

WORKSHOP MEETING OF THE  
BOARD OF DIRECTORS WITH MET DIRECTORS  
MUNICIPAL WATER DISTRICT OF ORANGE COUNTY  
18700 Ward Street, Board Room, Fountain Valley, California  
March 2, 2016, 8:30 a.m.

**AGENDA**

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**PLEDGE OF ALLEGIANCE**

**ROLL CALL**

**PUBLIC PARTICIPATION/COMMENTS**

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.

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 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.)

**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>.

**(NEXT RESOLUTION NO. 2029)**

**PRESENTATION/DISCUSSION/INFORMATION ITEMS**

**1. REVIEW PURPOSE OF MEETING/RECOMMENDATIONS FOR POTENTIAL CHANGES TO MEETING STRUCTURE BASED ON MEETING WITH SOUTH COUNTY AGENCIES (oral report)**

*Recommendation: Review, discuss, and take action as appropriate.*

**2. ORANGE COUNTY'S DROUGHT PERFORMANCE – DECEMBER 2015 REPORT**

*Recommendation: Review and discuss the information presented.*

**3. UPDATE ON MWD'S PROPOSED BIENNIAL BUDGET AND RATES FOR FISCAL YEARS 2016/17 AND 2017/18**

*Recommendation: Review and discuss the information presented.*

**4. MET ITEMS CRITICAL TO ORANGE COUNTY**

- a. MET's Water Supply Conditions
- b. MET's Finance and Rate Issues
- c. Colorado River Issues
- d. Bay Delta/State Water Project Issues
- e. MET's Ocean Desalination Policy and Potential Participation by MET in the Doheny Desalination Project and in the Huntington Beach Ocean Desalination Project (Poseidon Desalination Project)
- f. Orange County Reliability Projects
- g. East Orange County Feeder No. 2

*Recommendation: Discuss and provide input on information relative to the MET items of critical interest to Orange County.*

**5. OTHER INPUT OR QUESTIONS ON MET ISSUES FROM THE MEMBER AGENCIES****6. METROPOLITAN (MET) BOARD AND COMMITTEE AGENDA DISCUSSION ITEMS**

- a. Summary regarding February MET Board Meeting
- b. Review items of significance for MET Board and Committee Agendas

*Recommendation: Review and discuss the information presented.*

**CLOSED SESSION****7. 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.

**8. 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., former Los Angeles Superior Court, Case No. BS137830, transferred on August 23, 2012, to San Francisco Superior Court, Case No. CPF-12-512466.

**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 of Southern California on April 8, 2014, et al.*, former Los Angeles Superior Court, Case No. BC547139, transferred on December 2, 2014, to San Francisco Superior Court, Case No. CPF-14-514004.

## **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 telephoning 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.



## DISCUSSION ITEM

March 2, 2016

**TO:** Board of Directors

**FROM:** Robert Hunter  
General Manager

Staff Contact: Harvey De La Torre/  
Kevin Hostert

**SUBJECT: ORANGE COUNTY'S DROUGHT PERFORMANCE – December 2015  
REPORT**

### STAFF RECOMMENDATION

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Staff recommends the Board of Directors review and discuss this information

### BACKGROUND

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Last year Governor Brown issued an Executive Order calling for statewide mandatory water reductions for all urban water retail agencies. The purpose was to reduce water consumption in response to the record-breaking drought throughout the state of California. Although each Orange County retail agency was assigned a conservation target by the State Water Resource Control Board (State Board) that ranges between 8% and 36%, the aggregated water savings target among all of the retail agencies in Orange County is approximately 21.73%.

At the same time, the Metropolitan Board implemented its water supply allocation plan at Level 3, effective July 1, 2015 for all of its member agencies. This called for a reduction, no greater than 15%, in imported water usage for a twelve month period - ending June 30, 2016.

The reports below demonstrate how Orange County, as a whole, has been: (1) performing to the State Board's water saving targets and (2) how MWDOC has been tracking to MET imported water supply allocation targets. Please note, these targets are calculated differently and are based on different factors.

Budgeted (Y/N): n/a	Budgeted amount: n/a	Core _X_	Choice __
Action item amount: n/a	Line item:		
Fiscal Impact (explain if unbudgeted):			



## Report

**Orange County's Performance under the SWRCB Mandatory Reduction Targets****Orange County monthly % Savings vs. SWRCB Target**

(As of February 24, 2016)

	June	July	August	Sept.	Oct.	Nov.	Dec.
Orange County SWRCB Savings Target*	<b>21.73% - Monthly Saving Target</b>						
Orange County Actual Savings	23.86%	29.18%	25.12%	28.45%	23.47%	15.58%	17.67%
Savings beyond the Target	2.13%	7.43%	3.39%	6.72%	1.74%	-6.15%	-4.06%

For the month of December 2015, Orange County retail water agencies reported a total water saving of 17.67% (note this is compared to December 2013 water usage). This is **below** our Orange County month conservation target of 21.73% by -4.06%. However, the cumulative savings for the six months into the State Board's mandatory regulations total 23.90% for Orange County.

**NOTE:** At the time of preparing this report, the State Board had not released its numbers for the month of January 2016. Depending on when the new numbers are released, staff will present the new savings amount at the Board workshop on March 2.

**MWDOC's performance under the MET's Water Supply Allocation Plan****MWDOC Actual Imported Water Usage vs. Imported Allocation Target**

(As of February 24, 2016)

(In Acre-Feet)

	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Total
Allocation Monthly Target*	21,700	21,991	19,858	15,989	13,303	11,078	10,316	<b>114,235AF</b>
Actual Imported Usage**	15,950	15,791	12,455	14,130	17,964	12,545	7,640	<b>96,481 AF</b>

[\*] Estimated monthly imported water allocation targets per the MWDOC's WSAP model.

[\*\*] This includes all MWDOC imported water purchases – Full Service Treated and Full Service untreated (Replenishment purchases are included)

**Note: These targets are subject to change based on actual local supply production and WSAP calculations.**

As of February 24, the total actual imported water usage for July through January totals 96,481 AF, this is 17,754 AF below our estimated allocation target (this includes OCWD purchases).

Based on our actual imported water usage, we are tracking well-below our allocation targets. This is mainly due to retail agencies responding to the State Board's mandatory reduction targets. As a result of these savings, the MWDOC Board authorized the General Manager to offer our member agencies a "secondary assignment" of unused imported water from our MET's Allocation with appropriate conditions.

In October, OCWD responded to this offer taking 17,000 AF of untreated water to their spreading basins. An additional "secondary assignment" of 7,000 AF was offered on November 25, and OCWD requested to take only 3,000 AF of the 7,000 AF. Bring OCWD's total purchases of imported water to 20,000 AF.

On February 23<sup>rd</sup> MWDOC sent a letter to OCWD providing an additional 11,000 AF of untreated water, bring the total "secondary assignment" amount to 35,000 AF. Based on our projections of imported municipal and industrial demands there is a strong possibility additional water will be available to OCWD in the coming months. MWDOC will continue to monitor and inform our Board and member agencies of our imported water usage and unused allocation on a monthly basis.



# Orange County Drought Performance & Water Supply Report

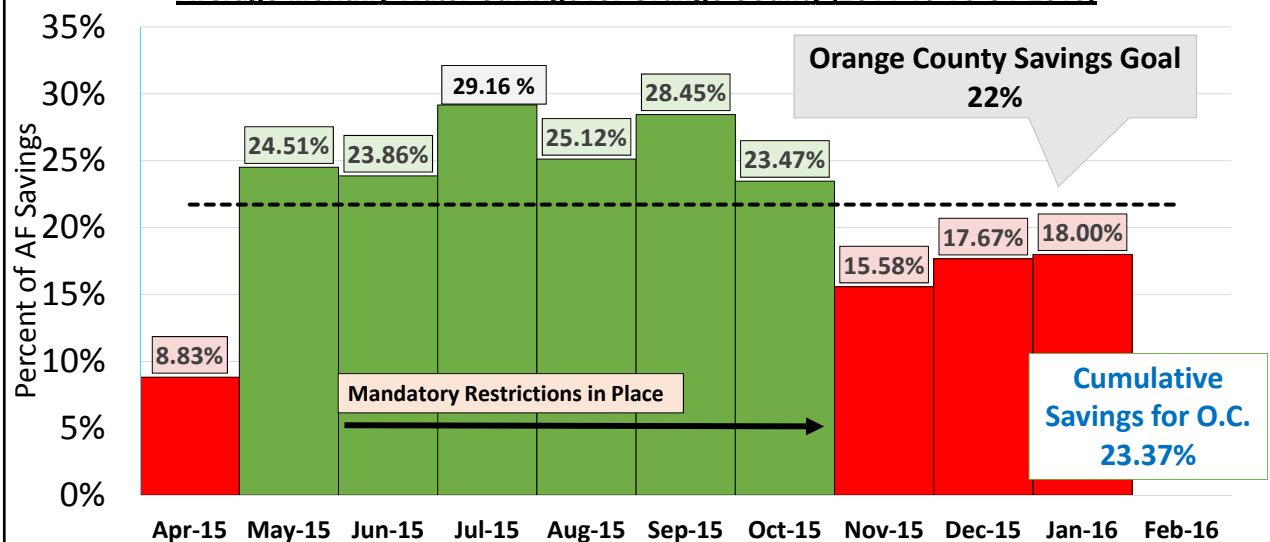
March 2, 2016

Municipal Water District of Orange County

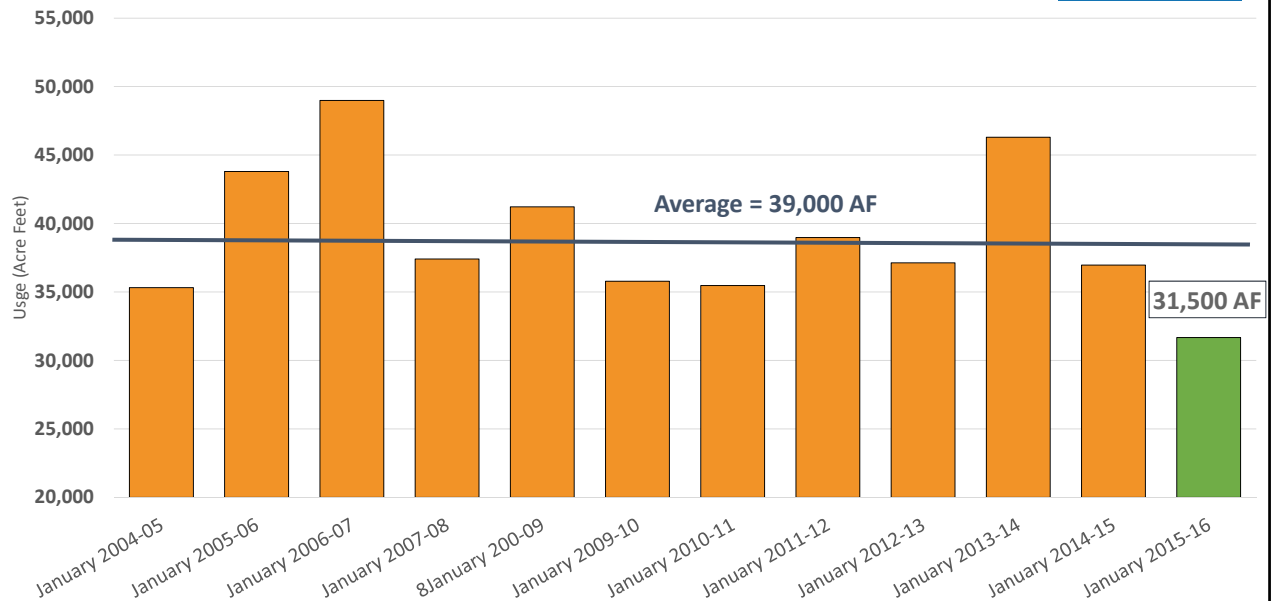
## O.C. Water Savings Reported to SWRCB



### Average Monthly Water Savings for Orange County (2014-15 Vs CY 2013)



## OC Historical *January* Water Usage



## FY Annual Precipitation (Santa Ana)



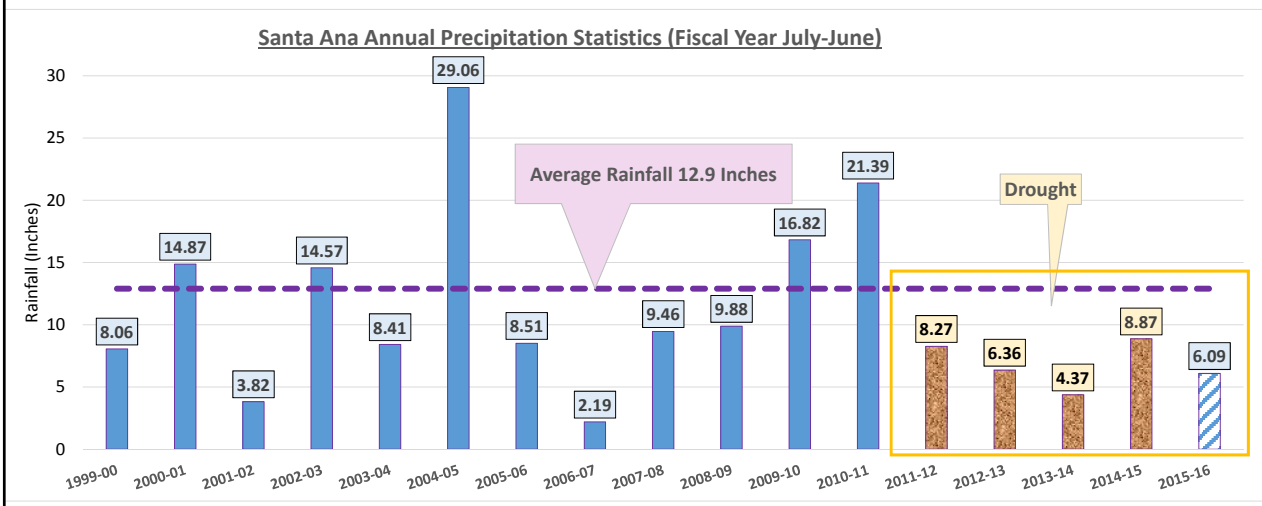
Cumulative Year-to-Date

Average Annual Rainfall: 12.9"

Average: 9.87"

