Revenue	2,304,765	1,610,165
Federal Grant Revenue	426,896	957,068
State Grant Revenue	690,152	901,763
Total Operating Revenues	<u>175,779,298</u>	<u>186,245,846</u>
Operating Expenses:		
Cost of Water Sold	165,887,498	176,861,788
Salaries and Employee Benefits	4,152,834	4,039,267
General and Administrative	2,656,812	2,065,999
Special Project Expenses (Note 6)	3,421,812	3,468,996
Depreciation	144,826	151,274
Total Operating Expenses	<u>176,263,781</u>	<u>186,587,324</u>
Operating (Loss)	<u>(484,484)</u>	<u>(341,478)</u>
Nonoperating Revenues:		
Investment Income	157,801	155,183
Other Income	23,442	27,833
Total Non-Operating Revenues	<u>181,243</u>	<u>183,016</u>
Income Before Special Items	<u>(303,241)</u>	<u>(158,462)</u>
Special Items:		
Distribution of Funds to Member Agencies (Note 10)	<u>3,700,002</u>	<u>-</u>
Total Special Items	<u>3,700,002</u>	<u>-</u>
Change in Net Position	<u>(4,003,243)</u>	<u>(158,462)</u>
NET POSITION - BEGINNING OF YEAR	<u>9,368,516</u>	<u>9,526,978</u>
NET POSITION - END OF YEAR	<u>\$ 5,365,273</u>	<u>\$ 9,368,516</u>

MUNICIPAL WATER DISTRICT OF ORANGE COUNTY

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2013

(with comparative data for the Year Ended June 30, 2012)

	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities:		
Cash received from member agencies-water deliveries	\$ 175,241,004	\$ 186,881,498
Cash payments to Metropolitan Water District of Southern California	(168,560,465)	(179,828,565)
Cash payments for salaries and employee benefits	(4,124,681)	(4,470,330)
Cash payments for general and administrative expenses	(2,297,673)	(1,912,250)
Cash received from special projects	3,679,365	3,942,502
Cash payments for special projects	(4,533,612)	(3,751,446)
	<hr/>	<hr/>
Net Cash (used) Provided by Operating Activities	(596,062)	861,409
	<hr/>	<hr/>
Cash Flows from Noncapital and Related Financing Activities:		
Other income	23,442	27,833
Acquisition of capital assets	(10,639)	(110,509)
Proceeds from RPOI participants (Note 5)	58,078	50,447
Payment to Member Agencies (Note 10)	(3,700,002)	-
	<hr/>	<hr/>
Net Cash (used) by Noncapital and Related Financing Activities	(3,629,121)	(32,229)
	<hr/>	<hr/>
Cash Flows from Investment Activities:		
Investment income	139,103	158,652
Investments sold	738,510	499,398
	<hr/>	<hr/>
Net Cash Provided by Investment Activities	877,613	658,050
	<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents	(3,347,570)	1,487,230
Cash and cash equivalents at beginning of year	10,466,421	8,979,191
	<hr/>	<hr/>
Cash and Cash Equivalents at End of Year	<u>\$ 7,118,851</u>	<u>\$ 10,466,421</u>
	<hr/>	<hr/>
Financial Statement Presentation:		
Cash and Cash Equivalents (Restricted)	\$ 2,810,231	\$ 7,231,063
Cash and Cash Equivalents (Unrestricted)	4,308,620	3,235,358
	<hr/>	<hr/>
Totals	<u>\$ 7,118,851</u>	<u>\$ 10,466,421</u>
	<hr/>	<hr/>

MUNICIPAL WATER DISTRICT OF ORANGE COUNTY

Statement of Cash Flows (Continued)

For the Fiscal Year Ended June 30, 2013

(with comparative data for the Year Ended June 30, 2012)

	<u>2013</u>	<u>2012</u>
Reconciliation of Operating (Loss) to Net Cash Provided for Operating Activities		
Operating Loss	\$ (484,484)	\$ (341,478)
Adjustments to Reconcile Operating Loss to Net Cash Provided (used) by Operating Activities:		
Depreciation	144,826	151,274
Change in Assets and Liabilities:		
Decrease in accounts receivable - water deliveries	2,883,519	4,104,649
Decrease in accounts receivable - other	18,869	95,723
Increase in deposits and prepaid expenses	(5,472)	1,987
Decrease in accounts receivable - special projects	257,553	473,506
Increase in accrued liabilities	373,894	(375,024)
(Decrease) in accrued liabilities	(79,856)	(287,979)
Increase (Decrease) in special projects	(1,031,944)	5,529
(Decrease) in accounts payable to Metropolitan Water District of Southern California	(2,672,967)	(2,966,777)
Total Adjustments	(111,578)	1,202,887
Net Cash Provided by Operating Activities	\$ (596,062)	\$ 861,409

Notes to Financial Statements

Municipal Water District of Orange County
Notes to Basic Financial Statements
For the Year Ended June 30, 2013

(1) Organization and Summary of Significant Accounting Policies

Reporting Entity

The Municipal Water District of Orange County (the District) was formed as a municipal water district on January 11, 1951 under the Municipal Water District Act of 1911. The District is a wholesale water supplier and resource planning agency that serves all of Orange County through 28 cities and water agencies (except the Cities of Anaheim, Fullerton, and Santa Ana which are independent member agencies of the Metropolitan Water District of Southern California ("Metropolitan"). As a public agency member of the Metropolitan, the District purchases imported water from Metropolitan and provides the water to the District's 28 member agencies, which provide retail water services to approximately 2.3 million residents with the District's service area of approximately 600 square miles. The District's primary sources of water from Metropolitan are the California State Water Project (SWP) and the Colorado River Aqueduct.

The District is an independent special district of the State of California governed by an elected seven-member board. On January 2001, the District merged with the Coastal Municipal Water District (Coastal) under the recommendation of the Local Agency Formation Commission of Orange County (LAFCO) as part of an effort to streamline local government. The consolidation of the two agencies allows the new district to more efficiently provide wholesale water services at an improved efficiency for the benefit of residents living throughout the service area.

The District's reporting entity includes the accounts of the District and the Municipal Water District of Orange County Water Facilities Corporation (WFC). Formed as a separate California nonprofit corporation on April 20, 1978 to assist in the financing of the Allen-McColloch Pipeline (AMP) and the Flow Augmentation Project (FAP), the WFC has no employees (see Note 5). The WFC is governed by a seven-member board comprised of the District's board members. The WFC had no activity or balances for the year ended June 30, 2013 and is kept active for potential future financing arrangements. WFC is a blended component unit of the District and the District has operational responsibility for WFC.

Basic Financial Statements

The District's basic financial statements consist of the Statement of Net Position the Statement of Revenues, Expenses and Changes in Net Position, the Statement of Cash Flows, and the Notes to the Basic Financial Statements.

Basis of Presentation

The District accounts for its activities as an enterprise fund. An enterprise fund is a proprietary type fund used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The District's basic financial statements have been prepared on the accrual basis of accounting, and are presented on an economic measurement focus reporting all economic resources and obligation for the period ended June 30, 2013.

Municipal Water District of Orange County
Notes to Basic Financial Statements
For the Year Ended June 30, 2013

Net Position

In the Statement of Net Position, net position is classified in the following categories:

- Net investment in capital assets – This amount consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets as applicable.
- Restricted net position – This amount consists of restricted assets reduced by liabilities. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
- Unrestricted net position – This amount is the net amount of the assets and liabilities that are not included in the determination of net investment in capital assets or the restricted component of net position.

When both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first and then unrestricted resources as they are needed.

Operating and Non-Operating Revenues and Expenses

The District's primary purpose is to provide a dependable wholesale supply of imported water for its 28 member agencies. Accordingly, operating revenues, such as charges for services (water sales less the cost of water) result from exchange transactions, associated with the principal activity of the District, the purchase and resale of imported water to the District's member agencies.

Revenues from federal and state grants, reimbursements from participants and special projects (see Note 6), as well as special projects expenses are defined as operating revenues and expenses, respectively. Non-operating revenues consist of investment income and other miscellaneous income.

Water Sales and Cost of Water Sold

Historically, the District's primary source of revenue has been from the resale of imported water to the District's 28 member agencies located in Orange County. Based on Metropolitan's cost of water, each year the Board of Directors approves water rates comprised of a per retail connection charge, readiness to serve charge and a per acre-foot charge. Metropolitan's rates are based on cost of service studies performed on a biennial basis. Water rates are not subject to regulation by the California Public Utilities Commission or by any other local, state, or federal agency. Revenue from sales of water is recognized on the accrual basis as water is delivered.

Over the years, the District's revenue has been approximately 65% from a per retail connection charges, and 35% from per acre-foot charges. In June 2010, MWDOC and its member agencies came to agreement on changes to MWDOC's structure of charging for its services. First, MWDOC agreed to segregate our services between "Core" services and "Choice" services to give our agencies more "choices" to the services received. It was also agreed that, in addition to the cost of water and other charges from Metropolitan, MWDOC would transition its method of charging for "Core" services in the following manner. Commencing in fiscal year 2011 -12, MWDOC would begin transitioning to a 100% fixed charge. In the first year of this process, 80% of MWDOC's water rate charges for its operating budget would be fixed, and 20% would be based on water sales charges. Each year for the subsequent four years, MWDOC would increase the amount on fixed charges by 5%, reaching 100% in fiscal year 2015-16.

Choice services would be charged directly to the agencies as a "fee for service". These changes to the rate structure were determined to be more equitable among MWDOC's member agencies.

Investments

The District's investment policy and delegation of investment authority, is reviewed and approved each year by the Board of Directors. The investment policy authorizes the Director of Finance/Treasurer to invest, reinvest, sell or exchange permitted fixed income securities in accordance with the California Government Code. The District accounts for investments in debt securities at fair market value (the value at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale). Investment income from restricted assets remains restricted.

Municipal Water District of Orange County
Notes to Basic Financial Statements
For the Year Ended June 30, 2013

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash and short-term, highly liquid investments (i.e., Local Agency Investment Fund and Orange County Investment Pool) which are readily convertible to cash and mature within ninety (90) days of original purchase.

Accounts Receivable

The District extends credit to customers in the normal course of operations. Management believes all accounts receivable are collectible. In the event any accounts receivable are determined they are uncollectible, an allowance is recorded.

Capital Assets

Capital Assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and useful life greater than one (1) year. Upon retirement, sale or other disposition of capital assets, the cost and related accumulated depreciation are removed from respective accounts and any gains or losses are recognized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 5 years for furniture, fixtures, and equipment, and 30 years for leasehold improvements.

Deposits and Prepaid Expenses

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as Deposits and Prepaid items in the basic financial statements.

Compensated Absences

As vacation leave is a vested employee benefit, the District is obligated to compensate employees for all earned but unused vacation days. Employee vacation days are accrued each pay period and reported as accrued liabilities. Depending on the length of employment, employees earn a minimum of 10 to a maximum of 26 vacation days per year. Accumulated vacation days may not exceed 1.5 times the number of days earned per year without prior approval of the General Manager. On the other hand, sick leave time is a non-vested employee benefit (i.e. accumulated sick leave is not payable in the event of employee termination); is considered a contingent liability; and is not reflected in the accompanying financial statements.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that could affect certain reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates. Also, the preparation of the financial statements inherently requires rounding of amounts and estimates. Management believes that any differences due to rounding are not material.

Budgetary Policy and Control

The District Administrative Code requires that a budget be prepared each year under direction of the General Manager based on estimates of revenues and expected expenditures. The District's Board of Directors adopted an annual budget of expenditures for the period ended June 30, 2013. All amendments to the budget, or transfers of operating budget appropriations to or from reserve accounts, require Board approval. The General Manager is authorized to transfer budget amounts within programs. The legal level of budgetary control is at the total fund level.

Municipal Water District of Orange County
Notes to Basic Financial Statements
For the Year Ended June 30, 2013

New Accounting and Reporting Requirements

For the fiscal year beginning July 1, 2012 the District is required to apply the following GASB Statements:

GASB Statement No. 62 – In December 2010, GASB issued Statement No. 62 – *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: 1) Financial Accounting Standards Board (FASB) Statements and Interpretations, 2) Accounting Principles Board Opinions, and 3) Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. This statement also supersedes Statement No. 20 – *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in paragraph 7 of that Statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretation that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this Statement. The District implemented this pronouncement, effective July 1, 2012.

GASB Statement No. 63 – In June 2011, GASB issued Statement No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and amends the net asset reporting requirements in Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The Statement is effective for periods beginning after December 15, 2011. The District implemented this pronouncement, effective July 1, 2012.

Effective in Future Years

GASB Statement No. 65 – In March 2012, GASB issued Statement No. 65 – *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The Statement is effective for periods beginning after December 15, 2012, or the 2013-2014 fiscal year. The District has not determined the effect on the financial statements.

GASB Statement No. 66 – In March 2012, GASB issued Statement No. 66 – *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The Statement is effective for periods beginning after December 15, 2012, or the 2013-2014 fiscal year. The District has not determined the effect on the financial statements.

GASB Statement No. 67 – In June 2012, GASB issued Statement No. 67 – *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statement No. 25 – *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and Statement No. 50 – *Pension Disclosures*, as they relate to pension plans that are not administered through trust covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pension. The Statement is effective for periods beginning after June 15, 2013, or the 2013-2014 fiscal year. This statement is specifically for pension plan providers.

GASB Statement No. 68 – In June 2012, GASB issued Statement No. 68 – *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The Statement is

Municipal Water District of Orange County
Notes to Basic Financial Statements
For the Year Ended June 30, 2013

effective for periods beginning after June 15, 2014, or the 2014-2015 fiscal year. The District has not determined the effect on the financial statements.

GASB Statement No. 69 – In January 2013, GASB issued Statement No. 69 – *Government Combinations and Disposals of Government Operations*. The objective of this Statement is to establish reporting standards related to government combinations and disposals of government operations. The Statement is effective for periods beginning after December 15, 2013, or the 2014-2015 fiscal year. The District has not determined the effect on the financial statements.

GASB Statement No. 70 – In April 2013, GASB issued Statement No. 70 – *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this Statement is to improve the recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The Statement is effective for periods beginning after June 15, 2013, or the 2013-2014 fiscal year. The District has not determined the effect on the financial statements.

(2) Cash and Investments

Cash and investments at June 30, 2013, are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and Cash Equivalents (Restricted)	\$ 2,810,231
Cash and Cash Equivalents (Unrestricted)	4,308,620
Investments (Unrestricted)	<u>2,380,121</u>
Total Cash and Investments	<u>\$ 9,498,972</u>

Cash and investments as of June 30, 2013 consist of the following:

Cash on hand	\$ 500
Deposits with financial institutions	432,758
Investments	<u>9,066,714</u>
Total Deposits and Investments	<u>\$9,498,972</u>

Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	None	None	None
U.S. Government Sponsored Entities Securities	5 years	None	None
Corporate Securities	5 years	30%	None
Corporate Securities (Reserve Fund)	5 years	20%	None
Commercial Paper	None	20%	10%
Negotiable Certificates of Deposit	None	20%	None
Bankers' Acceptances	None	20%	20%
Repurchase Agreements	None	10%	None
Money Market Mutual Funds	N/A	20%	10%
County Investment Pool	N/A	None	None
State Investment Pool	N/A	None	None

Municipal Water District of Orange County
Notes to Basic Financial Statements
For the Year Ended June 30, 2013

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair market value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. Information about the sensitivity of the fair market values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

<u>Investment Type</u>		Remaining Maturity (in Months)		
		12 Months or Less	13 to 24 Months	25-60 Months
Negotiable Certificates of Deposits	\$ 299,158	\$ 200,340	\$ -	\$ 98,818
Corporate Securities	2,080,963	-	-	2,080,963
County Investment Pool	2,351,961	2,351,961	-	-
State Investment Pool	<u>4,334,632</u>	<u>4,334,632</u>	<u>-</u>	<u>-</u>
	<u>\$9,066,714</u>	<u>\$6,886,933</u>	<u>\$ -</u>	<u>\$2,179,781</u>

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code or District's investment policy, or debt agreements, and the actual rating by Standard and Poor's (S&P) as of the year end of each investment type.

<u>Investment Type</u>		Minimum Legal Rating	Ratings as of Year End			
			A	A-	AA-	Not Rated
Negotiable Certificates of Deposits	\$ 299,158	N/A				\$ 299,158
Corporate Securities	2,080,963	A	\$782,043	\$776,535	\$522,385	
County Investment Pool	2,351,961	N/A				2,351,961
State Investment Pool	<u>4,334,632</u>	<u>N/A</u>	<u></u>	<u></u>	<u></u>	<u>4,334,632</u>
	<u>\$9,066,714</u>		<u>\$782,043</u>	<u>\$776,535</u>	<u>\$522,385</u>	<u>\$6,985,751</u>

Concentration of Credit Risk

The District's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. At June 30, 2013 the District had investment in more than one issuer (other than U.S. Treasury securities, mutual funds, external investment pools) that represented 5% or more of total District investments as follows:

<u>Issuer</u>	<u>Amount</u>	<u>Percent of Portfolio</u>
MetLife Global Funding	\$522,385	5.76%
Morgan Stanley	\$515,930	5.69%
UBS Financial Services	\$521,100	5.74%

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code

Municipal Water District of Orange County
Notes to Basic Financial Statements
For the Year Ended June 30, 2013

and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits:

The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. The Government Code also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2013 the District's deposits with financial institutions are covered by FDIC.

Investment in State and County Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California, and in the Orange County Investment Pool (OCIP) under the oversight of the Orange County Treasurer. The fair market value of the District's investment in these pools are reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair market value provided by LAIF and OCIP for the entire LAIF and OCIP portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF and OCIP, which are recorded on an amortized cost basis.

LAIF is a governmental investment pool managed and directed by the California State Treasurer and is not registered with the Securities and Exchange Commission. An oversight committee comprised of California State officials and various participants provides oversight to the management of the fund. The daily operations and responsibilities of LAIF fall under the auspices of the State Treasurer's office.

The Agency is a participant in the County Treasurer's Orange County Investment Pool (OCIP). The OCIP is an external investment pool, is not rated, and is not registered with the Securities Exchange Commission (SEC). The County Treasury Oversight Committee conducts OCIP oversight. Cash on deposit in the OCIP at June 30, 2013, is stated at fair value. The OCIP values participant shares on an amortized cost basis during the year and adjusts to fair value at year-end. For further information regarding the OCIP, refer to the County of Orange Comprehensive Annual Financial Report.

(3) Restricted Assets

Restricted assets are monies held in restricted funds or accounts by the District for the benefit of member agencies, including a rate stabilization fund. As of June 30, 2013, \$4,194,452 was included in trustee Activities

(4) Capital Assets

The following is a summary of capital assets at June 30, 2013 with changes therein:

	<u>2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>2013</u>
Furniture and fixtures	\$ 619,174	\$ -	\$(82,786)	\$ 536,388
Leasehold improvements	<u>2,785,773</u>	<u>10,639</u>	<u>-</u>	<u>2,796,412</u>
	3,404,947	10,639	(82,786)	3,332,800
Less accumulated depreciation	<u>(2,288,219)</u>	<u>(144,826)</u>	<u>82,786</u>	<u>(2,350,259)</u>
Net Capital Assets	<u>\$1,116,728</u>	<u>\$(134,187)</u>	<u>\$ -</u>	<u>\$ 982,541</u>

(5) Trustee Activities

Since 1978, the District has acted as trustee for certain member agencies in the financing, construction and operation of a water pipeline system and related facilities necessary to improve water quality and provide capacity to accommodate new development in the southeastern portion of the District's service area. The original 1979 pipeline project consisted of the construction of a 26-mile pipeline, which was augmented in 1989 with the construction of a 3-mile parallel pipeline and flow control facility. Together these projects, known as the Allen-McColloch Pipeline (AMP) and the Flow Augmentation Project (FAP), were funded through tax-exempt bonds originally issued by WFC and cash participation by some participating agencies.

Municipal Water District of Orange County
Notes to Basic Financial Statements
For the Year Ended June 30, 2013

In 1995, the Metropolitan acquired the AMP and FAP pipelines and related facilities. At the same time, all participating agencies agreed upon a Revised Percentage of Investment (RPOI) formula for sharing of revenue from Metropolitan and other participants for capacity swaps until the final payment of all outstanding debt or liabilities in 2016, or sooner.

As trustee, the District records current year transactions to receive payments from the financing member agencies, and to make payments to member agencies which paid cash. For the year ended June 30, 2013, The District received \$1,595,144 from certain AMP member agencies, and disbursed \$1,537,066 by the RPOI formula. As of June 30, 2013, the balance of \$1,429,394 included in "Due to Participants" is to be disbursed to the AMP member agencies in the first quarter of the following fiscal year.

(6) Special Projects Revenue and Expenses

The District receives revenues from member agencies, as well as grants from federal and state agencies, to the benefit of the District's ratepayers for a variety of programs and projects, including water conservation education, water use efficiency, and desalinization feasibility studies. As stipulated in executed grant agreements, the District is reimbursed by the granting agency for eligible grant project expenses which are first incurred by the District. For eligible District-incurred grant expenses not reimbursed by the end of the District's fiscal year, the District accrues revenue for unreimbursed grant funds due the District. As of June 30 2013, the District accrued \$781,972 of grants receivable. The District recognized \$3,421,812 in contributions from Metropolitan and member agencies, federal and state grant revenue, and corresponding expenses, for the year ended June 30, 2013

(7) District Directors and Employees Retirement Plans

(a) Defined Contribution Plan

On January 1, 1997, the District adopted a defined contribution, private Money Purchase Pension Plan (Plan). Employee contributions were made to the Plan until the District joined the California Public Employees Retirement System (CalPERS). Effective, March 1, 2003, District employees became members of CalPERS and employee contributions to the Plan were frozen. Currently, Board members participate in the Plan and contributions are made by the District on behalf of the current participants. The District is required to contribute 10.5% of a participant's gross salary, increasing to 13.5% after one year of service. The District's Board of Directors has the authority to amend or terminate the plan at any time. A summary of this plan's contribution and District payroll information follows:

District contributions for participants	\$22,639
District contributions as a percent of covered payroll	10.5% / 13.5%
Total covered payroll	\$171,179

Participants become vested in the District's Plan 20% per year of service until they become fully vested after five (5) years of service.

(b) Defined Benefit Plan (CalPERS Employee Retirement Plan)

Plan Description:

Effective March 1, 2003, the District has participated in the California Employees Retirement System (CalPERS), a cost sharing multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS serves as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and District ordinance. Copies of CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 "P" Street, Sacramento, CA, 95814 (<http://www.calpers.ca.gov>).

Funding Policy:

The District funded employer payroll contributions to CalPERS for the 2.0% at 55 Risk Pool Retirement Plan (Plan) on behalf of eligible District employees. These contributions covered the employee's contribution (7% of annual covered salary), and the employer's contribution (10.238% of annual covered salary) consisting of the actuarially determined remaining amount necessary to fund benefits for its members. The contribution requirements of the plan member are established by State statute and employer contribution rates is

Municipal Water District of Orange County
Notes to Basic Financial Statements
For the Year Ended June 30, 2013

established, and may be amended by CalPERS. Effective with the 2012/13 budget year, employees began paying 1% of the 7% employee contribution. It is anticipated that this amount will increase by 1% each budget year until the 7% employee contribution is fully funded by the employee. Classic CalPERS members hired after March 1, 2013 are required to pay the entire 7% employee contribution rate; and employees hired after January 1, 2013 that are new to CalPERS, are enrolled in the 2% @ 62 CalPERS Retirement Formula and are required to pay 6.25% of the employee contribution rate with the employer paying 6.25% of the Employer contribution rate, this is pursuant to the Public Employees Pension Reform Act (PEPRA). Employer contributions are included and equaled the required contributions for each period. Recent District contribution rates and amounts are presented in the following table.

<u>Fiscal Year</u>	<u>Contribution Rate (%)</u>	<u>Contribution Amount (\$)</u>
2012-13	17.238	462,463
2011-12	17.059	450,105
2010-11	15.984	433,358

(8) Retiree Medical Plan - Other-Post-Employment Benefits

(a) Plan Description:

Effective October 1, 2011, the District established a Post Retirement Healthcare Plan (Plan), and has contributed to a Section 115 Irrevocable Exclusive Benefit Trust for the pre-funding of post-employment health care costs. Currently, the District provides health insurance for its retired employees and their dependent spouses (if married and covered on the District's plan at time of retirement), or survivors in accordance with Board resolutions. Medical coverage is provided for retired employees who are age 55 or over and who have a minimum of 10 years service with the District.

The District pays 100% of the premium for the single retiree and 80% of the married retiree and spouse until age 65. If a retiree in receipt of these benefits dies before reaching age 65, the surviving spouse will continue to receive coverage that the retiree would have been entitled to until age 65 only. When a retiree reaches age 65 and/or is eligible for Medicare, the District reimburses the retiree up to \$1,800 per calendar year for the cost of Supplemental Medical Insurance and Medicare Prescription Drug (Part D) Insurance. Retirees who complete at least 25 consecutive years of full-time service receive District-paid dental and vision benefits along with the above-mentioned medical coverage until the time of the retiree and spouse's death. Plan benefits and contribution requirements of Plan members and the District are established, and may be amended, by the District's Board of Directors.

The following parties are responsible for administration of the Plan:

- Public Agency Retirement Services (PARS) serves as Trust Administrator and Consultant,
- US Bank serves as Trustee, and
- HighMark Capital Management servers as Investment Manager.

PARS issues monthly account reports to the District and HighMark publishes quarterly performance reports.

(b) Funding Policy:

The contribution requirements of Plan members and the District are established, and may be amended, by the District's Board of Directors. Currently, contributions are not required from Plan members. The District is currently funding the OPEB obligation on a pay-as-you-go basis. For the year ended 2013, the District paid \$155,575 in health care costs for its retirees and their covered dependents

(c) Annual OPEB Cost and Net OPEB Obligation:

The District's annual OPEB cost (expense) is calculated based on the Annual Required Contribution of the employer (ARC), an amount actuarially determined in accordance with GASB Statement 45. The most recent GASB 45 actuarial valuation is dated July 1, 2011. The ARC represents a level of funding that, if paid on an on-going basis, is projected to cover normal costs each year and to amortize any unfunded liabilities of the Plan over a period not-to-exceed 30 years.

Municipal Water District of Orange County
Notes to Basic Financial Statements
For the Year Ended June 30, 2013

The following table shows the components of the District's annual OPEB costs for FY 2012-13, the amount actually contributed to the Plan, and changes in the District's net OPEB Asset.

Annual Required Contribution (ARC)	\$ 205,390
Interest on Net OPEB Obligation	24,507
Adjustment to ARC	<u>(29,674)</u>
Annual OPEB Cost	200,223
Contribution made	<u>155,575</u>
Increase in Net OPEB Obligation	44,648
Net OPEB Asset June 30, 2012	<u>(12,692)</u>
Net OPEB Obligation at June 30, 2013	<u>\$ 31,956</u>

(d) Three-Year Trend Information:

For fiscal year 2012, the District's annual OPEB cost (expense) of \$200,223 was equal to the ARC. Information on the annual OPEB cost, Percentage of Annual OPEB Cost Contributed, and Net OPEB Obligation (Asset) are presented below:

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution (Net of Adjustments)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2011	\$170,117	\$ 34,155	20.08%	\$408,455
6/30/2012	200,223	621,370(1)	310.34%	(12,692)
6/30/2013	200,223	155,575	77.70%	31,956

(1) Included \$500,000 contribution to irrevocable trust.

(e) Funded Status and Funding Progress:

As of July 1, 2011, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$1,610,754, and the actuarial value of assets was zero, resulting in an Unfunded Actuarial Accrued Liability (UAAL) of \$1,610,754. The covered payroll (annual payroll of active employees covered by the plan) was \$2,796,645 and the ratio of the UAAL to the covered payroll was 57.60%.

Actuarial valuations of an on-going plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the Plan and the annual required contributions of the District are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

(f) Actuarial Methods and Assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets consistent with the long-term perspective of the calculations.

In the July 1, 2011 actuarial valuation report, the projected unit credit cost method was used. The actuarial assumptions included a 6.00% investment rate of return (net of administrative expenses), a trend rate for the fiscal year beginning 2012 of 7% for healthcare costs, and an inflation rate of 6%. The District's unfunded actuarial accrued liability will be amortized by a 30 year level dollar contribution over an open period.

Municipal Water District of Orange County
Notes to Basic Financial Statements
For the Year Ended June 30, 2013

(9) Risk Management

The District is a member of the Association of California Water Agencies Joint Powers Insurance Authority (Insurance Authority). The Insurance Authority is a risk-pooling self-insurance authority, created under provisions of California Government Code Sections 6500 et. seq. The purpose of the Authority is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage for member agencies.

The Insurance Authority bills the District a deposit premium at the beginning of each year, which is placed in a reserve fund to cover the self-insurance portion of any claim. Settlements and/or expenses related to claims during the year are then charged to the reserve. If the balance of the reserve at the end of the year is deemed too low in relation to the amount of outstanding claims, the District is billed for additional premiums. When the claims are fully settled, any amounts remaining in the reserve are refunded to the District.

At June 30, 2013, the District participated in the self-insurance programs of the Insurance Authority as follows:

Property Loss - The Insurance Authority has pooled self-insurance up to \$100,000 per occurrence and has purchased excess insurance coverage up to \$100 million (total insurable value of \$1,248,142). The District has a \$1,000 deductible for buildings, personal property and fixed equipment.

General Liability - The Insurance Authority has pooled self-insurance up to \$2 million per occurrence, and has purchased excess insurance coverage up to \$60 million.

Auto Liability - The Insurance Authority has pooled self-insurance up to \$2 million per occurrence, and has purchased excess insurance coverage up to \$60 million.

Public Officials' Liability - The Insurance Authority has pooled self-insurance up to \$2 million per occurrence and has purchased excess insurance coverage up to \$60 million.

Fidelity Bond - The Insurance Authority has pooled self-insurance up to \$100,000 per occurrence and has purchased excess insurance coverage up to \$2 million. The District has a \$1,000 deductible.

Workers' Compensation - The Insurance Authority is self-insured up to \$2 million per occurrence and has purchased excess insurance coverage up to the statutory limit. Employer's liability is insured up to a \$4 million limit with pooled self-insurance up to \$2 million, and has purchased excess insurance coverage up to \$2 million.

The District pays annual premiums to the Insurance Authority for all coverage's. There were no instances in the past three years when a settlement exceeded the District's coverage.

Municipal Water District of Orange County
Notes to Basic Financial Statements
For the Year Ended June 30, 2013

(10) Additional Information

Refund of Tier 2 Rate Surcharge

The Tier 2 Contingency Fund was established to cover the differential costs between METROPOLITAN's Tier 1 and Tier 2 water supply in years where MWDOC purchases Tier 2 water (purchases above 228,130 Acre Feet (AF)) The reason of the fund was to reduce rate volatility and minimize financial risk to the member agencies.

In 2012, MWDOC received an increase to its annual Tier 1 limit by additional 52,000 AF, which significantly minimizes MWDOC's future exposure to Tier 2 purchases; and based on MWDOC's past three year average purchases of 193,000 AF, allowed for the opportunity to refund \$3.7 million of the \$4.7 million fund back to the member agencies.

In 2013, the MWDOC Board authorized staff to distribute \$3.7 million back to the member agencies according to the amount they contributed into the fund.

Required Supplementary Information

(Unaudited)

Municipal Water District of Orange County

Required Supplementary Information (Unaudited)

For the Year Ended June 30, 2013

Other Post-Employment Benefit Plan

Schedule of Funding Progress

Retiree Healthcare Plan

Actuarial Valuation Date ⁽¹⁾	Actuarial Accrued Liability (a)	Actuarial Value of Plan Assets (AVA) (b)	Unfunded Actuarial Accrued Liability (UAAL) (a) – (b)	Funded Ratio (b)/(a)	Annual Covered Payroll (c)	UAAL as a % of Payroll Percentage of Covered Payroll [(a)-(b)]/(c)
7/1/2008	\$1,428,095	\$ -	\$1,428,095	0.00%	\$2,707,871	52.74%
7/1/2011	\$1,610,754	\$ -	\$1,610,754	0.00%	\$2,796,645	57.60%

Note (1): GASB 45 actuarial valuation reports prepared by Demsey, Filliger & Associates.



