

MEETING OF THE
BOARD OF DIRECTORS OF THE
MUNICIPAL WATER DISTRICT OF ORANGE COUNTY
Jointly with the
PUBLIC AFFAIRS AND LEGISLATION COMMITTEE
April 18, 2016, 8:30 a.m.
Conference Room 101

Committee:

Director S. Tamaribuchi, Chairman
Director B. Barbre
Director Hinman

Staff: R. Hunter, K. Seckel, J. Volzke,
P. Meszaros, H. Baez

Ex Officio Member: W. Osborne

MWDOC Committee meetings are noticed and held as joint meetings of the Committee and the entire Board of Directors and all members of the Board of Directors may attend and participate in the discussion. Each Committee has designated Committee members, and other members of the Board are designated alternate committee members. If less than a quorum of the full Board is in attendance, the Board meeting will be adjourned for lack of a quorum and the meeting will proceed as a meeting of the Committee with those Committee members and alternate members in attendance acting as the Committee.

PUBLIC PARTICIPATION

Public comments on agenda items and items under the jurisdiction of the Committee should be made at this time.

ITEMS RECEIVED TOO LATE TO BE AGENDIZED - Determine there is a need to take immediate action on item(s) and that the need for action came to the attention of the District subsequent to the posting of the Agenda. (Requires a unanimous vote of the Committee)

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>.

DISCUSSION ITEMS

1. LEGISLATIVE ACTIVITIES
 - a. Federal Legislative Report (Barker)
 - b. State Legislative Report (BBK)
 - c. County Legislative Report (Lewis)
 - d. Legal and Regulatory Report (Ackerman)
 - e. MWDOC Legislative Matrix
 - f. Metropolitan Legislative Matrix

ACTION ITEMS

2. TRAVEL TO WASHINGTON DC TO COVER FEDERAL INITIATIVES
3. TRAVEL TO SACRAMENTO TO COVER STATE INITIATIVES
4. ADOPT LEGISLATIVE POSITIONS
 - a. AB1925 (Chang) Desalination Statewide Goal
 - b. SB1292 (Stone) Grand Juries
 - c. H.R. 4822 (Nunes) – Public Employee Pension Transparency Act

INFORMATION ITEMS (THE FOLLOWING ITEMS ARE FOR INFORMATIONAL PURPOSES ONLY – BACKGROUND INFORMATION IS INCLUDED IN THE PACKET. DISCUSSION IS NOT NECESSARY UNLESS REQUESTED BY A DIRECTOR.)

5. UPDATE ON THE TRANSFER OF ORANGE COUNTY SANITATION DISTRICT AREA 7
6. UPDATE ON POTENTIAL CONSOLIDATION OF SAN JUAN CAPISTRANO UTILITIES
7. UPDATE ON WATER SUMMIT (MAY 20, 2016)
8. PUBLIC AFFAIRS ACTIVITIES REPORT
9. SCHOOL PROGRAM PARTICIPATION REPORT
 - a. Elementary
 - b. High School

OTHER ITEMS

10. REVIEW ISSUES RELATED TO LEGISLATION, OUTREACH, PUBLIC INFORMATION ISSUES, AND MET

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. On those items designated for Board action, the Committee reviews the 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 Committee and Board meetings may be obtained from the District Secretary. Members of the public are advised that the Board consideration process includes consideration of each agenda item by one or more Committees indicated on the Board Action Sheet. Attendance at Committee meetings and the Board meeting considering an item consequently is advised.

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.

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Nicholas Crockett
Alia Cardwell

*Municipal Water District of Orange County, California
Washington Update
April 12, 2016*

The Budget and Appropriations:

The House Appropriations and Senate Appropriations Committees are set to approve their spending allocations for their 12 subcommittees this week. There will be no official “budget” passed by Congress this year but House and Senate GOP leaders are adhering to last year's budget deal, which set total discretionary spending at \$1.07 trillion for fiscal 2017. The fiscal year for the Federal Government runs from October 1st through September 30th.