**5-Year Deficit: 27.51" (2011-12 to Present)**

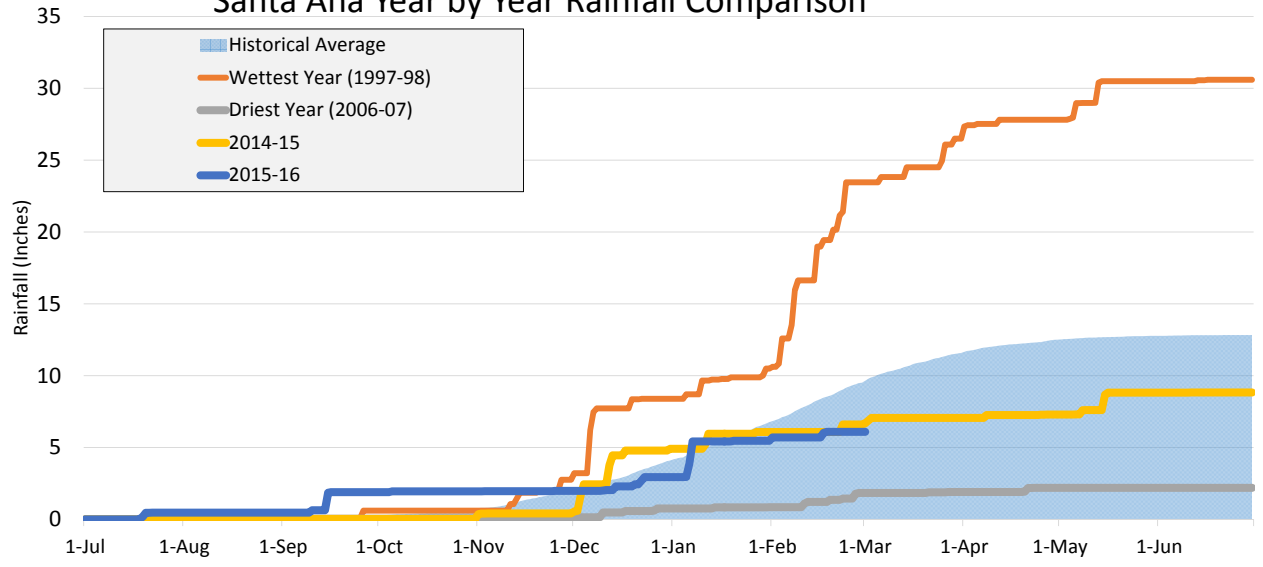
2015-16: 6.09"



## FYD Rainfall Compared to Past



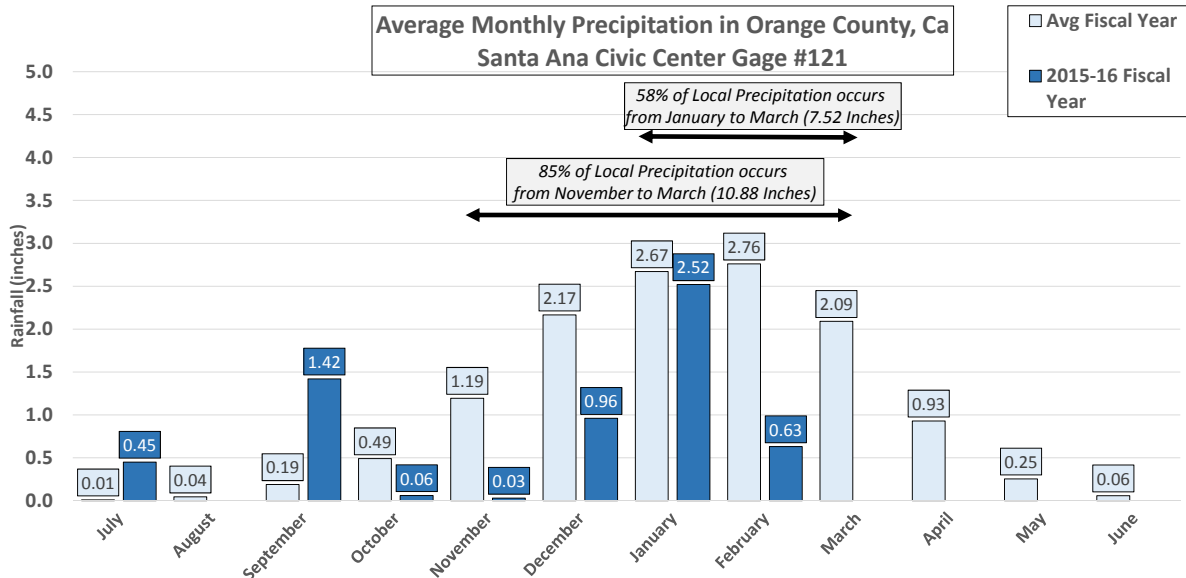
Santa Ana Year by Year Rainfall Comparison



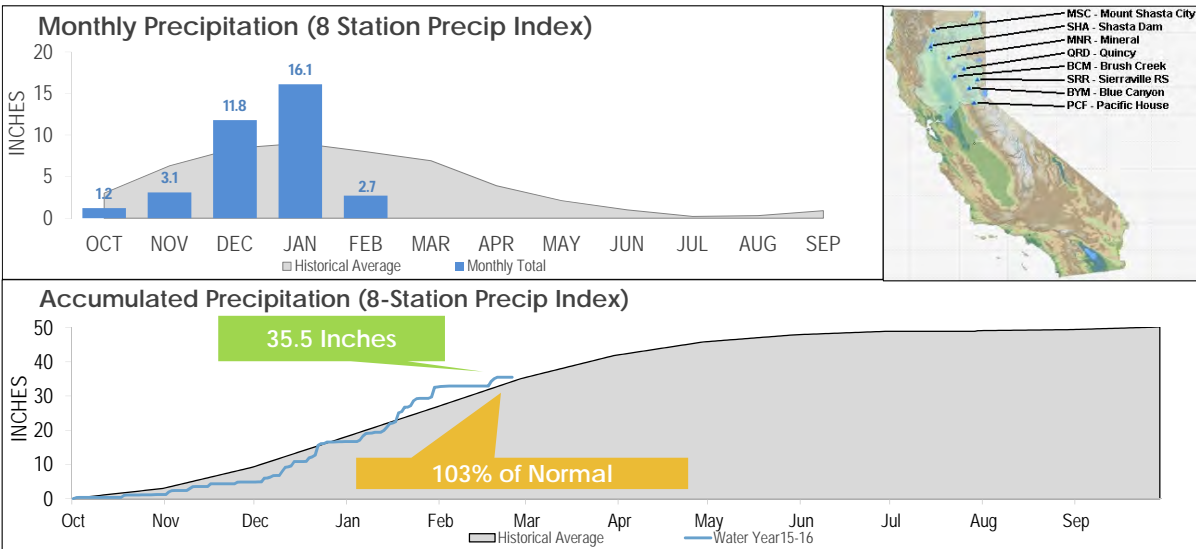
## 2015-16 FY Rainfall



Average Monthly Precipitation in Orange County, Ca  
Santa Ana Civic Center Gage #121



## Northern California Accumulated Precipitation



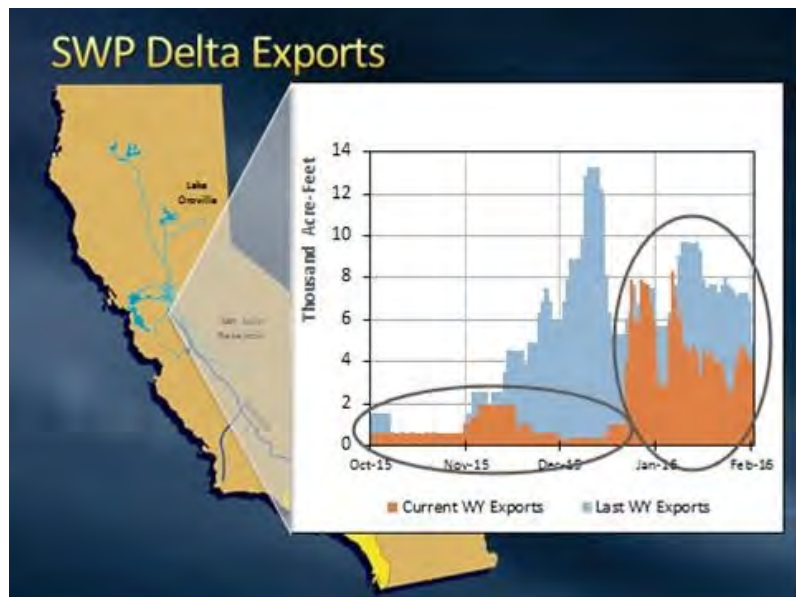
## SWP Delta Export Losses

### Current Year Losses:

~ 300 TAF (combined CVP and SWP)

### Losses Since 2007:

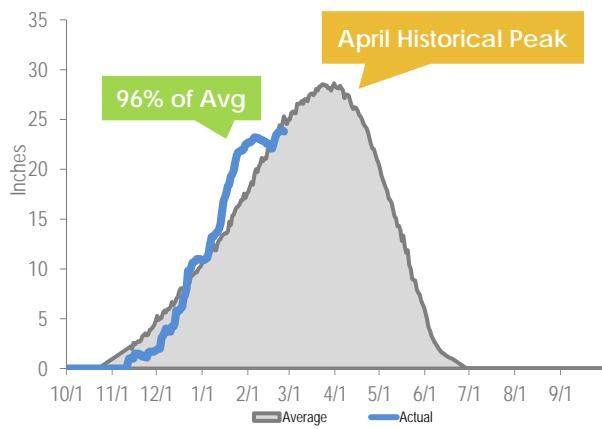
~5.0 MAF (combined CVP and SWP)



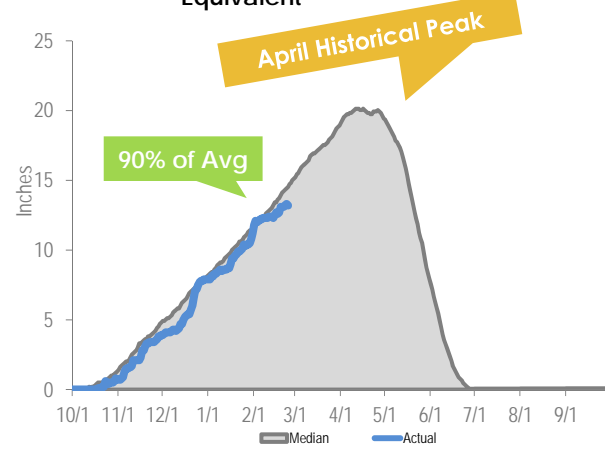
# Snowpack



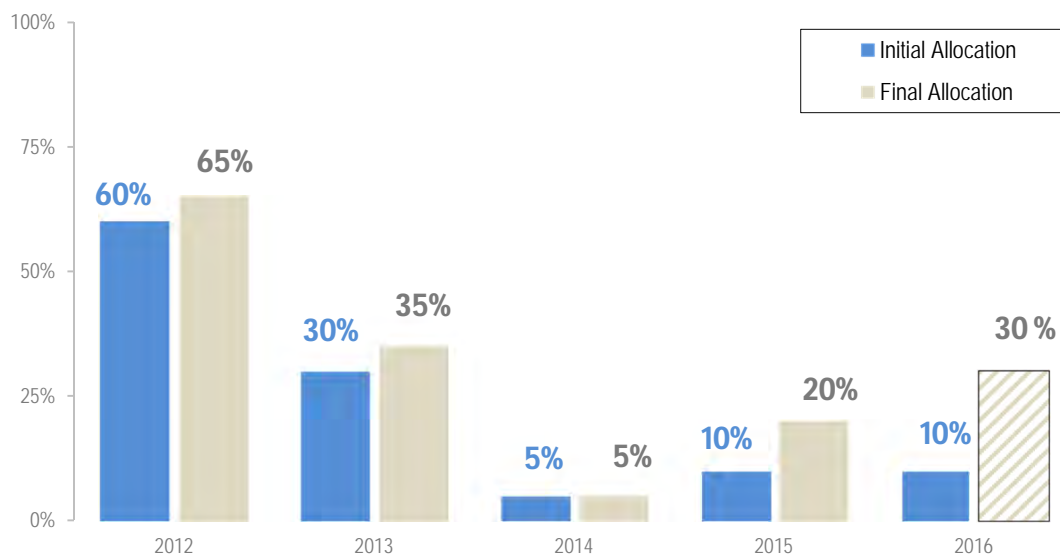
Northern Sierra Snowpack Water Equivalent