CONSENT CALENDAR ITEM

January 15, 2014

TO: Planning and Operations Committee
(Directors Osborne, Barbre & Hinman)

FROM: Robert Hunter, General Manager

Staff Contact: Karl Seckel and MWDOC Legal Counsel Russ Behrens and Joseph Byrne

SUBJECT: DWR Proposition 50 Grant for Desalination – Application for Doheny Desal Funding

STAFF RECOMMENDATION (revised recommendation)

It is recommended that the Board authorize staff to proceed with a Grant Proposal if it can be ascertained that our proposal would be considered by DWR. Staff has changed the recommended action to a simple receive and file – staff will NOT be seeking funding from this grant, as our options are not in line with the grant offering.

COMMITTEE RECOMMENDATION

Committee concurred with staff recommendation to seek funding opportunities if we have a good chance of securing funding with staff noting that they had already received a negative response from DWR staff regarding the environmental documentation proposal for submittal. Staff indicated they were still waiting to hear on the second concept proposal on groundwater and geologic sampling via horizontal directional drilling. Ultimately, DWR responded with a rather neutral/non-committal statement on the second concept. In addition, insufficient time remains to put together a solid technical proposal and a local funding commitment of \$500,000 or more for such a research project at this time. We will keep this concept alive for future funding options that might come along. No action is required other than a “receive and file” since staff will NOT be submitting a proposal.

Budgeted (Y/N): Yes	Budgeted amount: n/a	Core <input checked="" type="checkbox"/>	Choice
Action item amount: n/a	Line item:		
Fiscal Impact (explain if unbudgeted): Staff and Legal Counsel time. This item is marked Core because it represents an open offer of assistance in seeking funding for local project development.			

SUMMARY

DWR recently published a grant solicitation for desalination. MWDOC has previously applied twice under this program and been successful. This solicitation package was drafted in a narrow manner by DWR. MWDOC has submitted two requests to DWR to see if they would consider these under the format of the grant. DWR indicated our first request would NOT qualify; we are awaiting to hear on the second request before drafting and submitting a proposal. It is also possible that MWDOC would submit a proposal in conjunction with West Basin MWD.

According to the Project Solicitation Package drafted by DWR, the following categories of water desalination projects will be funded by these grants.

- Construction project with a completed feasibility study or facility plan, and **permitting and design either ready to proceed or already proceeding towards construction** of a full- scale desalination treatment or brine disposal facility
- Pilot or demonstration project with a completed feasibility study or facility **plan to assess one or more components of a specific, planned facility**
- Feasibility study, which may include environmental documentation, to assess the viability of **implementing a brackish groundwater** desalination project in a specific area
- Environmental documentation to supplement a **completed feasibility** study of a desalination project
- Research project that supports permitting agencies in establishing policies and regulatory criteria for water desalination projects and that is not for the sole purpose **of assessing a specific project**

The highlighted sections in each of these provisions presents constraints in submittal of a grant for the Doheny Desal Project. Staff wanted to submit a proposal in such a manner as to use the MET Foundational Action Funding as the matching funding in the following two areas:

1. Environmental Documentation related to the environmental baseline monitoring and issues associated with the Coastal Lagoon. Staff drafted a summary and sent it to DWR and they indicated that our proposal would not qualify as it did not cover the full environmental documentation for the project – this round of funding is specifically to move projects forward that are ready to move into construction to achieve quick results – Doheny is NOT at that stage.
2. Research into sampling offshore geology and water quality via horizontal directional drilling. This method would involve the possibility of drilling down through the existing well to sample the geology and water quality at various locations out under the ocean to help us with additional information in the groundwater modeling work under MET's Foundational Action Program. It is likely that this project will be fairly

expensive and will require additional local dollars (maybe \$500,000 to \$750,000). We have not heard back on this concept.

Staff will continue the discussions regarding this grant process into early 2014 to see if a successful proposal can be developed. If so, Board Action would likely be required on January 15 and the Grant submittal is due on January 16.



ACTION ITEM
January 15, 2014

TO: Board of Directors

FROM: **Robert Hunter**
General Manager

**SUBJECT: REORGANIZATION OF THE MWDOC BOARD OF DIRECTORS;
ELECTION OF PRESIDENT AND VICE PRESIDENT**

RECOMMENDATION

It is recommended the Board of Directors nominate and by resolution(s) elect the President and Vice President of the Board.

Res. Nos. ____ & ____

SUMMARY

In accordance with MWDOC's Administrative Code, the President and Vice President of the Board of Directors shall serve a one-year term and shall be elected to such term by the members of the Board at its first regular meeting in January of each year. Nominations will be taken from the floor and a roll call vote shall be taken.

Attached are the proposed resolutions for the election of the President and Vice President of the Board.

Administrative Code Sections 1303-1304 outline the duties of the President and Vice President (as follows):

§1303 DUTIES AND POWERS OF PRESIDENT

The President of the Board of Directors shall be the presiding officer and shall preserve order and decorum at all MWDOC meetings. In the absence of the President, Vice President shall act as President. In the absence of the President and Vice President, the Secretary acts as President until the Board selects one of its members President Pro Tempore, who shall have all of the powers of the President during the continuance of the meeting as well as during the absence of the President.

§1304 DUTIES AND POWERS OF VICE PRESIDENT

In the absence or disability of the President, the Vice President shall perform all of the duties of the President.

Budgeted (Y/N):	Budgeted amount:	Core ____	Choice ____
Action item amount:	Line item:		
Fiscal Impact (explain if unbudgeted):			

RESOLUTION NO. _____
MUNICIPAL WATER DISTRICT OF ORANGE COUNTY

**RE: ELECTION OF THE PRESIDENT
OF THE BOARD**

BE IT RESOLVED by the Board of Directors of the Municipal Water District of Orange County, in accordance with Resolution No. 1231 and Administrative Code Section 1301, that at its first meeting in the month of January of each year, the Board shall elect one of its members President; and

BE IT FURTHER RESOLVED that the Board of Directors has prescribed the use of nominations from the floor and a roll call vote as its method of electing the President of the Board, as set forth in Roberts Rules of Order (newly revised).

THEREFORE BE IT RESOLVED by the Board of Directors of Municipal Water District of Orange County that in accordance with the procedures set forth above, _____ **be and is hereby elected President** of the Board of Directors of Municipal Water District of Orange County, effective January 15, 2014, for a one-year term of office.

Adopted and approved this 15th day of January 2014, by the following roll call vote:

AYES:
NOES:
ABSENT:
PRESENT:

Maribeth Goldsby, District Secretary
Municipal Water District of Orange County

RESOLUTION NO. _____
MUNICIPAL WATER DISTRICT OF ORANGE COUNTY
**RE: ELECTION OF THE VICE PRESIDENT
OF THE BOARD**

BE IT RESOLVED by the Board of Directors of the Municipal Water District of Orange County, in accordance with Resolution Nos. 1231 and 1756 and Administrative Code Section 1301, that at its first meeting in the month of January of each year, the Board shall elect a member of the Board to the office of Vice President, to serve a one year term, until a successor is elected; and

BE IT FURTHER RESOLVED that the Board of Directors has prescribed the use of nominations from the floor and a roll call vote as its method of electing the President and Vice President of the Board, as set forth in Roberts Rules of Order (newly revised).

THEREFORE BE IT FURTHER RESOLVED by the Board of Directors of Municipal Water District of Orange County that in accordance with the procedures set forth above, _____ **be and is hereby elected Vice President** of the Board of Directors of Municipal Water District of Orange County, effective January 15, 2014, for a one-year term of office.

Adopted and approved this 15th day of January 2014, by the following roll call vote:

AYES:
NOES:
ABSENT:
PRESENT:

Maribeth Goldsby, District Secretary
Municipal Water District of Orange County



ACTION ITEM
January 15, 2014

TO: Board of Directors

FROM: Robert Hunter, General Manager

SUBJECT: APPOINTMENT OF SECRETARY, TREASURER(S), AND LEGAL COUNSEL

STAFF RECOMMENDATION

It is recommended the Board of Directors: Adopt Resolution(s) appointing the Board Secretary, Treasurer(s), and Legal Counsel.

SUMMARY

In May 2005, the MWD OC Board of Directors adopted a policy which states that at its first regular meeting in January, the Board shall appoint the Secretary, Treasurer and Legal Counsel. An excerpt from Administrative Code Section 1301 is as follows:

The Board shall appoint, by majority vote, at its pleasure, a Secretary, Treasurer, Legal Counsel, General Manager and Auditor and shall define their duties and fix their compensation. At its first regular meeting in January of each year, the Board shall appoint the Secretary, Treasurer, and Legal Counsel. The Board may also appoint a Deputy Secretary and Deputy Treasurer.

The current incumbents are:

Maribeth Goldsby	Board Secretary
Vacant	Treasurer
Hilary Chumpitaza	Deputy Treasurer
Judy Pfister	Deputy Treasurer
Robert Hunter	Alternate Deputy Treasurer
Russell G. Behrens	Legal Counsel

Attached is a copy of the proposed Resolution. Note that separate resolutions may also be adopted.

Following are the Administrative Code Sections outlining the duties of the Secretary, Treasurer, and Legal Counsel.

Budgeted (Y/N): N/A	Budgeted amount:	Core ____	Choice ____
Action item amount:		Line item:	
Fiscal Impact (explain if unbudgeted):			

§1305 DUTIES OF SECRETARY

The Secretary shall post all notices and agendas required by law, shall keep a record of all proceedings had at meetings of the Board, and shall be custodian of the MWDOC Seal and all documents pertaining to MWDOC affairs. In accordance with California Code of Regulations, Title 2, Section 18227, the Secretary shall serve as filing officer or filing official, responsible for receiving, forwarding or retaining statements of economic interest or campaign statements. The Secretary, in addition to the duties imposed by law, shall perform such duties as may be assigned by the Board. The Board may appoint one or more Deputy Secretaries. Under the direction of the Board and the Secretary, each such Deputy Secretary shall assist the Secretary in performance of the Secretary's duties, and shall perform such other duties as provided by the Board.

§1306 DUTIES OF TREASURER

The Treasurer and/or such other persons as may be authorized by the Board, shall invest and monitor MWDOC funds and draw checks or warrants to pay demands when such demands have been audited and approved in the manner prescribed by the Board. The Board may appoint one or more Deputy Treasurers or Alternate Deputy Treasurers who shall perform the duties of the Treasurer in the absence of the Treasurer.

§1308 DUTIES OF LEGAL COUNSEL

The Legal Counsel shall be the legal adviser of MWDOC and shall perform such duties as may be prescribed by the Board. The Legal Counsel shall serve at the pleasure of the Board, and shall be compensated for services as determined by the Board.

RESOLUTION NO. _____

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE
MUNICIPAL WATER DISTRICT OF ORANGE COUNTY
APPOINTING DISTRICT SECRETARY, TREASURER,
DEPUTY TREASURERS, ALTERNATE DEPUTY TREASURER,
AND LEGAL COUNSEL**

WHEREAS, pursuant to Administrative Code Section 1031, the Board shall appoint the Secretary, Treasurer, Deputy Treasurer, and Legal Counsel on an annual basis (at the first regular meeting in January); and

WHEREAS, the Director of Finance has historically served as Treasurer, and, due to the vacancy in that position, a Treasurer will be appointed at a later date; and

NOW, THEREFORE, BE IT RESOLVED as follows:

_____ is hereby appointed as Secretary of the Board of the Municipal Water District of Orange County effective immediately; the term of office to be at the pleasure of the Board;

_____ is hereby appointed as Deputy Treasurer of the Municipal Water District of Orange County effective immediately; the term of office to be at the pleasure of the Board;

_____ is hereby appointed as Deputy Treasurer of the Municipal Water District of Orange County effective immediately; the term of office to be at the pleasure of the Board;

_____ is hereby appointed as Alternate Deputy Treasurer of the Municipal Water District of Orange County effective immediately; the term of office to be at the pleasure of the Board; and

_____ of _____, is hereby appointed as Legal Counsel of the Municipal Water District of Orange County effective immediately, the term of office to be at the pleasure of the Board.

Said Resolution was adopted, on roll call, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

I HEREBY CERTIFY that the foregoing is a full, true and correct copy of Resolution No. _____, adopted by the Board of Directors of Municipal Water District of Orange County at its meeting of January 15, 2014.

Secretary
Municipal Water District of Orange County



ACTION ITEM
January 15, 2014

TO: Board of Directors

FROM: **Planning & Operations Committee**
(Directors Osborne, Barbre, Hinman)

Robert Hunter
General Manager

Staff Contact:

J. Berg
WUE Programs Manager

SUBJECT: Bureau of Reclamation WaterSMART Grant Resolution

STAFF RECOMMENDATION

Staff recommends the Board of Directors adopt the proposed resolution in support of MWDOC's 2014 WaterSMART: Water and Energy Efficiency grant application to be submitted to the Bureau of Reclamation by January 23, 2014.

COMMITTEE RECOMMENDATION

Committee concurred with staff recommendation.

DETAILED REPORT

In November 2013, the Bureau of Reclamation released its "WaterSMART: Water and Energy Efficiency Grants for FY2014" Funding Opportunity Announcement (FOA). The objective of this announcement is to invite proposals to leverage investments and resources by cost sharing with Reclamation on projects that save water, improve energy efficiency, address endangered species and other environmental issues, and facilitate water transfers to new uses. A total of \$12 million is available for project awards within the 17 western states. The Bureau has established two funding groups: Group 1 includes projects that will be awarded up to \$300,000 each; and Group 2 includes projects that will be awarded up to \$1 million each.

Staff will be submitting an application for a Water Smart Landscape Project: Spray to Drip Irrigation Conversion. The FOA requires all applications to include an official Board Resolution supporting the grant application. The proposed Resolution containing the required content is attached for your consideration.

Budgeted (Y/N): N/A	Budgeted amount: N/A	Core __	Choice <u>X</u>
Action item amount: N/A	Line item: N/A		
Fiscal Impact (explain if unbudgeted): N/A			

RESOLUTION NO. _____
RESOLUTION OF THE BOARD OF DIRECTORS OF MUNICIPAL WATER DISTRICT
OF ORANGE COUNTY SUPPORTING A BUREAU OF RECLAMATION WATER
SMART: WATER AND ENERGY EFFICIENCY GRANT APPLICATION

WHEREAS, the Municipal Water District of Orange County submitted an application to the Bureau of Reclamation for funding for an Water Smart Landscape Program: Spray to Drip Irrigation Conversion to improve urban landscape water use efficiency in the Municipal Water District of Orange County service area,

WHEREAS, the Municipal Water District of Orange County is committed to developing and implementing a comprehensive water use efficiency program designed to meet our local water supply reliability goals, comply with the Best Management Practices for urban water conservation in California, and exceed the Governor's call for a 20% reduction in urban per capita water use by 2020,

NOW, THEREFORE, BE IT RESOLVED, that the Municipal Water District of Orange County Board of Directors designates Robert J. Hunter, General Manager, as the official who has reviewed and supports the application submittal and the legal authority to enter into an agreement on behalf of the District, and designates Joseph M. Berg, Water Use Efficiency Programs Manager, as the District's representative to sign the progress reports and approve reimbursement claims.

NOW, THEREFORE, BE IT FURTHER RESOLVED, that the Municipal Water District of Orange County Board of Directors assures its capability to provide the amount of funding and in-kind contributions specified in the funding plan.

NOW, THEREFORE, BE IT FURTHER RESOLVED, that the Municipal Water District of Orange County will work with Reclamation to meet established deadlines for entering into a cooperative agreement.

Said Resolution was adopted on January 15, 2014, by the following roll call vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

I HEREBY CERTIFY the foregoing is a full, true, and correct copy of Resolution No. _____ adopted by the Board of Directors of Municipal Water District of Orange County at its meeting held on January 15, 2014.

Maribeth Goldsby, Secretary
Municipal Water District of Orange County



ACTION ITEM

January 15, 2014

TO: **Planning and Operations Committee**
(Directors Osborne, Barbre & Hinman)

FROM: **Robert Hunter, General Manager**

Staff Contact: Karl Seckel and MWDOC Legal Counsel Russ Behrens and Joseph Byrne

SUBJECT: **Foundational Action Program Funding Agreements for Consideration:**
(1) Agreement Between MWDOC and MET and Agreement Between MWDOC and South Coast Water District and Laguna Beach County Water District for the Doheny Desal Project
(2) Agreement Between MWDOC and MET and Agreement Between MWDOC and San Juan Basin Authority (SJBA) for the SJBA Project

STAFF RECOMMENDATION

It is recommended that the Board authorize staff to execute all four agreements substantially in the form presented, subject to final review and comment by Legal Counsel. At the time of production of this packet item, the final form of the agreements is still under consideration, both by MET and by South Coast WD, Laguna Beach CWD and the SJBA; attached to the packet are the most current versions. Board action by South Coast WD, Laguna Beach CWD and SJBA are expected the first three weeks in January.

COMMITTEE RECOMMENDATION (and staff update)

Committee concurred with staff recommendation with staff noting that the Agreements would go before South Coast Water District on January 9 for consideration and later in the month to Laguna Beach CWD and to the San Juan Basin Authority (SJBA). Director

Budgeted (Y/N): Yes	Budgeted amount: n/a	Core <input checked="" type="checkbox"/>	Choice
Action item amount: n/a	Line item:		
Fiscal Impact (explain if unbudgeted): Staff and Legal Counsel time. This item is marked Core because it represents an open offer of assistance in seeking funding from MET for local projects.			

Hinman and Karl Seckel participated in the South Coast Board meeting on January 9 and are happy to report that South Coast Water District approved the agreements, substantially in the form presented, and authorized funding in the amount up to \$300,000. For reference purposes, as far as MWDOC is concerned, MET is passing through \$200,000 while South Coast and Laguna Beach CWD, combined, are responsible for \$300,000 in funding (however they agree to split the amount). Unfortunately, Laguna Beach CWD has not scheduled a meeting in January and will be meeting to get approval of the Agreement and their funding amount on February 4. With the South Coast funding commitment on January 9, if for whatever reason Laguna Beach CWD does not approve any funding, South Coast has committed to step in for the entire amount. The expectations remain that Laguna Beach CWD will fund between \$100,000 and \$150,000 towards the local match of \$300,000. A minor amount of language editing has occurred since the P&O Committee, but no substantial modifications have been made in either the MET Agreement or the South Coast and Laguna Beach Agreements. Staff is still recommending approval substantially in the form presented to allow a final round of editing prior to execution.

Another item discussed at the P&O Committee was whether or not MWDOC would be awarding the consultant contracts. At that time, it was not clear, but still a possibility that MWDOC would award the contracts. Since that meeting, South Coast WD has agreed to do all the contracting and at their meeting on January 9 approved funding for the Geoscience Support Services contract for \$252,040 and the Carollo Engineering contract for \$128,000. Those actions will relieve MWDOC from awarding and administering the contracts.

Staff has received the write up for the San Juan Basin Authority (SJBA) meeting to take place on January 14 and does not anticipate any problems with approval. Staff will provide a verbal update at the meeting to confirm the action taken by the SJBA.

SUMMARY

In June, the MWDOC Board approved seeking funding from MET for Foundational Action Funding. MWDOC was successful in three efforts. West Basin is managing the funding agreement for the Direct Potable Reuse. The topic of this action item is to approve funding agreements toward:

- Doheny Desal Project for \$200,000
- San Juan Basin Authority Project for \$200,000

Overall, four agreements are included:

1. Agreement Between MWDOC and MET for the Doheny Desal Project
2. Agreement Between MWDOC and South Coast Water District and Laguna Beach County Water District for the Doheny Desal Project
3. Agreement Between MWDOC and MET for the SJBA Project

4. Agreement Between MWDOC and San Juan Basin Authority (SJBA) for the SJBA Project

The form of Agreements for 1&3 are very similar and the form of Agreements for 2 & 4 are very similar.

Key Provisions of the Agreements

- The term goes through June 30, 2017, roughly two years to complete the work. Both projects should be completed within that time frame without any problems.
- The agreement may be terminated by either Party with or without cause upon 30 days notice (a MET provision).
- Failure to provide progress reports on time will be considered a breach of contract.
- The agreement can be terminated immediately by MET if work has NOT started by January 31, 2014. MET has agreed that “start of work” means procuring consultant contracts to complete the work. It does mean that we need executed agreements with MET and with our agencies before the end of the month.
- Local agencies are responsible for all conduct of the work and compliance with CEQA.
- MET has requested specific language in any consultant agreements for:
 - Indemnification and hold harmless
 - Insurance provisions
 - Intellectual Property
- Any “Intellectual Property” shall be owned by MWDOC but shall be made available to MET and the MET Member Agencies at no cost.
- MET payment shall not exceed \$200,000 or 50% of the project, whichever is less.
- MET is withholding 25% of the payment until a “Final Invoice” is submitted.
- A Final Report must be prepared along with a one-year post report update.
- In-kind services are NOT eligible for any aspect of reimbursement.
- MWDOC’s agreements with the local agencies have the same provisions as the MET Agreements, although the Doheny Desal Project Scope of Work in the MWDOC Agreement is broader and covers work that is not part of the MET Agreement. The Doheny agreement includes about \$35,000 of reimbursable work to be done by Richard Bell. For the Doheny Project overall, the Scope of Work in MET Agreement is estimated at \$419,240 and Metropolitan will pay up to \$200,000. The study task summary in the MWDOC Agreement includes a total amount of work estimated at \$500,000. For the avoidance of doubt, SCWD and LBCWD will be responsible for up to \$300,000 in funding to complete all of the activities outlined.

Attached are all four Agreements in DRAFT Form.

The Final Form of Agreements from MET are expected in early January; Board Action by the local agencies, South Coast WD, Laguna Beach CWD and SJBA is expected in the first three weeks in January.

**FOUNDATIONAL ACTIONS FUNDING PROGRAM AGREEMENT****Agreement No. 139834**

THIS AGREEMENT (Agreement) is made and entered into on [REDACTED], 2013, between

The Metropolitan Water District of Southern California (Metropolitan) and
Municipal Water District of Orange County (Agency).

Metropolitan and Agency may be collectively referred to as "Parties" and individually as "Party."

Recitals

- A. Metropolitan, through its Foundational Actions Funding Program (FAF Program), provides funding to persons or entities for technical studies or pilot projects that reduce barriers to future production of recycled water, stormwater, seawater desalination, and groundwater resources. This Program was established per authorization detailed in Board Letter No.8-4 in April 2013.
- B. Agency was selected through a Request for Proposal (RFP). Metropolitan and Agency agree to enter into an agreement for Overcoming Barriers to Slant Well Seawater Desalination – Siting, Groundwater, Water Quality and Treatment (Project).
- C. This Agreement provides the terms for Agency's participation in the FAF Program.

NOW, THEREFORE, in consideration of the promises and covenants hereinafter set forth, the Parties do agree as follows:

Section 1: Project Description

- 1.1 Agency shall carry out the Project as described in Exhibit A (Scope of Work, Cost, and Schedule), which is hereby incorporated into this Agreement.
- 1.2 Agency shall provide the Project deliverables according to the schedule as set forth in Exhibit A.

Section 2: Agreement Term

- 2.1 This Agreement shall be effective on [REDACTED], 2013 and the term shall be through June 30, 2017, or when all of the Parties' obligations under this Funding Agreement have been fully satisfied, whichever occurs earlier. Extensions of time to complete all or portions of the Project, including any required deliverables, shall be requested in writing by Agency and may be authorized at the sole discretion of Metropolitan in writing by Metropolitan. Any written authorization for an extension of time shall be attached to and incorporated into this Agreement.
- 2.2 This Agreement may be terminated by either Party with or without cause upon 30 days written notice to the other Party. Metropolitan's only obligation in the event of termination will be payment of approved invoices in conformity with this Agreement up to and including the effective date of termination.
- 2.3 Failure of an Agency to submit progress reports or the final report within the timeframe established in Exhibit A or any extension of time authorized in accordance with Section 2.1 above will be a breach of this Agreement.
- 2.4 This Agreement may be terminated immediately by Metropolitan upon written notice to the Agency if work on the Project has not started by January 31, 2014.

Section 3: Agreement Administrators

- 3.1 Ms. Stacie Takeguchi is appointed Agreement Administrator for Metropolitan for the purpose of administering this Agreement. The Agreement Administrator appointed by Agency for the purpose of administering this Agreement is [REDACTED].
- 3.2 The designated Agreement Administrator may be changed by providing written notice to the other Party. Any communication required to administer this Agreement shall be in writing and will be deemed received upon personal delivery or 48 hours after deposit in any United States mail depository, first class postage prepaid, and addressed to the Party for whom intended, as follows:

If to Metropolitan:

The Metropolitan Water District of Southern California
 P. O. Box 54153
 Los Angeles, CA 90054-0153
 Attention: Ms. Stacie Takeguchi
 Or by email to: stakeguchi@mwadh2o.com

If to Agency:

Municipal Water District of Orange County
 18700 Ward Street
 Fountain Valley, CA 92708
 Attention: [Insert Agency Agreement Administrator Name]
 Or by email to: [Insert Agency Administrator email]

Either Party may change such address by giving notice to the other Party as provided herein.

Section 4: Responsibilities and Ownership

- 4.1 Agency shall be responsible for all necessary services and materials for Project implementation including, but not limited to, providing the following: Project administration, data collection, analyses, and reporting.
- 4.2 Agency shall comply with all Federal, State and local laws, ordinances and regulations and is solely responsible for any such obligations, including, without limitation, compliance with the California Environmental Quality Act.
- 4.3 Metropolitan and Agency agree that each party shall be responsible for its own actions, and the actions of its officers, employees and agents, in performing services under this Agreement. Metropolitan and Agency each agree to indemnify and hold the other Party and its officers and agents harmless and agree to defend the other Party against any claim or asserted liability arising out of its actions, either willful or negligent, or the actions of its officers, employees and agents, in performing services pursuant to this Agreement. Such indemnity includes any losses relating to any claim made, whether or not a court action is filed, and attorney fees and administrative and overhead costs related to or arising out of such claim or asserted liability.
- 4.4 Agency is solely responsible for the performance of its staff or representatives in complying with the terms of this Agreement and for the proper allocation of funds provided by Metropolitan for the purpose of implementing the Project under this Agreement.
- 4.5 Agency shall be responsible for the design, implementation, personnel, equipment and supplies, and all capital and operating costs related to and incurred by Project. All materials and equipment necessary to implement Project are the exclusive property of Agency. Metropolitan shall have no ownership, right, title, security interest, or other interest in any Project facilities, materials, or equipment, nor any rights, duties, or responsibilities for operation or maintenance thereof.
- 4.6 Agency shall include this Agreement, language stating that the terms of this Agreement prevail if there is a conflict in any terms in a separate agreement, and the following language in its agreement with any consultant, contractor, or organization retained by or partnering with Agency to work on the Project: "(Consultant) agrees at its sole cost and expense to protect, indemnify, defend, and hold harmless The Metropolitan Water District of Southern California and its Board of Directors, officers, representatives, agents and employees from and against any and all claims and liability of any kind (including, but not limited to, any claims or liability for injury or death to any person, damage to property, natural resources or to the environment, or water quality problems) that arise out of or relate to Agency's approval, construction, operation, repair or ownership of the Project. Such indemnity shall include all damages and losses related to any claim made, whether or not a court action is filed, and shall include attorney's fees, administrative and overhead costs, engineering and consulting fees and all other costs related to or arising out of such claim or asserted liability." Agency shall be solely responsible for all payments and other contractual requirements required by any such separate agreement.

Section 5: Intellectual Property and Use of Materials

- 5.1 All intellectual property developed pursuant to this Agreement shall be owned by Agency and Agency hereby grants Metropolitan and its member public agencies a nonexclusive license, at no cost, to use the intellectual property developed in the course of the work performed under this Agreement by Agency or any contractor and consultant working on Project as described in Exhibit A. This intellectual property includes, but is not limited to, all inventions, patents, data, design, drawings, specifications, raw results, computer programs, final report, as well as any other presentations, reports, findings or related materials developed during the Project.
- 5.2 The Parties agree that the granting of the nonexclusive license to use the intellectual property developed pursuant to this Agreement is beneficial to all Metropolitan member agencies and the Southern California region.
- 5.3 Agency agrees that all results produced in the performance of this Agreement may be released to the public.
- 5.4 Agency shall include the following language in its agreement with any consultant or contractor retained by Agency to work on the Project: "All intellectual property developed pursuant to this Agreement is owned by Municipal Water District of Orange County (Agency). This intellectual property includes, but is not limited to, all inventions, patents, data, design, drawings, specifications, raw results, computer programs, final report,

as well as any other presentations, reports, findings or related materials developed during the Project. All results produced in the performance of this Agreement may be released to the public.”

- 5.5 Agency shall notify Metropolitan in writing of all intellectual property conceived or developed in the course of the work performed under this Agreement.
- 5.6 Agency shall cooperate in the execution of all documents necessary to perfect and protect Metropolitan’s and its member public agencies’ right to intellectual property under this Agreement as requested by Metropolitan.
- 5.7 When requested by Metropolitan or its member public agencies, or upon termination of this Agreement, Agency shall furnish a copy of all documents and other tangible media containing intellectual property developed by Agency during the course of this Agreement, including all prototypes and computer programs.

Section 6: Metropolitan’s Payment

- 6.1 Metropolitan’s payment for the Project is not to exceed \$200,000, or fifty (50) percent of the total cost expended per task as established in Exhibit A, whichever is less. Agency shall be responsible for all costs in excess of Metropolitan’s payment.
- 6.2 Metropolitan shall reimburse Agency only upon receipt and approval by Metropolitan of a required quarterly progress report and associated quarterly invoice in compliance with the requirements of this Agreement and as scheduled in Exhibit A. Twenty five (25) percent of eligible reimbursable costs shall be withheld per invoice until a final report is accepted by Metropolitan. Agency shall submit quarterly invoices with related quarterly progress reports to Metropolitan’s Accounts Payable Section, whose mailing address is P.O. Box 54153, Los Angeles, California 90054-0153, with a copy to the Agreement Administrator via email at the address provided under Section 3.2. Agency’s Agreement Administrator shall sign and certify the invoices to be true and correct to the best of his/her knowledge. Agency’s invoices shall include at a minimum the information requested in Exhibit B (Sample Invoice). Invoices shall itemize allowable expenses and include receipts for which reimbursement is sought. Attached receipts should itemize each cost and provide descriptive information so that expenses are separately identified. The final invoice, including any requests for release of retention, shall be clearly marked “FINAL INVOICE.”
- 6.3 In-kind services are not eligible for reimbursement and shall not be included in Agency invoices to Metropolitan. In-kind services include, but are not limited to, work performed by staff of Agency or of Agency’s partner(s) contributing funding to Project, and related expenses (e.g., travel, overhead, etc.).
- 6.4 All invoices related to the Project must be submitted by Agency to Metropolitan by April 15, 2016, to be considered for payment under the provisions of this agreement. Invoices received after April 15, 2016, will not be paid unless Metropolitan, in its sole discretion, grants Agency, in writing, an extension of time to complete the work and submit its invoices.
- 6.5 Invoices to Metropolitan will be paid 30 days after approval of the invoices, provided the work achieved complies with the conditions set forth in section 6.2 of this Agreement and Exhibit A.