While all twelve appropriations bills are expected to be enacted by October 1, as we have seen in recent years many here believe that the Congress may not be able to complete a number of these bills by this date. Importantly, as a result of the funding agreements now agreed to, there will be a series of subcommittee and full committee markups beginning this week. This is a shortened legislative year due to the Presidential Nominating Conventions which will begin in late July and as a result, there will be a major push now to try and finish any appropriations committee activities before June if possible—so that the Congress might be able to consider bills in their respective House and Senate Floors in a timely way this summer.

MWDOC has a pending request before the House and Senate Energy and Water Appropriations Subcommittees to fund the Army Corps Infrastructure Accounts—so that California can rightfully apply for funds out of this account. There is a \$40 Million Authorization for California Water Infrastructure—but Congress has not been opening any new accounts water accounts like this one—since the beginning of the Great Recession. We are hopeful that mindset will change, particularly in light of the fact that so many communities have water infrastructure needs—not just in California but all over the country.

EPA estimates at least \$600 Billion is necessary over the next twenty years to fund water infrastructure improvements around the nation. Of interest now in the Congress, the issue of water infrastructure has taken on new prominence with the Flint, Michigan water crisis.

Please note the attachment of the ***Funding Scorecard*** for competitive grants as there have been a

number of grants released since the last scorecard was shared with you.

In late March, Members of Congress led by Congressman McCarthy (R-Ca), the Majority Leader in the House of Representatives, wrote President Obama asking him to direct federal agencies to increase pumping out of California's northern California water resources area. Then on April 1st, the U.S. Bureau of Reclamation announced the initial water allocations for the Central Valley Project, with contractors north of the Sacramento-San Joaquin Bay Delta receiving 100 percent of their allocation while agricultural contractors south of the Delta will get just 5 percent of their contracts. Central Valley interests felt particularly upset by this announcement. Cities and industrial users south of the Delta will get 55 percent under the current allocation, and wildlife refuges across the state will get their full amounts.

There are estimates that 500-725,000 acre feet of water has flowed into the Ocean this year because there is no Delta fix in place. This is a significant amount of water --- ultimately lost—thus underscoring the need to find a solution to the Delta issues.

Status of the Drought Legislation:

The House has passed their bill. Senator Feinstein has introduced her bill; and there has been a hearing on drought in the west in the Senate, but no movement as of yet on her legislation. Although it has been anticipated for some time, there is no Committee Mark up scheduled at the present time for her legislation, prompting many to question if there will be a Senate Energy Committee Mark up on western drought bills, including a California bill. Again, the shortened legislative calendar due to the nominating conventions and the general election campaign period puts further pressure on the Senate to move bills to the Floor sooner rather than later.

Later this week, there is a House Natural Resources hearing on drought related issues. We are monitoring these activities very closely.

At the time of the completion of this report, there was word that Congressman Valadao (R-Central Valley, Ca) was seeking language in the House Energy and Water Appropriations Committee which would provide some legislative drought relief. Congressman Valadao is the prime sponsor of the House Drought Bill. Unfortunately, there are no further details available at press time regarding the exact language he was seeking to include in the Appropriations Bill—as the Committee Mark up is later this week.

IRS Treatment of Conservation Measures:

At press time, the Senate was considering the Federal Aviation Administration (FAA) Reauthorization Bill, a must pass bill this year, and there have been efforts to attach a tax package to this legislation. This issue is playing out this week and it is uncertain whether or not key Senate Leaders will allow a tax package to be attached to this bill. Senators Feinstein and Boxer have sought to include legislative language in the so called tax package which would allow water conservation measures to occur without property owners being taxed on this benefit.