Colorado River Basin Snowpack Water Equivalent



## Table A SWP Allocation





# Snow Water Equivalent Feb 2016 VS Feb 2015



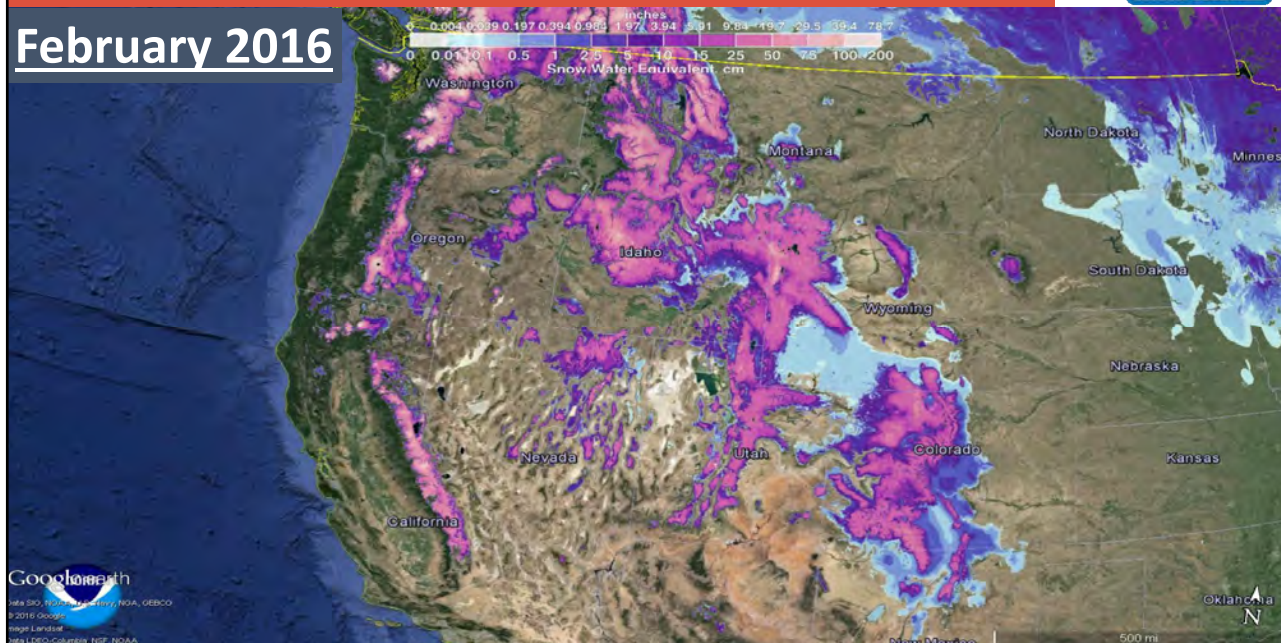
## February 2016



# Snow Water Equivalent Jan 2016 VS Jan 2015



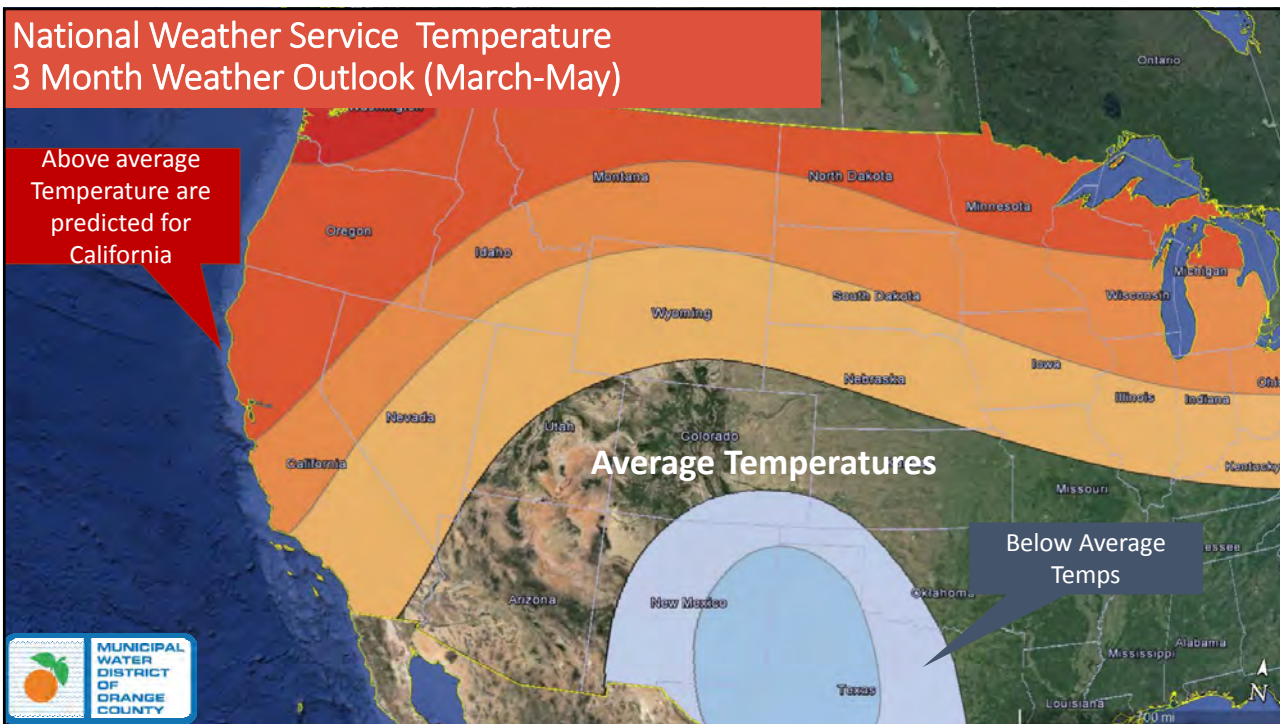
## February 2016





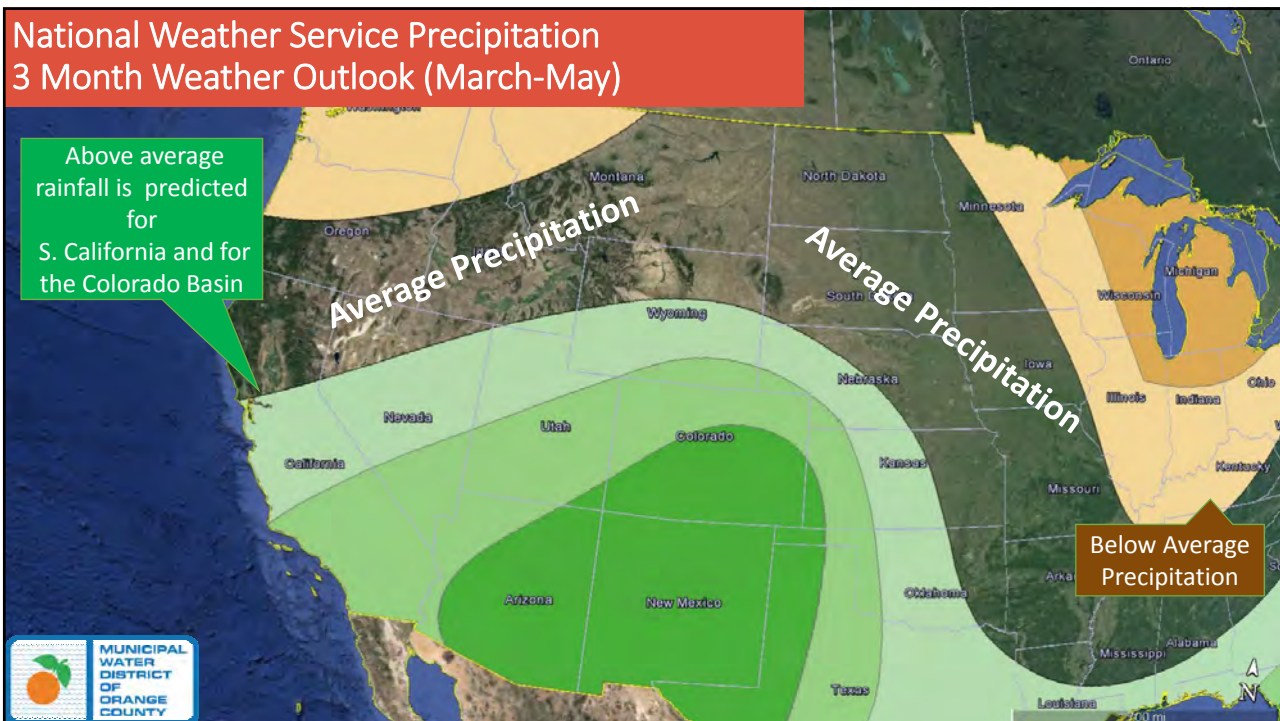
## National Weather Service Temperature 3 Month Weather Outlook (March-May)

Above average  
Temperature are  
predicted for  
California

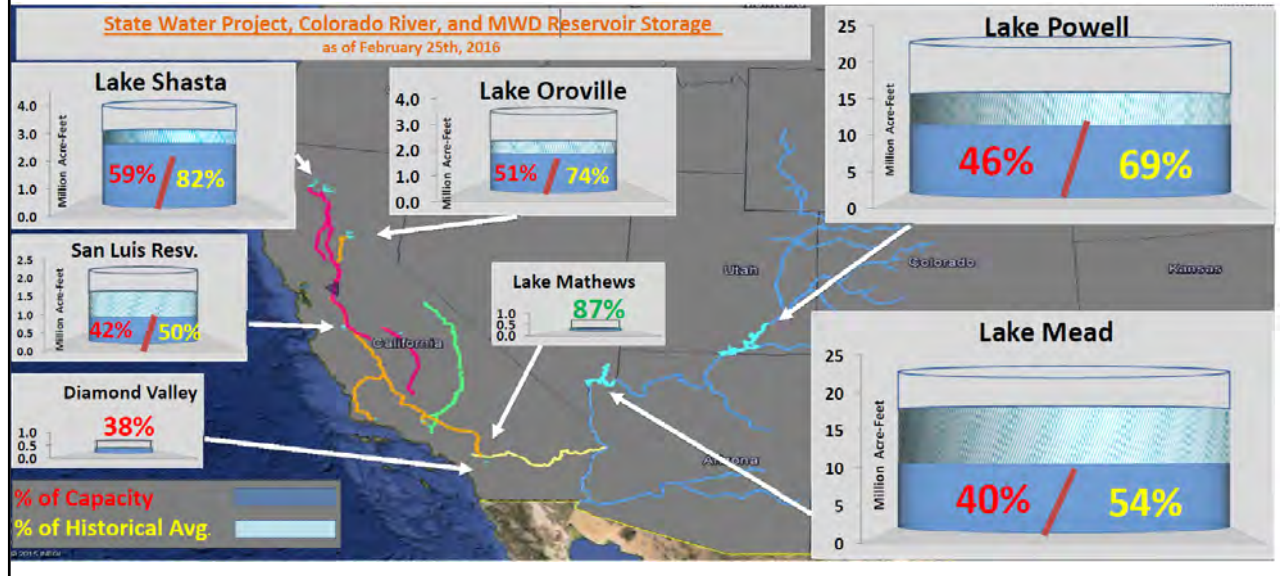


## National Weather Service Precipitation 3 Month Weather Outlook (March-May)

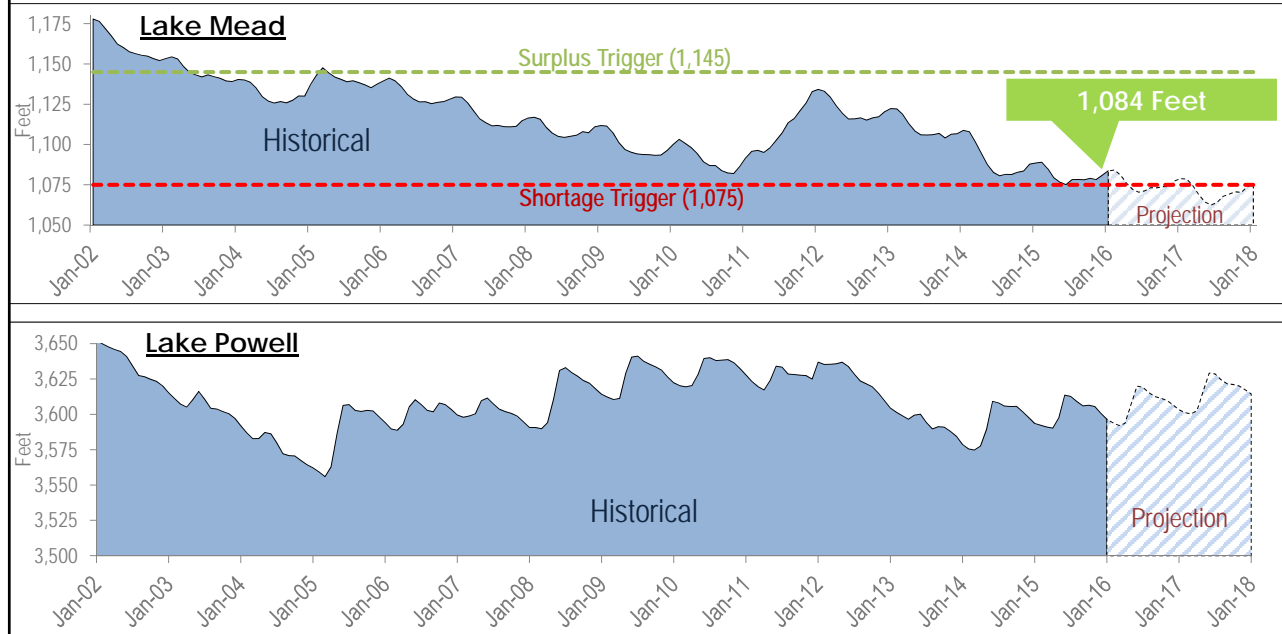
Above average  
rainfall is predicted  
for  
S. California and for  
the Colorado Basin



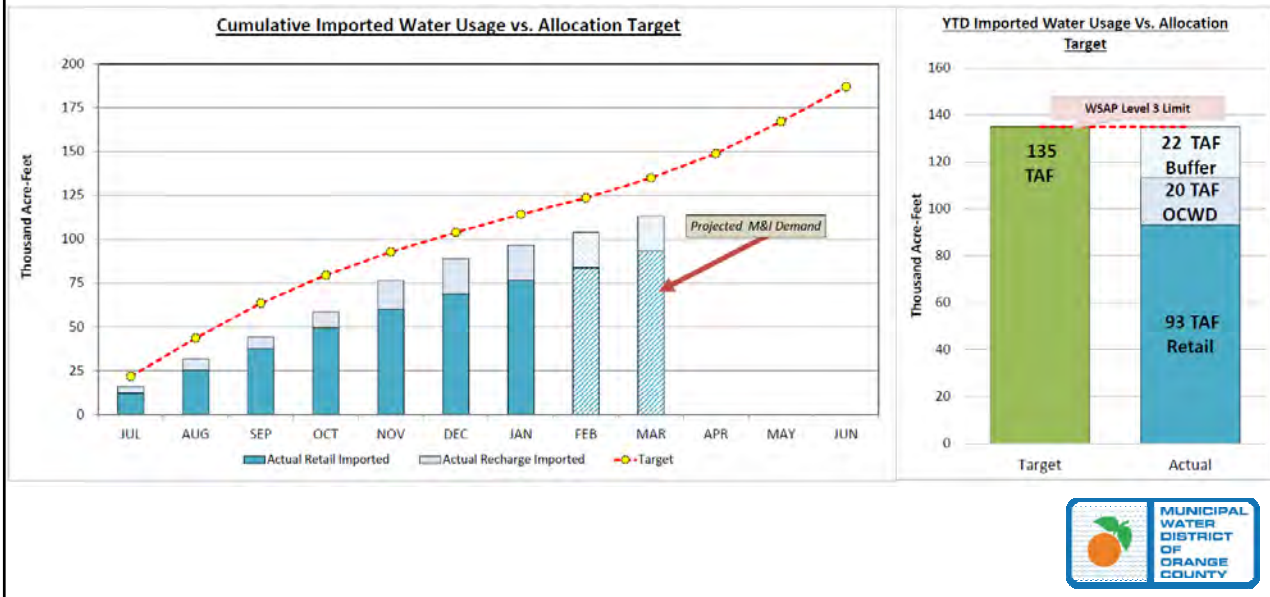
## Reservoir Storage



## CRA Storage



## MWDOC's Stage III Allocated Water





## DISCUSSION ITEM

March 2, 2016

**TO:** Board of Directors

**FROM:** Robert Hunter  
General Manager

Staff Contact: Harvey De La Torre/  
Melissa Baum-Haley

**SUBJECT:** Update on MWD's Proposed Biennial Budget and Rates for Fiscal Years 2016/17 and 2017/18

### STAFF RECOMMENDATION

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Staff recommends the Board of Directors review and discuss this information

### Summary

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This report provides a MWDOC staff overview of Metropolitan Water District's (MWD) proposed Biennial Budget for FY 2016/17 and FY 2017/18 where we highlight the key budget assumptions, main cost drivers, recommended rates and charges, and MWD's 10-year water rate forecast. Also included are the key issues covered in the two Board Budget workshops held on February 8 and 23; along with the proposed budget schedule.