Section 7: Reporting Requirements

- 7.1 Agency shall submit to Metropolitan quarterly progress reports with the associated invoices by the 15th of January, April, July, and October for the preceding quarter. The progress reports shall include, at a minimum, the items listed in Exhibit C (Progress Report Format). Agency shall document all activities and expenditures in progress reports. The submittal of these reports is a requirement for initial and continued disbursement of funds.
- 7.2 Agency shall prepare and submit to Metropolitan, upon completion of the Project, a Final Report, which shall include, at a minimum, the items listed in Exhibit D (Final Report Format). The Final Report shall be provided in hard copy and digital format prior to final payment of funds retained by Metropolitan.
- 7.3 Upon written request by Metropolitan, Agency shall prepare and submit to Metropolitan a Post-Project Update Report one year following the acceptance of the Final Report. The Post-Project Update Report shall provide a summary of related post-funding project activities and include, at a minimum, the items listed in Exhibit E (Post-Project Update Report Format).

Section 8: Verification

- 8.1 Agency shall be responsible for verifying completion of Consultant’s or Subcontractor’s work in accordance with the Scope of Work as shown in Exhibit A.

Section 9: Representations

- 9.1 Each Party represents that it is represented by legal counsel, that it has reviewed this Agreement and agrees that:
 - a. This Agreement is legally enforceable;
 - b. Payments made by Metropolitan to Agency pursuant to this Agreement are a legal use of Metropolitan’s funds; and,
 - c. Metropolitan may legally recover the costs incurred by Metropolitan pursuant to this Agreement in the water rates charged to its Member Agencies, including Agency.

Section 10: Insurance

10.1 Agency shall procure and maintain for the duration of this Agreement a program of commercial insurance or documented self-insurance program to protect against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the work hereunder by the Agency, its agents, representatives, or employees.

10.2 Agency shall sustain proof of insurance coverage in an updated ACORD form, attached hereto as Exhibit F (Agency Proof of Insurance Coverage) and incorporated by reference, during the term of this Agreement. Failure to provide the updated insurance ACORD form annually may result in the withholding of Agency's invoice payment. Agency shall list the agreement number on the ACORD form and email to: AgreementInsurance@mw2h2o.com or fax to (213-576-6158). Alternatively, if unable to email or fax, Agency shall send the ACORD form via U.S. mail as follows:

Metropolitan Water District of Southern California
P.O. Box 54153
Los Angeles, CA 90054
Attention: Ms. Stacie Takeguchi
Agreement No. 139834

10.3 Minimum Scope of Insurance

- a. Coverage shall be at least as broad as:
 - i. Insurance Services Office Commercial Liability coverage (occurrence Form CG0001).
 - ii. Insurance Services Office Form Number CA 0001 covering Automobile Liability, Code 1, (any auto).
 - iii. Workers' Compensation insurance as required by the State of California and Employer's Liability Insurance.
 - iv. Professional Liability or Errors and Omissions Liability insurance appropriate to the Agency's profession. Architects' and engineers' coverage is to be endorsed to include contractual liability."

10.4 Minimum Limits of Insurance

- a. Agency shall maintain limits no less than:
 - i. General Liability: Including operations, products and completed operations as applicable, \$1,000,000 per occurrence for bodily injury, personal injury and property damage. If Commercial General Liability Insurance or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to the project or location, or the general aggregate limit shall be twice the required occurrence limit.
 - ii. Automobile Liability: \$1,000,000 per accident for bodily injury and property damage.
 - iii. Workers' Compensation: Shall be furnished in accordance with statutory requirements of the State of California and shall include Employer's Liability coverage of \$1,000,000 per accident for bodily injury or disease.
 - iv. Professional Liability or Errors and Omissions Liability: \$1,000,000 per claim, with a \$2 million aggregate.

10.5 Deductibles and Self-Insurance Retentions: Any deductibles or self-insured retentions must be declared to and approved by Metropolitan. At the option of Metropolitan, either: the insurer shall reduce or eliminate such deductibles or self-insured retentions as respect to Metropolitan, its officers officials, employees, agents and volunteers; or the Agency shall provide a financial guarantee satisfactory to Metropolitan guaranteeing payment of losses and related investigations, claim administration and defense expenses.

10.6 Verification of Coverage: Agency shall furnish Metropolitan with original certificates and amendatory endorsements effecting coverage required by this clause. The endorsements and certificates are to be received and approved by Metropolitan prior to the commencement of work. Metropolitan reserves the right to require complete, certified copies of all required insurance policies, including endorsements effecting coverage, and coverage binders required by these specifications at any time.

10.7 Acceptability of Insurers: Insurance is to be placed with California admitted insurers with a current A.M. Best's rating of no less than A:VIII. A non-admitted carrier may be used with prior approval from Metropolitan, with an A.M. Best rating of no less than A: X. An exception to these standards will be made for the State Compensation Insurance Fund when not specifically rated.

10.8 General Liability and Automobile Liability Endorsements

- a. The commercial general liability policy and automobile policies are to contain, or be endorsed to contain, the following provisions:
 - i. Metropolitan, its officers, officials, employees and agents are to be covered as insureds as respect to liability arising out of work or operations performed by or on behalf of the Agency; or automobiles owned, leased, hired or borrowed by the Agency.
 - ii. For any claims related to this project, the Agency's insurance coverage shall be primary insurance as respect to Metropolitan, its officers, officials, employees and volunteers. Any insurance or self-insurance maintained by Metropolitan, its officers, officials, employees or agents shall be excess of the Agency's insurance and shall not contribute with it.
 - iii. Each insurance policy required by this clause shall be endorsed to state that coverage shall not be canceled by either party, except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to Metropolitan.
 - iv. Coverage shall not extend to any indemnity coverage for the active negligence of the additional insured in any case where an agreement to indemnify the additional insured would be invalid under Subdivision (b) of Section 2782 of the Civil Code.

10.9 Other Endorsements and Insurance Provisions

- a. All rights of subrogation under the property insurance policy (if any) have been waived against Metropolitan.
- b. The workers' compensation insurer, agrees to waive all rights of subrogation against Metropolitan for injuries to employees of the insured (Agency) resulting from work for Metropolitan or use of Metropolitan's premises or facilities.
- c. If General Liability, Pollution and/or any Asbestos Pollution Liability and/or professional liability or Errors & Omissions coverages are written on a claims-made form:
 - i. The "Retro Date" must be shown, and must be before the date of the contract or the beginning of contract work.
 - ii. If coverage is canceled or non-renewed, and not replaced with another claims-made policy form with a "Retro Date" prior to the contract effective date, the Agency must purchase "extended reporting" coverage for a minimum of five (5) years after completion of contract work.
 - iii. A copy of the claims reporting requirements must be submitted to Metropolitan for review.

Section 11: Miscellaneous

11.1 This Agreement may be amended by written mutual agreement executed by both Parties. Any alteration or variation of the terms of this Agreement will not be valid unless made in writing and signed by both Parties. This Agreement constitutes the entire agreement between the Parties.

11.2 This Agreement will inure to the benefit of and be binding upon Metropolitan and Agency and their respective successors. This Agreement is not assignable by either Party in whole or in part.

11.3 If any provision of this Agreement shall be held illegal, invalid, or unenforceable, in whole or in part, such provision shall be modified to the minimum extent necessary to make it legal, valid, and enforceable, and the legality, validity, and enforceability of the remaining provisions shall not be affected thereby.

11.4 This Agreement shall be deemed a contract under the laws of the State of California, and for all purposes will be interpreted in accordance with such laws. Metropolitan and Agency hereby agree and consent to the exclusive jurisdiction of the courts of the State of California, and that the venue of any action brought hereunder will be in Los Angeles County, California.

Attachments incorporated in this Agreement include:

- | | |
|------------|------------------------------------|
| Exhibit A: | Scope of Work, Cost, and Schedule |
| Exhibit B: | Sample Invoice |
| Exhibit C: | Quarterly Progress Report Format |
| Exhibit D: | Final Report Format |
| Exhibit E: | Post-Project Update Report Format |
| Exhibit F: | Agency Proof of Insurance Coverage |

IN WITNESS WHEREOF, the Parties hereto have executed and entered into this Agreement as of the date last written below.

APPROVED AS TO FORM:

Marcia L. Scully
General Counsel

By: _____
Setha E. Schlang
Senior Deputy General Counsel

Date: _____

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Jeffrey Kightlinger
General Manager

By: _____
Debra C. Man
Assistant General Manager/COO

Date: _____

APPROVED AS TO FORM:

By: _____
Legal Counsel (if necessary)

Date: _____

MUNICIPAL WATER DISTRICT OF ORANGE COUNTY

By: _____
Name:
Title:

Date: _____

In Duplicate

Exhibit A

Scope of Work, Costs, and Schedule For Overcoming Barriers to Slant Well Seawater Desalination – Siting, Groundwater, Water Quality and Treatment

1.0 Project Objective

The objective of this study is to further the understanding and utilization of slant well intakes for development of an ocean desalination project.

2.0 Background Information

Seawater desalination offers the potential to provide a reliable and high quality water supply. Subsurface slant beach well intakes offer an alternative intake system that can lower the cost of supply and protect local basins from seawater intrusion. Additional study, as described herein, can help overcome barriers and pave the way for use of these facilities.

Changing Regulatory Environment. Ocean intake regulations are becoming increasingly stringent. The State Water Resources Control Board (SWRCB) has acted to phase out once-thru-cooling systems and is in the process of amending the Ocean Plan with an ocean desalination policy for intakes and brine disposal. The costs for open water intakes are likely to increase. Slant wells offer a cost-effective alternative for small and mid-sized projects.

Prior Slant Well Technology Research & Development. Since 2003, the Municipal Water District of Orange County (MWDOC) along with five project participants have been investigating a seawater desalination project that would be sited on South Coast Water District (SCWD) San Juan Creek property and along Doheny State Beach. The Doheny Desal Project (formerly South Orange Coastal Ocean Desalination Project), has been considering the use of a slant well subsurface intake system because of their cost advantages and their avoidance of impingement and entrainment impacts to marine organisms. In 2006, MWDOC with Metropolitan, State and Federal grants constructed a Test Slant Well on Doheny State Beach, conducted various studies, and with five project participants funding and additional State and Federal grants by June 2010 installed a test facility and ran the Phase 3 Extended Pumping and Pilot Plant Test Project (Phase 3) to evaluate feedwater quality, aquifer pretreatment filtration capabilities and other related tests. These tests were completed in May 2012.

Concurrently, MWDOC developed a regional groundwater flow model to study the sustainable yield of the San Juan Basin, seawater intrusion potential, and potential impacts on the basin from a seawater desalination project slant well field situated along Doheny State Beach. This work was cooperatively prepared with the San Juan Basin Authority's (SJBA) technical assistance and was used by SJBA to develop its 2013 San Juan Basin Groundwater and Facilities Master Plan.

Exhibit A

The Phase 3 Extended Pumping and Pilot Plant Testing Project draft reports have been completed and released for review to our project participants. These reports will be finalized by September 2013. The reports are contained in three volumes: Project Development; Operations, Testing and Evaluation (forthcoming); and San Juan Basin Regional Groundwater Flow Model. They are available for review on the MWDOC website: <http://www.mwdoc.com/services/desalination>.

Going Forward. This project is focused on advancing both slant well technology and groundwater flow / water quality modeling methodologies by addressing coastal geotechnical and environmental risks and issues that pose challenges and potential barriers to seawater desalination utilizing slant well intakes. The potential for slant wells impacts on upstream groundwater requires evaluation of feasible mitigation approaches, including coastal injection wells, to control drawdown effects on the basin.

Following on the recommendations from the Phase 3 Expert Panel review, one the key goals of this project is to develop and apply advanced geoscience analytical methodologies to answer remaining slant well application questions. These include understanding feedwater quality to be produced over time from a slant well system, understanding with precision drawdown effects and environmental strategies for along coastal reaches, and the behavior of seawater flows and intrusion control in a multiple layered aquifer system. In addition, it is critical to understand and develop protective approaches for geotechnical risks related to placement of slant wells on beaches. These are key issues to be resolved wherever coastal slant wells are to be considered and utilized.

3.1 Project Description

This project is focused on overcoming identified barriers to the use of slant wells in San Juan Basin with similar issues expected in other locations and understanding long-term pumped water quality, slant well performance and institutional and physical mitigation measures such as injection wells to minimize drawdown impacts.

The five areas of investigation are:

- Advancement of Slant Well Technology
- Geologic, Seismic and Ocean Risk Analysis for Siting Slant Wells
- Prediction of Coastal/Ocean Groundwater Flow and Water Quality
- Modeling of Slant Well Feedwater Supply, Impacts and Mitigation Approaches
- Coastal Environment Drawdown Issues and Regulatory Strategies

These five elements will help to reduce barriers to implementation of slant well seawater desalination intakes by developing the following information and methods that are transferable:

- Slant well intake and wellhead technology application considerations and concepts;
- Well placement criteria for long-term service and consistent operations;

Exhibit A

- The effectiveness of physical injection wells to significantly reduce drawdowns on groundwater users and pumping of basin water compared to non-physical mitigation;
- The interaction between the ocean and groundwater basins and optimizing slant well sizing and placement for yield and groundwater basin seawater intrusion control;
- Aquifer response to slant well shutdown on water levels and ocean water movement;
- Drawdown effects on the coastal stream reaches and seasonal lagoon and injection well barrier placement and operation to minimize these effects (as one alternative);
- Improved prediction of salinity and water quality over time, through better understanding of the geochemistry of the offshore marine groundwater system from static conditions (dissolved minerals/metals, anoxia, acidic conditions) to slant well pumped flow dynamic conditions (transition to steady state - salinity, anoxia, percent ocean, minerals/metals);
- Steady state Fe/Mn levels when the marine aquifer is fully recharged by ocean water with and without injection barriers and by injection barrier source-of-supply to aid analysis of any need for Fe/Mn removal;
- Assessment of cost-effective methods to collect water samples from offshore aquifers; and
- Applicability to other similar locations in southern California.

While many of these activities will need to be analyzed on a local basis, the applicability of this promising technology, methods of analysis, and lessons learned are valuable and transferable to many coastal locations within the region.

This study will assess advanced modeling tools that have the necessary level of precision to resolve the barriers that currently exist to the use of slant wells. A feasibility assessment with advanced and more precision modeling capabilities will be conducted. This assessment will evaluate the effectiveness of using a fine grid coastal/ocean flow and water quality model capable of prediction of time variation of (1) source water flows to slant wells, (2) water quality using an array of the most capable modeling software for solute transport, variable density flows, natural isotopes, and geochemistry reactions, and (3) analysis of seawater intrusion through multiple layered aquifer systems.

Source water quality for injection alternatives and regulatory requirements for recycled water will be handled by the San Juan Basin Authority under their FAP work. Task 4.4 in this scope of work has been accordingly revised. Participating Entities

Under MWDOC, the following agencies are participating in the project:

The Doheny Desal Project Participants for the study are:

- South Coast Water District
- Laguna Beach County Water District

Consulting Technical support will be provided by:

- Geoscience
- Separation Processes
- Carollo Engineers
- Woods Hole Oceanographic Institute

Exhibit A

- Ninyo and Moore

4.0 **Description of Tasks**

The objective of this work plan is to develop methodologies to overcome barriers to implementation of slant well technology.

Beach slant wells for ocean desalination must be sited carefully and consider impacts to coastal resources and groundwater. The way to responsibly site such intakes is to define and understand the extraction and movement of water resources in these areas. This requires precision modeling.

TASK 1 – Advancement of Slant Well Technology

1.1 Slant Well Technology Assessment

This task will describe the initial prototype design for the Test Slant Well, its constraints and limitations, knowledge gained, and lessons learned over the past several years of research and development work at the Doheny State Beach test site. Based on this knowledge and experience, an assessment will be made on how to advance slant well technology for future implementation. Areas of slant well technology to be addressed fall in six categories: (1) full-scale well drilling technology, capability, limitations and modifications, (2) casing and screen, (3) selection and placement of gravel packing, (4) well development and testing, (5) submersible pumps (subsurface installation is necessary for subsurface beach applications), and (6) downhole instrumentation.

1.2 Achieving Long-Term Performance

To gain the necessary knowledge on slant well long-term performance considerations, it is important to have a thorough understanding of slant well technology:

(1) engineering, materials, design, construction practices, O&M, and forensics/rehabilitation, and (2) the sciences of metallurgy, microbiology and chemistry and their interactions at marine aquifer/well interfaces and for well corrosion, biofouling and iron oxidation. This task will assess the knowledge gained in Phase 3, conduct an updated literature review, and scope out a plan to inspect the test slant well/pump to evaluate rehabilitation techniques for future application to full scale slant wells.

Exhibit A

1.3 Application Considerations and Concepts

Develop a conceptual level assessment to resolve potential barriers to full-scale slant well siting, construction and O&M on beaches. This work will evaluate full-scale, fully buried slant well layout concepts, including angle, screen length, depth of completion, types of pumps, wellhead considerations, and other appurtenant facilities. This conceptual plan will be utilized to enable discussions with State Parks, land use and regulatory agencies for determining permitting requirements and issues such that an acceptable approach can be developed. This will be necessary before moving a project forward to preliminary design, CEQA and permitting steps which will provide guidance for use in siting at other locations.

TASK 2.0 – Geologic, Seismic and Ocean Risk Analysis for Siting Slant Beach Wells

The purpose of this task is to prepare a preliminary geotechnical study for slant well siting, placement and protective measures for subsurface slant wells, wellheads and pipelines that can be constructed on beaches. This work is necessary for feasibility assessments, facility plans and subsequent environmental documentation, permit application support, and design guidance for this and other projects. The task will include evaluation of design protection measures that may be implemented to protect the project facilities against potential geologic hazards such as earthquake induced liquefaction or ground failure, tsunami run up and scour, flood scour, sea level rise and beach retreat. The findings will be presented in a technical report.

TASK 3.0 – Prediction of Coastal / Ocean Groundwater Flow and Water Quality

The completed Phase 3 project included development of a coarse grid regional surface and groundwater flow model for the San Juan Basin. This model was used to estimate the basin yield using the 1947-2010 hydrology and a general assessment of the ocean desalination project drawdown effects. The existing regional model is limited and is not capable of adequately assessing multiple layered coupled coastal/ocean systems nor is it able to accurately predict slant well pumped water quality over time, injection water flow/water quality/reactants, and seawater intrusion. This work is necessary to understand the groundwater basin and seasonal coastal lagoon drawdown effects, issues which may be encountered in other locations. These methods would then be applied by development/calibration of a fine grid multiple layered aquifer model to address the main issues of precision: basin/coastal drawdowns, seawater intrusion, and pumped water quality with and without mitigation measures. This level of detail is necessary if barriers to the use of slant beach wells are to be overcome and is precedent to project development.

3.1 State-of-the-Art Groundwater Models and Selection of Preferred Models / Modules

Groundwater flow and water quality models will be evaluated and assessed for application. At this time, the apparent preferred modeling software likely to be used in this process includes the latest versions of USGS developed and support modeling software: (1) MODFLOW – basic flow model (2) MT3DMS – solute transport module, and

Exhibit A

(3) SEAWAT – variable density module. Calibration of the selected and developed model will be made against 21 months of Phase 3 extended pumping test data, post-test groundwater level recovery data, and use of the innovative natural isotope model developed in Phase 3.

3.2 Development and Calibration for Geochemical Modules

This task will develop a geochemical module tool for the precision model developed in subtask 3.1. This effort will help to improve the ability to predict water quality from both offshore and onshore aquifers incorporating the geochemical interactions of minerals and flow, including salinity, anoxia state, iron/manganese and other constituents. Several models are available for application and this task will review models most suited for this application. A candidate is the USGS “PHREEQC” model. Development of the geochemical module will enable an understanding of process treatment issues unique to the use of slant well intakes which include understanding the pump out of old marine groundwater and its water quality for determination of use or disposal and treatment requirements and understanding change in water quality over time as the aquifer is fully recharged with ocean water. It will also help to assess the degree and type of any pretreatment that may be required. The model elements and approach will be applicable to other locations considering slant wells. The modeling analysis for testing the merits of this technique will be undertaken in subtask 4.2.

3.3 Development and Calibration of Preferred Model/Modules to Assess Feasibility

This task will develop and calibrate a fine grid coastal/ocean groundwater flow and water quality model building on the existing coarse grid regional model and earlier variable density model. This task will develop and calibrate the preferred model/modules selected in subtask 3.1 for groundwater flow and water quality and for geochemistry reactions for the module from subtask 3.2. When calibrated, the advanced precision coastal model would be incorporated into an existing regional watershed surface water/groundwater basin model for evaluation of basin supply/recharge terms and regional effects from coastal slant wells and mitigation injection wells and other measures. This same or similar configuration is expected at other coastal groundwater locations and this modeling approach is transferable to those locations.

3.4 California Department of Fish & Wildlife (CDFW) Streambed Alteration Agreements and Assessment for Compliance

Evaluate the CDFW Streambed Alteration Agreements and types of conditions that could be imposed on projects using slant wells. The results of this task can be used to inform the analysis of other coastal beach well settings. This work draws from Subtask 4.3.

Exhibit A

TASK 4.0 – Modeling Slant Well Feedwater Supply, Impacts and Mitigation Approaches

In order to overcome the barriers to the use of slant wells, this task will utilize the advanced modeling techniques and fine grid coastal/ocean groundwater flow and water quality model developed in Task 3 to enable a more precise analysis for a range of slant well siting, production capacities and yields, drawdowns, time variable water quality, seawater intrusion control, and mitigation approaches and effectiveness. The focus will be twofold: (1) to quantify with sufficient precision impacts on a groundwater basin and coastal seasonal lagoon due to slant beach well extraction and (2) to evaluate mitigation measures such as coastal injection wells. The objective of this task is to demonstrate the use of advanced modeling methods necessary to resolve impacts.

4.1 Assessment of Sustainable Yield for Baseline Comparison

Integrate the subtask 3.3 model into the existing regional model to estimate groundwater basin pumping with no ocean water intrusion to establish a "sustainable yield" baseline to compare with other alternatives. This analysis would be run to evaluate well and basin yields, storage volumes, water levels with the seawater intrusion control point near the ocean. This approach has applicability in other coastal groundwater basins.

4.2 Prediction of Transition and Steady State Pumped Water Quality

This task will utilize the advanced model developed in Task 3 to estimate pumped water quality vs. time for anoxia state, iron/manganese, salinity, pH, temperature and other constituents. This work will also allow evaluation of pumped water quality by capacity, screen length, and depth of completion. Projections of conservative and non-conservative constituents will be made including time to reach steady state, estimate of time to pump out old marine groundwater, determination of rate of connectivity to the ocean, evaluation of effects of organic carbon content in ocean floor sediments on microbial uptake of dissolved oxygen and pumped water state, and prediction of water quality over the transition to steady state with ocean water recharge. Task results will also be used to predict water quality for use in establishing pretreatment requirements.

4.3 Analysis of Pumping Impacts

This task would test a range of slant well production rates to evaluate drawdowns on upstream groundwater users, and would compare the effects with and without slant wells. Source waters to the slant wells include ocean, old marine groundwater, deep aquifer, inland groundwater, and streamflow. This task would also evaluate rising groundwater, surface water and ocean flows into and out of the seasonal lagoon with a comparison of these results with existing CDFW Streambed Alteration Agreement groundwater levels within the shallow aquifer.

Exhibit A

4.4 Assessment of Institutional and Physical Mitigation Approaches

Examine mitigation options, including reassignment of supply sources and physical mitigation. The Phase 3 work indicated for a 30 mgd slant well feedwater supply the draw on the groundwater basin would average about 1.5 mgd; this would be the amount for reassignment from desalination plant yield and is roughly the rate for injection mitigation. The model will determine injection rates and their effectiveness. Injection wells would be evaluated for spacing, type and capacity. Seawater intrusion control will be evaluated over a range of hydrologies and groundwater basin operations. The regulatory requirements for the use of recycled water as a source of injection water is being evaluated by the SJBA in their complementary Foundational Action project.

This task would review means to reduce institutional barriers for each approach, including an evaluation of a smaller sized initial project. In addition, the smaller sized initial project will be conceptualized and the value of a phased approach to both validate Phase 3 data and to provide design data for the larger project will be evaluated.

TASK 5.0 – Coastal Environmental Drawdown Issues and Regulatory Strategies

If the fine grid modeling analysis indicates that the slant wellfield will result in significant lowering of water levels in the seasonal coastal lagoon of San Juan Creek (the mouth is slowly closed off from sand accretion during non-stormflow periods), this task will evaluate the environmental/regulatory issues and mitigation approaches. This task would review drawdown issues under intermittent streamflows and seasonal lagoons. This task would evaluate issues such as connectivity of the underlying formation and groundwater support to the overlying surface waters. This task will also review how to develop appropriate regulatory terms and conditions, including monitoring and assessment, for any required streambed alteration agreements or other agency permits related to these potential issues. This will be evaluated together with mitigation strategies for placement of injection barriers that would both reduce impacts on upstream groundwater users and drawdown impacts on seasonal coastal lagoons. Evaluate how the use of the advanced modeling techniques can help to demonstrate pre and post project conditions and mitigation, if necessary. This approach will be foundational for evaluation and application to other areas along the coast.

TASK 6.0 – Project Management

6.1 Project Management

Project management work includes execution of work, grant administration, staffing project committees, convening scientific/technical panels, technical reviews, meetings,

public outreach and input, permitting and regulatory support, Cal Desal support,

Exhibit A

preparing invoices and billing, preparing submittals, and Board and Participants reporting.

6.2 Convene Science Review Panel

The National Water Research Institute (NWRI) will manage a Scientific Review Panel ("Panel") to address scientific and technical questions. The goal is to ensure the best science/technology are used in the study work and that water management decisions are made to protect public health and the environment. The scope of the Panel review may involve regulatory assessment. NWRI will convene the Panel to advise the study team at specific intervals. Specifically, the Panel will review both the study design (including study protocol, methodology, analytical tools, calibration, and QA/QC procedures) and the study report. The panel review will be conducted through in-person meetings supplemented by email and conference calls. The product of this review will be written reports.

6.3 Progress Reports

Provide quarterly progress reports and invoices documenting activities scheduled, description of work completed, % completed, project issues, as described in this Agreement.

6.4 Final Report

Provide a detailed written final report of project outcomes, lessons learned, cost-effectiveness, feasibility of regional implementation, recommendations for future actions, next steps, as described in this Agreement.

6.5 Long-Term Reporting

Prepare a post-project update report to Metropolitan one year following the acceptance of the Final Report, as described in this Agreement.

Exhibit A

5.0 Deliverables

Task/Subtask		Deliverables	Submittal Due Date
1. Advancement of Slant Well Technology			
1.1	Slant Well Technology Assessment	<ul style="list-style-type: none">• Technical Memorandum on how to advance slant well technology, including an updated literature review and scope to evaluate rehabilitation techniques• Conceptual plan of a full-scale slant well	10/15/2014
1.2	Achieving Long-Term Performance		
1.3	Application Considerations and Concepts		
2. Geologic, Seismic and Ocean Risk analysis for Sitting Slant Beach Wells			
	Preliminary geotechnical study	<ul style="list-style-type: none">• Technical Memorandum including a geotechnical study for siting, placement, and protective measures for construction on beaches	10/15/2014
3. Prediction of Coastal / Ocean Groundwater Flow and Water Quality			
3.1	State-of-the-Art Groundwater Models and Selection of Preferred Models/Modules	<ul style="list-style-type: none">• Technical Memorandum describing model selection, development, and calibration, and CDFW compliance• Calibrated fine grid coastal/ocean groundwater flow and water quality precision model, including a geochemical module tool	4/15/2015
3.2	Development and Calibration for Geochemical Modules		
3.3	Development and Calibration of Preferred Model/Modules to Assess Feasibility		
3.4	California Department of Fish & Wildlife (CDFW) Streambed Alteration Agreements and Assessment for Compliance		
4. Modeling Slant Well Feedwater Supply, Impacts and Mitigation Approaches			
4.1	Assessment of Sustainable Yield for Baseline Comparison	<ul style="list-style-type: none">• Technical Memorandum, quantifying sustainable yield, water quality vs time, slant well extraction impacts and evaluating mitigation measures	1/15/2016
4.2	Prediction of Transition and Steady State Pumped Water Quality		
4.3	Analysis of Pumping Impacts		
4.4	Assessment of Institutional and Physical Mitigation Approaches		
5. Coastal Environmental Drawdown Issues and Regulatory Strategies			
	Coastal Environmental Drawdown Issues and Regulatory Strategies	<ul style="list-style-type: none">• Technical Memorandum, describing drawdown issues and development of appropriate regulatory terms and conditions, and evaluation of mitigation strategies	1/15/2016
6. Coastal Environmental Drawdown Issues and Regulatory Strategies			
6.1	Project Management	<ul style="list-style-type: none">• Reports given to Agency Board and project Participants/Stakeholders	Quarterly (see pg 14)
6.2	Convene Science Review Panel	<ul style="list-style-type: none">• Reports on the review panel activity and results, including panel bios	As needed
6.3	Progress Reports	Quarterly Progress Reports	Quarterly (see pg 14)
6.4	Final Report	Final Report to Metropolitan	2/1/2016
6.5	Long-Term Reporting	Post-Project Update Report	4/15/2017

Exhibit A

6.0 Cost Estimate

Task No.	Task	Total Project Cost	Maximum Cost to Metropolitan
Task 1	Advancement of Slant Well Technology	\$45,000	\$21,467
Task 2	Geologic, Seismic and Ocean Risk Analysis for Siting Slant Beach Wells	\$77,200	\$36,829
Task 3	Prediction of Coastal / Ocean Groundwater Flow and Water Quality	\$128,440	\$61,273
Task 4	Modeling Slant Well Feedwater Supply, Impacts and Mitigation Approaches	\$114,000	\$54,384
Task 5	Coastal Environmental Drawdown Issues and Regulatory Strategies	\$7,200	\$3,435
Task 6	Project Management	\$47,400	\$22,612
Grand Total		\$419,240	\$200,000

Note: MET share = \$200,000/\$419,240 = 0.47705. Additional local, non-match work at \$80,760 not shown.

Exhibit A

7.0 Schedule

The following illustrates the expected quarterly progress schedule per task. The costs shown represent estimated costs to Metropolitan.

Overcoming Barriers to Slant Well Seawater Desalination – Siting, Groundwater, Water Quality and Treatment												
		Start- Dec	Jan- Mar	Apr- Jun	Jul- Sep	Oct- Dec	Jan- Mar	Apr- Jun	Jul- Sep	Oct- Dec	Jan- Mar	
		2013	2014				2015				2016	
		Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	
Task	Task Name											
1	Advancement of Slant Well Technology		\$21,467									
2	Geologic, Seismic and Ocean Risk Analysis for Siting Slant Beach Wells		\$36,829									
3	Prediction of Coastal / Ocean Groundwater Flow and Water Quality		\$61,273									
4	Modeling Slant Well Feedwater Supply, Impacts and Mitigation Approaches					\$54,384						
5	Coastal Environmental Drawdown Issues and Regulatory Strategies							\$3,435				
6	Project Management		\$22,612									

Note: A minimum 25% of eligible reimbursable costs will be withheld per invoice until a final report (due 2/1/2016) is accepted by Metropolitan.

Post-project reporting to Metropolitan is not shown on this schedule, but should be submitted upon request by Metropolitan one year following Metropolitan's acceptance of the Final Report.