General News Items and Political Updates of Interest			
<p>Since our last report, here are the latest polling numbers per “<i>Real Clear Politics Media</i>”*.</p> <p><i>Nationally amongst Democrats:</i> Clinton 47% Sanders 46</p> <p><i>Nationally amongst Republicans:</i> Trump 39% Cruz 32 Kasich 21</p> <p><i>Head to Head in a General:</i> <i>Clinton 50%</i> <i>Trump 39</i></p> <p><i>Cruz 44%</i> <i>Clinton 46%</i></p> <hr/> <p><i>*Real Clear Politics takes polling averages from different respected polling organizations over a common period of time in recent days/weeks. These are the most recent figures at press time.</i></p>			

JCB 4-12-16

FY 2016/2017 FUNDING OPPORTUNITIES for MWDOC (updated 04-11-16)

No.	Program No./ Solicitation No.	OPPORTUNITY TITLE*	AGENCY	Applic. Available	Deadline	STATUS
1	NNH16ZDA001N-WATER	ROSES 2016: Earth Science Applications: Water Resources	NASA Headquarters	Yes	05/02/16	Open
2	F16AS00164	Field test of plants and fungi on bioretention performance over time	Fish & Wildlife	Yes	04/15/16	Open
3	RDRUS-16-RFP	Revolving Fund Program	USDA	Yes	05/31/16	Open
4	EPA-HQ-OPPT-2016-003	FY 2016 and FY 2017 Source Reduction Assistance Grant Program	EPA	Yes	06/06/16	Open
5	USGS-FA-16-0098	Assessment of Larval Silver Carp Predator-prey Dynamic and Habitat Associations	Geological Survey	Yes	04/15/16	Open
6	F16AS00152	Micronesian Mangrove Assessment	Fish & Wildlife	Yes	06/01/16	Open
7	BOR-UC-16-N008	Colorado Basin States Salinity Control Projects	Bureau of Rec	Yes	04/15/16	Open
8	CDC-REFA-EH15-150702CONT16	Support for Public Health Drinking Water Programs to Improve Efficiency & Effectiveness for Controlling Drinking Water Exposures	HHS/CDC	Yes	04/29/16	Open
9	F16AS00155	Quagga/Zebra Mussel Action Plan for Western U.S. Waters 2016	Fish & Wildlife	Yes	06/03/16	Open
10	F16AS00151	Develop Climate Change Adaptation Analysis	Fish & Wildlife	Yes	06/01/16	Open
11	G16AS00043	Groundwater and Streamflow Information Program National Ground-Water Monitoring Network Round II	Geological Survey	Yes	05/31/16	Open
12	USDA-NRCS-CA-16-0001	CA Conservation Innovation Grant	USDA	Yes	06/17/16	Open
13	M16AS00006	BOEM FY 2016 Environmental Studies Program (ESP)	Ocean Energy Mngt	Yes	04/25/16	Open
14	L16AS00053	BLM CA California State Office Statewide Youth Corps Teams	BLM	Yes	05/27/16	Open
15	L16AS00054	BLM CA - Statewide Youth Conservation Interns throughout California Public Lands	BLM	Yes	05/27/16	Open
16	E16AS00001	BSEE FY 2016 University of California, Santa Barbara	Safety & Enviro. Enforc	Yes	04/21/16	Open
17	EPA-HQ-OPPT-2016-001	FY 2016 and FY 2017 Pollution Prevention Information Network (PPIN) Grants Program	EPA	Yes	05/17/16	Open
18	M16AS00005	BOEM FY 2016 Environmental Studies Program	Ocean Energy Mngt	Yes	04/18/16	Open
19	NOAA-NWS-NWSPO-2016-2004829	Education, Training and Capacity Development for Weather, Water and Climate Forecasting (ETCD)	Commerce	Yes	05/20/16	Open
20	EPA-EE-16-02	ENVIRONMENTAL EDUCATION TRAINING PROGRAM	EPA	Yes	05/09/16	Open
21	R16-FOA-DO-006	Drought Resiliency Project Grants for Fiscal Year 2016	Bureau of Rec	Yes	04/11/16	Open
22	R16-FOA-DO-011	Water Reclamation Research under the Title XVI Water Reclamation and Reuse Program for Fiscal Year 2016	Bureau of Rec	Yes	04/20/16	Open
23	BOR-MP-16-0003	Agricultural Water Conservation and Efficiency Grants Fostering District/Farmer Partnerships	Bureau of Rec	Yes	04/26/16	Open
24	R16-FOA-DO-008	WatersSMART: Cooperative Watershed Management Program (CWMP) for fiscal year (FY) 2016	Bureau of Rec	Yes	05/04/16	Open
25	R16-FOA-DO-005	Drought Contingency Planning Frants for Fiscal Year 2016	Bureau of Rec	Yes	04/11/16	Open