### Report

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Metropolitan's proposed revenue requirements will total \$1.575 billion and \$1.574 billion for FY 2016/17 and FY 2017/18, respectively. As illustrated below, FY 2016/17 is estimated to be \$64 million more than FY 2015/16. Expenditures are projected to increase by approximately \$53 million compared to the FY 2015/16 revenue requirement, while revenue offsets are projected to decrease by \$11 million due to lower fund balances and lower hydro-power generation revenue.

The key cost drivers in this biennial budget are increases in State Water Contractor (SWC) transportation and delta charges, Colorado River Power expenditures, Supply programs and Demand Management expenditures. However, there are decreases in the Capital Improvement Program (CIP) and PAYGo percentage, which bring down the Readiness-to-Serve (RTS), Capacity Charge, and Treatment Surcharge Rate, due to the fact they cover capital costs within their respected service function.

Budgeted (Y/N): n/a	Budgeted amount: n/a	Core _X_	Choice __
Action item amount: n/a	Line item:		
Fiscal Impact (explain if unbudgeted):			



In the second budget year- FY 2017/18, expenditures are projected to be approximately \$7 million more than FY 2016/17. Increases are budgeted for slight rises in SWP costs, CRA power costs, and debt service.

Below is a table summarizing the key expenditures:

	2015/16 Adopted	2016/17 Proposed Budget	2017/18 Proposed Budget
Total O&M	\$ 419	\$ 418	\$ 420
State Water Contract	515	582	600
Colorado River Power	37	47	54
Supply Programs	66	79	82
Demand Management	62	75	76
Debt Service	325	328	344
PAYGO	221	120	120
Incr. in Required Reserves	18	65	25
<b>Sub-total expenditures</b>	<b>1,661</b>	<b>1,714</b>	<b>1,721</b>
Revenue Offsets	150	139	146
<b>Total Revenue Requirement</b>	<b>1,511</b>	<b>1,575</b>	<b>1,574</b>

Below are the key assumptions for the Proposed Biennial Budget:

Fiscal Year Ending	2017	2018
Overall increase January 2017 & 2018	4.0%	4.0%
Total Water Sales and Exchanges	1.70 MAF	1.70 MAF
State Water Project Allocation	50%	50%
Colorado River Aqueduct Diversions	1.01 MAF	1.04 MAF
Capital Investment Plan	\$200 M	\$200 M
PAYGO	\$120M	\$120M

As shown above, total water sales and exchanges are budgeted at 1.7 million acre-feet (MAF) for both years, below the 1.75 MAF budgeted for FY 2015/16. The 1.7 MAF represents an average hydrologic year and reflects the expectation that demands will continue to be dampened for some period due to consumer response to the drought and the Governor's Executive Order. The projection also incorporates the implementation of local resource projects, such as the San Diego County Water Authority (SDCWA) Carlsbad desalination project and the Orange County Groundwater Replenishment System expansion project. It is also proposed that MWD will maintain the ad valorem tax rate at its current level of 0.0035% of assessed value. Lastly, the biennial budget proposes to fund 60% of capital expenses from operating revenues, or PAYGo.

These expenditure result in the proposed Rates and Charges for 2017 and 2018:

Rates & Charges (Effective Jan. 1)	2016 (Current)	2017	% Change	2018	% Change
Tier 1 Supply Rate (\$/AF)	\$156	\$201	28.8%	\$209	4.0%
Tier 2 Supply Rate (\$/AF)	\$290	\$295	1.7%	\$295	0.0%
System Access Rate (\$/AF)	\$259	\$289	11.6%	\$299	3.5%
Water Stewardship Rate (\$/AF)	\$41	\$52	26.8%	\$55	5.8%
System Power Rate (\$/AF)	\$138	\$124	(10.1%)	\$132	6.5%
<b>Full Service Untreated Volumetric Costs (\$/AF)</b>					
Tier 1	\$594	\$666	12.1%	\$695	4.4%
Tier 2	\$728	\$760	4.4%	\$781	2.8%
Treatment Surcharge (\$/AF)	\$348	\$313	(10.1%)	\$320	2.2%
<b>Full Service Treated Volumetric Costs (\$/AF)</b>					
Tier 1	\$942	\$979	3.9%	\$1,015	3.7%
Tier 2	\$1,076	\$1,073	(0.3%)	\$1,101	2.6%
Readiness-to-Serve Charge (\$M)	\$153	\$135	(11.8%)	\$140	3.7%
Capacity Charge (\$/cfs)	\$10,900	\$8,000	(26.6%)	\$8,700	8.8%
<b>Overall Rate Increase</b>			<b>4.0%</b>		<b>4.0%</b>

The main cost drivers for the FY 2016/17 and FY 2017/18 budget and rates are:

- **State Water Contract** expenditures are increasing by \$67 million in FY 2016/17 and \$18 million in FY 2017/18 due to higher costs for DWR salaries/benefits, SWP rehabilitation expenditures, maintenance of aging infrastructure, and fish restoration agreement costs. This assumes deliveries into the region of 865 TAF for FY 2016/17 and 882 TAF for FY 2017/18, based on a 50% allocation, net of deliveries to MET's SWP storage programs. Power costs are projected to be lower due to: higher water deliveries which spread fixed power costs over a larger usage base; lower market costs for natural gas, wholesale power, and cap-and-trade emissions allowances; and a recent favorable environment for negotiating renewable contracts.
- **Colorado River Aqueduct Power** expenditures are increasing by \$10 million in FY 2016/17 and \$7 million in FY 2017/18 due to the expiration of the SCE Service and Interchange Agreement, which will be replaced by the purchase of supplemental power at market rates to move close to a full Colorado River Aqueduct.
- **Supply Programs** expenditures are increasing \$13 million for FY 2016/17 and another \$3 million in FY 2017/18 due to increases in storage activities, conservation, and transfer programs along the Colorado River and Central Valley, in particular a full call on its PVID and AVEK exchange program.
- **Demand Management** expenditures are comprised of the Conservation Credits Program (CCP), the Local Resources Program (LRP), and Future Supply Actions. The CCP budget is proposed to be \$27 million in FY 2016/17 and \$32 million in FY 2017/18, which include the external administrative costs of \$2 million to manage the rebate payments. The LRP expenditures of \$43.7 million in FY 2016/17 and \$41.9 million in FY 2017/18 continue to reflect the incentive payments for existing LRP projects. The Future Supply Actions (formerly known as Foundational Action Program) expenditures of \$4.4 million in FY 2016/17 and \$2 million in FY 2017/18 to support the 2015 Integrated Resources Plan local resource targets.

- **Treatment Costs** expenditures recover all of the costs associated with operating and maintaining the five treatment plants, including all capital and debt service costs. The lower capital costs as result of the completion of ozone retrofits and the reclassification of certain service functions, that were no longer deemed as part of the treatment service function, as part of a 18 month internal engineering study, decreased the treatment fixed costs. In addition, the lower PAYGo amount (60%) also lowers the revenue requirement of the treatment surcharge.

To keep the rate increases in the 3% to 5% range in the face of increasing costs for other expenditures, MWD lowered the CIP budget and lowered the PAYGo percentage to 60%.

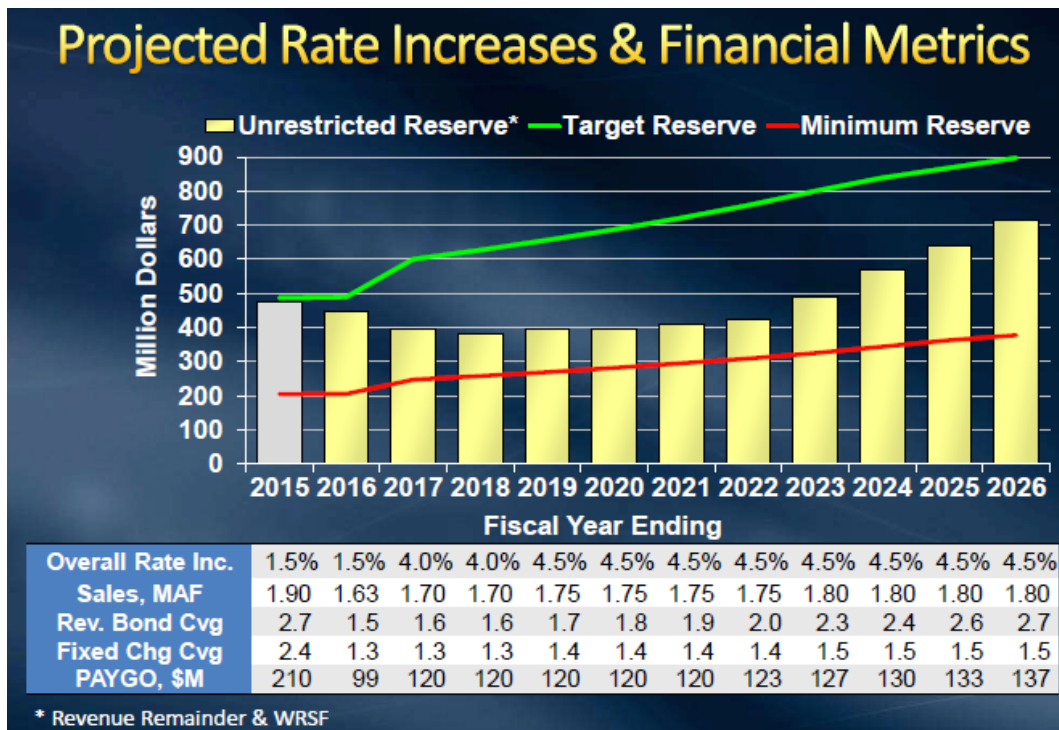
- **Capital Investment Program (CIP)** expenditures will be \$200 million for each fiscal year of the biennial budget, this is \$68 million less than the budget for FY 2015/16. MWD staff set the CIP budget to cover only the necessary projects.
- **PAYGo** expenditures will be set at 60% of the CIP budget or \$120 million per fiscal year, this level is set to cover a significant portion of the replacement and refurbishment of capital facilities. Last Biennial budget, PAYGo was set at 100% of the CIP budget.

Other items of note in the FY 2016/17 and FY 2017/18 budget are:

- **Departmental Operations and Maintenance (O&M)** expenditures are remaining relatively stable (\$0.9 million decrease) in FY 2016/17 due to slight decrease in budgeted positions and lower variable treatment costs. In FY 2017/18 expenditures will increase by \$2.1 million as a result of merit increases and increased labor activities.
- **SDCWA Exchange Agreement Set-Aside** totals \$228.2 million to be held in a separate financial reserve until the SDCWA's rate litigation appellate process is completed. This amount totals the SDCWA payments under the IID exchange agreement that is under dispute, along with interest earned thereon. These funds would be separate from Metropolitan's Water Rate Stabilization Fund and Revenue Remainder Fund and would continue to be invested with Metropolitan's short-term investments.

### **MWD's Ten-Year Financial Forecast**

Included in this Biennial Budget is a ten-year rate & financial forecast that shows a gradual rate increase of 4% to 4.5% by the year 2026. Illustrated below is a ten-year outlook of estimated unrestricted reserves based on: estimated water sales, revenue bond coverage, fixed charge coverage, and PAYGo amounts.



### **February 8<sup>th</sup> - MWD Budget Board Workshop #1**

MWD held its first Board Budget workshop on February 8, where staff presented an overview of the major expenditures, reserves, the ten-year financial forecast, and the SDCWA exchange agreement set-aside. This workshop incited the following areas of interest and discussion by the Board:

- Request to see Proposed Budget versus Actuals for the last couple of years
- Discussion how the 60% PAYGo amount was determined
- Explanation of decrease in the Readiness-to-Serve and Capacity Charges
- Understanding of what the unrestricted reserve policy says in the Administrative Code about funds in excess of the maximum target level
- Discussion of Demand Management and Water Conservation Budget
- Impact of Cap and Trade on CRA power costs
- Return on pre-funded OPEB with one time \$15 million payment or 1% rate increase
- Review of rate impact if Ad Valorem taxes are not continued at the current rate (e.g. one time 4% rate impact)

### **February 23<sup>rd</sup> - MWD Budget Board Workshop #2**

MWD held its second Board Budget workshop on February 23, where staff followed-up on director comments and questions from the first budget workshop, provided more detail on the cost drivers associated with the proposed rates, and presented on the treated water costs recovery issue. During the presentation, the Board asked the following questions for staff to investigate for the next budget workshop:

- Discussion on LRP funding, projects that term-out, and availability of additional funding



- Further information on ways to increase OPEB funding without raising rates.
- Financial impact under variable SWP “Table A” Allocation amounts - Sensitivity Analysis
- Request to develop additional options relating to how a fixed treatment charge could be assessed.

### **Treated Water Cost Recovery – Proposal for a Fixed Treatment Charge**

Currently, MWD’s treatment surcharge recovers 100% of the costs associated with treatment, including capital and debt service. For a number of years, the question has been raised that the treated fixed costs are recovered 100% by the volumetric rate. Therefore, Member agencies pay only when taking treated water and in effect require all system users to bear the cost burden for demand or standby capacity. MWD has invested in treatment capacity to serve the Member Agencies, but today they do not require the beneficiaries of demand or standby capacity to pay anything for the cost of this dedicated capacity.

For the past couple of years, the cost of treatment has increased making it financially beneficial for member agencies to “get off” of the MWD treatment system for base load demand and coming on-line only during peak conditions. MWD hired a financial consultant, Raftelis Financial, to determine the proper cost of service for a fixed or on-demand charge. Based on Raftelis analysis they calculated that 38% of the total treatment costs should be recovered through a fixed charge, while the remaining 62% would be recovered via the volumetric rate – treatment surcharge.