Exhibit A

Reporting Schedule

- Progress Report 2013 Q4 (Start – December 2013)..... January 15, 2014
- Progress Report 2014 Q1 (January 2014 – March 2014)..... April 15, 2014
- Progress Report 2014 Q2 (April 2014 – June 2014)July 15, 2014
- Progress Report 2014 Q3 (July 2014 – September 2014)October 15, 2014
- Progress Report 2014 Q4 (October 2014 – December 2014)..... January 15, 2015
- Progress Report 2015 Q1 (January 2015 – March 2015)..... April 15, 2015
- Progress Report 2015 Q2 (April 2015 – June 2015)July 15, 2015
- Progress Report 2015 Q3 (July 2015 – September 2015)October 15, 2015
- Progress Report 2015 Q4 (October 2015 – December 2015)..... January 15, 2016
- **Final Report**..... **February 1, 2016**
- Progress Report 2016 Q1 (January 2016 – March 2016)..... April 15, 2016
- Post-Project Update Report..... April 15, 2017

Exhibit B – Sample Invoice

BILL TO

Metropolitan Water District of Southern California
Accounts Payable Section
P.O. Box 54153
Los Angeles, CA 90054-0153

INVOICE

AGENCY NAME	INVOICE DATE	INVOICE PERIOD

ADDRESS	PROJECT NAME

CONTACT	CONTACT PHONE	AGREEMENT NUMBER

MAXIMUM AWARD AMOUNT	AMOUNT PREVIOUSLY INVOICED	AWARD AMOUNT REMAINING

ITEMIZED EXPENSES		
TASK	DETAILED DESCRIPTION (e.g., consultant costs and hours, materials and supplies, lab costs, etc.)	COST
TOTAL COSTS		

TOTAL ELIGIBLE REIMBURSABLE COSTS (UP TO 50% OF TOTAL COSTS)	
WITHHOLDING (25%)	
TOTAL REIMBURSABLE REQUEST (UP TO 37.5% OF TOTAL COSTS)	

BY SIGNING THIS INVOICE, AGENCY CERTIFIES THAT WORK DESCRIBED HEREIN IS AN ACCURATE AND CORRECT RECORD OF SERVICES PERFORMED FOR METROPOLITAN UNDER THIS AGREEMENT AND THIS WORK HAS NOT BEEN BILLED ON ANY OTHER CLIENT OR PROJECT PARTNER INVOICES.

BILL TO

Metropolitan Water District of Southern California
Accounts Payable Section
P.O. Box 54153
Los Angeles, CA 90054-0153

BUDGET

PROJECT NAME

INVOICE
PERIOD

	AGREEMENT NUMBER

A	B	C	D	E	F	G	H
TASK	CUMULATIVE COSTS THROUGH PREVIOUS QUARTER	TOTAL COSTS FOR CURRENT QUARTER	CURRENT QUARTER'S ELIGIBLE REIMBURSABLE COSTS (UP TO 50%)	CUMULATIVE ELIGIBLE REIMBURSABLE COSTS TO DATE	TOTAL AWARD AMOUNT	REMAINING AWARD BALANCE	PERCENT COMPLETE
TOTAL							

Description of the Example Budget Table Columns:

- Task number and name
- Cumulative total Project costs through the previous quarter (does not include current quarter's costs)
- Total Project costs for the current quarter
- Eligible reimbursable costs for the current quarter (up to 50% of the total Project cost of the task for the current quarter). Example: $D = C \times 0.50$
- Cumulative eligible reimbursable costs to date (includes the current quarter's reimbursable costs). Do not subtract out Metropolitan withholding.
- Total award amount per task as established in Exhibit A (Scope of Work, Costs, and Schedule) of the Agreement
- Remaining award balance. $G = F - E$
- Percent complete. $H = E \div F$

Exhibit C: Quarterly Progress Report Format

Agency shall include, at minimum, the following items in the Quarterly Progress Reports.

1. Cover Letter

Provide a brief description of the submittal, including the amount invoiced in the respective invoice period, a list of items being submitted, and contact information.

The letter must be signed and include the following language:

"I am informed and believe that the information contained in this report is true and that the supporting data is accurate and complete."

2. Quarterly Progress Report

2.1 Report Status

- a) Describe work performed during the quarter, by task.
- b) Describe major accomplishments, such as:
 - i. Tasks achieved
 - ii. Milestones met
 - iii. Meetings held or attended
 - iv. Press release, etc.
- c) Where applicable, describe how the activities carried out differed from the plans outlined in the Project Scope of Work. Identify any problems encountered in the performance of the work under this Agreement, and how these matters were addressed.
- d) If the quarter's objectives were not met, explain why and how these goals will be approached for the next reporting period.

2.2 Cost Information

- a) Identify costs incurred during the quarter by Agency and each partnering/supporting entity working on the Project.
- b) Discuss how the actual budget is progressing in comparison to the latest Project budget. Justify any differences that occurred, identifying budget impacts and/or problems encountered, and describe how these matters will be addressed for the next reporting period.
- c) Provide a revised budget, by task, if changed from the latest Project budget.

2.3 Schedule Information

- a) Provide a Project schedule showing actual progress versus planned progress from the latest schedule.
- b) Discuss how the actual schedule is progressing in comparison to the latest Project schedule. Justify any differences that occurred, identifying schedule impacts and/or problems encountered, and describe how these matters will be addressed for the next reporting period.
- c) Provide a revised schedule, by task, if changed from the latest Project schedule.

Exhibit D: Final Report Format

Agency shall include, at minimum, the following items in the Final Report.

1. Cover Letter

Provide a brief description of the submittal, including the total amount of funds disbursed, a list of items being submitted, and contact information.

The letter must be signed and include the following language:

"I am informed and believe that the information contained in this report is true and that the supporting data is accurate and complete."

2. Final Report

2.1 Executive Summary

- a) Briefly summarize the content of the main report.

2.2 Introduction

- a) Provide an overview of the work performed and accomplishments achieved throughout the duration of the Project.
- b) Briefly describe the findings of the study.
- c) Describe the role/involvement of each partnering/supporting entity and their relationship to the Project.

2.3 Cost Summary

- a) Include a summary of the costs incurred and of funds disbursed throughout the duration of the Project.
- b) Provide a comparison between the planned budget in the Agreement and the actual budget. Justify any differences that occurred, identifying budget impacts and/or problems encountered, and how these matters were addressed.

2.3 Schedule Summary

- a) Include a summary of all tasks accomplished throughout the duration of the Project.
- b) Provide a comparison between the planned schedule in the Agreement and the actual schedule. Justify any differences that occurred, identifying schedule impacts and/or problems encountered, and how these matters were addressed.

2.4 Project Results and Analysis

- a) Describe and provide an analysis of the Project results and findings in detail.
- b) Were the Project goals and objectives as proposed achieved? Explain.
- c) Discuss any major problems that occurred in meeting the Project goals and objectives, including how, and if, they were resolved.
- d) Explain how the findings of the Project can be applied to other areas of the region. What types of obstacles, if any, would be anticipated before implementation/application can occur, and how could these matters be addressed?

2.5 Conclusion

- a) Describe lessons learned.
- b) Describe the next steps of the Project (e.g., applicability of the results, topics that may require additional research, new programs that should be developed, policy amendments, etc.).

Exhibit E: Post-Project Update Report Format

Agency shall include, at minimum, the following items in the Post-Project Update Report.

1. Accomplishments and Applicability

- a) What has been accomplished since the submittal of the Final Report?
How have the Project findings/results of the Final Report been applied/implemented (e.g., regional application of results, pilot study results used for full-scale implementation, additional research performed, impacts on regulations/legislation, technical advances, etc.)?
- b) Discuss new information obtained during this reporting period, and how this knowledge will further future efforts.
- c) If applicable, provide additional data obtained since the submittal of the Final Report (e.g., pilot project water quality data, etc.).

2. Next Steps

- a) Describe specific plans, if any, for continuing work on this Project or related projects (e.g., what questions will be investigated, what programs will be developed, etc.).

DOHENY OCEAN DESALINATION FOUNDATIONAL ACTIONS FUNDING PROGRAM AGREEMENT

This Foundational Actions Funding Program Agreement for the Doheny Ocean Desalination Project (“Agreement”) is made and entered into on the ____ of January 2014 by and between the Municipal Water District of Orange County (MWDOC), South Coast Water District (“SCWD”), and Laguna Beach County Water District (“LBCWD”). MWDOC, SCWD, and LBCWD may be collectively referred to as “Parties” and individually as a “Party.” SCWD and LBCWD may also be referred to as the “Participating Agencies.”

Section 1. Recitals.

A. On behalf of the Participating Agencies, MWDOC recently submitted a proposal to the Metropolitan Water District of Southern California (“Metropolitan”), through Metropolitan’s Foundational Actions Funding Program (“FAF Program”) for funding of a project entitled “Overcoming Barriers to Slant Well Seawater Desalination - Siting, Groundwater, Water Quality and Treatment” for the Doheny Desal Project (the “Study”).

B. MWDOC is a public agency member of Metropolitan and applied for the FAF Program funding for the Study on behalf of SCWD and LBCWD, as well as additional agencies that have not yet decided whether to participate in the Study.

C. The objective of the Study is to further the understanding and utilization of slant well intakes for the development of an ocean desalination project. Specifically, the Study is focused on overcoming identified barriers to the use of slant wells for ocean water intake purposes where the ocean connects to the San Juan Groundwater Basin with similar issues expected in other locations and understanding long-term pumped water quality, slant well performance, and institutional and physical mitigation measures such as injection wells to minimize drawdown impacts.

D. In November 2013, Metropolitan notified MWDOC that the Metropolitan Board of Directors authorized funding through its FAF Program for the Study for an amount not to exceed \$200,000.

E. MWDOC plans to enter into an agreement with Metropolitan regarding the FAF Program for the Study concurrent with the execution of this Agreement to initiate work prior to January 31, 2014. A copy of the Metropolitan Agreement is attached hereto as Exhibit A (“Metropolitan Agreement”).

F. SCWD and LBCWD will provide funds in the amount of \$200,000 to match the Metropolitan funds and will provide such additional funding to complete the Study and, through this Agreement, intend to administer the Study and assume all of the obligations, responsibilities, and liabilities imposed on MWDOC in the Metropolitan Agreement.

I. This Agreement sets forth the terms and conditions by which the Parties will proceed with the Study, including the roles, responsibilities, and financial obligations of each Party.

NOW, THEREFORE, in consideration of the promises and covenants hereinafter set forth, the Parties agree as follows:

Section 2. Study Responsibilities

A. SCWD and LBCWD shall collectively carry out the Study as described in the Scope of Work, Cost and Schedule set forth in the attached Exhibit ~~BA to the Metropolitan Agreement, which is attached to this Agreement as Exhibit A.~~

B. In addition, as part of the Study, SCWD and LBCWD shall collectively fund, carry out, and complete the additional tasks that are included in the study task summary chart, which is attached to this Agreement as Exhibit CB. The additional tasks in Exhibit BC are above and beyond the requirements in Exhibit BA to the Metropolitan Agreement and shall be funded by the Participating Agencies, not by MWDOC. With respect to the funding, the Scope of Work in Exhibit BA to the Metropolitan Agreement is estimated at \$419,240 and Metropolitan will pay up to \$200,000. The study task summary in Exhibit BC is for a total amount of work estimated at \$500,000. For the avoidance of doubt, SCWD and LBCWD will be responsible for up to \$300,000 in funding to complete all of the activities in Exhibit CB.

C. SCWD and LBCWD shall collectively provide the Study deliverables to MWDOC and Metropolitan according to the schedule set forth in Exhibit BA to the Metropolitan Agreement, which is attached to this Agreement as Exhibit A.

Section 3. Agreement Term

A. This Agreement shall be effective on the effective date of the Metropolitan Agreement with MWDOC and the term shall be through June 30, 2017, or when all of the Parties' obligations under this Agreement and the Metropolitan Agreement have been fully satisfied, whichever occurs earlier. Extensions of time to complete all or portions of the Study, including any required deliverables, shall be requested in writing by LBCWD and SCWD and may be authorized by MWDOC only if Metropolitan agrees to a corresponding extension of the Metropolitan Agreement. Any written authorization for an extension of time shall be attached to and incorporated into this Agreement.

B. This Agreement may be terminated by either MWDOC or by the Participating Agencies with or without cause upon 30 days written notice to the other. MWDOC's only obligation in the event of termination will be payment of approved invoices in conformity with this Agreement and the Metropolitan Agreement up to and including the effective date of termination. Notwithstanding the previous sentence, MWDOC shall have no obligation to pay any invoices to the Participating Agencies if they are not approved by Metropolitan. In the event of termination, the Participating Parties are responsible for providing all information, reports, data and consultant and other documents available that were developed up to the point of Termination to MWDOC.

C. Failure of the Participating Agencies to submit progress reports or the final report to

MWDOC within the timeframe established in Exhibit ~~B.A to the Metropolitan Agreement~~ or any extension of time authorized in accordance with Section 3(A) of this Agreement will be a breach of this Agreement and may result in termination of the agreement.

Section 4. Responsibilities and Ownership

A. The Participating Agencies shall be responsible for all necessary services and materials for the Study implementation including, but not limited to, the hiring of consultants and others to conduct the work, Study administration, data collection, and reporting and completion of the final report.

B. The Participating Agencies shall comply with all Federal, State and local laws, ordinances and regulations and are solely responsible for any such obligations, including, without limitation, compliance with the California Environmental Quality Act.

C. The Participating Agencies shall be responsible for the design, implementation, personnel, equipment, and supplies, and all capital and operating costs related to and incurred by the Study. All materials and equipment necessary to implement the Study are the exclusive property of the Participating Agencies. MWDOC shall have no ownership, right, title, security interest, or other interest in any Study facilities, materials, or equipment, nor any rights, duties, responsibilities for operation or maintenance thereof ~~pursuant to this Agreement, except as otherwise provided in the “Wind-Up Agreement for Phase 3,” which is attached to this Agreement as Exhibit B.~~

D. The following language must be included in all contracts entered into by the Participating Agencies with any subcontractors or consultants regarding completion of the Study:

- i. “(Consultant or Responsible Party) agrees at their sole cost and expense to protect, indemnify, defend, and hold harmless the Municipal Water District of Orange County and the Metropolitan Water District of Southern California, and their respective Boards of Directors, officers, representatives, agents, and employees from and against any and all claims and liability of any kind (including, but not limited to, any claims or liability for injury or death to any person, damage to property, natural resources or to the environment, or water quality problems) that arise out of Consultant’s actions or relate to the approval, construction, operation, repair or ownership of the Study. Such indemnity shall include all damages and losses related to any claim made, whether or not a court action is filed, and shall include attorney’s fees, administrative and overhead costs, engineering and consulting fees and all other costs related to or arising out of such claim or asserted liability”.
- ii. “(Consultant or Responsible Party) will maintain the types and levels of insurance in compliance with the requirements in the Doheny Ocean Desalination Foundational Actions Funding Program Agreement entered into between the Municipal Water District of Orange County and _____ (“Participating Agency”).”

- iii. “All intellectual property developed pursuant to this Agreement is owned by MWDOC. This intellectual property includes, but is not limited to, all inventions, patents, data, design, drawings, specifications, raw results, computer programs, final report, as well as any other presentations, reports, findings or related materials developed during the Study. All results produced in the performance of the Agreement may be released to the public”.

Section 5. Indemnity

A. The Participating Agencies agree at their sole cost and expense to protect, indemnify, defend, and hold harmless MWDOC and Metropolitan, and their respective Boards of Directors, officers, representatives, agents, and employees from and against any and all claims and liability of any kind (including, but not limited to, any claims or liability for injury or death to any person, damage to property, natural resources or to the environment, or water quality problems) that arise out of the Participating Agencies’ actions or relate to ~~their approval, construction, operation, repair or ownership of~~ the Study. Such indemnity shall include all damages and losses related to any claim made, whether or not a court action is filed, and shall include attorney’s fees, administrative and overhead costs, engineering and consulting fees and all other costs related to or arising out of such claim or asserted liability.

Section 6. Intellectual Property and Use of Materials

A. All intellectual property developed pursuant to this Agreement is owned by MWDOC. This intellectual property includes, but is not limited to, all inventions, patents, data, design, drawings, specifications, raw results, computer programs, final report, as well as any other presentations, reports, findings or related materials developed during the Study. All results produced in the performance of the Agreement may be released to the public. [This exact language is required by the MET Agreement to be in this Agreement.]

B. MWDOC grants to the Participating Agencies a nonexclusive license, at no cost, to use the intellectual property developed in the course of the work performed under this Agreement by any of the Parties or any contractor and consultant working on the Study ~~as described in Exhibit A.~~

C. The Participating Agencies shall notify MWDOC in writing of all intellectual property conceived or developed in the course of the work performed under this Agreement.

D. When requested by MWDOC, or upon termination of this Agreement, the Participating Agencies shall furnish a copy of all documents and other tangible media containing intellectual property developed by the Participating Agencies during the course of this Agreement, including prototypes and computer programs.

Section 7. Payment

A. MWDOC’s payment for the Study is not to exceed \$200,000, or fifty (50) percent of the total cost expended per task as established in Exhibit ~~BA to the Metropolitan Agreement, which~~

~~is attached to this Agreement as Exhibit A~~, whichever is less. Notwithstanding the previous sentence, MWDOC will not be responsible for any payments of any amount in connection with this Agreement unless such payments are first approved and reimbursed to MWDOC by Metropolitan. ~~A~~For the avoidance of doubt, all payments required to be made by MWDOC to the Participating Agencies pursuant to this Agreement are contingent upon such payments being first approved by Metropolitan and reimbursed to MWDOC by Metropolitan. The Participating Agencies are responsible for any and all costs in excess of the payments approved by Metropolitan.

B. The Participating Agencies must submit quarterly progress reports and associated quarterly invoices to MWDOC as described in Section 8 below. Twenty five (25) percent of eligible reimbursable costs shall be withheld per invoice until a final report is submitted to MWDOC and accepted by Metropolitan. The Participating Agencies' invoices shall include at a minimum the information requested in ~~Exhibit B (the Sample Invoice)~~, ~~to the Metropolitan Agreement, which is attached to this Agreement as Exhibit D~~A. Invoices shall itemize allowable expenses and include receipts for which reimbursement is sought. Attached receipts should itemize each cost and provide descriptive information so that expenses are separately identified. The final invoice, including any requests for release of retention, shall be clearly marked "FINAL INVOICE."

C. In-kind services are not eligible for reimbursement and shall not be included in any invoices to MWDOC. In-kind services include, but are not limited to, work performed by staff of MWDOC and the Participating Agencies, and related expenses (e.g. travel, overhead, etc.).

D. All invoices related to the Study must be submitted by the Participating Agencies to MWDOC by April 5, 2016, to be considered for payment under the provisions of this Agreement. Invoices received after April 5, 2016 will not be paid unless MWDOC obtains from Metropolitan, an extension of time, in writing, to complete the work and submit MWDOC's invoices to Metropolitan pursuant to the Metropolitan Agreement.

E. Invoices to MWDOC will be paid by MWDOC to the Participating Agencies within 10 days after MWDOC's receipt of payment from Metropolitan for the invoice, and only in the amount approved and paid by Metropolitan to MWDOC.

Section 8. Reporting Requirements

A. The Participating Agencies shall submit to MWDOC quarterly progress reports with the associated invoices by the 5th of January, April, July, and October for the preceding quarter. The progress reports shall include, at a minimum, the items listed in ~~the Exhibit C (Progress Report Format, which is attached) to the Metropolitan Agreement, which is attached~~ to this Agreement as Exhibit ~~E~~A. The Participating Agencies shall document all activities and expenditures in progress reports. The submittal of these reports is a requirement for initial and continued disbursement of funds.

B. The Participating Agencies shall prepare and submit to MWDOC, upon completion of the Study, a Final Report, which shall include, at a minimum, the items listed in ~~the Exhibit D (Final Report Format)~~ to the Metropolitan Agreement, which is attached to this Agreement as Exhibit

~~FA.~~ The Final Report shall be provided in hard copy and digital format prior to final payment of funds retained by MWDOC.

C. Upon request by MWDOC, the Participating Agencies shall prepare and submit to MWDOC a Post-Study Update Report one year following the acceptance of the Final Report. The Post-Study Update Report shall provide a summary of related post-funding Study activities and include, as a minimum, the items listed in Exhibit ~~GE~~ (Post-Study Update Report Format) ~~to the Metropolitan Agreement, which is attached to this Agreement as Exhibit A.~~

Section 9. MWDOC Work.

MWDOC shall perform certain services for the Participating Agencies as described in Exhibit B. The Participating Agencies shall be responsible for paying MWDOC for such services and any costs associated with such in an amount not to exceed ~~-\$_____~~. The Participating Agencies may not use funds provided to the Participating Agencies by MWDOC pursuant to this Agreement to pay MWDOC for such services.

Section 10. Verification.

The Participating Agencies shall be responsible for verifying completion of any consultant's or subcontractor's work in accordance with the Scope of Work as shown in Exhibit B.

Section 11. Representations.

Each Party represents that it is represented by legal counsel, that it has reviewed this Agreement and agrees that the Agreement is legally enforceable.

Section 12. Insurance.

The Participating Agencies shall comply with the insurance requirements imposed on "Agency" in the Metropolitan Agreement ("Insurance Requirements") and as more particularly described below.

A. Agency shall procure and maintain for the duration of this Agreement a program of commercial insurance or documented self-insurance program to protect against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the work hereunder by the Participating Agencies, their agents, representatives, or employees.

B. The Participating Agencies shall sustain proof of insurance coverage in an updated ACORD form, attached as Exhibit ~~GHE to the Metropolitan Agreement~~ (Agency Proof of Insurance Coverage), and incorporated by reference, during the term of this Agreement. Failure to provide the updated insurance ACORD form, ~~or an equivalent form provided by the ACWA JPIA,~~ annually to MWDOC may result in the withholding of the Participating Agencies' invoice payment.

C. Minimum Scope of Insurance

1. Coverage shall be at least as broad as:

i. Insurance Services Office Commercial Liability coverage (occurrence Form CG00001).

ii. Insurance Service Office Form Number CA 0001 covering Automobile Liability, Code 1, (any auto).

iii. Workers' Compensation insurance as required by the State of California and Employer's Liability Insurance.

iv. Professional Liability or Errors and Omissions Liability insurance appropriate to the Agency's profession. Architects' and engineers' coverage is to be endorsed to include contractual liability.

D. Minimum Limits of Insurance

1. The Participating Agencies shall maintain limits no less than:

i. General Liability: General Liability: Including operations, products and completed operations as applicable, \$1,000,000 per occurrence for bodily injury, personal injury and property damage. If Commercial General Liability Insurance or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to the project or location, or the general aggregate limit shall be twice the required occurrence limit.

ii. Automobile Liability: \$1,000,000 per accident for bodily injury and property damage.

iii. Workers' Compensation: Shall be furnished in accordance with statutory requirements of the State of California and shall include Employer's Liability coverage of \$1,000,000 per accident for bodily injury or disease.

iv. Professional Liability or Errors and Omissions Liability: \$1,000,000 per claim, with a \$2 million aggregate.

E. Deductibles and Self-Insurance Retentions: Any deductibles or self-insured retentions must be declared to and approved by MWDOC. At the option of MWDOC, either: the insurer shall reduce or eliminate such deductibles or self-insured retentions as respect to MWDOC, its officers officials, employees, agents and volunteers; or the Participating Agencies shall provide a financial guarantee satisfactory to MWDOC guaranteeing payment of losses and related investigations, claim administration and defense expenses.

F. Verification of Coverage: The Participating Agencies shall furnish MWDOC with original certificates and amendatory endorsements effecting coverage required by this clause. The endorsements and certificates are to be received and approved by MWDOC prior to the commencement of work. MWDOC reserves the right to require complete, certified copies of all required insurance policies, including endorsements effecting coverage, and coverage binders required by these specifications at any time.

G. Acceptability of Insurers: Insurance is to be placed with California admitted insurers with

a current A.M. Best's rating of no less than A:VIII. A non-admitted carrier may be used with prior approval from MWDOC, with an A.M. Best rating of no less than A: X. An exception to these standards will be made for the State Compensation Insurance Fund when not specifically rated. The Participating Agencies may participate in and provide evidence of pooled equivalent coverage through joint powers agency insurance authorities such as CSRMA or ACWA JPIA.

H. General Liability and Automobile Liability Endorsements

1. The commercial general liability policy and automobile policies are to contain, or be endorsed to contain, the following provisions:

i. MWDOC and Metropolitan, their officers, officials, employees and agents are to be covered as insureds as respect to liability arising out of work or operations performed by or on behalf of the Participating Agencies; or automobiles owned, leased, hired or borrowed by the Participating Agencies.

ii. For any claims related to this Study, the Participating Agencies' insurance coverage shall be primary insurance as respect to MWDOC and Metropolitan, and their officers, officials, employees and volunteers. Any insurance or self-insurance maintained by MWDOC and Metropolitan, their officers, officials, employees or agents shall be excess of the Participating Agencies' insurance and shall not contribute with it.

iii. Each insurance policy required by this clause shall be endorsed to state that coverage shall not be cancelled by either party, except after thirty (30) days prior written notice by certified mail, return receipt requested, has been given to MWDOC.

iv. Coverage shall not extend to any indemnity coverage for the active negligence of the additional insured in any case where an agreement to indemnify the additional insured would be invalid under Subdivision (b) of Section 2782 of the Civil Code.

I. Other Endorsements and Insurance Provisions

1. All rights of subrogation under the property insurance policy (if any) have been waived against MWDOC and Metropolitan.

2. The workers' compensation insurer, agrees to waive all rights of subrogation against MWDOC and Metropolitan for injuries to employees of the insured (Participating Agencies) resulting from work for MWDOC or Metropolitan or use of MWDOC or Metropolitan's premises or facilities.

3. If General Liability, ~~Pollution and/or any Asbestos Pollution Liability and/or professional liability or Errors & Omissions~~ coverages is are written on a claims-made form:

i. The “Retro Date” must be shown, and must be before the date of the contract or the beginning of contract work.

ii. If coverage is canceled or non-renewed, and not replaced with another claims-made policy form with a “Retro Date” prior to the contract effective date, the Participating Agencies must purchase “extended reporting” coverage for a minimum of five (5) years after completion of contract work.

iii. A copy of the claims reporting requirements must be submitted to MWDOC and Metropolitan for review.

4. Any consultants or subcontracts who contract with either of the Participating Agencies in connection with performing work on the Study must maintain insurance in compliance with the requirements in this Agreement and must name MWDOC as an additional insured consistent with the requirements of Section 124 of this Agreement. Any professional engineering firms conducting studies under Exhibit B and C of this Agreement shall provide evidence of Professional Errors & Omissions coverage meeting coverage amounts of \$1,000,000 per claim, with a \$2 million aggregate.

Section 13. Miscellaneous

A. This Agreement may be amended by written mutual agreement executed by the Parties. Any alteration or variation of the terms of this Agreement will not be valid unless made in writing and signed by all of the Parties. This Agreement constitutes the entire agreement between the Parties.

B. This Agreement will inure to the benefit of and be binding upon the Parties and their respective successors. This Agreement is not assignable by any Party in whole or in part.

C. If any provision of this Agreement shall be held illegal, invalid, or unenforceable, in whole or in part, such provision shall be modified to the minimum extent necessary to make it legal, valid, and enforceable, and the legality, and enforceability of the remaining provisions shall not be affected thereby.

D. This Agreement shall be deemed a contract under the laws of the State of California, and for all purposes will be interested in accordance with such laws. The Parties hereby agree to consent to the exclusive jurisdiction of the courts of the state of California, and that the venue of any action brought hereunder will be in Los Angeles County, California.

E. Notice. Any notice, invoice, report, or payment made pursuant to this Agreement shall be sent to the Parties at their respective addresses shown below, including any notice that must be sent to Metropolitan.

If to MWDOC: Municipal Water District of Orange County
 18700 Ward St.

P.O. Box 20895
Fountain Valley, CA 92728
Attn: General Manager
Email: rhunter@mwdoc.com

If to SCWD: South Coast Water District
31592 West Street
Laguna Beach, CA 92651
Attn: General Manager
Email: abrunhart@scwd.org

If to LBCWD: Laguna Beach County Water District
306 Third Street
P.O. Box 987
Laguna Beach, CA 92652
Attn: General Manager
Email: rhinchey@lbcwd.org

F. Counterparts. This Agreement and any amendment hereto may be executed in two or more counterparts, and by each Party on a separate counterpart, each of which, when executed and delivered, shall be an original and all of which together shall constitute one instrument, with the same force and effect as through all signatures appeared on a single document.

G. Signatures. The individuals executing this Agreement represent and warrant that they have the legal capacity and authority to do so on behalf of their respective agencies.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date below.

Date _____

Date _____

By _____
Andrew Brunhart
General Manager
SCWD

By _____
Robert Hunter
General Manager
MWDOC

Approved as to Form:

Approved as to Form:

Date _____

Date _____

By: _____

By: _____

Betty Burnett
General Counsel

Russell G. Behrens
General Counsel

Date _____

By _____
Rena M. Hinchey
General Manager
LBCWD

Approved as to Form:

Date _____

By: _____
General Counsel

Exhibit B: Study Budget Task Summary																	
			Geoscience (1)			Carollo (2)			NWRI			SCWD			MWDOC		
Task		Budget	Average Hrly Rate	Est. Hrs	Est. Cost	Average Hrly Rate	Est. Hrs	Est. Cost	Average Hrly Rate	Est. Hrs	Est. Cost	Average Hrly Rate	Est. Hrs	Est. Cost	Average Hrly Rate	Est. Hrs	Est. Cost
1.0	Advancement of Slant Well Technology	\$50,760			\$32,400			\$12,600									\$5,760
1.1	Slant Well Technology Assessment	\$11,400	\$180	40	\$7,200	\$175	24	\$4,200							\$120	16	\$1,920
1.2	Achieving Long-Term Performance	\$15,800	\$180	80	\$14,400	\$175	8	\$1,400							\$120	16	\$1,920
1.3	Application Considerations and Concepts	\$17,800	\$180	60	\$10,800	\$175	40	\$7,000							\$120	16	\$1,920
2.0	Geologic, Seismic and Ocean Risk Analysis for Siting Slant Beach Wells	\$80,200	\$180	40	\$7,200	\$140	500	\$70,000							\$120	25	\$3,000
3.0	Prediction of Coastal/Ocean Groundwater (GW) Flow and Water Quality	\$138,040			\$128,440			\$0									\$9,600
3.1	State-of-the-Art GW Models and Selection of Preferred Model/Modules	\$4,320	\$180	24	\$4,320												
3.2	Development and Calibration for Geochemical Modules	\$29,800	\$200	149	\$29,800												
3.3	Development and Calibration for Preferred Model/Modules to Assess Feasibility	\$90,000	\$180	500	\$90,000												
3.4	CDFW Streambed Alteration Agreements & Assess Compliance	\$4,320	\$180	24	\$4,320										\$120	80	\$9,600
4.0	Modeling Slant Well Feedwater Supply, Impacts and Mitigation Approaches	\$114,000			\$72,000			\$42,000									
4.1	Assessment of Sustainable Yield for Baseline Comparison	\$14,400	\$180	80	\$14,400												
4.2	Prediction of Transition and Steady State Pumped Water Quality	\$14,400	\$180	80	\$14,400												
4.3	Analysis of Pumping Impacts	\$14,400	\$180	80	\$14,400												
4.4	Assessment of Institutional and Physical Mitigation Approaches	\$70,800	\$180	160	\$28,800	\$175	240	\$42,000									
5.0	Coastal Environmental Drawdown Issues and Regulatory Strategies	\$26,400	\$180	40	\$7,200										\$120	160	\$19,200
6.0	Project Management, PM Support, Science Panel and Reports	\$90,600			\$4,800			\$4,200			\$38,400			\$43,200			\$0
6.1	Project Management (PM) and PM Support (Planning, Technical and Regulatory)	\$0										\$120	160	\$19,200			
6.2	Convene Science Advisory Committee (4 Meetings)	\$47,400	\$200	24	\$4,800	\$175	24	\$4,200	\$120	320	\$38,400						
6.3	Annual Post Grant Activities Reporting (for 5 years)	\$0										\$120	120	\$14,400			
6.4	Quarterly Progress and Interim Study/Documents Reporting & Final Report	\$0										\$120	80	\$9,600			
	Totals	\$500,000			\$252,040			\$128,800			\$38,400			\$43,200			\$37,560
Estimated Direct Costs (included in hourly rates above)					\$2,500			\$500			\$1,500						\$500
Notes:	1. Geoscience labor hours/costs includes subcontractor Dr. Matt Charrette (WHOI) at \$30,000 for Subtask 3.2 Geochemical Module																
	2. Carollo Engineers labor hours/cost includes subcontractors Ninyo & Moore at \$70,000 for Task 2.0 and SPI at \$10,000 for Subtask 4.4																
	3. All labor hours are estimates at this time and require final negotiation.																

**FOUNDATIONAL ACTIONS FUNDING PROGRAM AGREEMENT****Agreement No. 139835**

THIS AGREEMENT (Agreement) is made and entered into on [REDACTED], 2013, between The Metropolitan Water District of Southern California (Metropolitan) and The Municipal Water District of Orange County (Agency). Metropolitan and Agency may be collectively referred to as "Parties" and individually as "Party."

Recitals

- A. Metropolitan, through its Foundational Actions Funding Program (FAF Program), provides funding to persons or entities for technical studies or pilot projects that reduce barriers to future production of recycled water, stormwater, seawater desalination, and groundwater resources. This Program was established per authorization detailed in Board Letter No.8-4 in April 2013.
- B. Agency was selected through a Request for Proposal (RFP). Metropolitan and Agency agree to enter into an agreement for the San Juan Basin Groundwater and Desalination Optimization Program (Project).
- C. This Agreement provides the terms for Agency's participation in the FAF Program.

NOW, THEREFORE, in consideration of the promises and covenants hereinafter set forth, the Parties do agree as follows:

Section 1: Project Description

- 1.1 Agency shall carry out the Project as described in Exhibit A (Scope of Work, Cost, and Schedule), which is hereby incorporated into this Agreement.
- 1.2 Agency shall provide the Project deliverables according to the schedule as set forth in Exhibit A.

Section 2: Agreement Term

- 2.1 This Agreement shall be effective on [REDACTED], 2013 and the term shall be through June 30, 2017, or when all of the Parties' obligations under this Funding Agreement have been fully satisfied, whichever occurs earlier. Extensions of time to complete all or portions of the Project, including any required deliverables, shall be requested in writing by Agency and may be authorized at the sole discretion of Metropolitan in writing by Metropolitan. Any written authorization for an extension of time shall be attached to and incorporated into this Agreement.
- 2.2 This Agreement may be terminated by either Party with or without cause upon 30 days written notice to the other Party. Metropolitan's only obligation in the event of termination will be payment of approved invoices in conformity with this Agreement up to and including the effective date of termination.
- 2.3 Failure of an Agency to submit progress reports or the final report within the timeframe established in Exhibit A or any extension of time authorized in accordance with Section 2.1 above will be a breach of this Agreement.
- 2.4 This Agreement may be terminated immediately by Metropolitan upon written notice to the Agency if work on the Project has not started by January 31, 2014.

Section 3: Agreement Administrators

- 3.1 Ms. Stacie Takeguchi is appointed Agreement Administrator for Metropolitan for the purpose of administering this Agreement. The Agreement Administrator appointed by Agency for the purpose of administering this Agreement is [REDACTED].
- 3.2 The designated Agreement Administrator may be changed by providing written notice to the other Party. Any communication required to administer this Agreement shall be in writing and will be deemed received upon personal delivery or 48 hours after deposit in any United States mail depository, first class postage prepaid, and addressed to the Party for whom intended, as follows:

If to Metropolitan:

The Metropolitan Water District of Southern California
P. O. Box 54153
Los Angeles, CA 90054-0153
Attention: Ms. Stacie Takeguchi
Or by email to: stakeguchi@mwdh2o.com

If to Agency:

Municipal Water District of Orange County
18700 Ward Street
Fountain Valley, CA 92708
Attention: [Insert Agency Agreement Administrator Name]
Or by email to: [Insert Agency Administrator email]

Either Party may change such address by giving notice to the other Party as provided herein.

Section 4: Responsibilities and Ownership

- 4.1 Agency shall be responsible for all necessary services and materials for Project implementation including, but not limited to, providing the following: Project administration, data collection, analyses, and reporting.
- 4.2 Agency shall comply with all Federal, State and local laws, ordinances and regulations and is solely responsible for any such obligations, including, without limitation, compliance with the California Environmental Quality Act.
- 4.3 Metropolitan and Agency agree that each party shall be responsible for its own actions, and the actions of its officers, employees and agents, in performing services under this Agreement. Metropolitan and Agency each agree to indemnify and hold the other Party and its officers and agents harmless and agree to defend the other Party against any claim or asserted liability arising out of its actions, either willful or negligent, or the actions of its officers, employees and agents, in performing services pursuant to this Agreement. Such indemnity includes any losses relating to any claim made, whether or not a court action is filed, and attorney fees and administrative and overhead costs related to or arising out of such claim or asserted liability.
- 4.4 Agency is solely responsible for the performance of its staff or representatives in complying with the terms of this Agreement and for the proper allocation of funds provided by Metropolitan for the purpose of implementing the Project under this Agreement.
- 4.5 Agency shall be responsible for the design, implementation, personnel, equipment and supplies, and all capital and operating costs related to and incurred by Project. All materials and equipment necessary to implement Project are the exclusive property of Agency. Metropolitan shall have no ownership, right, title, security interest, or other interest in any Project facilities, materials, or equipment, nor any rights, duties, or responsibilities for operation or maintenance thereof.
- 4.6 Agency shall include this Agreement, language stating that the terms of this Agreement prevail if there is a conflict in any terms in a separate agreement, and the following language in its agreement with any consultant, contractor, or organization retained by or partnering with Agency to work on the Project: "(Consultant) agrees at its sole cost and expense to protect, indemnify, defend, and hold harmless The Metropolitan Water District of Southern California and its Board of Directors, officers, representatives, agents and employees from and against any and all claims and liability of any kind (including, but not limited to, any claims or liability for injury or death to any person, damage to property, natural resources or to the environment, or water quality problems) that arise out of or relate to Agency's approval, construction, operation, repair or ownership of the Project. Such indemnity shall include all damages and losses related to any claim made, whether or not a court action is filed, and shall include attorney's fees, administrative and overhead costs, engineering and consulting fees and all other costs related to or arising out of such claim or asserted liability." Agency shall be solely responsible for all payments and other contractual requirements required by any such separate agreement.

Section 5: Intellectual Property and Use of Materials

- 5.1 All intellectual property developed pursuant to this Agreement shall be owned by Agency and Agency hereby grants Metropolitan and its member public agencies a nonexclusive license, at no cost, to use the intellectual property developed in the course of the work performed under this Agreement by Agency or any contractor and consultant working on Project as described in Exhibit A. This intellectual property includes, but is not limited to, all inventions, patents, data, design, drawings, specifications, raw results, computer programs, final report, as well as any other presentations, reports, findings or related materials developed during the Project.
- 5.2 The Parties agree that the granting of the nonexclusive license to use the intellectual property developed pursuant to this Agreement is beneficial to all Metropolitan member agencies and the Southern California region.
- 5.3 Agency agrees that all results produced in the performance of this Agreement may be released to the public.
- 5.4 Agency shall include the following language in its agreement with any consultant or contractor retained by Agency to work on the Project: "All intellectual property developed pursuant to this Agreement is owned by Municipal Water District of Orange County (Agency). This intellectual property includes, but is not limited to, all inventions, patents, data, design, drawings, specifications, raw results, computer programs, final report, as well as any other presentations, reports, findings or related

materials developed during the Project. All results produced in the performance of this Agreement may be released to the public.”

- 5.5 Agency shall notify Metropolitan in writing of all intellectual property conceived or developed in the course of the work performed under this Agreement.
- 5.6 Agency shall cooperate in the execution of all documents necessary to perfect and protect Metropolitan’s and its member public agencies’ right to intellectual property under this Agreement as requested by Metropolitan.
- 5.7 When requested by Metropolitan or its member public agencies, or upon termination of this Agreement, Agency shall furnish a copy of all documents and other tangible media containing intellectual property developed by Agency during the course of this Agreement, including all prototypes and computer programs.

Section 6: Metropolitan’s Payment

- 6.1 Metropolitan’s payment for the Project is not to exceed \$200,000, or fifty (50) percent of the total cost expended per task as established in Exhibit A, whichever is less. Agency shall be responsible for all costs in excess of Metropolitan’s payment.
- 6.2 Metropolitan shall reimburse Agency only upon receipt and approval by Metropolitan of a required quarterly progress report and associated quarterly invoice in compliance with the requirements of this Agreement and as scheduled in Exhibit A. Twenty five (25) percent of eligible reimbursable costs shall be withheld per invoice until a final report is accepted by Metropolitan. Agency shall submit quarterly invoices with related quarterly progress reports to Metropolitan’s Accounts Payable Section, whose mailing address is P.O. Box 54153, Los Angeles, California 90054-0153, with a copy to the Agreement Administrator via email at the address provided under Section 3.2. Agency’s Agreement Administrator shall sign and certify the invoices to be true and correct to the best of his/her knowledge. Agency’s invoices shall include at a minimum the information requested in Exhibit B (Sample Invoice). Invoices shall itemize allowable expenses and include receipts for which reimbursement is sought. Attached receipts should itemize each cost and provide descriptive information so that expenses are separately identified. The final invoice, including any requests for release of retention, shall be clearly marked “FINAL INVOICE.”
- 6.3 In-kind services are not eligible for reimbursement and shall not be included in Agency invoices to Metropolitan. In-kind services include, but are not limited to, work performed by staff of Agency or of Agency’s partner(s) contributing funding to Project, and related expenses (e.g., travel, overhead, etc.).
- 6.4 All invoices related to the Project must be submitted by Agency to Metropolitan by April 15, 2016, to be considered for payment under the provisions of this agreement. Invoices received after April 15, 2016, will not be paid unless Metropolitan, in its sole discretion, grants Agency, in writing, an extension of time to complete the work and submit its invoices.
- 6.5 Invoices to Metropolitan will be paid 30 days after approval of the invoices, provided the work achieved complies with the conditions set forth in section 6.2 of this Agreement and Exhibit A.

Section 7: Reporting Requirements

- 7.1 Agency shall submit to Metropolitan quarterly progress reports with the associated invoices by the 15th of January, April, July, and October for the preceding quarter. The progress reports shall include, at a minimum, the items listed in Exhibit C (Progress Report Format). Agency shall document all activities and expenditures in progress reports. The submittal of these reports is a requirement for initial and continued disbursement of funds.
- 7.2 Agency shall prepare and submit to Metropolitan, upon completion of the Project, a Final Report, which shall include, at a minimum, the items listed in Exhibit D (Final Report Format). The Final Report shall be provided in hard copy and digital format prior to final payment of funds retained by Metropolitan.
- 7.3 Upon written request by Metropolitan, Agency shall prepare and submit to Metropolitan a Post-Project Update Report one year following the acceptance of the Final Report. The Post-Project Update Report shall provide a summary of related post-funding project activities and include, at a minimum, the items listed in Exhibit E (Post-Project Update Report Format).

Section 8: Verification

- 8.1 Agency shall be responsible for verifying completion of Consultant’s or Subcontractor’s work in accordance with the Scope of Work as shown in Exhibit A.

Section 9: Representations

- 9.1 Each Party represents that it is represented by legal counsel, that it has reviewed this Agreement and agrees that:
 - a. This Agreement is legally enforceable;
 - b. Payments made by Metropolitan to Agency pursuant to this Agreement are a legal use of Metropolitan’s funds; and,
 - c. Metropolitan may legally recover the costs incurred by Metropolitan pursuant to this Agreement in the water rates charged to its Member Agencies, including Agency.

Section 10: Insurance

10.1 Agency shall procure and maintain for the duration of this Agreement a program of commercial insurance or documented self-insurance program to protect against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the work hereunder by the Agency, its agents, representatives, or employees.

10.2 Agency shall sustain proof of insurance coverage in an updated ACORD form, attached hereto as Exhibit F (Agency Proof of Insurance Coverage) and incorporated by reference, during the term of this Agreement. Failure to provide the updated insurance ACORD form annually may result in the withholding of Agency's invoice payment. Agency shall list the agreement number on the ACORD form and email to: AgreementInsurance@mwdh2o.com or fax to (213-576-6158). Alternatively, if unable to email or fax, Agency shall send the ACORD form via U.S. mail as follows:

Metropolitan Water District of Southern California
P.O. Box 54153
Los Angeles, CA 90054
Attention: Ms. Stacie Takeguchi
Agreement No. 139835

10.3 Minimum Scope of Insurance

- a. Coverage shall be at least as broad as:
 - i. Insurance Services Office Commercial Liability coverage (occurrence Form CG0001).
 - ii. Insurance Services Office Form Number CA 0001 covering Automobile Liability, Code 1, (any auto).
 - iii. Workers' Compensation insurance as required by the State of California and Employer's Liability Insurance.
 - iv. Professional Liability or Errors and Omissions Liability insurance appropriate to the Agency's profession. Architects' and engineers' coverage is to be endorsed to include contractual liability."

10.4 Minimum Limits of Insurance

- a. Agency shall maintain limits no less than:
 - i. General Liability: Including operations, products and completed operations as applicable, \$1,000,000 per occurrence for bodily injury, personal injury and property damage. If Commercial General Liability Insurance or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to the project or location, or the general aggregate limit shall be twice the required occurrence limit.
 - ii. Automobile Liability: \$1,000,000 per accident for bodily injury and property damage.
 - iii. Workers' Compensation: Shall be furnished in accordance with statutory requirements of the State of California and shall include Employer's Liability coverage of \$1,000,000 per accident for bodily injury or disease.
 - iv. Professional Liability or Errors and Omissions Liability: \$1,000,000 per claim, with a \$2 million aggregate.

10.5 Deductibles and Self-Insurance Retentions: Any deductibles or self-insured retentions must be declared to and approved by Metropolitan. At the option of Metropolitan, either: the insurer shall reduce or eliminate such deductibles or self-insured retentions as respect to Metropolitan, its officers officials, employees, agents and volunteers; or the Agency shall provide a financial guarantee satisfactory to Metropolitan guaranteeing payment of losses and related investigations, claim administration and defense expenses.

10.6 Verification of Coverage: Agency shall furnish Metropolitan with original certificates and amendatory endorsements effecting coverage required by this clause. The endorsements and certificates are to be received and approved by Metropolitan prior to the commencement of work. Metropolitan reserves the right to require complete, certified copies of all required insurance policies, including endorsements effecting coverage, and coverage binders required by these specifications at any time.

10.7 Acceptability of Insurers: Insurance is to be placed with California admitted insurers with a current A.M. Best's rating of no less than A:VIII. A non-admitted carrier may be used with prior approval from Metropolitan, with an A.M. Best rating of no less than A: X. An exception to these standards will be made for the State Compensation Insurance Fund when not specifically rated.

10.8 General Liability and Automobile Liability Endorsements

- a. The commercial general liability policy and automobile policies are to contain, or be endorsed to contain, the following provisions:
 - i. Metropolitan, its officers, officials, employees and agents are to be covered as insureds as respect to liability arising out of work or operations performed by or on behalf of the Agency; or automobiles owned, leased, hired or borrowed by the Agency.
 - ii. For any claims related to this project, the Agency's insurance coverage shall be primary insurance as respect to Metropolitan, its officers, officials, employees and volunteers. Any insurance or self-insurance maintained by Metropolitan, its officers, officials, employees or agents shall be excess of the Agency's insurance and shall not contribute with it.
 - iii. Each insurance policy required by this clause shall be endorsed to state that coverage shall not be canceled by either party, except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to Metropolitan.
 - iv. Coverage shall not extend to any indemnity coverage for the active negligence of the additional insured in any case where an agreement to indemnify the additional insured would be invalid under Subdivision (b) of Section 2782 of the Civil Code.

10.9 Other Endorsements and Insurance Provisions

- a. All rights of subrogation under the property insurance policy (if any) have been waived against Metropolitan.
- b. The workers' compensation insurer, agrees to waive all rights of subrogation against Metropolitan for injuries to employees of the insured (Agency) resulting from work for Metropolitan or use of Metropolitan's premises or facilities.
- c. If General Liability, Pollution and/or any Asbestos Pollution Liability and/or professional liability or Errors & Omissions coverages are written on a claims-made form:
 - i. The "Retro Date" must be shown, and must be before the date of the contract or the beginning of contract work.
 - ii. If coverage is canceled or non-renewed, and not replaced with another claims-made policy form with a "Retro Date" prior to the contract effective date, the Agency must purchase "extended reporting" coverage for a minimum of five (5) years after completion of contract work.
 - iii. A copy of the claims reporting requirements must be submitted to Metropolitan for review.

Section 11: Miscellaneous

- 11.1 This Agreement may be amended by written mutual agreement executed by both Parties. Any alteration or variation of the terms of this Agreement will not be valid unless made in writing and signed by both Parties. This Agreement constitutes the entire agreement between the Parties.
- 11.2 This Agreement will inure to the benefit of and be binding upon Metropolitan and Agency and their respective successors. This Agreement is not assignable by either Party in whole or in part.
- 11.3 If any provision of this Agreement shall be held illegal, invalid, or unenforceable, in whole or in part, such provision shall be modified to the minimum extent necessary to make it legal, valid, and enforceable, and the legality, validity, and enforceability of the remaining provisions shall not be affected thereby.
- 11.4 This Agreement shall be deemed a contract under the laws of the State of California, and for all purposes will be interpreted in accordance with such laws. Metropolitan and Agency hereby agree and consent to the exclusive jurisdiction of the courts of the State of California, and that the venue of any action brought hereunder will be in Los Angeles County, California.

Attachments incorporated in this Agreement include:

- | | |
|------------|------------------------------------|
| Exhibit A: | Scope of Work, Cost, and Schedule |
| Exhibit B: | Sample Invoice |
| Exhibit C: | Quarterly Progress Report Format |
| Exhibit D: | Final Report Format |
| Exhibit E: | Post-Project Update Report Format |
| Exhibit F: | Agency Proof of Insurance Coverage |

IN WITNESS WHEREOF, the Parties hereto have executed and entered into this Agreement as of the date last written below.

APPROVED AS TO FORM:

Marcia L. Scully
General Counsel

By: _____
Setha E. Schlang
Senior Deputy General Counsel

Date: _____

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Jeffrey Kightlinger
General Manager

By: _____
Debra C. Man
Assistant General Manager/COO

Date: _____

APPROVED AS TO FORM:

By: _____
Legal Counsel (if necessary)

Date: _____

MUNICIPAL WATER DISTRICT OF ORANGE COUNTY

By: _____
Name:
Title:

Date: _____

In Duplicate

Exhibit A

Scope of Work, Costs, and Schedule For San Juan Basin Groundwater and Desalination Optimization Program

1.0 Project Objective

The project analyzes options for sustainable, long-term use of an impaired watershed that is typical to Southern California. Without adaptive management and expanded recharge of the watershed there is limited opportunity for production of potable water. The watershed has a stream morphology that extends offshore and currently the aquifer is underutilized. The project is an innovative approach not generally used on a small basin, it takes the tools that have historically been applied to larger basins and incorporates them with the goal of producing a new sustainable water supply.

2.0 Background Information

Many small groundwater basins within The Metropolitan Water District of Southern California (Metropolitan) service area have the following attributes: limited yield, limited storage, natural and anthropogenic contamination sources, chronically impaired water, and overlying lands that are completely developed. The classic approach to utilizing these small basins is to treat the groundwater at its sustainable yield and rely on imported water to meet demands in excess of the underlying groundwater. The San Juan Basin in South Orange County is typical of these marginalized basins. In its current state, the San Juan Basin: can sustain on average about 9,300 acre-ft/yr of production, which will range from about 7,700 to about 11,200 acre-ft/yr, limited by hydrology and water in storage; has a storage capacity of about 40,000 acre-ft and currently has about 27,000 acre-ft in storage; has impaired groundwater with a TDS concentration of about 2,200 mg/L; has both natural and anthropogenic degradation sources; and very high concentrations of iron and manganese. The near term production goal is about 11,400 acre-ft/yr, and thus the Basin, under its current management scheme, is projected to chronically fail to meet the production needs of the local agencies. Currently, groundwater desalters are used to treat the groundwater that is produced for municipal uses.

The program elements contains the efforts to develop practical spatial and temporal groundwater production plans based on storage conditions that are related to production, natural hydrologic variability, artificial recharge, and prevailing DPH and Basin Plan requirements. There are also overlying producers that may have to convert to recycled and or municipal water to enable the implementation.

[Discussion Points: Since a portion of this work is being submitted through this study proposal and the “Overcoming Barriers to Slant Well Seawater Desalination – Siting, Groundwater, Water Quality and Treatment.” proposal, the actual funding/scope will be negotiated if both are funded to ensure there is no duplication of work.]

Exhibit A

3.0 Project Description

The 2013 San Juan Basin Groundwater and Facilities Master Plan (SJBGFMP) is being developed in a stakeholder process to meet the water management goals of the SJBA and other stakeholders. The 2013 SJBGFMP proposes a novel and unprecedented approach to aggressively manage the San Juan Creek Basin that will result in a sustainable increase in Basin production to over 20,000 acre-ft/yr – an increase of over 100 percent. This is proposed to be accomplished by: the construction and operation of a seawater extraction barrier near the coast where San Juan Creek discharges into the Pacific Ocean; new stormwater recharge in and possibly adjacent to San Juan Creek and the Arroyo Trabuco; seasonal recharge of tertiary-treated recycled water; and managed groundwater production and treatment. The expanded yield developed from the 2013 SJBGFMP will be used by the local water agencies to reduce their demand on imported water and to improve local reliability. The program elements of the 2013 SJBGFMP and the process under which they were developed can be exported to any of the small impaired groundwater basins in the Metropolitan service area. The program elements of the 2013 SJBGFMP and the scope of work for this study are described below.

Conduct Groundwater Modeling Studies for Proposed Seawater Extraction Barrier. The 2013 SJBGFMP includes a seawater extraction barrier that will prevent seawater intrusion and provide up to 4,000 acre-ft/yr of potable water. The extraction wells will be located between the coast and Stonehill Drive with a treatment plant possibly being co-located at the existing SCWD groundwater treatment plant. The current estimated cost to produce water from the extraction barrier project is about \$1,330 per acre-ft. The scope of work herein is to conduct groundwater modeling studies, utilizing a recently (2013) calibrated model¹ of the coastal zone of the San Juan Basin, to investigate extraction barrier well locations, sustainable production rates, and projected salinity concentrations. The analysis will apply to similar stream morphology that extends offshore and currently may be underutilized. An updated facilities and operating plan will be prepared along with updated cost estimates.

Conduct Hydraulic Investigations to Increase Stormwater Recharge. The 2013 SJBGFMP includes in-stream stormwater recharge using either “T” and “L” levees, as utilized by the Orange County Water District (OCWD); rubber dams for in-stream recharge; and rubber dams for in-stream recharge and diversion to off-stream recharge facilities. The increase in recharge anticipated by the “T” and “L” levees alternative could range from 500 to 2,000 acre-ft/yr and for the rubber dam alternative could range from 1,000 to 4,000 acre-ft/yr. Under either in-stream recharge alternative, the cost to recharge stormwater will range from \$200 per acre-ft to \$800 per acre-ft. San Juan Creek and the Arroyo Trabuco have been listed as habitat for Steelhead Trout and the stream bottom may have other habitat values. The scope of work herein is to conduct a hydraulic investigation to refine the “T” and “L” levees alternative, develop hydraulic and fish passage requirements for both alternatives, and refine the stormwater recharge estimates for all three alternatives. Groundwater modeling, using a recently developed groundwater model,² will be done to assess the groundwater basin.

¹ A variable-density model developed by the MWDOC for the investigation of the South Orange County Ocean Desalter (SOCOD) project.

² A regional groundwater flow model developed by the MWDOC for the investigation of the South Orange County Ocean Desalter (SOCOD) project.

Exhibit A

response, mounding, and the need to revise groundwater production plans to accommodate new recharge. The data developed may be utilized in other streambed applications in urbanized areas. An updated facilities and operating plan will be prepared along with updated cost estimates.

Conduct Hydraulic Investigations to Recycled Water Recharge. The 2013 SJBGFMP includes in-stream recycled water recharge using seasonally constructed ponds along San Juan Creek or rubber dams. The recycled water recharge anticipated by the SJBGFMP could ramp up from an initial 2,000 acre-ft/yr and eventually reach about 10,000 acre-ft/yr. Under either recharge alternative, the cost to recharge recycled water will range from \$50 to \$100 per acre-ft, not including recycled water production facilities. The rubber dam alternative used for stormwater recharge could also be utilized for recycled water recharge if constructed. This program element will have the same habitat challenges as the stormwater recharge program element. The scope of work herein is to conduct a hydraulic investigation to refine the layout and operation of the temporary seasonal recharge ponds, develop hydraulic and fish passage requirements for both alternatives, and refine the recycled water recharge estimates for both alternatives. Groundwater modeling, using a recently developed groundwater model,³ will be completed to assess the groundwater basin response, mounding, and the need to revise groundwater production plans to accommodate the new recharge. Recycled water distribution system retrofits for irrigation purposes in urban areas of Southern California may be difficult and costly, the Project recharge analysis may be applicable for beneficial indirect use analysis. An updated facilities and operating plan for recycled water will be prepared along with revised cost estimates.

Develop Adaptive Production Management. The implementation of the extraction barrier and recharge program elements will change the location, magnitude, and timing of recharge in the basin. Existing groundwater production and treatment facilities will have to be modified to maximize the new yield, to ensure there is groundwater storage capacity to accept the recharge, to minimize potential for liquefaction, continue to protect the health of the public and to ensure maximum beneficial use of the produced water. This program element contains the efforts to develop practical spatial and temporal groundwater production plans based on storage conditions that are related to production, natural hydrologic variability, artificial recharge, and prevailing DPH⁴ and Basin Plan requirements. There are also overlying producers that may have to convert to recycled and or municipal water to enable the implementation of the 2013 SJBGFMP. The scope of work for this program element includes: groundwater modeling to develop spatial and temporal groundwater production plans tied to groundwater storage, underground residence time for recycled water prior to production, and recycled water contribution; expected groundwater treatment requirements to produce potable water; and the water type and cost to replace the groundwater currently used by overlying producers. A reconnaissance-level Title 22 engineering assessment will be prepared pursuant to the existing

³ A regional groundwater flow model developed by the MWDOC for the investigation of the South Orange County Ocean Desalter (SOCOD) project coupled with MT3D to estimate the recycled water contribution and underground residence time.

⁴ <http://www.cdph.ca.gov/healthinfo/environhealth/water/pages/waterrecycling.aspx>

Exhibit A

draft Title 22 regulations for a groundwater recycled reuse project.⁵ An updated facilities and operating plan will be prepared along with updated cost estimates. The updated facilities and operation plan will include the locations of new wells, raw water conveyance, treatment facilities, product water conveyance, and the phasing of these facilities as recycled water recharge is ramped up from 2,000 to 10,000 acre-ft/yr. The results of the work can be transferred to other similar situated basins in Southern California.

Participating Entities

Under Municipal Water District of Orange County (MWDOC), the following agencies are participating in the project:

- San Juan Basin Authority (SJBA), which is a joint powers authority. The San Juan Basin has a drainage area of over 111,000 acres and includes Oso Creek, Trabuco Creek, Horno Creek, Chiquita Canyon, Canada Gobernadora and Bell Canyon. The SJBA is designed to carry out and oversee water resource development of the San Juan Basin. The SJBA is comprised of the following member agencies:
 - Santa Margarita Water District (SMWD)
 - Moulton Miguel Water District (MNWD)
 - South Coast Water District (SCWD)
 - City of San Juan Capistrano (CSJC)

In addition, the following entities will provide an assessment and input on regulatory and feasibility issues with the project:

- State of California Department of Public Health, Division of Drinking Water and Environmental Management District Engineer has discussed the project with the proponents and will be included on the technical advisory team to review the project and groundwater recharge relative to of current and proposed regulations
- National Water Research Institute (NWRI) has been involved in similar projects in other areas of California and the southwest involving groundwater recharge of recycled water. In addition to efforts to review key regulatory issues concerning recycled water, NWRI and SJBA have the opportunity for development of a Blue Ribbon Panel to conduct a peer review of the project scope and findings.

4.0 Description of Tasks

TASK 1 – Project Management

1.1 Project Management and Administration

The work completed in this task includes project management (resourcing, scheduling, cost controls, etc.), timely invoicing, internal technical reviews, and coordination with Metropolitan. The work products include progress reports and invoices.

⁵ Ibid

Exhibit A

1.1a Progress Reports

Provide quarterly progress reports and invoices documenting activities scheduled, description of work completed, % completed, project issues, as described in this Agreement.

1.1b Final Report

Provide a detailed written final report of project outcomes, lessons learned, cost-effectiveness, feasibility of regional implementation, recommendations for future actions, next steps, as described in this Agreement.

1.1c Long-Term Reporting

Prepare a post-project update report to Metropolitan one year following the acceptance of the Final Report.

1.2 Progress Reports to the SJBA Board and Stakeholder Process Meetings

Quarterly oral presentations will be conducted at the SJBA Board meetings to brief the SJBA Board, other stakeholders and the public on the progress of the work. The objective of the oral presentations is to keep the SJBA Board and stakeholders current on the ongoing work and to receive input and direction from the SJBA Board. There will be detailed technical public workshops included in Tasks 2, 3 and 5 below.

- The work products will be presentations, handouts, and presentation summaries, all of which will be posted on the SJBA website.

1.3 Technical Advisory Committee Meetings

The objective of this task is to meet and review the program elements as they evolve with the SJBA technical advisory committee (TAC).

- The work products will include meeting handouts (preliminary facilities plans, operation plans, cost opinions, institutional and environmental challenges and solutions, etc.), the meeting handouts and meeting summaries will be posted on the SJBA website.

TASK 2 - Develop Preliminary Alternatives for Each Program Element

2.1 Develop Design Criteria, Cost Estimating Methodology and Identify Potential Project Participants and Points of Delivery

The objectives of this task are: to identify and obtain agreement on facility design and operating criteria and assumptions before engineering work begins; to obtain agreement on the cost and financial assumptions to be used in the preparation of cost opinions; and to identify potential purchasers of the water and where they would take delivery and the capacity limitations at the points of delivery. A draft technical memorandum (TM) will be prepared and submitted to the TAC that contains this

Exhibit A

information as a straw man proposal. The TAC will review, provide direction and the TM will be finalized. The TM will subsequently be incorporated into an appendix to the project report in Task 5.

- The work products will include draft and final TMs, the final TM being posted on the SJBA website.

2.2 Develop Preliminary Extraction Barrier Alternatives

The objective of this task to develop up to three extraction barrier alternatives that will prevent seawater intrusion and increase local supplies by intercepting and treating seawater induced landward by the extraction barrier wells. These alternatives will be analyzed in detail in Task 3. Operating plans, well field layouts, raw water conveyance and treatment facilities, brine disposal facilities and product water conveyance facilities will be developed. The recent extensive hydrogeologic work done for the Doheny Desalter investigations and the SJBA groundwater-monitoring program will be relied upon. A draft TM that describes the three extraction barrier alternatives will be prepared and submitted to the TAC. The TAC will review, provide direction and the TM will be finalized. The TM will subsequently be incorporated into the project report in Task 5.

- The work products will include draft and final TMs, the final TM being posted on the SJBA website.

2.3 Develop Preliminary Storm Water Recharge Alternatives

The objective of this task is to identify the range of storm water recharge alternatives overlying the San Juan Basin and to formulate up to six recharge alternatives for detailed analysis in Task 3. The 2013 SJBGfMP considered two in-stream recharge alternatives involving “T” and “L” levees as used by the OCWD on the Santa Ana River, and a series of rubber dams. These in-stream alternatives and as well as off-stream recharge in new recharge basins and infiltration galleries located near San Juan Creek and Arroyo Trabuco will be considered. Facility layouts and operating schemes for each alternative will be developed. The 2013 SJBGfMP and recent extensive hydrology modeling work done for the Doheny Desalter investigations will be relied upon. A draft TM will be prepared and submitted to the TAC that describes the six storm water recharge alternatives. The TAC will review, provide direction and the TM will be finalized. The TM will subsequently be incorporated into the project report in Task 5.