In coordination with MET staff, they proposed a **treatment rate design that called for a fixed annual treatment charge based on minimum payment assessed on the greater of:**

1. Member Agency’s recent Ten-Year Rolling Average of Treated Water Sales; or
2. Average of 1998-2007 Treated Water Sales (2007 was the last significant treatment plant capacity addition)

MWDOC staff and other member agencies have raised concerns over this proposal, such:

- Is the minimum to be paid in perpetuity
- Does this discourages local resource development
- How does Annual Treated Sales properly assess peaking

We believe these issues and concerns need to be carefully considered and resolved before moving forward on any new fixed treatment charge. MWDOC staff will keep the Board and the MWDOC member agencies informed on this issue.

### **Next Steps**

Below are the proposed budget and rate schedule:

#### **Workshop #3, Monday, March 7<sup>th</sup>, 9am to 11am**

- Follow-up from Workshop #2
- Capital Budget
- Recap of proposed budget and rates
- Review public hearings before Board on Tuesday, March 8<sup>th</sup>

**Budget Workshop #4, Tuesday, March 22<sup>nd</sup>, 9am to 11am**

- Follow-up from Workshop #3
- Review of cost of service report for FY 2016/17 and 2017/18 - Presented by Rick Giardina, RFC
- Recap of proposed budget and rates

**Budget Workshop #5, Monday, April 11<sup>th</sup>, 9am to 11am**

- Follow-up from Workshop #4
- Recap on proposed budget and rates and adoption on Tuesday

**Adopt Budget and Rates by Board, Tuesday, April 12<sup>th</sup>**

## Update on Metropolitan's Proposed Budget and Water Rates & Charges for FY 2016/17 and FY 2017/18

**Municipal Water District of Orange County  
Board Workshop on MET Issues**

**March 2, 2016**



## Key Budget Assumptions

Fiscal Year Ending	2017	2018
Overall increase January 2017 & 2018	4.0%	4.0%
Total Water Sales and Exchanges	1.70 MAF	1.70 MAF
State Water Project Allocation	50%	50%
Colorado River Aqueduct Diversions	1.01 MAF	1.04 MAF
Capital Investment Plan	\$200 M	\$200 M
PAYGO	\$120M	\$120M



### Proposed Budget Revenue Requirement for FY 2016/17 & FY 2017/18

	2015/16 Adopted	2016/17 Proposed Budget	2017/18 Proposed Budget
Total O&M	\$ 419	\$ 418	\$ 420
State Water Contract	515	582	600
Colorado River Power	37	47	54
Supply Programs	66	79	82
Demand Management	62	75	76
Debt Service	325	328	344
PAYGO	221	120	120
Incr. in Required Reserves	18	65	25
<b>Sub-total expenditures</b>	<b>1,661</b>	<b>1,714</b>	<b>1,721</b>
Revenue Offsets	150	139	146
<b>Total Revenue Requirement</b>	<b>1,511</b>	<b>1,575</b>	<b>1,574</b>

\*Totals may not foot due to rounding



### Proposed Metropolitan Rate & Charges

Rates & Charges Effective Jan. 1	2016 (Current)	2017	% Change	2018	% Change
Tier 1 Supply Rate (\$/AF)	\$156	\$201	28.8%	\$209	4.0%
Tier 2 Supply Rate (\$/AF)	\$290	\$295	1.7%	\$295	0.0%
System Access Rate (\$/AF)	\$259	\$289	11.6%	\$299	3.5%
Water Stewardship Rate (\$/AF)	\$41	\$52	26.8%	\$55	5.8%
System Power Rate (\$/AF)	\$138	\$124	(10.1%)	\$132	6.5%
<b>Full Service Untreated Volumetric Costs (\$/AF)</b>					
Tier 1	\$594	\$666	12.1%	\$695	4.4%
Tier 2	\$728	\$760	4.4%	\$781	2.8%
Treatment Surcharge (\$/AF)	\$348	\$313	(10.1%)	\$320	2.2%
<b>Full Service Treated Volumetric Costs (\$/AF)</b>					
Tier 1	\$942	\$979	3.9%	\$1,015	3.7%
Tier 2	\$1,076	\$1,073	(0.3%)	\$1,101	2.6%
Readiness-to-Serve Charge (\$M)	\$153	\$135	(11.8%)	\$140	3.7%
Capacity Charge (\$/cfs)	\$10,900	\$8,000	(26.6%)	\$8,700	8.8%
<b>Overall Rate Increase</b>			<b>4.0%</b>		<b>4.0%</b>



### Overall Rate Observations

- Lower water sales projection of 1.7 MAF in both fiscal years result in higher volumetric rates
- Draw of ~\$50 million from Reserves in FY 2016/17 lowers rates
  - In the second year, rate increase due to using less reserves
- Increases in the State Water Contract costs is the main driver in the untreated rate
- The RTS, Capacity Charge, and treatment surcharge are impacted by the decrease in PAYGo



### Cost Drivers

- **Tier 1 Supply Rate** is increasing by \$45/AF in 2017 and \$8/AF in 2018 due to increasing SWC Delta Charges and increasing supply programs costs
  - Major increases in SWP system rehabilitation expenditures and fishery habitat restoration i.e. land
- **Tier 2 Supply Rate** is increasing by \$5/AF in 2017 to reflect the costs of the Yuba Accord agreement; rate unchanged for calendar year 2018
- **System Access Rate** is increasing by \$30/AF in 2017 because of higher SWC Transportation costs
  - Increase of \$10/AF in 2018 is due to lower draws from Reserves



### Cost Drivers (cont'd)

- **Water Stewardship Rate** is increasing by \$11/AF in 2017 because of additional water conservation expenditures, additional Future Supply Actions expenditures, and no draws from the WSF
  - Increasing by \$3/AF in 2018 due to lower draws from Reserves
- **System Power Rate** is *decreasing* by \$14/AF in 2017 due to lower SWC variable power costs as result of favorable markets for natural gas and renewable energy. However, there is a partially offset by higher supplemental costs on the CRA



### Cost Drivers (cont'd)

- **Treatment Surcharge** is decreasing by \$35/AF in 2017 due to lower PAYGo and Lower capital and O&M costs attributed to treatment through more accurate functionalization
  - Increase of \$7/AF in 2018 due to lower draws from Reserves
  - A new Fixed Treatment charge would lower the treatment surcharge



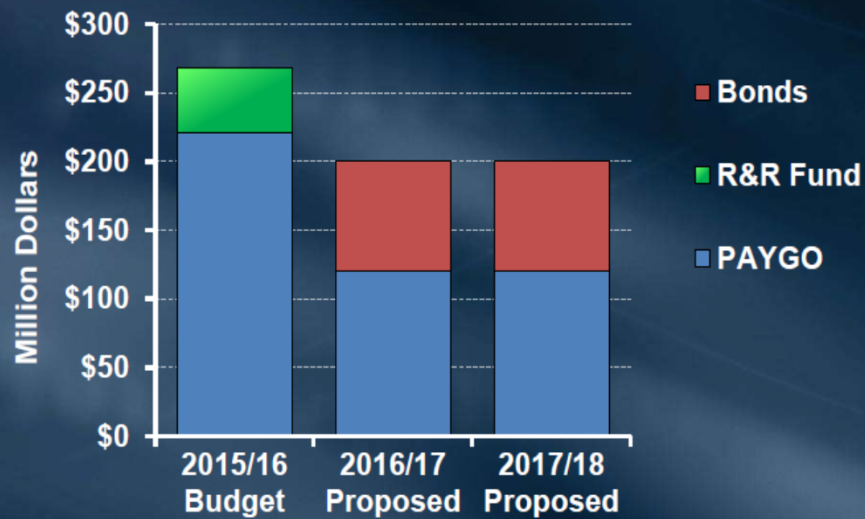
## Readiness-to-Serve Charge

- Recovers the capital costs of providing emergency service and available capacity
  - includes the costs of emergency storage, and available capacity on the conveyance and distribution systems to reliably deliver supplies during emergencies and major outages
  - decreasing by \$18M in 2017 due to lower PAYGo, which outweighs the increase in SWC Transportation costs
- Increasing by \$5M in 2018 due to lower draws from Reserves

## Capacity Charge

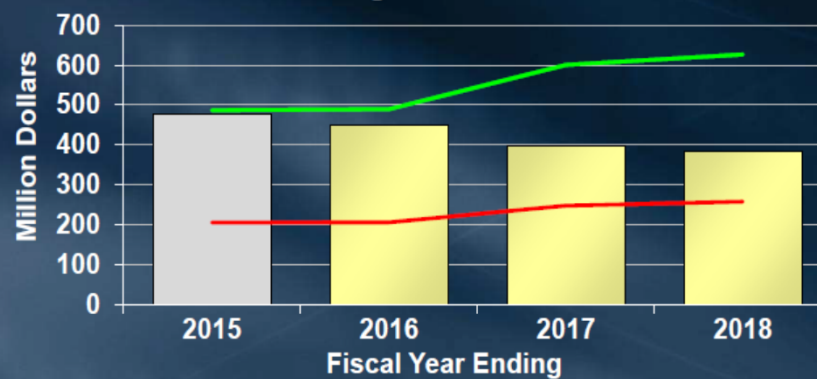
- Recovers the capital costs of the system necessary to meet peak demands on Metropolitan's Distribution system
- Decreasing by \$12M in 2017 due to lower PAYGo, and lower peak demands
- Increasing by \$3M in 2018 due to lower draws from Reserves

## Capital Investment Plan Funding



## Projected Rate Increases & Financial Metrics

■ Unrestricted Reserve    — Target Reserve    — Minimum Reserve



Overall Rate Inc.	1.5%	1.5%	4.0%	4.0%
Sales, MAF	1.90	1.63	1.70	1.70
Rev. Bond Cvg	2.7	1.5	1.6	1.6
Fixed Chg Cvg	2.4	1.3	1.3	1.3
PAYGO, \$M	210	99	120	120



## Ten Year Financial Forecast

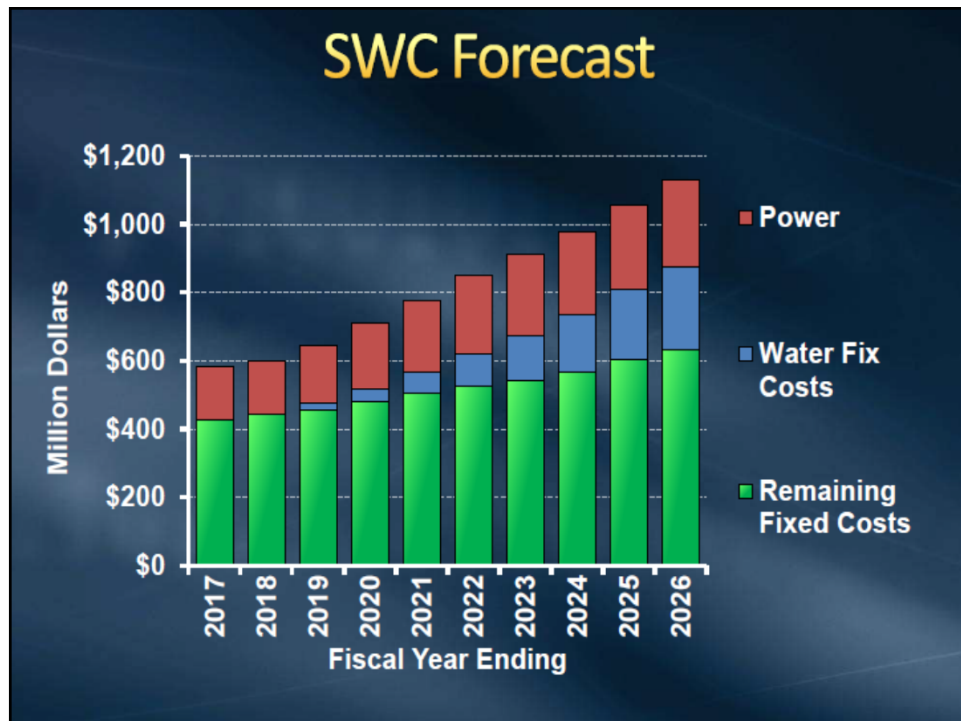
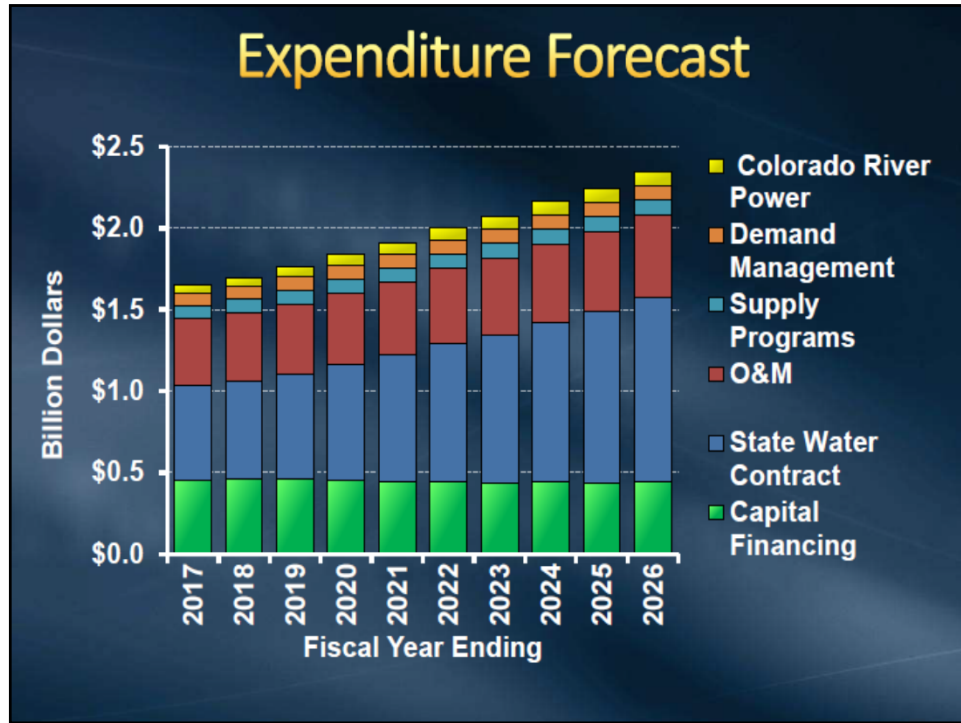