- The work products will include a draft and final TMs, the final TM being posted on the SJBA website.

2.4 Develop Preliminary Recycled Water Recharge Alternatives

The objective of this task is to identify the range of recycled water recharge alternatives overlying the San Juan Basin and to formulate up to six recharge alternatives for detailed analysis in Task 3. The 2013 SJBGfMP considered two in-stream recharge alternatives involving a series of seasonal temporary cascading ponds in San Juan Creek

Exhibit A

and Arroyo Trabuco, as well as a series of rubber dams on the same creeks. Consideration will be given to these in-stream alternatives and off-stream alternatives with recharge, including recharge basins, injection wells and infiltration galleries located near San Juan Creek and Arroyo Trabuco. Facility layouts and operating schemes for each alternative will be developed. The 2013 SJBGFP, SJBA groundwater-monitoring program and planning information provided by the South Orange County Wastewater Authority (SOCWA) will be relied upon to formulate these alternatives. A draft TM will be prepared and submitted to the TAC that describes the six recycled water recharge alternatives. The TAC will review, provide direction and the TM will be finalized. The TM will subsequently be incorporated into the project report in Task 5.

- The work products will include a draft and final TMs, the final TM being posted on the SJBA website.

2.5 Develop Preliminary Adaptive Production Management Alternatives

The objectives of this task are: to identify the range of adaptive production management alternatives that include existing and new wells and expanded groundwater treatment to enable groundwater production to be increased to exploit the existing basin as well as possible storm and recycled water recharged as part of this project; and to determine how production should be managed during critical dry periods. Up to six alternatives will be developed considering: selected amounts of new storm and recycled water recharge; determination of the approximate number of new wells and treatment capacity required to increase groundwater production to recover the new recharge; maximizing groundwater production during dry periods and comply with the then current draft DPH Groundwater Replenishment with Recycled Water (GRRP) regulations; and the location of existing wells that may need to be abandoned. Facility layouts and operating schemes will be developed for each alternative. The 2013 SJBGFP, the SJBA groundwater-monitoring program, hydrogeologic and planning information from the Doheny Desalter project and planning information provided by the SOCWA will be relied upon to formulate these alternatives. A draft TM will be prepared and submitted to the TAC that describes the six adaptive production management alternatives. The TAC will review, provide direction and the TM will be finalized. The TM will subsequently be incorporated into the project report in Task 5.

- The work products will include draft and final TMs, the final TM being posted on the SJBA website.

2.6 Develop a Presentation Summarizing Preliminary Program Elements

The objective of this task is to prepare a comprehensive presentation with notes to document the history of the project and the results of Task 2-1 through 2-5. This presentation will be used in Task 2.7 (below) and will be made available to all stakeholders for their subsequent review and use.

- The work product will be a presentation file that will be posted to the SJBA website.

Exhibit A

2.7 Review Program Elements with SJBA Board, Other Stakeholders, DPH, SWRCB and the RWQCB

The objective of this task is to conduct one or more workshops with the above-mentioned parties to summarize Task 2 results, answer questions, and to receive comments and suggestions.

- The work products will be the technical presentations, handouts, workshop summaries all of which will be posted on the SJBA website.

TASK 3 – Evaluate Feasibility of All Program Elements

3.1 Evaluate Groundwater Extraction Barrier Program Element Alternatives

The objective of this task is to evaluate the preliminary extraction barrier alternatives, refine them as necessary, rank them and recommend an alternative. The evaluation will include: modifying and updating a recently calibrated variable-density groundwater model and applying that model for each of the preliminary alternatives to determine extraction barrier effectiveness, sustainable yield, and expected salinity. These model results will be used to refine the operating and facilities plan including: the phasing of groundwater treatment capacity; and the preparation of a construction cost opinion and unit cost of water produced. A preliminary recommendation for the extraction barrier alternative will be prepared. The factors that contribute to uncertainty in extraction barrier performance, the investigations required to reduce the uncertainty to an acceptable level, and the cost of these investigations will be described. A draft TM will be prepared and submitted to the TAC that describes the evaluation of the extraction barrier alternatives, the recommended alternative and the basis of the recommendation. The TAC will review, provide direction and the TM will be finalized. The TM will subsequently be incorporated into the project report in Task 5.

- The work products will include draft and final TMs, the final TM being posted on the SJBA website.

3.2 Evaluate Storm and Recycled Water Recharge Program Element Alternatives

The objective of this task is to evaluate the preliminary storm and recycled water recharge alternatives, refine them as necessary, rank them and recommend an alternative. The evaluation of storm and recycled water recharge alternatives were combined herein because many of the same types of proposed facilities are being considered for both types of water. The evaluation will include: modifying and updating a recently calibrated, fine-grain regional groundwater model and applying that model for each of the preliminary recharge alternatives to determine: recharge capacity for each type of water and combinations of water types; mounding limitations; mitigation measures that can be incorporated into the project to maximize recharge; refining the facility and operating plans for each alternative based on model results; and preparing a construction cost opinion and unit cost of water recharged. The preliminary recommendations for the top three recharge alternatives, the recommended

Exhibit A

alternative, and the basis for the recommendation will be prepared. The factors that contribute to uncertainty in storm and recycled water recharge performance, the investigations required to reduce the uncertainty to an acceptable level, and the cost of these investigations will be described. A draft TM will be prepared and submitted to the TAC that describes the three extraction barrier alternatives. The TAC will review, provide direction and the TM will be finalized. The TM will subsequently be incorporated into the project report in Task 5.

- The work products will include draft and final TMs, the final TM being posted on the SJBA website.

3.3 Evaluate and Refine Adaptive Management Alternatives

The objective of this task is to evaluate the preliminary management alternatives for production of raw water, refine them as necessary based on work in Task 3-2, rank them and recommend an alternative. The evaluation will include: development and application of a new MT3D (solute transport) model to be used in conjunction with the existing fine-grain regional flow model to assess underground residence time for recycled water for each existing and proposed well, and to estimate recycled water contribution for each existing and proposed well; refining the facility and operating plans for each alternative based on model results; refining recycled water and groundwater treatment plans and cost; conducting a salt and nutrient loading assessment consistent with the Basin Plan and SWRCB policy; and, preparing a construction cost opinion and unit cost of water produced. The recommendations for the top three adaptive management alternatives, including a recommended alternative and the basis for the recommendation will be prepared. The factors that contribute to uncertainty in adaptive production management performance, the investigations required to reduce the uncertainty to an acceptable level, and the cost of these investigations will be described. A draft TM will be prepared and submitted to the TAC that describes the top 3 adaptive production management alternatives, the recommended alternative and the basis for the recommendation. The TAC will review, provide direction and the TM will be finalized. The TM will subsequently be incorporated into the project report in Task 5.

- The work products will include draft and final TMs, the final TM being posted on the SJBA website.

3.4 Develop a Presentation Summarizing Preliminary Program Elements

The objective of this task is to prepare a comprehensive presentation with notes to document the history of the project and the results of Task 3-1 through 3-3. This presentation will be used at project workshop(s) described in Task 3-5 (below) and will be made available to all stakeholders for their subsequent review and use.

- The work product will be a presentation file that will be posted to the SJBA website.

Exhibit A

3.5 Review Task 3 Results with SJBA Board, Other Stakeholders, DPH, SWRCB and the RWQCB

The objective of this task is to conduct one or more workshops with the above-mentioned parties to summarize the results of Task 3, answer questions, and to receive comments and suggestions.

- The work products will be the technical presentations, handouts, workshop summaries all of which will be posted on the SJBA website.

TASK 4 – Develop Implementation Plan

4.1 Identify Potential Habitat and Environmental Opportunities for the Project Alternatives

The objectives of this task are to identify the types of environmental impacts and to determine elements to include in the planning effort to move the project forward, including development of preliminary cost estimates. The results will be incorporated into an appendix in the project report prepared in Task 5.

- The work products will be a study which will be posted on the SJBA website.

4.2 Develop Phasing and Monitoring Plans

The objective of this task is develop a plan to implement the project in phases that will allow the project participants to move forward with some of the project elements immediately and the remainder of the program elements in an incremental manner. For example the extraction barrier program element could be implemented independently of the recharge and adaptive management program for production of raw water elements, can be implemented more rapidly than the other program elements, and will likely be easier to implement. The recharge and adaptive production management program elements will still have some technical uncertainty and the regulators, specifically the DPH, will likely require that the recycled water recharge be slowly ramped up and monitoring be done to demonstrate compliance to the then current GRRP regulations. A phasing and monitoring plan will be developed based: on the work completed in Task 3; input from the regulatory community; funding availability; cost of alternative water supplies; the initial study findings from Task 4.1; and other considerations. A draft TM will be prepared and submitted to the TAC that describes the proposed phasing and monitoring plans. The TAC will review, provide direction and the TM will be finalized. The TM will subsequently be incorporated into the project report in Task 5.

- The work products will include draft and final TMs, the final TM being posted on the SJBA website.

Exhibit A

4.3 Revise Cost Opinions

The objective of this task is to revise the cost opinions and unit water cost projections based on the results of Tasks 3.5, 4.1 and 4.2. A draft TM will be prepared and submitted to the TAC that describes the revised cost opinions. The TAC will review, provide direction and the TM will be finalized. The TM will subsequently be incorporated into the project report in Task 5.

- The work products will include draft and final TMs, the final TM being posted on the SJBA website.

TASK 5 – Prepare Project Report

The objective of this task is to prepare a formal project report to document the technical work and the stakeholder process. The project report will be prepared using the following process: prepare an administrative draft report for review by the SJBA TAC; preparation and distribution of the public review draft; public workshop to summarize the report findings, answer questions, receive comments and suggestions; and finalize and distribute final report.

5.1 Prepare an Administrative Draft Technical Report

Prepare a detailed report outline produced at the conclusion of Task 2 and an administrative draft report.

5.2 Review the Administrative Draft Technical Report with SJBA TAC

5.3 Prepare Draft Technical Report for Public Review and Distribute

Public review of the draft report, which will be posted on the SJBA website.

5.4 Review Draft Technical Report with DPH and Regional Board Staffs

5.5 Finalize Technical Report

The final report will be posted on the SJBA website.

Exhibit A

5.0 Deliverables

Task/Subtask		Deliverables	Submittal Due Date
1 - Project Management			
	1.1	Project Management and Administration	
	1.1a	Progress Reports	Quarterly Progress Reports Quarterly (see pg 12)
	1.1b	Final Report	Final Report to Metropolitan 2/1/2016
	1.1c	Long-term Reporting	Post-Project Update Report 4/15/2017
	1.2	Progress Reports to the SJBA Board and Stakeholder Process Meetings	Presentations, handouts, and presentation summaries Every other Quarter
	1.3	Technical Advisory Committee Meetings	Meeting handouts (preliminary facilities plans, operation plans, cost opinions, institutional and environmental challenges and solutions, etc.) Every Quarter
2 - Develop Preliminary Alternatives for Each Program Element			
	2.1	Develop Design Criteria, Cost Estimating Methodology and Identify Potential Project Participants and Points of Delivery	Draft and Final Technical Memoranda 4/15/2014
	2.2	Develop Preliminary Extraction Barrier Alternatives	Draft and Final Technical Memoranda 7/15/2014
	2.3	Develop Preliminary Stormwater Recharge Alternatives	Draft and Final Technical Memoranda 7/15/2014
	2.4	Develop Preliminary Recycled Water Recharge Alternatives	Draft and Final Technical Memoranda 7/15/2014
	2.5	Develop Preliminary Adaptive Production Management Alternatives	Draft and Final Technical Memoranda 7/15/2014
	2.6	Develop a Presentation Summarizing Preliminary Program Elements	Presentation file 10/15/2014
	2.7	Review Program Elements with SJBA Board, Other Stakeholders, DPH, SWRCB and the RWQCB	Technical presentations, handouts, workshop summaries 10/15/2014
3 - Evaluate Feasibility of All Program Elements			
	3.1	Evaluate Groundwater Extraction Barrier Program Element Alternatives	Draft and Final Technical Memoranda 1/15/2015
	3.2	Evaluate Storm and Recycled Water Recharge Program Element Alternatives	Draft and Final Technical Memoranda 1/15/2015
	3.3	Evaluate and Refine Adaptive Management Alternatives	Draft and Final Technical Memoranda 4/15/2015
	3.4	Develop a Presentation Summarizing Preliminary Program Elements	Presentation file 1/15/2015

Exhibit A

Task/Subtask			Deliverables	Submittal Due Date
	3.5	Review Task 3 Results with SJBA Board, Other Stakeholders, DPH, SWRCB and the RWQCB	Technical presentations, handouts, workshop summaries	7/15/2015
4. Develop Implementation Plan				
	4.1	Identify Potential Habitat and Environmental Opportunities for the Project Alternatives	Technical Memorandum	10/15/2015
	4.2	Develop Phasing and Monitoring Plans	Draft and Final Technical Memoranda	10/15/2015
	4.3	Revise Cost Opinions	Draft and Final Technical Memoranda	10/15/2015
5. Prepare Project Report				
	5.1	Prepare Admin Draft	Detailed report outline produced at the conclusion of Task 2, and an Administrative Draft Technical Report	10/15/2014, 10/15/2015
	5.2-5.3	Review Admin Draft with SJBA TAC, Prepare Draft Technical Report for Public Review and Distribute	Draft Technical Report for Public Review	10/15/2015
	5.4-5.5	Review Draft Technical Report with DPH and Regional Board Staffs, Finalize Technical Report	Final Technical Report	1/15/2016

Exhibit A

6.0 Cost Estimate

Task No.	Task	Total Project Cost	Maximum Cost to Metropolitan
Task 1	Project Management	\$68,000	\$34,000
Task 2	Develop Preliminary Alternatives for Each Program Element	\$64,400	\$32,200
Task 3	Evaluate Feasibility of All Program Elements	\$162,400	\$81,200
Task 4	Develop Implementation Plan	\$47,000	\$23,500
Task 5	Prepare Project Report	\$58,200	\$29,100
Grand Total		\$400,000	\$200,000

Exhibit A

7.0 Schedule

The following illustrates the expected quarterly progress schedule per task. The costs shown represent estimated costs to Metropolitan.

San Juan Basin Groundwater and Desalination Optimization Program											
		Start- Dec	Jan- Mar	Apr- Jun	Jul- Sep	Oct- Dec	Jan- Mar	Apr- Jun	Jul- Sep	Oct- Dec	Jan- Mar
		2013	2014				2015				2016
		Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Task	Task Name										
1	Project Management		\$34,000								
2	Develop Preliminary Alternatives for Each Program Element		\$32,200								
3	Evaluate Feasibility of All Program Elements					\$81,200					
4	Develop Implementation Plan								\$23,500		
5	Prepare Project Report				\$29,100						

Note: A minimum 25% of eligible reimbursable costs will be withheld per invoice until a final report (due 2/1/2016) is accepted by Metropolitan.

Post-project reporting to Metropolitan is not shown on this schedule, but should be submitted upon request by Metropolitan one year following Metropolitan's acceptance of the Final Report.

Exhibit A

Reporting Schedule

- Progress Report 2013 Q4 (Start – December 2013)..... January 15, 2014
- Progress Report 2014 Q1 (January 2014 – March 2014) April 15, 2014
- Progress Report 2014 Q2 (April 2014 – June 2014)July 15, 2014
- Progress Report 2014 Q3 (July 2014 – September 2014)October 15, 2014
- Progress Report 2014 Q4 (October 2014 – December 2014) January 15, 2015
- Progress Report 2015 Q1 (January 2015 – March 2015) April 15, 2015
- Progress Report 2015 Q2 (April 2015 – June 2015)July 15, 2015
- Progress Report 2015 Q3 (July 2015 – September 2015)October 15, 2015
- Progress Report 2015 Q4 (October 2015 – December 2015) January 15, 2016
- **Final Report**..... **February 1, 2016**
- Progress Report 2016 Q1 (January 2016 – March 2016) April 15, 2016
- Post-Project Update Report April 15, 2017

Exhibit B – Sample Invoice

BILL TO

Metropolitan Water District of Southern California
Accounts Payable Section
P.O. Box 54153
Los Angeles, CA 90054-0153

INVOICE

AGENCY NAME

INVOICE DATE

INVOICE PERIOD

ADDRESS

PROJECT NAME

CONTACT

CONTACT PHONE

AGREEMENT NUMBER

MAXIMUM AWARD AMOUNT

AMOUNT PREVIOUSLY INVOICED

AWARD AMOUNT REMAINING

ITEMIZED EXPENSES

TASK	DETAILED DESCRIPTION (e.g., consultant costs and hours, materials and supplies, lab costs, etc.)	COST
TOTAL COSTS		

TOTAL ELIGIBLE REIMBURSABLE COSTS (UP TO 50% OF TOTAL COSTS)	
WITHHOLDING (25%)	
TOTAL REIMBURSABLE REQUEST (UP TO 37.5% OF TOTAL COSTS)	

BY SIGNING THIS INVOICE, AGENCY CERTIFIES THAT WORK DESCRIBED HEREIN IS AN ACCURATE AND CORRECT RECORD OF SERVICES PERFORMED FOR METROPOLITAN UNDER THIS AGREEMENT AND THIS WORK HAS NOT BEEN BILLED ON ANY OTHER CLIENT OR PROJECT PARTNER INVOICES.

PROJECT MANAGER	
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BILL TO

Metropolitan Water District of Southern California
Accounts Payable Section
P.O. Box 54153
Los Angeles, CA 90054-0153

BUDGET

PROJECT NAME

INVOICE
PERIOD

	AGREEMENT NUMBER

A	B	C	D	E	F	G	H
TASK	CUMULATIVE COSTS THROUGH PREVIOUS QUARTER	TOTAL COSTS FOR CURRENT QUARTER	CURRENT QUARTER'S ELIGIBLE REIMBURSABLE COSTS (UP TO 50%)	CUMULATIVE ELIGIBLE REIMBURSABLE COSTS TO DATE	TOTAL AWARD AMOUNT	REMAINING AWARD BALANCE	PERCENT COMPLETE
TOTAL							

Description of the Example Budget Table Columns:

- Task number and name
- Cumulative total Project costs through the previous quarter (does not include current quarter's costs)
- Total Project costs for the current quarter
- Eligible reimbursable costs for the current quarter (up to 50% of the total Project cost of the task for the current quarter). Example: $D = C \times 0.50$
- Cumulative eligible reimbursable costs to date (includes the current quarter's reimbursable costs). Do not subtract out Metropolitan withholding.
- Total award amount per task as established in Exhibit A (Scope of Work, Costs, and Schedule) of the Agreement
- Remaining award balance. $G = F - E$
- Percent complete. $H = E \div F$

Exhibit C: Quarterly Progress Report Format

Agency shall include, at minimum, the following items in the Quarterly Progress Reports.

1. Cover Letter

Provide a brief description of the submittal, including the amount invoiced in the respective invoice period, a list of items being submitted, and contact information.

The letter must be signed and include the following language:

"I am informed and believe that the information contained in this report is true and that the supporting data is accurate and complete."

2. Quarterly Progress Report

2.1 Report Status

- a) Describe work performed during the quarter, by task.
- b) Describe major accomplishments, such as:
 - i. Tasks achieved
 - ii. Milestones met
 - iii. Meetings held or attended
 - iv. Press release, etc.
- c) Where applicable, describe how the activities carried out differed from the plans outlined in the Project Scope of Work. Identify any problems encountered in the performance of the work under this Agreement, and how these matters were addressed.
- d) If the quarter's objectives were not met, explain why and how these goals will be approached for the next reporting period.

2.2 Cost Information

- a) Identify costs incurred during the quarter by Agency and each partnering/supporting entity working on the Project.
- b) Discuss how the actual budget is progressing in comparison to the latest Project budget. Justify any differences that occurred, identifying budget impacts and/or problems encountered, and describe how these matters will be addressed for the next reporting period.
- c) Provide a revised budget, by task, if changed from the latest Project budget.

2.3 Schedule Information

- a) Provide a Project schedule showing actual progress versus planned progress from the latest schedule.
- b) Discuss how the actual schedule is progressing in comparison to the latest Project schedule. Justify any differences that occurred, identifying schedule impacts and/or problems encountered, and describe how these matters will be addressed for the next reporting period.
- c) Provide a revised schedule, by task, if changed from the latest Project schedule.

Exhibit D: Final Report Format

Agency shall include, at minimum, the following items in the Final Report.

1. Cover Letter

Provide a brief description of the submittal, including the total amount of funds disbursed, a list of items being submitted, and contact information.

The letter must be signed and include the following language:

"I am informed and believe that the information contained in this report is true and that the supporting data is accurate and complete."

2. Final Report

2.1 Executive Summary

- a) Briefly summarize the content of the main report.

2.2 Introduction

- a) Provide an overview of the work performed and accomplishments achieved throughout the duration of the Project.
- b) Briefly describe the findings of the study.
- c) Describe the role/involvement of each partnering/supporting entity and their relationship to the Project.

2.3 Cost Summary

- a) Include a summary of the costs incurred and of funds disbursed throughout the duration of the Project.
- b) Provide a comparison between the planned budget in the Agreement and the actual budget. Justify any differences that occurred, identifying budget impacts and/or problems encountered, and how these matters were addressed.

2.3 Schedule Summary

- a) Include a summary of all tasks accomplished throughout the duration of the Project.
- b) Provide a comparison between the planned schedule in the Agreement and the actual schedule. Justify any differences that occurred, identifying schedule impacts and/or problems encountered, and how these matters were addressed.

2.4 Project Results and Analysis

- a) Describe and provide an analysis of the Project results and findings in detail.
- b) Were the Project goals and objectives as proposed achieved? Explain.
- c) Discuss any major problems that occurred in meeting the Project goals and objectives, including how, and if, they were resolved.
- d) Explain how the findings of the Project can be applied to other areas of the region. What types of obstacles, if any, would be anticipated before implementation/application can occur, and how could these matters be addressed?

2.5 Conclusion

- a) Describe lessons learned.
- b) Describe the next steps of the Project (e.g., applicability of the results, topics that may require additional research, new programs that should be developed, policy amendments, etc.).

Exhibit E: Post-Project Update Report Format

Agency shall include, at minimum, the following items in the Post-Project Update Report.

1. Accomplishments and Applicability

- a) What has been accomplished since the submittal of the Final Report? How have the Project findings/results of the Final Report been applied/implemented (e.g., regional application of results, pilot study results used for full-scale implementation, additional research performed, impacts on regulations/legislation, technical advances, etc.)?
- b) Discuss new information obtained during this reporting period, and how this knowledge will further future efforts.
- c) If applicable, provide additional data obtained since the submittal of the Final Report (e.g., pilot project water quality data, etc.).

2. Next Steps

- a) Describe specific plans, if any, for continuing work on this Project or related projects (e.g., what questions will be investigated, what programs will be developed, etc.).

1.0 Project Objective

The project analyzes options for sustainable, long-term use of an impaired watershed that is typical to Southern California. Without adaptive management and expanded recharge of the watershed there is limited opportunity for production of potable water. The watershed has a stream morphology that extends offshore and currently the aquifer is underutilized. The project is an innovative approach not generally used on a small groundwater basin, using the tools that have historically been applied to larger basins and incorporating this approach with the goal of producing a new sustainable water supply.

2.0 Background Information

Many of the small groundwater basins within The Metropolitan Water District of Southern California (Metropolitan) service area have the following attributes: limited yield, limited storage, natural and anthropogenic contamination sources, chronically impaired water, and overlying lands that are completely developed. The classic approach to utilizing these small basins is to harvest the groundwater at its sustainable yield and rely on imported water to meet demands in excess of the underlying groundwater. The San Juan Basin in South Orange County is typical of these marginalized basins. In its current state, the San Juan Basin: can sustain on average about 9,300 acre-ft/yr (afy) of production, which will range from about 7,700 to about 11,200 afy, limited by hydrology and water in storage; has a storage capacity of about 40,000 acre-ft (af) and currently has about 27,000 af in storage; has impaired groundwater with a TDS concentration of about 2,200 mg/L; has both natural and anthropogenic degradation sources; and very high concentrations of iron and manganese. The near term production goal is about 11,400 afy, and thus the Basin, under its current management scheme, is projected to chronically fail to meet the production needs of the local agencies. Currently, groundwater desalters are used to treat the groundwater that is produced for municipal uses.

The program elements contain the efforts to develop practical spatial and temporal groundwater production plans based on storage conditions that are related to production, natural hydrologic variability, artificial recharge, and prevailing Department of Public Health (DPH) and Basin Plan requirements. There are also overlying producers that may have to recycled and/or municipal water to enable the implementation of the proposed program.

3.0 Project Description

The 2013 San Juan Basin Groundwater and Facilities Master Plan (SJBGFMP) is being developed in a stakeholder process to meet the water management goals of the SJBA and other stakeholders. The 2013 SJBGFMP proposes a novel and unprecedented approach to aggressively manage the San Juan Creek Basin that will result in a sustainable increase in Basin production to over 20,000 afy – an increase of over 100 percent. This is proposed to be accomplished by: the construction and operation of a seawater extraction barrier near the coast where San Juan Creek discharges into the Pacific Ocean; new stormwater recharge in and possibly adjacent to San Juan Creek and the Arroyo Trabuco; seasonal recharge of tertiary-treated recycled water; and managed groundwater production and treatment. The expanded yield developed from the 2013 SJBGFMP will be used by the local water agencies to reduce their demand on imported water and to improve local reliability. The program elements of the 2013 SJBGFMP and the process under which they were developed can be exported to many of the small impaired groundwater basins in the Metropolitan service area. The program elements of the 2013 SJBGFMP and the scope of work for this study are described below.

Conduct Groundwater Modeling Studies for Proposed Seawater Extraction Barrier. The 2013 SJBGFMP includes a seawater extraction barrier that will prevent seawater intrusion and provide up to 4,000 acre-ft/yr of potable water. The extraction wells will be located between the coast and Stonehill Drive with a treatment plant possibly being co-located at the existing SCWD groundwater treatment plant. The scope of work herein is to conduct groundwater modeling studies, utilizing a recently (2013) calibrated model of the Lower San Juan Basin, to investigate possible extraction barrier well locations, sustainable production rates, and projected salinity concentrations. A facilities and operating plan will be prepared along with cost estimates. The analysis will apply to similar stream morphology that extends offshore and currently may be underutilized.

Conduct Hydraulic Investigations to Increase Stormwater Recharge. The 2013 SJBGFMP includes in-stream stormwater recharge using either “T” and “L” levees, as utilized by the Orange County Water District (OCWD); rubber dams for in-stream recharge; and rubber dams for in-stream recharge and diversion to off-stream recharge facilities. The increase in recharge anticipated by the “T” and “L” levees alternative could range from 500 to 2,000 afy and for the rubber dam alternative could range from 1,000 to 4,000 afy. San Juan Creek and the Arroyo Trabuco have been listed as habitat for Steelhead Trout and the stream bottom may have other habitat values. The scope of work herein is to conduct a hydraulic investigation to refine the “T” and “L” levees alternative, develop hydraulic and fish passage requirements for both alternatives, and refine the stormwater recharge estimates for all three alternatives. Groundwater modeling, using a recently developed groundwater model, will be done to assess the groundwater basin response, mounding, and the need to revise groundwater production plans to accommodate new recharge. A facilities and operating plan will be prepared along with a cost estimate. The data developed may be utilized in other streambed applications in urbanized areas.

Conduct Hydraulic Investigations to Recycled Water Recharge. The 2013 SJBGFMP includes in-stream recycled water recharge using seasonally constructed ponds along San Juan Creek or rubber dams. The recycled water recharge anticipated by the SJBGFMP could ramp up from an initial 2,000 afy and eventually reach about 10,000 afy. The rubber dam alternative used for stormwater recharge could also be utilized for recycled water recharge if constructed. This program element will have the same habitat challenges as the stormwater recharge program element. The scope of work herein is to conduct a hydraulic investigation to refine the layout and operation of the temporary seasonal recharge ponds, develop hydraulic and fish passage requirements for both alternatives, and refine the recycled water recharge estimates for both alternatives. Groundwater modeling, using a recently developed groundwater model, will be completed to assess the groundwater basin response, mounding, and the need to revise groundwater production plans to accommodate the new recharge. Recycled water distribution system retrofits for irrigation purposes in urban areas of Southern California may be difficult and costly, the Project recharge analysis may be applicable for beneficial indirect use analysis. A facilities and operating plan for recycled water will be prepared along with cost estimates.

Develop Adaptive Production Management. The implementation of the extraction barrier and recharge program elements will change the location, magnitude, and timing of recharge in the basin. Existing groundwater production and treatment facilities will have to be modified to maximize the new yield, to ensure there is groundwater storage capacity to accept the recharge, to minimize potential for liquefaction, continue to protect the health of the public and to ensure maximum beneficial use of the produced water. This program element contains

the efforts to develop practical spatial and temporal groundwater production plans based on storage conditions that are related to production, natural hydrologic variability, artificial recharge, and prevailing DPH and Basin Plan requirements. There are also overlying producers that may have to convert to recycled and or municipal water to enable the implementation of the 2013 SJBGfMP. The scope of work for this program element includes: groundwater modeling to develop spatial and temporal groundwater production plans tied to groundwater storage, underground residence time for recycled water prior to production, and recycled water contribution; expected groundwater treatment requirements to produce potable water; and the water type and cost to replace the groundwater currently used by overlying producers. A reconnaissance-level Title 22 engineering assessment will be prepared pursuant to the existing draft Title 22 regulations for a groundwater recycled reuse project. A facilities and operating plan will be prepared along with cost estimates. The updated facilities and operation plan will include the locations of new wells, raw water conveyance, treatment facilities, product water conveyance, and the phasing of these facilities as recycled water recharge is ramped up from 2,000 to 10,000 afy. The results of the work can be transferred to other similar situated basins in Southern California.

Participating Entities

Under Municipal Water District of Orange County (MWDOC), the following agencies are participating in the project:

- San Juan Basin Authority (SJBA), which is a joint powers authority. The San Juan Basin has a drainage area of over 111,000 acres and includes Oso Creek, Trabuco Creek, Horno Creek, Chiquita Canyon, Canada Gobernadora and Bell Canyon. The SJBA is designed to carry out and oversee water resource development of the San Juan Basin. The SJBA is comprised of the following member agencies:
 - o Santa Margarita Water District (SMWD)
 - o Moulton Miguel Water District (MNWD)
 - o South Coast Water District (SCWD)
 - o City of San Juan Capistrano (CSJC)

In addition, the following entities will provide an assessment and input on regulatory and feasibility issues with the project:

- State of California Department of Public Health, Division of Drinking Water and Environmental Management District Engineer has discussed the project with the proponents and will be included on the technical advisory team to review the project and groundwater recharge relative to of current and proposed regulations
- National Water Research Institute (NWRI) has been involved in similar projects in other areas of California and the southwest involving groundwater recharge of recycled water. In addition to efforts to review key regulatory issues concerning recycled water, NWRI and SJBA have the opportunity for development of a Blue Ribbon Panel to conduct a peer review of the project scope and findings.

**SAN JUAN BASIN AUTHORITY
FOUNDATIONAL ACTIONS FUNDING PROGRAM AGREEMENT**

This Foundational Actions Funding Program Agreement for the San Juan Basin Authority (“Agreement”) is made and entered into on the ____ of January 2014 by and between the Municipal Water District of Orange County (MWDOC) and the San Juan Basin Authority (SJBA). MWDOC and SJBA may be collectively referred to as “Parties” and individually as a “Party.”

Section 1. Recitals.

A. On behalf of SJBA, MWDOC recently submitted a proposal to the Metropolitan Water District of Southern California (“Metropolitan”), through Metropolitan’s Foundational Actions Funding Program (“FAF Program”) for funding of a project entitled “San Juan Basin Groundwater and Desalination Optimization Program (the “Study”).

B. MWDOC is a public agency member of Metropolitan and applied for the FAF Program funding for the Study on behalf of SJBA.

C. The objective of the Study is to analyze options for sustainable, long-term use of an impaired watershed that is typical to Southern California. Without adaptive management and expanded recharge of the watershed there is limited opportunity for production of potable water. The watershed has a stream morphology that extends offshore and currently the aquifer is underutilized. The project is an innovative approach not generally used on a small basin, it takes the tools that have historically been applied to larger basins and incorporates them with the goal of producing a new sustainable water supply.

D. In November 2013, Metropolitan notified MWDOC that the Metropolitan Board of Directors authorized funding through its FAF Program for the Study for an amount not to exceed \$200,000.

E. MWDOC plans to enter into an agreement with Metropolitan regarding the FAF Program for the Study concurrent with the execution of this Agreement to initiate work prior to January 31, 2014. A copy of the Metropolitan Agreement is attached hereto as Exhibit A (“Metropolitan Agreement”).

F. SJBA will provide funds in the amount of \$200,000 to match the Metropolitan funds and, through this Agreement, intends to administer the Study and assume all of the obligations, responsibilities, and liabilities imposed on MWDOC in the Metropolitan Agreement.

I. This Agreement sets forth the terms and conditions by which the Parties will proceed with the Study, including the roles, responsibilities, and financial obligations of each Party.

NOW, THEREFORE, in consideration of the promises and covenants hereinafter set forth, the Parties agree as follows:

Section 2. Study Responsibilities

- A. SJBA shall carry out the Study as described in the Scope of Work, Cost and Schedule set forth in Exhibit B.
- B. SJBA shall provide the Study deliverables to MWDOC and Metropolitan according to the schedule set forth in Exhibit B.

Section 3. Agreement Term

- A. This Agreement shall be effective on the effective date of the Metropolitan Agreement with MWDOC and the term shall be through June 30, 2017, or when all of the Parties' obligations under this Agreement and the Metropolitan Agreement have been fully satisfied, whichever occurs earlier. Extensions of time to complete all or portions of the Study, including any required deliverables, shall be requested in writing by SJBA and may be authorized by MWDOC only if Metropolitan agrees to a corresponding extension of the Metropolitan Agreement. Any written authorization for an extension of time shall be attached to and incorporated into this Agreement.
- B. This Agreement may be terminated by either MWDOC or by SJBA with or without cause upon 30 days written notice to the other. MWDOC's only obligation in the event of termination will be payment of approved invoices in conformity with this Agreement and the Metropolitan Agreement up to and including the effective date of termination. Notwithstanding the previous sentence, MWDOC shall have no obligation to pay any invoices to SJBA if they are not approved by Metropolitan. In the event of termination, SJBA is responsible for providing all information, reports, data and consultant and other documents available that were developed up to the point of Termination to MWDOC.
- C. Failure of SJBA to submit progress reports or the final report to MWDOC within the timeframe established in Exhibit B or any extension of time authorized in accordance with Section 3(A) of this Agreement will be a breach of this Agreement and may result in termination of the agreement.

Section 4. Responsibilities and Ownership

- A. SJBA shall be responsible for all necessary services and materials for the Study implementation including, but not limited to, the hiring of consultants and others to conduct the work, Study administration, data collection, and reporting, and completion of the final report.
- B. SJBA shall comply with all Federal, State and local laws, ordinances and regulations and is solely responsible for any such obligations, including, without limitation, compliance with the California Environmental Quality Act.
- C. SJBA shall be responsible for the design, implementation, personnel, equipment, and supplies, and all capital and operating costs related to and incurred by the Study. All materials and equipment necessary to implement the Study are the exclusive property of SJBA. MWDOC

shall have no ownership, right, title, security interest, or other interest in any Study facilities, materials, or equipment, nor any rights, duties, responsibilities for operation or maintenance thereof pursuant to this Agreement.

D. The following language must be included in all contracts entered into by SJBA with any subcontractors or consultants regarding completion of the Study:

- i. “(Consultant or Responsible Party) agrees at their sole cost and expense to protect, indemnify, defend, and hold harmless the Municipal Water District of Orange County and the Metropolitan Water District of Southern California, and their respective Boards of Directors, officers, representatives, agents, and employees from and against any and all claims and liability of any kind (including, but not limited to, any claims or liability for injury or death to any person, damage to property, natural resources or to the environment, or water quality problems) that arise out of Consultant’s actions or relate to the approval, construction, operation, repair or ownership of the Study. Such indemnity shall include all damages and losses related to any claim made, whether or not a court action is filed, and shall include attorney’s fees, administrative and overhead costs, engineering and consulting fees and all other costs related to or arising out of such claim or asserted liability”.
- ii. “(Consultant or Responsible Party) will maintain the types and levels of insurance in compliance with the requirements in the San Juan Basin Authority Foundational Actions Funding Program Agreement entered into between the Municipal Water District of Orange County and the San Juan Basin Authority.
- iii. “All intellectual property developed pursuant to this Agreement is owned by MWDOC. This intellectual property includes, but is not limited to, all inventions, patents, data, design, drawings, specifications, raw results, computer programs, final report, as well as any other presentations, reports, findings or related materials developed during the Study. All results produced in the performance of the Agreement may be released to the public”.

Section 5. Indemnity

A. The SJBA agrees at their sole cost and expense to protect, indemnify, defend, and hold harmless MWDOC and Metropolitan, and their respective Boards of Directors, officers, representatives, agents, and employees from and against any and all claims and liability of any kind (including, but not limited to, any claims or liability for injury or death to any person, damage to property, natural resources or to the environment, or water quality problems) that arise out of the SJBA’s actions or relate to the Study. Such indemnity shall include all damages and losses related to any claim made, whether or not a court action is filed, and shall include attorney’s fees, administrative and overhead costs, engineering and consulting fees and all other costs related to or arising out of such claim or asserted liability.

Section 6. Intellectual Property and Use of Materials

A. All intellectual property developed pursuant to this Agreement is owned by MWDOC. This intellectual property includes, but is not limited to, all inventions, patents, data, design, drawings, specifications, raw results, computer programs, final report, as well as any other presentations, reports, findings or related materials developed during the Study. All results produced in the performance of the Agreement may be released to the public. [This exact language is required to be included pursuant to the Metropolitan Agreement.]

B. MWDOC grants to SJBA a nonexclusive license, at no cost, to use the intellectual property developed in the course of the work performed under this Agreement by any of the Parties or any contractor and consultant working on the Study as described in Exhibit B.

C. SJBA shall notify MWDOC in writing of all intellectual property conceived or developed in the course of the work performed under this Agreement.

D. When requested by MWDOC, or upon termination of this Agreement, SJBA shall furnish a copy of all documents and other tangible media containing intellectual property developed by SJBA during the course of this Agreement, including prototypes and computer programs.

Section 7. Payment

A. MWDOC's payment for the Study is not to exceed \$200,000, or fifty (50) percent of the total cost expended per task as established in Exhibit B, whichever is less. Notwithstanding the previous sentence, MWDOC will not be responsible for any payments of any amount in connection with this Agreement unless such payments are first approved and reimbursed to MWDOC by Metropolitan. All payments required to be made by MWDOC to SJBA pursuant to this Agreement are contingent upon such payments being first approved by Metropolitan and reimbursed to MWDOC by Metropolitan. SJBA is responsible for any and all costs in excess of the payments approved by Metropolitan.

B. SJBA must submit quarterly progress reports and associated quarterly invoices to MWDOC as described in Section 8 below. Twenty five (25) percent of eligible reimbursable costs shall be withheld per invoice until a final report is submitted to MWDOC and accepted by Metropolitan. The SJBA's invoices shall include at a minimum the information requested in the Sample Invoice attached to this Agreement as Exhibit C. Invoices shall itemize allowable expenses and include receipts for which reimbursement is sought. Attached receipts should itemize each cost and provide descriptive information so that expenses are separately identified. The final invoice, including any requests for release of retention, shall be clearly marked "FINAL INVOICE."

C. In-kind services are not eligible for reimbursement and shall not be included in any invoices to MWDOC. In-kind services include, but are not limited to, work performed by staff of MWDOC and SJBA, and related expenses (e.g. travel, overhead, etc.).

D. All invoices related to the Study must be submitted by SJBA to MWDOC by April 5, 2016, to be considered for payment under the provisions of this Agreement. Invoices received after April 5, 2016 will not be paid unless MWDOC obtains from Metropolitan, an extension of

time, in writing, to complete the work and submit MWDOC's invoices to Metropolitan pursuant to the Metropolitan Agreement.

E. Invoices to MWDOC will be paid by MWDOC to SJBA within 10 days after MWDOC's receipt of payment from Metropolitan for the invoice, and only in the amount approved and paid by Metropolitan to MWDOC.

Section 8. Reporting Requirements

A. The SJBA shall submit to MWDOC quarterly progress reports with the associated invoices by the 5th of January, April, July, and October for the preceding quarter. The progress reports shall include, at a minimum, the items listed in Progress Report Format, which is attached to this Agreement as Exhibit D. SJBA shall document all activities and expenditures in progress reports. The submittal of these reports is a requirement for initial and continued disbursement of funds.

B. SJBA shall prepare and submit to MWDOC, upon completion of the Study, a Final Report, which shall include, at a minimum, the items listed in Final Report Format, which is attached to this Agreement as Exhibit E. The Final Report shall be provided in hard copy and digital format prior to final payment of funds retained by MWDOC.

C. Upon request by MWDOC, SJBA shall prepare and submit to MWDOC a Post-Study Update Report one year following the acceptance of the Final Report. The Post-Study Update Report shall provide a summary of related post-funding Study activities and include, as a minimum, the items listed in the Post-Study Update Report Format, which is attached to this Agreement as E.

Section 9. Verification.

The SJBA shall be responsible for verifying completion of any consultant's or subcontractor's work in accordance with the Scope of Work as shown in Exhibit B.

Section 10. Representations.

Each Party represents that it is represented by legal counsel, that it has reviewed this Agreement and agrees that the Agreement is legally enforceable.

Section 11. Insurance.

SJBA shall comply with the insurance requirements imposed on "Agency" in the Metropolitan Agreement ("Insurance Requirements") and as more particularly described below.

A. Agency shall procure and maintain for the duration of this Agreement a program of commercial insurance or documented self-insurance program to protect against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the work hereunder by SJBA, their agents, representatives, or employees.

B. SJBA shall sustain proof of insurance coverage in an updated ACORD form, attached as Exhibit F to the Metropolitan Agreement (Agency Proof of Insurance Coverage), and incorporated

by reference, during the term of this Agreement. Failure to provide the updated insurance ACORD form, or an equivalent form provided by the ACWA JPIA, annually to MWDOC may result in the withholding of SJBA' invoice payment.

C. Minimum Scope of Insurance

1. Coverage shall be at least as broad as:

- i. Insurance Services Office Commercial Liability coverage (occurrence Form CG00001).
- ii. Insurance Service Office Form Number CA 0001 covering Automobile Liability, Code 1, (any auto).
- iii. Workers' Compensation insurance as required by the State of California and Employer's Liability Insurance.
- iv. Professional Liability or Errors and Omissions Liability insurance appropriate to the Agency's profession. Architects' and engineers' coverage is to be endorsed to include contractual liability.

D. Minimum Limits of Insurance

1. The SJBA shall maintain limits no less than:

- i. General Liability: General Liability: Including operations, products and completed operations as applicable, \$1,000,000 per occurrence for bodily injury, personal injury and property damage. If Commercial General Liability Insurance or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to the project or location, or the general aggregate limit shall be twice the required occurrence limit.
- ii. Automobile Liability: \$1,000,000 per accident for bodily injury and property damage.
- iii. Workers' Compensation: Shall be furnished in accordance with statutory requirements of the State of California and shall include Employer's Liability coverage of \$1,000,000 per accident for bodily injury or disease.
- iv. Professional Liability or Errors and Omissions Liability: \$1,000,000 per claim, with a \$2 million aggregate.

E. Deductibles and Self-Insurance Retentions: Any deductibles or self-insured retentions must be declared to and approved by MWDOC. At the option of MWDOC, either: the insurer shall reduce or eliminate such deductibles or self-insured retentions as respect to MWDOC, its officers officials, employees, agents and volunteers; or the SJBA shall provide a financial

guarantee satisfactory to MWDOC guaranteeing payment of losses and related investigations, claim administration and defense expenses.

F. Verification of Coverage: SJBA shall furnish MWDOC with original certificates and amendatory endorsements effecting coverage required by this clause. The endorsements and certificates are to be received and approved by MWDOC prior to the commencement of work. MWDOC reserves the right to require complete, certified copies of all required insurance policies, including endorsements effecting coverage, and coverage binders required by these specifications at any time.

G. Acceptability of Insurers: Insurance is to be placed with California admitted insurers with a current A.M. Best's rating of no less than A:VIII. A non-admitted carrier may be used with prior approval from MWDOC, with an A.M. Best rating of no less than A: X. An exception to these standards will be made for the State Compensation Insurance Fund when not specifically rated. SJBA may participate in and provide evidence of pooled equivalent coverage through joint powers insurance agency authorities such as CSRMA or ACWA JPIA.

H. General Liability and Automobile Liability Endorsements

1. The commercial general liability policy and automobile policies are to contain, or be endorsed to contain, the following provisions:

- i. MWDOC and Metropolitan, their officers, officials, employees and agents are to be covered as insureds as respect to liability arising out of work or operations performed by or on behalf of SJBA; or automobiles owned, leased, hired or borrowed by SJBA.
- ii. For any claims related to this Study, SJBA's insurance coverage shall be primary insurance with respect to MWDOC and Metropolitan, and their officers, officials, employees and volunteers. Any insurance or self-insurance maintained by MWDOC and Metropolitan, their officers, officials, employees or agents shall be excess of SJBA's insurance and shall not contribute with it.
- iii. Each insurance policy required by this clause shall be endorsed to state that coverage shall not be cancelled by either party, except after thirty (30) days prior written notice by certified mail, return receipt requested, has been given to MWDOC.
- iv. Coverage shall not extend to any indemnity coverage for the active negligence of the additional insured in any case where an agreement to indemnify the additional insured would be invalid under Subdivision (b) of Section 2782 of the Civil Code.

I. Other Endorsements and Insurance Provisions

1. All rights of subrogation under the property insurance policy (if any) have been waived

against MWDOC and Metropolitan.

2. The workers' compensation insurer, agrees to waive all rights of subrogation against MWDOC and Metropolitan for injuries to employees of the insured (SJBA) resulting from work for MWDOC or Metropolitan or use of MWDOC or Metropolitan's premises or facilities.

3. If General Liability, Pollution and/or any Asbestos Pollution Liability and/or professional liability or Errors & Omissions coverages are written on a claims-made form:

i. The "Retro Date" must be shown, and must be before the date of the contract or the beginning of contract work.

ii. If coverage is canceled or non-renewed, and not replaced with another claims-made policy form with a "Retro Date" prior to the contract effective date, the SJBA must purchase "extended reporting" coverage for a minimum of five (5) years after completion of contract work.

iii. A copy of the claims reporting requirements must be submitted to MWDOC and Metropolitan for review.

4. Any consultants or subcontracts who contract with either of the SJBA in connection with performing work on the Study must maintain insurance in compliance with the requirements in this Agreement and must name MWDOC as an additional insured consistent with the requirements of Section 11 of this Agreement. Any professional engineering firms conducting studies under Exhibit B of this Agreement shall provide evidence of Professional Errors & Omissions coverage meeting coverage amounts of \$1,000,000 per claim, with a \$2 million aggregate.

Section 12. Miscellaneous

A. This Agreement may be amended by written mutual agreement executed by the Parties. Any alteration or variation of the terms of this Agreement will not be valid unless made in writing and signed by all of the Parties. This Agreement constitutes the entire agreement between the Parties.

B. This Agreement will inure to the benefit of and be binding upon the Parties and their respective successors. This Agreement is not assignable by any Party in whole or in part.

C. If any provision of this Agreement shall be held illegal, invalid, or unenforceable, in whole or in part, such provision shall be modified to the minimum extent necessary to make it legal, valid, and enforceable, and the legality, and enforceability of the remaining provisions shall not be affected thereby.

D. This Agreement shall be deemed a contract under the laws of the State of California, and for all purposes will be interested in accordance with such laws. The Parties hereby agree to

consent to the exclusive jurisdiction of the courts of the state of California, and that the venue of any action brought hereunder will be in Los Angeles County, California.

E. Notice. Any notice, invoice, report, or payment made pursuant to this Agreement shall be sent to the Parties at their respective addresses shown below, including any notice that must be sent to Metropolitan.

If to MWDOC: Municipal Water District of Orange County
 18700 Ward St.
 P.O. Box 20895
 Fountain Valley, CA 92728
 Attn: General Manager
 Email: rhunter@mwdoc.com

If to SJBA: San Juan Basin Authority
 c/o Santa Margarita Water District
 26111 Antonio Pkwy
 Rancho Santa Margarita, CA 92688
 Attn: Executive Director, SJBA
 Email: Danf@smwd.com

F. Counterparts. This Agreement and any amendment hereto may be executed in two or more counterparts, and by each Party on a separate counterpart, each of which, when executed and delivered, shall be an original and all of which together shall constitute one instrument, with the same force and effect as through all signatures appeared on a single document.

G. Signatures. The individuals executing this Agreement represent and warrant that they have the legal capacity and authority to do so on behalf of their respective Agency.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date below.

Date _____

Date _____

By _____

Dan Ferons
Executive Director
SJBA

By _____

Robert Hunter
General Manager
MWDOC

Approved as to Form:

Approved as to Form:

Date _____

By: _____

General Counsel

Date _____

By: _____

Russell G. Behrens
General Counsel



ACTION ITEM
January 15, 2014

TO: Board of Directors

FROM: **Administration & Finance Committee**
(Directors Thomas, Barbre, Osborne)

Robert J. Hunter
General Manager

Staff Contact: Cathy Harris, Administrative Services Manager

**SUBJECT: ADOPT RESOLUTION ESTABLISHING THE DISTRICT'S RETIREE
HEALTH AND MEDICAL EXPENSE REIMBURSEMENT PLAN**

STAFF RECOMMENDATION

Staff recommends the Board of Directors adopt the proposed resolution establishing the District's Retiree Health and Medical Expense Reimbursement Plan, effective January 15, 2014; and implement the Plan accordingly.

COMMITTEE RECOMMENDATION

Committee concurred with staff recommendation.

DETAILED REPORT

While reviewing the District's Policy regarding Medical and Elective Health and Welfare Coverage Upon Retirement, the following was identified:

- Retirees with a minimum of 10 consecutive years of full-time service and age 55 are eligible for medical coverage until they become eligible for Medicare. Once the retiree becomes Medicare eligible, medical coverage is discontinued and the District reimburses the retiree, in an amount up to \$1,800 per calendar year, for a supplemental Medicare insurance policy and Medicare

Budgeted (Y/N): NA	Budgeted amount: NA	Core _x_	Choice __
Action item amount: NA	Line item:		
Fiscal Impact (explain if unbudgeted):			

Prescription Drug Insurance covering the retiree only. The reimbursement by the District is made on a quarterly basis upon submission of proof of payment.

Legal Counsel, Isabel Saffie, of BBK, advised that in order to treat the \$1,800 retiree reimbursement as non-taxable (as MWDOC has been doing), in accordance with IRS guidelines, it is recommended the District adopt a Retiree Health and Medical Expense Reimbursement Plan. Staff coordinated with Legal Counsel on the development of the attached resolution and reimbursement plan.

Attached for the Board's consideration is the Policy and Resolution.

Staff recommends the Board of Directors adopt the proposed resolution establishing the District's Retiree Health and Medical Expense Reimbursement Plan, effective January 15, 2014; and implement accordingly.

RESOLUTION NO. _____

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
MUNICIPAL WATER DISTRICT OF ORANGE COUNTY
APPROVING THE ADOPTION OF THE MUNICIPAL WATER
DISTRICT OF ORANGE COUNTY RETIREE MEDICAL
EXPENSE REIMBURSEMENT PLAN**

WHEREAS, the Municipal Water District of Orange County (“District”) desires to establish a health reimbursement arrangement to provide for the reimbursement of certain eligible medical expenses of certain eligible retirees; and

WHEREAS, the Board has reviewed a proposed form of plan document prepared by Best Best & Krieger LLP, to establish a health reimbursement arrangement which allows participating retirees to exclude the value of medical benefits provided by the District from retirees’ income under Internal Revenue Code Section 105(b); and

WHEREAS, the Board desires to authorize the General Manager, or his or her designee, to execute the proposed plan document on behalf of the District, along with any future amendments that contain only non-substantive and/or administrative changes.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Municipal Water District of Orange County as follows:

Section 1. The District hereby adopts the Municipal Water District of Orange County Retiree Medical Expense Reimbursement Plan (“Plan”), effective as of January 15, 2014.

Section 2. The Board hereby authorizes the General Manager, or his or her designee, to duly execute the Plan on behalf of the District, along with any future amendments that contain only non-substantive and/or administrative changes.

Said Resolution was adopted, on roll call, at a public meeting, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

I hereby certify the foregoing is a full, true, and correct copy of Resolution No. _____ adopted by the Board of Directors of Municipal Water District of Orange County at its meeting held on January 15, 2014.

_____, District Secretary
Municipal Water District of Orange County

**MUNICIPAL WATER DISTRICT OF ORANGE COUNTY
RETIREE MEDICARE EXPENSE REIMBURSEMENT PLAN**

The Employer hereby establishes the MUNICIPAL WATER DISTRICT OF ORANGE COUNTY RETIREE MEDICARE EXPENSE REIMBURSEMENT PLAN as of January 15, 2014, on the following terms and conditions.

**ARTICLE I
TITLE AND PURPOSE**

The Plan is intended as a health reimbursement arrangement to provide reimbursement of eligible medical expenses. The Employer intends that the Plan qualify as an accident and health plan within the meaning of Section 106 of the Internal Revenue Code (the “Code”) so that the Employer’s contributions on behalf of participating Retired Employees will be excludable from gross income for federal income tax purposes and Section 105 of the Code so that the benefits provided under the Plan are eligible for exclusion from the Participant’s income.

**ARTICLE II
DEFINITIONS**

The following words and phrases as used herein shall have the following meanings, unless a different meaning is plainly required by the context. Pronouns shall be interpreted so that the masculine pronoun shall include the feminine and the singular shall include the plural.

2.1 **Benefits.** “Benefits” means any amounts paid to or on behalf of a Participant for Eligible Medical Expenses.

2.2 **Code.** “Code” means the Internal Revenue Code of 1986, and the same as may be amended from time to time.

2.3 **Effective Date.** “Effective Date” shall mean January 15, 2014, the date this Plan first became effective.

2.4 **Eligible Medical Expenses.** “Eligible Medical Expenses” means amounts paid as premiums under Part B or Part D of Title XVIII of the Social Security Act, relating to medical and prescription drug insurance coverage for the aged, upon becoming eligible for Medicare, or for any supplemental Medicare insurance policy as further specified in Section 4.1.

2.5 **Employer.** “Employer” means the MUNICIPAL WATER DISTRICT OF ORANGE COUNTY, and any other organization which adopts this Plan with the consent of Employer, and any successor of such Employer electing to continue this Plan.

2.6 **Full-Time Service.** “Full-Time Service” means an average of 32 hours per week during the calendar year.

2.7 **Participant.** “Participant” means a Retired Employee who has satisfied the conditions for eligibility to participate in the Plan as set forth in Section 3.1.

2.8 Plan. “Plan” means the Municipal Water District Of Orange County Retiree Medicare Expense Reimbursement Plan, described herein.

2.9 Plan Administrator. “Plan Administrator” or “Administrator” means the Employer. The Human Resources Department shall be responsible for the administration of the Plan, including the delegation of various Plan responsibilities and duties; however, the Employer reserves the right to appoint any person or entity, including an employee of the Employer, to administer the Plan on its behalf.

2.10 Plan Year. “Plan Year” means each twelve-month period commencing each July 1 and ending on June 30.

2.11 Retired Employee. “Retired Employee” means an employee of the Employer who has retired from service with the Employer pursuant to the employee’s application for retirement through the California Public Employees’ Retirement System.

2.12 Spouse. “Spouse” means the person to whom the Participant is legally married but shall not include an individual legally separated from a Participant under a decree of legal separation. Pursuant to the Supreme Court’s decision in *U.S. v. Windsor*, the term “Spouse” shall include both opposite sex and same sex Spouses. The term “Spouse” shall also include a Participant’s registered domestic partner.

ARTICLE III ELIGIBILITY AND PARTICIPATION

3.1 Eligibility. A Retired Employee who has attained age fifty-five (55) years *and* that has become eligible for Medicare shall be eligible to participate in the Plan provided he or she retires with a minimum of ten (10) but no more than twenty-five (25) consecutive years of Full-Time Service with the Employer.

3.2 Commencement of Participation. A Retired Employee shall automatically become a Participant in the Plan on the first day of the month immediately following the date upon which the eligibility requirements of Section 3.1 are satisfied. Upon becoming a Participant, each individual shall for all purposes be deemed as having consented to the provisions of this Plan and to all amendments thereto.

ARTICLE IV AVAILABLE BENEFITS AND FUNDING

4.1 Provision of Benefits. Benefits under this Plan shall take the form of reimbursement for the payment of premiums for a supplemental Medicare insurance policy and/or Medicare Part D coverage of the Participant only, in an amount not to exceed One Thousand Eight Hundred Dollars (\$1,800.00) each calendar year.

4.2 Source of Benefit Payments. The Benefits provided herein shall be paid solely by the Employer; provided, however, that the Employer’s payments for each Participant under the Plan shall be limited to the amount of substantiated Eligible Medical Expenses incurred by the Participant under Section 4.1 which are properly submitted for reimbursement by the Participant in accordance with Section 5.3.

ARTICLE V
PAYMENT OF BENEFITS

5.1 Reimbursement of Eligible Medical Expenses. A Participant must first submit a written claim to the Human Resources Department to receive reimbursement of his or her Eligible Medical Expenses in accordance with Sections 4.1 and 5.3. Reimbursement shall be provided to a Participant only on a quarterly basis for the actual cost of Eligible Medical Expenses incurred while that individual is a Participant in the Plan and shall not exceed the amount of Benefits available to the Participant. The Employer shall establish procedures which shall require the Participant to substantiate the payment of premiums for insurance coverage and/or enrollment in Medicare.

5.2 Participant Accounts. No money shall actually be allocated to any account(s) on behalf of Participants but shall be credited to a separate ledger account in the Participant's name. Such amounts credited to a Participant's account for any Plan Year shall be used only toward the reimbursement of the Participant's Eligible Medical Expenses.

5.3 Claims Procedures.

(a) Written Claim. Each Participant who desires to receive reimbursement under the Plan for his or her Eligible Medical Expenses shall submit a claim, within the time period specified in paragraph (b) below, on a form provided by the Employer, or responses to other supplementary factual requests, containing the following information:

- (1) the name of the person or persons on whose behalf Eligible Medical Expenses have been incurred;
- (2) the nature of the expenses so incurred;
- (3) the date of the expenses so incurred;
- (4) the amount of the requested reimbursement; and
- (5) that such expenses have not otherwise been paid through insurance or reimbursed from any other source.

As soon as is administratively feasible following the end of each month, the Plan Administrator or his or her designated claims administration representative shall review all the forms submitted by Participants during that month in accordance with the foregoing procedures and shall pay each Participant the Benefits which each Participant is entitled to receive under the Plan, in accordance with the Plan.

(b) Time Limit for Submitting Claims. No Eligible Medical Expense shall be reimbursed for any Plan Year unless the Participant submits a claim for such reimbursement within ninety (90) days after the end of such Plan Year.

(c) Claims Processing. The Plan Administrator will review the claim and will advise the Participant of any Benefit to which he or she is entitled. If a Participant believes he or she has not been reimbursed in accordance with the Plan or has not been advised of his or her Benefits, he or she may submit a written request to the Plan Administrator to provide either

an explanation of how Benefits are reimbursed or further information of his Benefits. The Plan Administrator must respond to such a request within a reasonable time.

Additionally, the Plan Administrator will provide to every claimant, who is denied a claim for Benefits, a written notice stating in a format determined to be understood by the claimant:

- (1) the specific reason or reasons for the denial;
- (2) specific reference to pertinent plan provisions on which the denial is based;
- (3) a description of any additional material or information necessary for the claimant to perfect the claim; and
- (4) an explanation of the claim review procedure set forth in Paragraph (d) below.

(d) Claims Review. Within sixty (60) days of receipt by a claimant of a notice denying a claim under Paragraph (a), the claimant or his or her duly authorized representative may request in writing a full and fair review of the claim by the Plan Administrator or by the Administrator which may be appointed by the Employer for that purpose. The Plan Administrator may extend the sixty (60) day period where the nature of the benefit involved or other attendant circumstances make such extension appropriate. In connection with such review, the claimant or his or her duly authorized representative may review pertinent documents and may submit issues and comments in writing. The Plan Administrator or Administrator shall make a decision promptly, and not later than 60 days after the Plan Administrator's receipt of a request for review, unless special circumstances (such as the need to hold a hearing, if the Administrator deems one necessary) require an extension of time for processing, in which case a decision shall be rendered as soon as possible, but not later than one hundred twenty (120) days after receipt of a request for review. The decision on review shall be in writing and shall include specific reasons for the decision, written in a manner calculated to be understood by the claimant, and specific references to the pertinent Plan provisions on which the decision is based. If the decision on review is not made within such period, the claim will be considered denied.

ARTICLE VI ADMINISTRATION

6.1 Administrator. The Employer shall be the Plan Administrator of the Plan.

6.2 Fiduciary. The Employer shall be the fiduciary responsible for administration of the Plan. The Employer may, however, delegate any of its powers or duties under the Plan in writing to any person or entity. The delegate shall become the fiduciary for only that part of the administration which has been delegated by the Employer and any references to the Employer shall instead apply to the delegate. However, if the Employer assigns any of the Employer's responsibility to an employee of Employer, it will not be considered a delegation of Employer responsibility but rather how the Employer internally is assigning responsibility.

6.3 Rules of Administration. The Employer may adopt such rules for administration of the Plan as it considers desirable, provided they do not conflict with the Plan, and may construe the Plan, correct defects, supply omissions and reconcile inconsistencies to the extent necessary to effectuate the Plan, and such action shall be conclusive. Records of administration of the Plan shall be kept, and Participants and their beneficiaries may examine records pertaining directly to themselves.

6.4 Services to the Plan. The Employer may contract for legal, actuarial, investment advisory, medical accounting, clerical, claims administration and other services to carry out the Plan. The costs of such services and other administrative expenses shall be paid by the Employer.

6.5 Funding Policy. The Employer may periodically, at its discretion, review and determine the funding policy of the Plan, with the advice of such experts as the Employer deems appropriate.

6.6 Nondiscriminatory Operation. The Plan is intended not to discriminate in favor of “highly compensated individuals” (as defined under Section 105(h) of the Code) as to eligibility to participate, contributions and benefits, and to comply in this respect with the requirements of the Code. All rules, decisions and designations by the Employer and each administrative committee under the Plan shall be made in a nondiscriminatory manner, and persons similarly situated shall be treated alike.