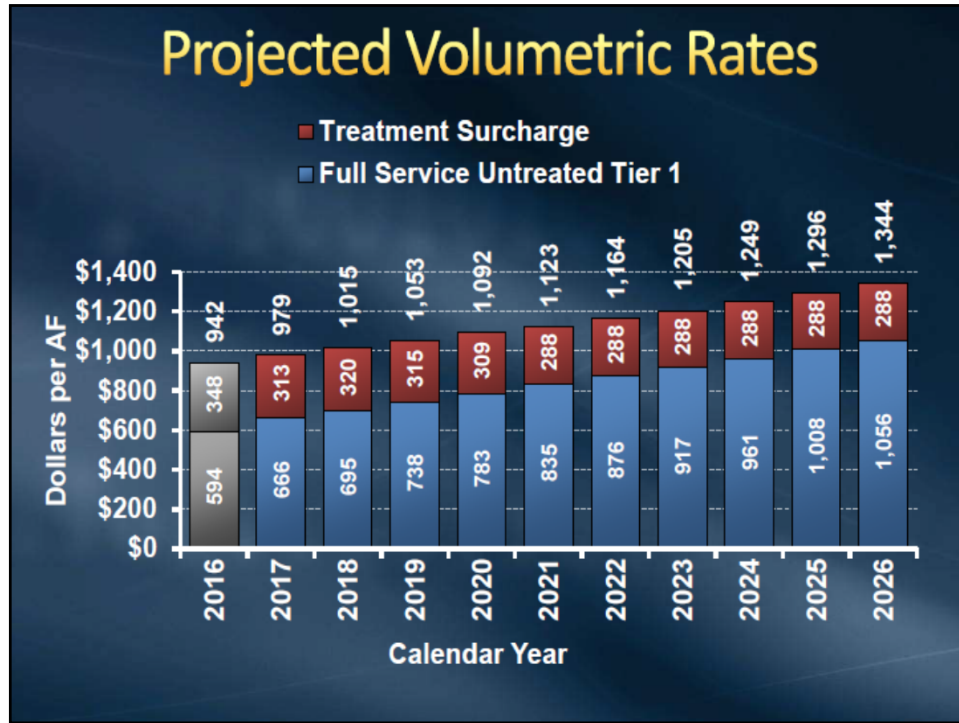
### Projected Rate Increases & Financial Metrics



Overall Rate Inc.	1.5%	1.5%	4.0%	4.0%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Sales, MAF	1.90	1.63	1.70	1.70	1.75	1.75	1.75	1.75	1.80	1.80	1.80	1.80
Rev. Bond Cvg	2.7	1.5	1.6	1.6	1.7	1.8	1.9	2.0	2.3	2.4	2.6	2.7
Fixed Chg Cvg	2.4	1.3	1.3	1.3	1.4	1.4	1.4	1.4	1.5	1.5	1.5	1.5
PAYGO, \$M	210	99	120	120	120	120	120	123	127	130	133	137

\* Revenue Remainder & WRSF





## MWD Budget Workshops Board Comments & Questions



### **Board Comments at Budget Workshop #1**

- Proposed Budget versus Actuals
- How the PAYGo amount was determined
- Explanation of decrease in the RTS and Capacity Charges
- Better understanding of what the unrestricted reserve policy
- Understanding how the Water Conservation Budget was determined
- Return on pre-funded OPEB
- Review of rate impact of Ad Valorem taxes



### **Board Comments at Budget Workshop #2**

- Review of LRP funding and the availability of additional funding
- Further information on ways to increase OPEB funding without raising rates.
- Financial impact under varies SWP "Table A" Allocation amounts
- Request to develop additional options relating to how a fixed treatment charge could be assessed



### MWD Board Budget Review Schedule

- ✓ February 9, 2016 Budget Workshop #1; Board Action setting public hearings
- ✓ February 23, 2016 Budget Workshop #2
  - March 7, 2016 Budget Workshop #3
  - March 8, 2016 Public Hearings
  - March 22, 2016 Budget Workshop #4
  - April 11, 2016 F&I Committee, Recommend Biennial Budget and Water Rates & Charges
  - April 12, 2016 Board Action, Approve Biennial Budget and Water Rates & Charges



### Questions on Proposed Budget and Rates



## Treated Water Cost Recovery

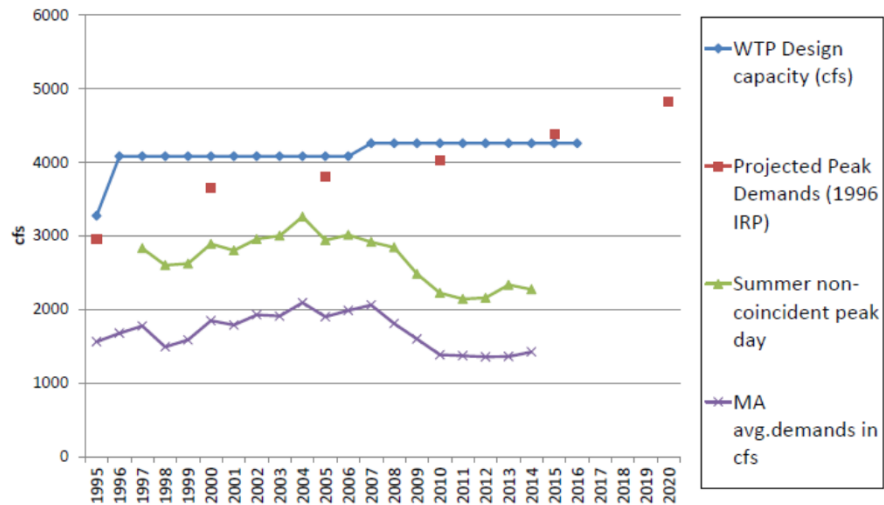


### Issues

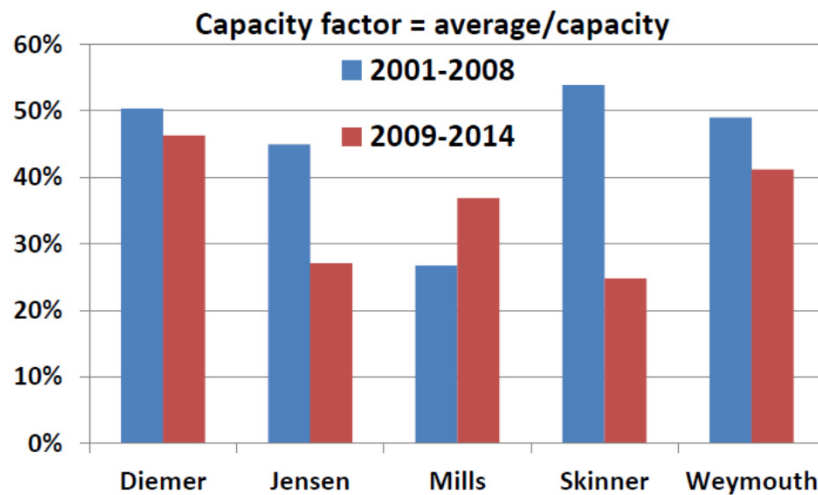
- 100% of the costs, including Capital and Debt Service is being recovered by the volumetric treatment surcharge
- Declining average use of treated water among certain member agency where no contribution to Demand and Standby related costs
- Cost-of-service considerations – What is the cost of providing on-demand service and standby service to those agencies that come on and off the system?
- What is the proper charge to assess these fixed costs in a fair and equitable way



## Historical Use of Peak & Avg Demand



## Treatment Utilization



## Treatment Fixed Charge

(\$ million)

<b>FY 2016/17 Treatment Revenue Requirement</b>		<b>\$257 (100%)</b>
<b>Variable</b>		<b>\$24 (9%)</b>
<b>Fixed</b>		<b>\$233 (91%)</b>
Commodity	\$135	<b>38% of Total</b>
Demand	\$41	
Standby	\$57	



## Proposed Treatment Rate Design

- Volumetric Revenue Recovery = 62%

$$\frac{\text{Revenue Requirement}}{\text{Treated Water Sales}} = \$/\text{AF Volumetric Rate}$$

- Fixed Revenue Recovery = 38%

$$\text{Revenue Requirement} * \text{Proportional Demand} = \$ \text{ Annual Fixed Charge}$$





## Proposed Treatment Rate Design (Cont'd)

### 2-Part Test for Minimum Demand

#### Greater of:

1. TYRA of Treated Water Sales OR
2. Average of 1998 – 2007 Treated Water Sales

2007 was the last significant treatment  
plant capacity addition



## Proposed Treatment Rate Design (Cont'd)

Status Quo Treatment Surcharge (\$/AF)	
Total Treatment Revenue Requirement	\$257,479,354
Forecast Treated Water Sales (AF)	<u>822,000</u>
Treated Surcharge (\$/AF)	\$313
Treatment Fixed Annual Charge (\$/AF)	
Fixed Demand	\$40,822,844
Fixed Standby	56,724,561
Total Fixed Charge Revenue Requirement	\$97,547,405
% of Total Revenue Requirement	37.9%
Fixed Charge Units of Service (AF)	<u>1,341,701</u>
Annual Fixed Charge (\$/AF)	\$73
Treatment Volumetric Rate (\$/AF)	
Net Remaining Revenue Requirement	\$159,931,949
% of Total Revenue Requirement	62.1%
Forecast Treated Water Sales (AF)	<u>822,000</u>
Volumetric Rate (\$/AF)	\$195



## MWDOC Staff Observations

- **Proposed 2-part test for determining a minimum demand**
  - Is the minimum to be paid in perpetuity?
  - Does this discourage local resource development?
- **How does Annual Treated Sales properly assess peaking?**



## Questions

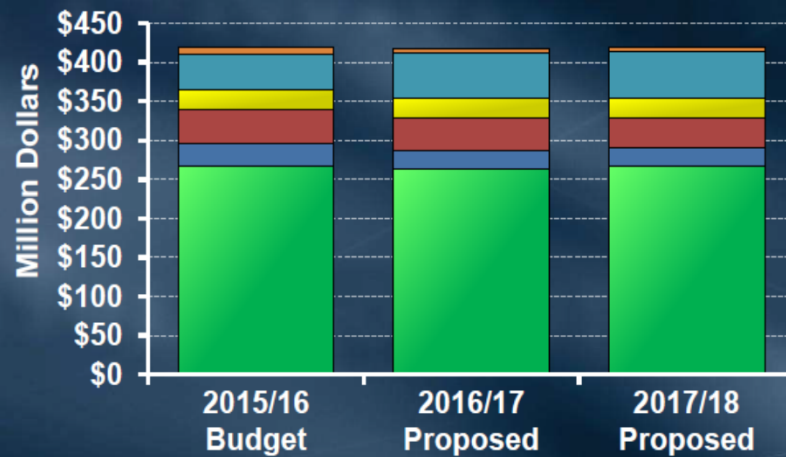


## Backup Slides

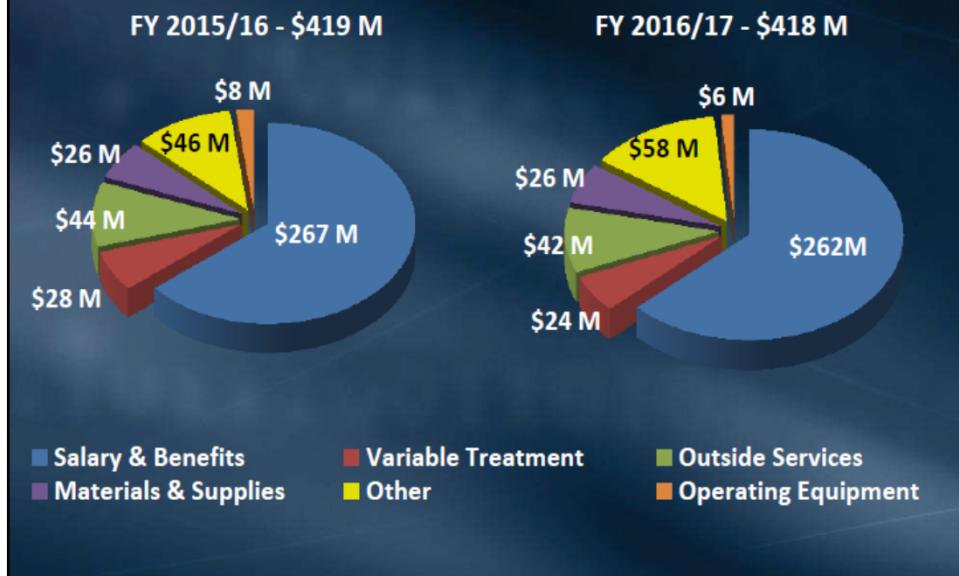


## Proposed O&M Expenditure Budget

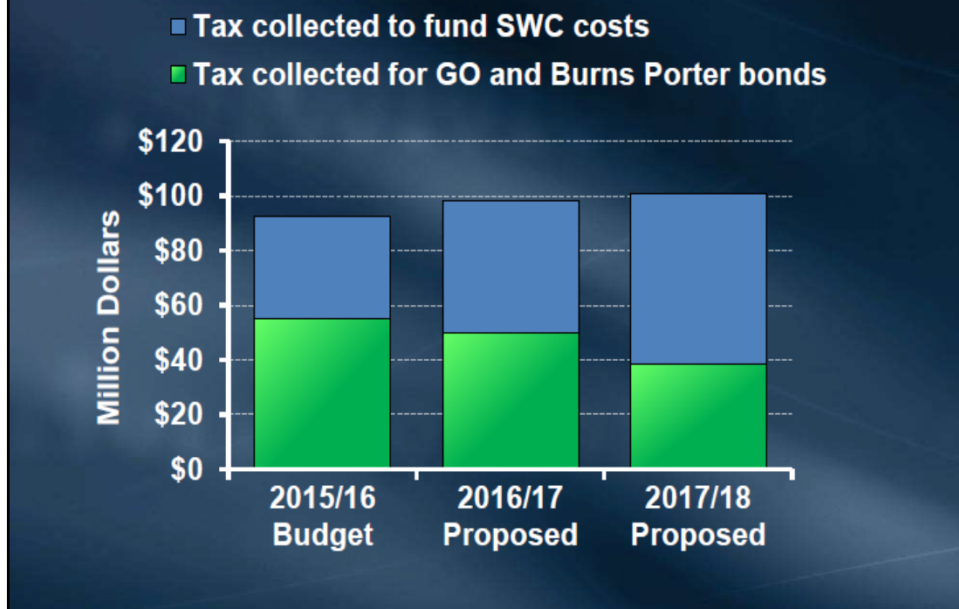
- Operating Equipment
- Materials & Supplies
- Chemicals, Solids, and Power
- Other
- Outside Services
- Salaries & Benefits

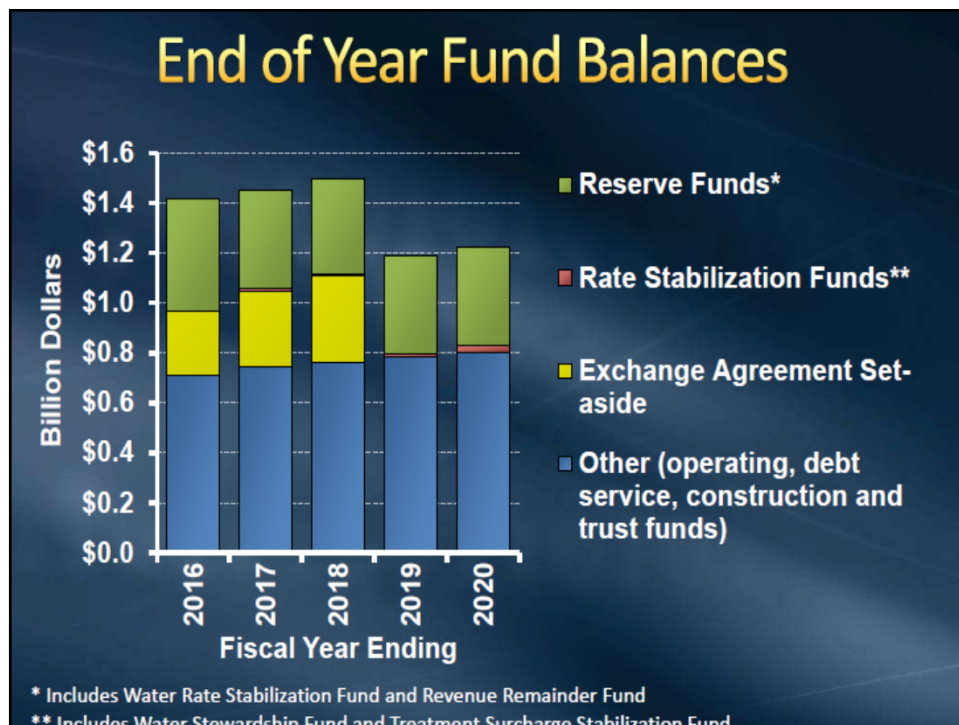
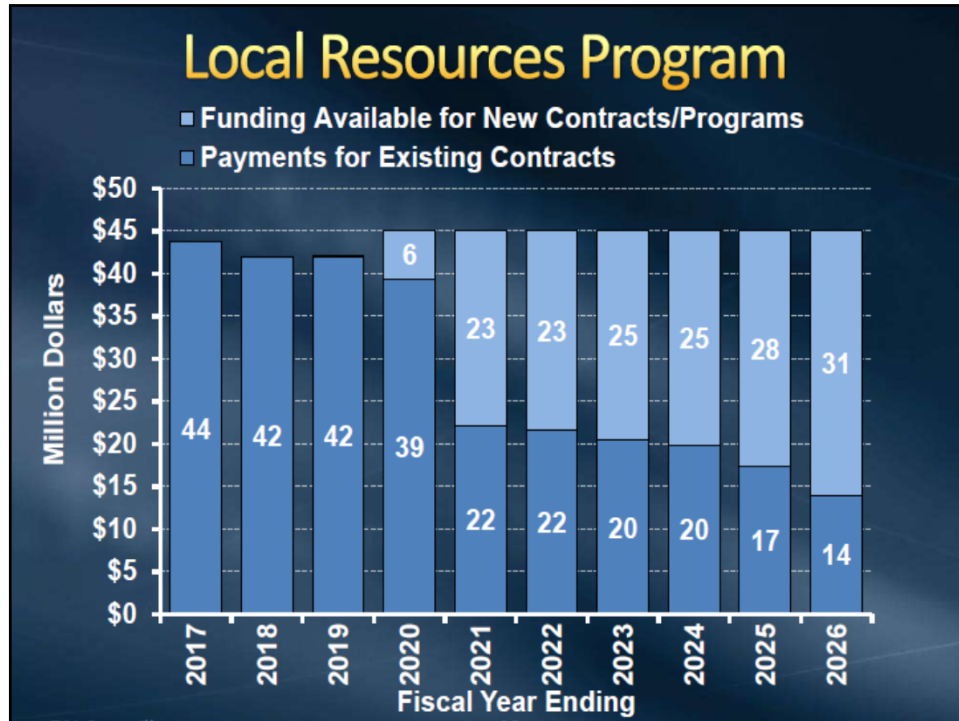


## O&M Budget Trend



## Tax Collected







**DISCUSSION ITEM**

March 2, 2016

**TO:** Board of Directors & MET Directors

**FROM:** Robert J. Hunter  
General Manager

Staff Contact: Harvey De La Torre

**SUBJECT: Metropolitan Water District (MET) Items Critical To Orange County**

**STAFF RECOMMENDATION**

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Staff recommends the Board of Directors to review and discuss this information.

**SUMMARY**

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This report provides a brief update on the current status of the following key MET issues that may affect Orange County:

- a) MET's Water Supply Conditions
- b) MET's Finance and Rate Issues
- c) Colorado River Issues
- d) Bay Delta/State Water Project Issues
- e) MET's Ocean Desalination Policy and Potential Participation in the Doheny and Huntington Beach Ocean (Poseidon) Desalination Projects
- f) Orange County Reliability Projects
- g) East Orange County Feeder No. 2

## **ISSUE BRIEF # A**

**SUBJECT: MET's Water Supply Conditions**

### **RECENT ACTIVITY**

#### **DWR increased the State Water Contractor's "Table A" Allocation from 15% to 30%**

On March 1, the California Department of Water Resource (DWR) will conduct its third manual survey for the state's northern Sierra snowpack, which helps DWR assess the State Water Contractor's (SWC) "Table A" deliveries for 2016. As of February 24, "Table A" Allocation are at 30%; which will provide MET with close to 600,000 AF for 2016. The SWC "Table A" Allocation doubled from 15% to 30% as result of much improved precipitation and snowpack levels.

DWR officials said the "Table A" Allocation would have been higher had it not been for a critically dry February. In fact, precipitation during the first two weeks of February was virtually nonexistent throughout the state, keeping all of the key state reservoirs, except Lake Folsom, below their historical averages for late February. As of February 23, the statewide snowpack water equivalent is 93% percent of average for the date.

DWR Director Mark Cowin stated, *"Today's increase, although good news, does not mean the drought is ending. After more than four dry years, we still have a critical water shortage. We need a lot more wet weather this winter to take the edge off drought. Using water carefully and sparingly is still the quickest, most effective way to stretch supplies."*

Although Northern California is experiencing improved conditions, we are not seeing an increase in SWP Delta exports as compared to last year. In fact, it was reported that January exports were lower than last year mainly as a result of the very conservative fishery restrictions. The fishery regulatory agencies increased the Old and Middle river Restrictions (OMR) because of concerns over the turbidity and its potential of drawing the endangered Delta Smelt towards the Delta pumps. These OMR have a direct impact on what we can export from the Delta. **For the month of January, MET staff reported a total water loss to the ocean of 300,000 AF (combined for both CVP and SWP); and since 2007 (when the BiOp was revised) it is estimated 5.0 million AF has been lost to the ocean.**

## **ISSUE BRIEF # B**

**SUBJECT: MET's Finance and Rate Issues**

### **RECENT ACTIVITY**

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#### **MET Financial Report**

MET held two Budget Board Workshops last month, where MET staff presented an overview of the major expenditures and revenue requirements for the proposed Biennial Budget and Rates for FY 2016/17 and FY 2017/18. Along with the budget, MET staff provided an updated 10-year financial forecast that shows a gradual rate increase of 4% to 4.5% by the year 2026.

MWDOC staff plans to provide a detail presentation on the status of the proposed biennial budget as well as a description of the major cost drivers in each cost element of MET's budget at the March MWDOC Board Workshop on MET Issues.



## **ISSUE BRIEF # C**

**SUBJECT: Colorado River Issues**

### **RECENT ACTIVITY**

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#### **U.S. Bureau of Reclamation Approves 2016 Colorado River Annual Operating Plan**

On January 8, the Secretary of the Interior signed the Annual Operating Plan for the Colorado River Reservoirs for 2016, which governs the operations of Colorado River reservoirs and supplies for the upcoming year. As in 2016, a Normal Condition was declared, which means that no surplus is available to Metropolitan, nor are any shortages imposed on the Lower Basin States. Contractors like Metropolitan have the ability to create and take delivery of Intentionally Created Surplus (ICS), or bank one state's water supplies with an agency in another state. At this point in the year, Metropolitan has not made any determinations as to whether it will store or take delivery of ICS, or exchange water from Nevada; those decisions will be made once the amount of water supply available to Metropolitan from the State Water Project is better known.

#### **Metropolitan and Bard Finalize Fallowing Agreements**

Following Board authorization in January, staff from Bard Water District and Metropolitan finalized agreements to implement the pilot fallowing program in 2016. There are two sets of agreements; one between Metropolitan and the farmers that governs the terms of the fallowing conditions and payments, and one between Metropolitan and Bard Water District that outlines Bard's oversight role and administrative payments to Bard. With the agreements finalized, Bard will solicit interest in farmers to participate in the pilot fallowing program in 2016.

#### **The U.S. Bureau of Reclamation Forecasts Colorado River Shortage in 2018**

For the first time since the Reclamation began using its two year planning model, the 24-month operation model forecasts a shortage on the Colorado River within the two-year planning range. The study projects Lake Mead to fall below 1,075 feet on January 1, 2018, even with the assumption of average precipitation in the Colorado River Basin over the next two years. This study highlights the challenges facing the Colorado River: despite average streamflow, the reservoirs will continue to drop, and without intervention, water shortages will be common place in the Colorado River Basin. To help address the long-term challenges, the Colorado River Basin states continue to explore additional actions that can be taken to slow down or stop the decline in Lake Mead

## **ISSUE BRIEF # D**

**SUBJECT: Bay Delta/State Water Project Issues**

### **RECENT ACTIVITY**

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#### **Bay Delta Conservation Plan/California WaterFix**

As part of the revised regulatory approach for the California WaterFix, the Department of Water Resources (DWR) and the U.S. Bureau of Reclamation (USBR) are developing a Biological Assessment (BA) in compliance with the federal Endangered Species Act (ESA). The BA documents potential impacts from construction of the new water infrastructure and operations of the new facilities and existing water project facilities once the project becomes operational. Submittal of the BA begins formal consultation with the U.S. Fish and Wildlife Service (USFWS) and the National Marine Fisheries Service under section 7 of the ESA and leads to the issuance of the Biological Opinion by both agencies. A working preliminary draft BA was posted to the California WaterFix website on January 15. This document represents a working draft that is still under development and subject to further refinements.

As reported previously, the State Water Resources Control Board (SWRCB) set a public hearing date of April 7, 2016, to consider the petition requesting changes in the point of diversion for the State Water Project (SWP) and Central Valley Project (CVP) as part of the California WaterFix Project. A pre-hearing conference was held on January 28 and the hearing will begin on schedule on April 7, 2016.

#### **State Water Resources Control Board (SWRCB)**

Metropolitan staff continues to coordinate with the State Water Contractors (SWC) to provide input to SWRCB Bay Delta Water Quality Control Plan planning efforts and enforcement actions related to SWRCB-issued curtailment notices. The SWC is actively involved in depositions pertaining to SWRCB enforcement actions against two in-Delta water users – Byron-Bethany and Westside Irrigation Districts. SWC filed a notice to appear in the defense phase of the enforcement action. SWC participation will be limited to issues relevant to the SWC stored water complaint.

As reported previously, staff continues to work with SWC to meet with SWRCB staff regarding the SWC stored water complaint, filed in June 2015. It appears that due to drought activities and SWRCB staff workload, they have not acted on the complaint to date. In the meantime, staff continues to refine technical analyses in support of the complaint.

## **ISSUE BRIEF # E**

**SUBJECT: MET's Ocean Desalination Policy and Potential Participation in the Doheny and Huntington Beach Ocean (Poseidon) Desalination Projects**

### **RECENT ACTIVITY**

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#### **Doheny Desal**

South Coast Water District and its consulting team are continuing to pursue the Doheny Desal Project. Major items scheduled over the next year include:

- Historical Doc Summary TM1
- Environmental & Permitting Roadmap TM2
- Brine Outfall Analysis TM3
- Preliminary Design Report and Cost Estimate TM5
- EIR Process
- Environmental Permitting Approvals & Hearings
- Public Outreach TM4
- Project Funding
- Project Delivery Method TM6
- Economic Analysis TM7

Key among those, will be the updated cost estimate and the economic analysis, expected in May. The South Coast Water District Board approved the contract for preparation of the Preliminary Design Report for the 5 million gallons per day (MGD) Desalination Plant and an additional contract to begin the CEQA preparation.

Karl Seckel and Andy Brunhart met with the Doheny State Parks staff to brief them on the following:

1. Process and schedule for development of the Doheny Desal 5 MGD project. This meeting initiated the process for the start of right-of-way acquisition by South Coast for their project. Within the next two months, Karl and Andy will visit with the State Parks Headquarters in Sacramento to continue the discussions.
2. Process and schedule for decommissioning of the existing slant well, associated piping, the mobile test facility and restoration of the site. MWDOC will be in charge of engineering and construction for the decommissioning work. MWDOC just sent out RFP's to hire consultants to complete the plans and specs for the decommissioning work. A contract will be awarded in April.

The MET Foundational Action Program reports for the Doheny Desal and for the San Juan Basin Authority are being completed. The updated groundwater modeling for the Doheny Desal project is expected to be released publically in the near future.

### **Poseidon Huntington Beach**

The Orange County Water District (OCWD) has continued work on evaluating where the product water produced from the Poseidon Project would be utilized. They held a Board Workshop on February 3. The Board provided input on the eight options reviewed at the meeting and directed staff to eliminate the three most expensive options that concentrated on injection of the Poseidon water into the groundwater basin. Another workshop is being planned for March.