6.7 Liability of Administrative Personnel. Neither the Employer, nor any of its employees, nor any provider of services under Section 6.4 herein, shall be liable for any loss due to an error or omission in administration of the Plan unless the loss is due to the gross negligence or willful misconduct of the party to be charged or is due to the failure of the party to be charged to exercise a fiduciary responsibility, if one is owed, with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

6.8 Use of Electronic Medium for Participant Notices.

(a) Definition of Electronic Medium. “Electronic Medium” means an electronic method of communication between the Plan Administrator (or its designated representative) and Employee thereby allowing each party to send and receive notices, elections and claims through the same medium. The only form of electronic communication permitted by the Plan shall be via electronic mail on the Employer’s network or intranet, through an interactive website, or to a private e-mail address supplied to the Employer by the Employee for communication purposes. The electronic medium must be designed so that the information provided is no less understandable to the receiving party than a written paper document. The electronic medium shall be designed to alert the Employee, at the time a notice is provided, to the significance of the information in the notice (including identification of the subject matter of the notice), and provide any instructions needed to access the notice, in a manner than is readily understandable. The electronic medium shall be designed to preclude any person, other than the appropriate individual, from making a Participant election or claim, or accessing individual participant account information.

(b) Disclosure and Consent Requirements.

(1) Disclosure Statement. Prior to electronically transmitting any consent or notice to the Employee, the Plan Administrator shall provide a statement which contains the following: (i) informs the Employee of the right to receive a paper document of the notice or other Plan-related material either prior to or after giving consent to electronic transmission; (ii) informs the Employee of the right to withdraw his or her consent at any time and the procedures for withdrawal, including any conditions or consequences arising from such withdrawal; (iii) describes the scope and duration of the consent as it related to various plan transactions; (iv) describes the procedures for updating Employee contact information; and (v) describes the hardware or software requirements needed to access and retain the notice.

(2) Consent. The Plan Administrator shall be exempt from the consent requirements of Section 101(c) of the Electronic Signatures in Global and National Commerce Act (E-SIGN) provided the Electronic Medium used to provide notices and Plan-related material is a medium that the Employee has the effective ability to access and the Employee is advised, each time a notice is transmitted, that he can request to receive the notice in paper form at no charge. The form of Electronic Medium utilized by this Plan shall be through an interactive website requiring the Employee to register an e-mail address for communication purposes.

(3) Changes in Hardware or Software Requirements. In the event of any changes in the hardware or software requirements needed to access the Electronic Medium, the Plan Administrator, or its designated representative, shall provide a statement to each Employee of the revised requirements and the right to withdraw consent to receive electronic delivery of Plan-related materials without consequence.

(c) Participant Claims. The Plan Administrator, or its designated representative, shall be permitted to electronically distribute participant claims by Electronic Medium. Each Employee who is provided with participation or claims information via Electronic Medium will also be informed by the Plan Administrator that he may receive a paper copy of the relevant documents upon request. A participant election will not be treated as being made available to an individual if such individual cannot effectively access the Electronic Medium for purposes of making the claim or election. A claim completed by an Employee via Electronic Medium shall be deemed as being provided in written form so long as the following requirements are satisfied:

(1) The Employee has a reasonable opportunity to review, confirm, modify or rescind the terms of the claim before the claim is submitted; and

(2) The Employee receives, within a reasonable time, a confirmation of the claim either through written paper form or by electronic mail (e-mail).

(d) Timing and Content of Elections and Notices. The provisions of this Section 6.8 shall in no way affect or alter the timing or content requirements applicable to each individual notice or document.

ARTICLE VII MISCELLANEOUS

7.1 Amendment and Termination. The Employer may amend or terminate this Plan at any time by action of the Employer. The Employer may amend or modify this Plan

retroactively to enable the Plan to provide non-taxable medical expense reimbursement benefits under Section 105 of the Code. No amendment shall deprive any Participant or beneficiary of any benefit to which he is entitled under this Plan with respect to contributions previously made, and no amendment shall provide for the use of funds or assets other than for the benefit of Participants and their beneficiaries, except as may be specifically authorized by statute or regulation.

7.2 Employment Relationship. The Plan shall not be deemed to constitute a contract of reemployment between the Employer and any Participant or to be a consideration or an inducement for the reemployment of any Participant. Nothing contained in this Plan shall be deemed to give any Participant or Employee the right to be retained in the service of the Employer.

7.3 Alienation of Benefits. No benefit under this Plan may be voluntarily or involuntarily assigned or alienated.

7.4 Payments to Beneficiary. Any benefits otherwise payable to a Participant following the date of death of such Participant shall be paid to his or her Spouse, or, if there is no surviving Spouse, to the Participant's estate.

7.5 Facility of Payment. If the Employer deems any person incapable of receiving benefits to which he or she is entitled by reason of minority, illness, infirmity, or other incapacity, it may direct that payment be made directly for the benefit of such person or to any person selected by the Employer to disburse it, whose receipt shall be a complete acquittance therefor. Such payments shall, to the extent thereof, discharge all liability of the Employer.

7.6 Proof of Claim. As a condition of receiving benefits under the Plan, any person may be required to submit whatever proof the Employer may require (either directly to the Employer or to any person delegated by it).

7.7 Status of Benefits. The Employer believes that this Plan is written in accordance with Section 105 of the Code and that it provides certain benefits to Participants which are free from Federal income tax under the Code. This Plan has not been submitted to the Internal Revenue Service for approval and thus there can be and is no assurance that intended tax benefits will be available. Any Participant, by accepting a benefit under this Plan, agrees to be liable for any tax plus interest that may be imposed with respect to those Benefits.

7.8 Applicable Law. The Plan shall be construed and enforced according to the laws of the State of California to the extent not pre-empted by any federal law.

7.9 Lost Distributees. Any benefit payable hereunder shall be deemed forfeited if the Employer is unable to locate the Participant to whom payment is due, provided, however, that such benefit shall be reinstated if a claim is made by the Participant for the forfeited benefit.

7.10 Severability. If any provision of this Plan shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision, and this Plan shall be construed and enforced as if such provision had not been included.

7.11 Heirs and Assigns. This Plan shall be binding upon the heirs, executors, administrators, successors and assigns of all parties, including each Participant and beneficiary.

7.12 Headings and Captions. The headings and captions set forth in the Plan are provided for convenience only, shall not be considered part of the Plan, and shall not be employed in construction of the Plan.

7.13 Multiple Functions. Any person or group of persons may serve in more than one fiduciary capacity with respect to the Plan.

7.14 Source of Payments. The Employer shall be the sole source of Benefits under the Plan. No Participant or beneficiary shall have any right to, or interest in, any assets of the Employer except as provided from time to time under the Plan, and then only to the extent of the Benefits which are payable under the Plan to such Participant or beneficiary.

[SIGNATURES FOLLOW ON NEXT PAGE]

IN WITNESS WHEREOF, the Employer has caused this Plan to be executed on January 15, 2014.

EMPLOYER:

MUNICIPAL WATER DISTRICT OR
ORANGE COUNTY

By: _____

Name: _____

Title: _____

APPROVED AS TO FORM AND
CONTENT:

BEST BEST & KRIEGER LLP

By: _____
Attorneys for Employer

**MUNICIPAL WATER DISTRICT OF ORANGE COUNTY
RETIREE MEDICAL EXPENSE REIMBURSEMENT PLAN**

REIMBURSEMENT CLAIM FORM

Retiree Name: _____ Social Security: _____

Address: _____

Directions: List each expense separately. Attach copy of invoice or receipt reflecting name/address of payee, individuals covered and type of coverage. Canceled checks are not acceptable receipts. Please submit the claim to _____.

Eligible Medicare Expenses

Date of Expense	Description of Expense	Covered Persons	Amount
		TOTAL:	

Employee Certification

I hereby certify that all expenses submitted for reimbursement comply with the Municipal Water District of Orange County Retiree Medical Expense Reimbursement Plan and such items have not and will not be covered by any plan or program of any employer or other person. Municipal Water District of Orange County does not accept responsibility for direct payment to any individuals other than the retired employee.

Employee Signature: _____ Date: _____

GENERAL MANAGER'S REPORT OF STAFF ACTIVITIES JANUARY 2014

Managers' Meeting	<p>MWDOC held its Member Agency Managers' meeting in Fountain Valley on Thursday, December 19. In attendance were Howard Johnson (Brady); George Rivera (OCSD); Andy Brunhart (SCWD); Thom Coughran (La Palma); Paul Cook (IRWD); Bob Hill (ETWD); Joone Lopez and Matt Collings (MNWD); Mike Dunbar (EBSD); Dan Ferons (SMWD); George Murdoch (Newport); Brian Ragland (Huntington Beach); Hector Ruiz (TCWD); Matt Holder (LCG); Michael Grisso (Buena Park); Lisa Ohlund (EOCWD); Mike Markus (OCWD); and Karl Seckel; Harvey De La Torre; Darcy Burke; Richard Bell; Keith Lyon; Warren Greco; Kelly Hubbard; and Lee Jacobi of staff.</p> <p>The agenda included:</p> <ol style="list-style-type: none"> 1. Presentation on Polling Results by Matt Holder of Lewis Consulting. 2. MWDOC/OCWD Consolidation 3. MWDOC's Budget Process 4. BDCP Communication Process 5. Budget Preparation Schedule 6. WEROC Agency Map Sharing 7. Water Supply Update <p>The next meeting is scheduled for January 16.</p>
Meetings with MWDOC Member Agencies	<p>Karl met with Andy Brunhart, General Manager of South Coast Water District, along with Assistant General Manager, Betty Burnett, and District Engineer, Dave Youngblood, to discuss the Doheny Desal Project.</p> <p>Karl and Richard have been working with MET, South Coast Water District, Laguna Beach County Water District and San Juan Basin Authority on the Foundational Action Program Funding Agreements. These agreements will result in \$200,000 in funding for the Doheny Desal Project and another \$200,000 in funding for the San Juan Groundwater Basin Optimization Study.</p>

MET ITEMS CRITICAL TO ORANGE COUNTY

MET's Water Supply Conditions	<p><u>State Water Project Deliveries</u></p> <p>For calendar year 2014, the Department of Water Resources (DWR) announced an initial "Table A" allocation of just five percent of requested deliveries to SWP contractors. This was only the second time in history that the initial forecast has been so low. However, it is still early in the water year and DWR will update the allocation periodically during the winter period. On average, half of California's annual precipitation occurs December through February.</p> <p>DWR conducts manual snow surveys around the first of the month from January to May. The results of the first snow survey of the year indicated that water content in the northern Sierras is only 11 percent of normal for this time of year. Similarly, the 8-Station Index currently estimates that overall precipitation in the Northern Sierras is only 3.2 inches, or just 17 percent of normal. December was particularly dry with only 0.8 inches of precipitation compared to an average of over 8 inches.</p> <p>Reservoirs in the SWP system began the year below average and have continued to fall as a result of the dry weather. Lake Oroville, the SWP's principal reservoir, is at 36 percent of capacity and 57 percent of its historical average. San Luis Reservoir, a vital south-of-Delta supply pool for the SWP, is at only 30 percent of capacity and 43 percent of the historical average.</p> <p><u>Colorado River Deliveries</u></p> <p>Conditions on the Colorado River have continued to improve. Projections made by the Bureau of Reclamation (Reclamation) in their 2-year outlook of reservoir elevations improved in December. While long-term drought conditions continue to affect the Colorado River Basin, precipitation has been about average, which has brought some relief.</p> <p>In August 2013, the official outlook projected Lake Mead to fall to an elevation of 1,061 feet by the summer of 2015, well below the elevation where shortages are declared on the Colorado River (1,075 feet). In December, Reclamation's updated outlook projects Lake Mead to be 1,081 feet in the summer of 2015. That is a 20 foot improvement, but would still leave Lake Mead only six feet above the shortage trigger for a potential shortage in 2016.</p>
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MET's Finance and Rate Issues	<p>At the December MET Finance and Insurance Committee meeting, CFO, Gary Breaux, reported that water sales through November were 131.6 TAF higher than budgeted and 38.5 TAF higher than the 5-year average. This is mainly due to additional purchases of untreated water for replenishment purposes and additional purchases from the City of Los Angeles due to their low deliveries from the Los Angeles Aqueduct. As a result, water sale revenues are \$97.2 million higher than budget, including \$10.9 million from Tier 2 purchases.</p> <p>Later this month, MET staff plans to present their proposed Biennial Budget for FY 2014/15 and 2015/16, Revenue Requirements, and Water Rates & Charges to the MWD Board. In February, the MET Board will hold its 1st budget workshop and commence with setting its Public Hearing for March. Consideration of action by the MET Board on the Biennial Budget and Rates are expected to occur in April 2014.</p>
Colorado River Issues	<p><u>Imperial Irrigation District, Metropolitan Sign Agreement to Fund Conservation in Mexico</u></p> <p>General Managers from Imperial Irrigation District (IID) and MET signed an agreement to fund water conservation activities in Mexico and equally share in the water that will be made available to MET under Minute 319. Under the agreement, IID and MET will each contribute \$2.5 million to implement conservation actions in Mexico, and each agency will receive 22,750 acre-feet of water added to their respective Intentionally Created Surplus accounts in Lake Mead. This agreement is part of the implementation of Minute 319 to the United States-Mexico International Water Treaty.</p>
Bay Delta/State Water Project Issues	<p><u>Bay Delta Conservation Plan</u></p> <p>The state of California and its federal partners, U.S. Bureau of Reclamation (USBR), U.S. Fish and Wildlife Service (USFWS), and National Marine Fisheries Service (NMFS), released the Bay Delta Conservation Plan (BDCP) for formal public review. This is a significant milestone in the effort to secure a decision on the BDCP to restore ecosystem health and secure reliable water supplies for California. The release is a key step toward completion of a final plan and corresponding environmental documents. Release of the public review draft of the BDCP and its corresponding Draft Environmental Impact Report/Environmental Impact Statement (EIR/EIS) commences a 120-day public review period, from December 13, 2013, through April 14, 2014.</p>

Bay Delta/State Water Project Issues (Continued)	<p>From mid-January through mid-February 2014, experts will be available at a dozen separate public meetings to facilitate review of the BDCP, and to hear public comments on the BDCP and its accompanying environmental documents. The 9,000-page BDCP and its corresponding 25,000-page Draft EIR/EIS reflect significant revisions since the informal release of the second administrative review draft last spring and summer.</p> <p>The BDCP aims to both stabilize water deliveries from the Delta and contribute to the recovery of 56 species of plants, fish and wildlife over the proposed 50-year life of the BDCP. The BDCP aims to both reverse the ecological decline of the region and modernize a water system that now depends on hundreds of miles of earthen levees vulnerable to earthquake, flood, and rising sea levels.</p> <p><u>Delta Stewardship Council</u></p> <p>The Delta Stewardship Council (Council) held a one-day meeting on December 19. At that meeting, representatives from the Department of Water Resources (DWR) briefed the Council on the draft BDCP and its impacts in the Delta. The Council also discussed funding priorities for state investments in Delta levees and considered an interagency agreement between the Council and DWR regarding updating the Delta Plan's priorities for state investments in Delta levees. In November 2013, the council met for two days while the Council and Independent Science Board met jointly to discuss their review of the BDCP.</p>
<h2 style="text-align: center;">ENGINEERING & PLANNING</h2>	
Planning for AMP 11-Day Shutdown	<p>MET is shutting down the Allen-McColloch Pipeline (AMP) for 11 days, January 13 - 23, for inspection and mortar lining repair of the north half of this 25-mile long pipeline. When the north half of the AMP is shut down, there is no service in the south half either. So, all 13 agencies using the AMP are affected, although most have backup sources. MWDOC hosted a pre-shutdown coordination meeting on December 18 that was attended by representatives of 10 retail agencies, MET and MWDOC. Lee Jacobi met separately with EOCWD since their wholesale system off of connection OC-70 is highly impacted by this shutdown. EOCWD then developed a special operations plan for this shutdown.</p>

Baker WTP Project Progress	The Baker Water Treatment Plant joint-agency project will treat raw water, mostly from MET and some from Irvine Lake. Some of the 43.5 cfs of product water will go into the Irvine Ranch WD's system, and some will be pumped into the South County Pipeline (SCP) that is partly owned by MET. MWDOC is facilitating the upsizing of the MET raw water connection, and is also facilitating the checking of design of the pump-in of Irvine Lake water, and of the pump-in of treated water into the SCP. Lee processed an additional payment in December for final checking and construction inspection. MET completed checking of design of the OC-33 upsizing plus Santiago Lateral air valves in November, and of the design of pump-in to the SCP in December. Some minor checking work remains. IRWD has already awarded the construction contract. MWDOC is continuing to work with MET to gain approval for the quality of water being pumped into the South County Pipeline.
Doheny Desalination Project	<p>Work is underway on:</p> <ul style="list-style-type: none"> • Site appraisal to negotiate a site lease extension with State Parks. • Discussions regarding the Phase 3 Wind-Up Agreement • Completing agreements for funding of the Doheny Desal Foundational Action Program work • Considering whether to submit for a DWR Grant
San Juan Basin Authority	Richard participated in the San Juan Basin Authority meeting where they discussed adoption of the Groundwater Management Plan.
Irvine Ranch WD Potential LRP	Harvey and Keith held a second meeting with Mike Hoolihan, Mark Tettemer and Kellie Welch from IRWD to further discussions about a potential new Local Resources Project (LRP) that would increase production and use of recycled water by about 620 acre-feet per year. A meeting has been scheduled for late January with MET and IRWD staff to discuss eligibility for LRP incentives for IRWD's potential project.
OCWD Producers Meeting	The OCWD Producers meeting was moved back to January 15 due to the holidays, so a summary of the meeting will be provided with the February MWDOC GM report.
EMERGENCY PREPAREDNESS	
WEROC General Activities	Kelly attended the California Emergency Services Association, Southern Chapter Annual Board retreat in December. This one day meeting is to plan the organizations' goals and budgetary needs for the next year.

Water Trailers	<p>MWDOC signed a change order with the Arizona Trailer Company for the additional 2 trailers that were approved for grant funding. The two trailers have been delivered to MWDOC. Staff is working on securing Transfer of Equipment agreements with the two agencies who will be receiving the trailers. At this time, staff is working with the Cities of Buena Park and Newport Beach. Staff has identified two additional agencies (who already received 1 trailer each) in case these two cities cannot take the trailers.</p> <p>Reimbursement packets have been submitted to the City of Santa Ana for 14 of the 15 trailers for a total reimbursement request of \$464,152. The last trailer reimbursement request will be submitted in January for the remaining \$33,152 of the grant.</p>
Member Agency Coordination	<p>Staff met with the Yorba Linda Water District to discuss their emergency preparedness plan and training program. YLWD District recently hired a new safety position that will have lead responsibility for emergency preparedness.</p> <p>Staff provided WEROC Radio training to Orange County Water District Field Headquarters staff.</p> <p>Staff attended a Moulton Niguel Water District Emergency Operations Center (EOC) training as an observer.</p> <p>Kelly provided four 3-hour NIMS 100& 700 with SEMS Intro trainings to approximately 60 water utility staff. This is a required training for National Incident Management System (NIMS) compliance.</p>
Coordination with the County of Orange	<p>Kelly attended a Disability, Access and Functional Needs (AFN) First Responder training hosted by the County. The goal was to learn how to take into account disability, access and functional needs when planning for water distribution and the use of the water trailers following an emergency. Several lessons were learned and will be incorporated into the Water Trailer SOP for all the agencies.</p>
Coordination with Outside Agencies	<p>Kelly participated in the CA Water/Wastewater Agency Response Network State Steering Committee monthly conference call. The group is developing a series of programs to help water utilities with fuel planning.</p>
WEROC Emergency Operations Center (EOC) Readiness	<p>Staff participated in the OA Radio Test successfully.</p> <p>Staff met with MET staff for an annual North EOC lease review.</p> <p>MET has been in the process of installing a completely new MARS radio system. MET paid for one of WEROC's MARS radios to be replaced and</p>

WEROC Emergency Operations Center (EOC) Readiness (Continued)	<p>WEROC had the other two replaced from the WEROC budget. Unfortunately, Met discovered an interference problem with the new system and frequency. WEROC staff discussed the cost of having a radio company do the reprogramming with Met staff, and Met agreed to reprogram all 3 of the WEROC radios with their own staff and at no cost to WEROC. Staff was able to successfully participate in the MARS radio test from 2 of the WEROC radios this month.</p> <p>At the last annual maintenance appointment for the North EOC generator, some costly repairs and preventative maintenance were recommended by the vendor. The recommendations seem reasonable considering the age and use of the generator. In discussing the recommended repairs, staff decided with the vendor on a slightly more conservative course of repairs with the understanding that additional repairs may still be needed. Staff received 2 quotes for repair. A third vendor reviewed the generator, but never submitted a quote after multiple reminders. Staff has scheduled service with the vendor with the lowest quote and is waiting for some parts on back order.</p> <p>Staff completed updates to the MWDOC Continuity of Operations Plan (COOP) and the WEROC Autopaks. The Autopaks include critical contact and disaster response information and are distributed to staff that both assist with the COOP and the WEROC EOC's. The updated packs will be distributed in January.</p>
<h2 style="text-align: center;">WATER USE EFFICIENCY</h2>	
California Urban Water Conservation Council (CUWCC)	<p>Executive Director Search Committee Meeting On December 10, Joe Berg participated in the CUWCC Executive Director Search Committee Meeting hosted by the City of Santa Rosa. The current Executive Director, Chris Brown, is moving on after eight years of service. The Committee reviewed applications for 27 candidates and selected five candidates for a panel interview scheduled for January 7. Final interviews for approximately three candidates will be conducted by the Board of Directors on January 16.</p> <p>Plenary Meeting On December 11, Joe participated in the quarterly Plenary Meeting, which was hosted by the City of Santa Rosa. This was a general business meeting of the full CUWCC membership. Approximately 70 water agencies and environmental advocacy organizations participated.</p>

California Urban Water Conservation Council (Continued)	<p>At this meeting, Joe was reelected to the Board of Directors for another 2-year term. Joe was also selected to receive the Lana Sherman Award, which recognizes local and community innovations in water conservation.</p> <p>Landscape Committee Conference Calls Melissa Baum-Haley participated in multiple conference calls for the CUWCC Landscape Committee. The purpose of these conference calls was to discuss the tools and work plan for implementing the “landscape new norm,” which is a holistic approach to landscape design and management to achieve water and resource savings.</p> <p>Landscape Symposium Planning Committee Meetings On December 20 and 23, Joe participated in Landscape Symposium Planning Committee Meetings. The CUWCC has been asked by several state agencies, including the Department of Water Resources, State Water Resources Control Board, Department of Pesticide Regulation, and Cal Recycle, to lead the development and implementation of several Landscape Symposiums. The focus of these Symposiums is to provide a broad base of stakeholders working with these agencies with education on the interrelatedness of urban landscape management. Joe was asked to chair this effort due to his research and partnerships with these state agencies. Weekly meetings are planned through spring to prepare for these Symposiums, which are scheduled to be held in late spring 2014.</p>
DWR Technical Panel Webinar	<p>On December 16, Joe participated in a Department of Water Resources (DWR) Independent Technical Panel (ITP) Webinar. The ITP is focusing on developing 20 X 2020 compliance year adjustments for significant changes in water use associated with weather and economic variations. The ITP is also evaluating the need to extend the deadline for submittal of Urban Water Management Plans from December 31, 2015 to June 30, 2016 to allow agencies to include the full 2015 calendar year water use in the 20 X 2020 compliance reporting. The next meeting is scheduled for January 14 at Western MWD.</p>
Spray to Drip Pilot Program	<p>On December 17, Melissa and Steve Hedges met with Anita Matlock of Rain Bird to discuss facilitation of the Spray to Drip Pilot Program. The Program will provide residential customers with a rebate for purchasing drip irrigation kits to be installed in place of spray irrigation.</p>
SAWPA OWOW Workshop	<p>On December 19, Joe and Melissa participated via conference call in the Santa Ana Watershed Project Authority (SAWPA) One Water One Watershed (OWOW) Integration Planning Workshop. The purpose of the Workshop was to discuss the State of California's view on Integrated Regional Water Management and to provide an update on funding. Also discussed was the OWOW plan and systems approach.</p>

Orange County Garden Friendly Pilot Program	<p>On December 12 and January 6, Melissa and Jessica Ouwerkerk met with the County of Orange and the University of California Cooperative Extension to develop the Orange County Garden Friendly (OCGF) Program. The OCGF Program is a collaborative effort of the Orange County Stormwater Program, MWDOC, and the University of California Cooperative Extension.</p>
<p style="text-align: center;">PUBLIC/GOVERNMENT AFFAIRS</p>	
Member Agency Relations	<p>Director Larry Dick has been working with Darcy and Tiffany on his next State Water Project Inspection trip with Assemblyman Allen scheduled for January 17 and 18. Darcy is also working with Director Brett Barbre and the OC Grand Jury for their Colorado River Aqueduct (CRA) trip on January 31 and February 1.</p> <p>Director Barbre and Darcy had a planning meeting with Albert Mendez, the new, temporary Inspection Trip Coordinator at MET, for the upcoming CRA trip.</p> <p>Tiffany redesigned the Inspection trip webpage to reflect most current information, updated briefing papers & new program video presentation.</p> <p>Darcy and Jessica are working with Metropolitan staff and our Member Agencies to coordinate outreach efforts for the upcoming Shutdown. Finalized information will be provided to the Board and Member Agencies.</p> <p>On December 19, Darcy presented an update on the Bay Delta Conservation Plan to the East Orange County Water District Board of Directors.</p> <p>Darcy has been asked to participate in the City of San Juan Capistrano's Second Water Forum on February 11, 2014. The event is planned as a duplicate of the last event held in early December.</p> <p>Jessica developed and distributed a press release in conjunction with MWD staff regarding the planned AMP shutdown that begins January 13.</p>

Member Agency Relations (Continued)	<p>The next Public Affairs Workgroup meeting is scheduled for Tuesday, January 21. Discussion topics will include drought messaging, the Regional Communications Plan, and other topics.</p> <p>For distribution to their customers, Jessica will be providing 1,200 native plant brochures to East Orange County Water District.</p> <p>Jessica worked with the management team to develop drought message points in response to a request from the Governor's Office of Emergency Services. The talking points describe our water supply situation (it's dry but we are in no immediate danger) as well as things we can all do to be more water efficient.</p> <p>For use in their BMP reporting efforts, Jessica compiled historic water education and public affairs program data for the City of San Clemente.</p>
Community Relations	<p>Darcy, Jessica and Tiffany continue to work on the 2013 Annual Report, which will be available on the MWDOC website in both electronic and printable versions.</p> <p>Tiffany, Jessica, Vivian, and Sarah implemented MWDOC's social media activities through Facebook, Twitter, and Pinterest.</p> <p>Jessica participated in the January 7 ISDOC Executive Committee meeting. She also worked to plan and promote the January 30 ISDOC Luncheon, and secured guest speaker, Aaron Kushner, Publisher of the OC Register, as the guest speaker. She is currently working to distribute the 2014 membership dues to the regular and associate members.</p> <p>Tiffany and Public Affairs Interns, Sarah Franks and Vivian Lam, are contacting all MWDOC member agencies and OC special districts to update the 2014 MWDOC and ISDOC Directories.</p> <p>Jessica will be staffing the WACO meeting on January 10. The guest speakers will be James Famiglietti of UC Center for Hydrologic Modeling and Kurt Berchtold of the Santa Ana Regional Water Quality Control Board.</p> <p>The next Water Policy Forum & Dinner is scheduled for Thursday, February 6, 2014. The guest speaker will be Dr. Christopher Thornberg, esteemed economist and Founding Partner of Beacon Economics, LLC. Jessica is currently working to promote the event to participants while</p>

Community Relations (Continued)	<p>planning the event logistics. A save the date was distributed and an invitation is pending approval from MET staff.</p> <p>Jessica participated in a conference call with staff of Inside the Outdoors regarding the EPA's Environmental Education grant program. Last year, Jessica submitted a proposal for a collaborative water education with several education institutions, non-profits, and water districts. The proposal was rated very highly but was not ultimately selected to receive funding. This year Inside the Outdoors will be taking the lead on a proposal for a similar program.</p>
Education	<p>The current participation target for the 2013-14 Water Education Assembly Program is 78,425 students, and currently 56,907 students have been booked. During the month of December, 3,322 students participated in the Traditional Assembly Program and 425 students participated in the Keypad Program. No students have participated in the Water Quality Program thus far.</p> <p>Director Hinman, Jessica, and Sherri Seitz of El Toro are scheduled to observe the Keypad Program at Gates Elementary School in Lake Forest on January 13.</p>
Media Relations	<p>Heddy Chang, a reporter from <u>KNBC</u>, called Darcy regarding the drought conditions. Ms. Chang had scheduled an interview but subsequently postponed it.</p>
Special Projects	<p>Darcy finished the Value of Water Communications Plan and is making final edits for my review. Once finalized, the draft Plan will be provided to the Public Affairs and Legislation Committee and then the Public Affairs Workgroup and Member Agency Managers. Darcy is also working on a Request For Qualifications for the Focus Group and Subject Matter Expert Consultation portions of the plan.</p> <p>Darcy has submitted additional requested information to the OC Grand Jury and Karl is preparing his additional items as well.</p> <p>To finalize the sponsorship materials and review the draft program, Director Thomas, Director Sheldon (OCWD), Darcy and Eleanor Torres had a brief OC Water Summit Planning meeting.</p> <p>Darcy is coordinating with Lewis and Associates on a number of requests for additional Value of Water Survey presentations.</p> <p>Darcy is working on developing the Public Affairs 2014-2015 Budget.</p>

Special Projects (Continued)	<p>Darcy is working with Joe Berg in finalizing a script for a video series for the Orange County Public Works department. The series will focus on nine projects that have received funding including The Reserve Project.</p> <p>Darcy is scheduled to attend a joint PIO-WUE meeting at Metropolitan to review progress on the Market Transformation plan on January 16. Drought and BDCP messaging will also be discussed. A similar meeting will be held in Orange County to coordinate on message points.</p> <p>Jessica and Melissa met with staff of OC Stormwater Program, IRWD, San Clemente, UC Cooperative Extension, and Communications Lab on January 6 to discuss the pilot OC Garden Friendly program. The committee is currently selecting dates for the pilot events.</p> <p>.</p>
Water-Use Efficiency Marketing	<p>Jessica is working with a graphic designer and printer to finalize and print more than 300,000 water use efficiency bill inserts, which will be distributed by the retail agencies to Orange County customers. The inserts will go out through the water bills from February to April.</p> <p>To finalize the custom Home Survey Report for participants in the Water Smart Home Program, Jessica is working with the water use efficiency department.</p> <p>Tiffany redesigned several Water Use Efficiency webpages to include most current information, featured program callout boxes, and new visually appealing graphics.</p>
Legislative Affairs	<p>Issues with the Air Quality Management District were discussed when Darcy met with Ed Laird. Mr. Laird provided insight as well as recommendations in moving these issues forward. Currently, staff is pursuing these suggestions.</p> <p>Darcy has been meeting with Townsend Public Affairs (TPA) on a bi-weekly basis. Current efforts underway are to develop specific goals and strategies for the next legislative session for the Public Affairs and Legislation Committee's review and consideration. TPA is also scheduling in-district meetings for Directors and Staff in January and February. In addition, Darcy will be bringing the TPA Contract to the Public Affairs and Legislation Committee for consideration.</p>

Legislative Affairs (Continued)	<p>Darcy is coordinating with staff of Eastern Municipal Water District (EMWD), Western Municipal Water District (WMD) and Inland Empire Utilities Agency (IEUA) on the upcoming February 28, 2014 ACWA DC Luncheon. The room has been secured and the save-the-date and invitations are being distributed. Staff is now working on leave-behind materials and coordinating messages and the program. In addition, efforts are underway for the shared reception in Sacramento on March 5th in conjunction with ACWA's Symposium. IEUA will take the lead for that event.</p> <p>Director Barbre and Darcy met to review legislative affairs efforts and to discuss possible enhancements in the future.</p>
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pat meszaros
1/9/14

INFORMATION CALENDAR

**MWDOC GENERAL INFORMATION
ITEMS**

MWDOC BOARD OF DIRECTORS

- Brett R. Barbre
- Larry D. Dick
- Wayne Osborne
- Joan Finnegan
- Wayne A. Clark
- Jeffery M. Thomas
- Susan Hinman