In January, MWDOC, OCWD and Poseidon met with MET Executive Staff including Jeff Kightlinger, Debra Man, Deven Upadhyay, and Bob Harding. The purpose of the meeting was to provide a briefing to MET Executive Staff on the OCWD integration study and progress being made by Poseidon with the Coastal Commission with an anticipated meeting in May regarding their permit. Poseidon also reported at the meeting that a majority interest in Poseidon had been purchased by Brookfield Infrastructure Partners out of Canada. Additional discussion included MET concerns relating to integration issues such as stranded assets, peaking on their system, water quality issues, and constraining MET operations.

## **ISSUE BRIEF # F**

**SUBJECT: Orange County Reliability Projects**

### **RECENT ACTIVITY**

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#### **Central Pool Augmentation Program**

There are no updates to report.

#### **Orange County Water Reliability Study**

The Orange County Reliability Study effort has transitioned into its second phase. Within Phase 1, a model was developed to evaluate the long-term reliability of imported and local supplies for MET and Orange County assuming **no** new projects would be built. As a result, gaps in supply reliability were identified. Phase 2 methodology develops and evaluates portfolios, or groups, of projects to eliminate the supply gaps identified in Phase 1. Currently, six portfolios of MET and MET Member Agency Projects will be used to re-run the Gap Analysis for Orange County. Following this, Orange County Projects will also be included to close any remaining reliability gaps. An early positive finding is that there may potentially be sufficient implementable projects to close the identified supply gaps. Additionally within Phase 2, projected MET rates under the various portfolios will be analyzed to assist in the understanding of cost implications. Phase 2 will be complete in April 2016.

## **ISSUE BRIEF # G**

**SUBJECT: East Orange County Feeder No. 2**

### **RECENT ACTIVITY**

#### **Use of East Orange County Feeder No. 2 for Conveyance of Groundwater and Poseidon Water**

MWDOC is preparing information for an upcoming discussion with MET. MWDOC has recently issued an RFP seeking engineering firms experienced with MET's large diameter pipeline design (30" to 78" diameter, mostly steel), specifications, operations, water quality and maintenance issues, and hydraulic/hydraulic-transients control to assist with evaluating options regarding delivery of groundwater and Poseidon water in the EOCF#2. It is expected that a contract will be awarded in March.

**Summary Report for  
The Metropolitan Water District of Southern California  
Board Meeting  
February 9, 2016**

**COMMITTEE ASSIGNMENTS**

None (**Agenda Item 5E**)

**FINANCE AND INSURANCE COMMITTEE**

Scheduled a combined public hearing on March 8, 2016, to receive input on Metropolitan's rates and charges in advance of the adoption of the biennial budget and water rates by the Board and prior to the Board's consideration of whether to set aside the limit on ad valorem property taxes pursuant to Section 124.5 of the MWD Act; and directed the General Manager to cause publication of a notice of the public hearing in newspapers of general circulation within Metropolitan's service area, and give written notice to the offices of the Speaker of the Assembly and the President pro tempore of the Senate, at least ten days prior to the hearing. (**Agenda Item 8-1**)

**WATER PLANNING AND STEWARDSHIP COMMITTEE**

Authorized the General Manager to enter into an agreement with the State Water Contractors, Inc. to pursue 2016 Sacramento Valley water transfer supplies, in a form approved by the General Counsel; and authorized making a \$5 per acre-foot initial administrative deposit and disbursements from that deposit consistent with the agreement not to exceed \$500,000. (**Agenda Item 8-2**)

**ENGINEERING AND OPERATIONS COMMITTEE**

Appropriated \$15 million; awarded \$11,555,000 contract to Kiewit Infrastructure West Co. to replace a portion of the interior lining of the Etiwanda Pipeline; and authorized increase of \$120,000 to an agreement with Helix Environmental Planning, Inc. for a new not-to-exceed total of \$520,000. (Approp. 15441) (**Agenda Item 8-3**)

Authorized increase of \$3 million for capital projects costing less than \$250,000 for fiscal years 2014/15 and 2015/16. (Approp. 15489)) (**Agenda Item 8-4**)

**ORGANIZATION, TECHNOLOGY, AND PERSONNEL COMMITTEE**

Approved salary agreements between the Metropolitan Water District of Southern California and American Federation of State, County and Municipal Employees, Local 1902 (AFSCME), the Management and Professional Employees Association (MAPA), and the Supervisors Association (Association). (**Agenda Item 8-5**)



## **COMMUNICATIONS AND LEGISLATION COMMITTEE**

Authorized the General Manager to extend the current contract with Quigley-Simpson & Heppelwhite, Inc. to March 2017, and increase the maximum amount payable on the contract by \$2.2 million for a new not-to-exceed total of \$7.7 million. **(Agenda Item 8-6)**

Authorized staff to seek legislation to allow for incidental take, if any, of the protected fish species, unarmored threespine stickleback, associated with dewatering Metropolitan's Foothill Feeder for critical maintenance and repair. **(Agenda Item 8-7)**

## **CONSENT CALENDAR**

In other action, the Board:

Authorized increase of \$1 million to the existing reimbursable agreement with the Los Angeles Department of Water and Power, for a new not-to-exceed total of \$6 million, to refurbish solids lagoons for the Jensen plant. **(Agenda Item 7-1)**

Appropriated \$650,000; and awarded \$270,099.36 contract to CS Associated Municipal Sales Corporation to furnish 13 gate valves for the sumps at each Colorado River Aqueduct pumping plant. (Approp. 15438). **(Agenda Item 7-2)**

Appropriated \$550,000; and authorized design and procurement to replace standby generators at the San Dimas and Red Mountain Power Plants. (Approp. 15480) **(Agenda Item 7-3)**

Authorized the long term ground lease to Verizon Wireless for a telecommunications equipment site on Metropolitan fee-owned property located in the unincorporated area of Los Angeles County, near the city of La Verne. **(Agenda Item 7-4)**

## **OTHER MATTERS:**

In other action, the Board:

Presented five-year service pin to Director Michael Camacho, representing Inland Empire Utilities Agency. **(Agenda Item 5C)**

Approved 30-day leave of absence for Director Cynthia Kurtz effective February 29, 2016. **(Agenda Item 5D)**

**THIS INFORMATION SHOULD NOT BE CONSIDERED THE OFFICIAL MINUTES OF THE MEETING.**

Board letters related to the items in this summary are generally posted in the Board Letter Archive approximately one week after the board meeting. In order to view them and their attachments, please copy and paste the following into your browser <http://edmsidm.mwdh2o.com/idmweb/home.asp>.



THE METROPOLITAN WATER DISTRICT  
OF SOUTHERN CALIFORNIA

# MWD MEETING AGENDA

**Board Meeting**  
Meeting with Board of Directors

**March 8, 2016**

**12:00 p.m. -- Board Room**

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MWD Headquarters Building

700 N. Alameda Street

Los Angeles, CA 90012

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**1. Call to Order**

- (a) Invocation: Silvia Lanza, Engineer, Engineering Services Group
- (b) Pledge of Allegiance: Director Donald Galleano

**2. Roll Call**

**3. Determination of a Quorum**

**4. Opportunity for members of the public to address the Board on matters within the Board's jurisdiction. (As required by Gov. Code § 54954.3(a))**

PUBLIC HEARING

- 1. Public hearing to consider suspending the tax rate limitations in Section 124.5 of the Metropolitan Water District Act to maintain the ad valorem tax rate
- 2. Comments on proposed water rates and charges for calendar years 2017 and 2018 to meet revenue requirements

**5. OTHER MATTERS**

- A. Approval of the Minutes of the Meeting for February 9, 2016. (A copy has been mailed to each Director) Any additions, corrections, or omissions
- B. Report on Directors' events attended at Metropolitan expense for month of February
- C. Approve committee assignments
- D. Chairman's Monthly Activity Report

**6. DEPARTMENT HEADS' REPORTS**

- A. General Manager's summary of Metropolitan's activities for the month of February
- B. General Counsel's summary of Legal Department activities for the month of February
- C. General Auditor's summary of activities for the month of February
- D. Ethics Officer's summary of activities for the month of February

**7. CONSENT CALENDAR ITEMS — ACTION**

- 7-1 Appropriate \$620,000; and authorize: (1) design to rehabilitate a blow-off structure on the Orange County Feeder; and (2) increase of \$200,000 to an existing agreement with Dudek, for a new not-to-exceed total of \$485,000 (Approp. 15377). (E&O)

7-1 Board Letter and Attachments

- 7-2 Appropriate \$840,000; and authorize preliminary investigations to rehabilitate the auxiliary power systems at the Colorado River Aqueduct pumping plants (Approp. 15384). (E&O)

7-2 Board Letter and Attachments

- 7-3 Approve revised final terms for the Bard Water District land management and seasonal fallowing pilot program. (WP&S)

7-3 Board Letter and Attachment

(END OF CONSENT CALENDAR)

**8. OTHER BOARD ITEMS — ACTION**

- 8-1 Adopt Master Subordinate Resolution authorizing the issuance of subordinate water revenue bonds and other forms of indebtedness; and adopt the First Supplemental Subordinate Resolution to the Master Subordinate Resolution authorizing the issuance of subordinate water revenue refunding bonds. (F&I)

8-1 Board Letter

- 8-2 Adopt Short-Term Revenue Certificate Resolution authorizing the sale and issuance of up to \$400 million of short-term revenue certificates and providing for credit facilities and trust agreements. (F&I)

8-2 Board Letter

- 8-3 Adopt resolution supporting Metropolitan's application for funding from the State Water Resources Control Board's Water Recycling Funding Program, and for acceptance of potential funding; and authorize two agreements for Metropolitan's potential regional recycled water supply program: (1) agreement with MWH Americas, Inc., in an amount not to exceed \$1.2 million for design of the demonstration-scale recycled water treatment plant; and (2) agreement with Black & Veatch Corporation, Inc. in an amount not to exceed \$1.9 million to conduct feasibility studies of the recycled water delivery system (Approps. 11002 and 15493). (E&O)

8-3 Board Letter

- 8-4 Approve entering into memorandum of agreements with bargaining units for a three-year incentive payment program for remote locations. (OP&T) (To be mailed separately)

- 8-5 Ratify and amend the Executive Committee appropriation of \$18 million to \$13.9 million; and ratify General Manager's award of a \$9.15 million construction contract to J. F. Shea Construction, Inc. for urgent prestressed concrete cylinder pipe repairs on the Sepulveda Feeder (Approp. 15496).

8-5 Board Letter

- 8-6 Authorize entering into an agreement to purchase or to acquire an option to purchase property from Delta Wetlands Properties in Contra Costa, San Joaquin, and Solano Counties. (RP&AM) [Conference with real property negotiators; Property is approximately 20,369.80 acres, identified as Contra Costa County Assessor's Parcel Nos. 026-060-003-6, 026-060-007-7, 026-060-008-5, 026-060-015-0, 026-060-016-8, 026-060-017-6, 026-060-018-4, 026-060-019-2, 026-070-001-8, 026-070-006-7, 026-070-010-9, 026-070-011-7, 026-070-012-5, 026-070-013-3, 026-080-004-0, 026-080-005-7, 026-080-006-5, 026-080-007-3, 026-080-008-1, 026-080-009-9, 023-040-026-9, 023-040-027-7, 023-050-001-9, 023-050-002-7, 023-070-011-4, 023-070-012-2, 023-080-010-4, 023-080-011-2, 023-090-001-1, 023-090-003-7, 023-090-004-5, 023-100-001-9, 023-100-002-7, 023-100-004-3, 023-100-007-6, 023-100-008-4; San Joaquin County Assessor's Parcel Nos. 129-050-01, 129-050-02, 129-050-03, 129-050-04, 129-050-05, 129-050-06, 129-050-07, 129-050-08, 129-050-09, 129-050-11, 129-050-12, 129-050-13, 129-050-14, 129-050-15, 129-050-16, 129-050-17, 129-050-18, 129-050-19, 129-050-24, 129-050-25, 129-050-26, 129-050-27, 129-050-28, 129-050-52, 129-050-54, 129-050-55, 129-050-56, 129-050-60, 069-030-08, 069-030-09, 069-030-10, 069-030-11, 069-030-19, 069-030-20, 069-030-21, 069-030-22, 069-030-23, 069-030-24, 069-030-26, 069-030-27, 069-030-28, 069-030-29, 069-030-30, 069-030-31, 069-030-32, 069-030-33, 069-030-34, 069-030-35, 069-030-36, 069-030-37, 069-030-38, 069-030-39, 069-030-42, 069-030-44, 069-100-01, 069-100-02, 069-100-03, 069-100-04, 069-100-05, 069-100-08, 069-100-09, 069-100-10, 069-100-11; and Solano County Assessor's Parcel No. 090-060-010; agency negotiators: Jeff Kightlinger, Stephen Arakawa, and Bryan Otake; negotiating parties: Metropolitan and Delta Wetlands Properties; under negotiation: price and terms; to be heard in closed session pursuant to Gov. Code Section 54956.8] (To be mailed separately)

**9. BOARD INFORMATION ITEMS**

- 9-1 Options for leasing Metropolitan-owned lands in the Palo Verde valley. (WP&S)

9-1 Board Letter and Attachments

- 9-2 Proposed revenue requirements for fiscal years 2016/17 and 2017/18 and proposed water rates and charges for calendar years 2017 and 2018 to meet revenue requirements. (F&I) (To be mailed separately)

**10. FOLLOW-UP ITEMS**

None

**11. FUTURE AGENDA ITEMS**

**12. ADJOURNMENT**

NOTE: At the discretion of the committee, all items appearing on this agenda, whether or not expressly listed for action, may be deliberated and may be subject to action by the committee.

This committee reviews items and makes a recommendation for final action to the full Board of Directors. Final action will be taken by the Board of Directors. Agendas for the meeting of the Board of Directors may be obtained from the Board Executive Secretary. This committee will not take any final action that is binding on the Board, even when a quorum of the Board is present.

Writings relating to open session agenda items distributed to Directors less than 72 hours prior to a regular meeting are available for public inspection at Metropolitan's Headquarters Building and on Metropolitan's Web site <http://www.mwdh2o.com>.

Requests for a disability related modification or accommodation, including auxiliary aids or services, in order to attend or participate in a meeting should be made to the Board Executive Secretary in advance of the meeting to ensure availability of the requested service or accommodation.