FY 2016/2017 FUNDING OPPORTUNITIES for MWDOC (updated 04-11-16)						
26	F16AS00006	Coastal Program	Bureau of Rec	Yes	09/30/16	Open
27	EPA-HQ-OPPT-2016-002	FY 2016 and FY 2017 Pollution Prevention Grant Program	EPA	Yes	05/09/16	Open
28	EPA-G2016-STAR-A1	Integrating Human Health and Well-Being with Ecosystem Services	EPA	Yes	04/21/16	Open
29	G16AS00024	2017 Earthquake Hazards External Grants Program	Geological Survey	Yes	05/25/16	Open
30	NOAA-OAR-SG-2016-2004807	NOAA Sea Grant Aquaculture Research Program 2016	NOAA	Yes	05/12/16	Open
31	NOAA-NMFS-HCPO-2016-2004800	Community-based Restoration Program Coastal and Marine Habitat Restoration Grants	NOAA	Yes	04/16/16	Open
32	RDRUS-16-01-HWWS	Household Water Well Grant Program	USDA	Yes	05/09/16	Open
33	USDA-NRCS-NHQ-CIG-16-01	Conservation Innovation Grants	USDA	Yes	05/10/16	Open
34	P16AS00015	Land and Water Conservation Fund State and Local Assistance Program	Nat'l Park Service	Yes	04/29/16	Open
35	P16AS00065	Land and Water Conservation Fund Outdoor Recreation Legacy Partnership Program	Nat'l Park Service	Yes	05/20/16	Open
36	DHS-16-GPD-042-09-01	Fiscal Year (FY) 2016 Emergency Management Performance Grant Program - Region 9	DHS, FEMA	Yes	03/18/16	Closed
37	EPA-G2016-ORD-B1	National Priorities: Impacts of Water Conservation on Water Quality in Premise Plumbing and Water Distribution Systems	EPA	Yes	03/17/16	Closed
38	EPA-EE-16-01	Environmental Education Local Grants Program -- Solicitation Notice for 2016	EPA	Yes	04/08/16	Closed
39	G16AS00016	Water Resources Research National Competitive Grants Program	Geological Survey	Yes	03/17/16	Closed
40	NSF 16-524	Innovations at the Nexus of Food, Energy and Water Systems	NSF	Yes	3/2//16	Closed
41	R16-FOA-DO-010	FY16 Desalination & Water Purification Research & Dev (DWPR) Pilot Projects	Bureau of Rec	Yes	02/08/16	Closed
42	R16-FOA-DO-009	FY16 Desalination & Water Purification Research & Dev (DWPR) Research	Bureau of Rec	Yes	02/08/16	Closed
43	R16-FOA-DO-004	WaterSMART: Water and Energy Efficiency Grants for FY 2016	Bureau of Rec	Yes	01/20/16	Closed
44	R16-FOA-DO-003	WaterSMART: Title XVI Water Reclamation and Reuse Program Funding for Fiscal Year 2016	Bureau of Rec	Yes	12/10/15	Closed

*Please "click" on a particular "Opportunity Title" to access the corresponding solicitation and application, if available, and other relevant information.

NOTICE: The above list of federal funding opportunities may not represent a complete or exhaustive list of the grants that your organization may be eligible for and/or interested in pursuing. This list is periodically updated and is not intended to be exclusively relied on. This list is intended to be a helpful tool. Federal grants are continually released and reported across many different platforms. Potential grantees should themselves continually monitor for federal funding opportunities. We have continued to list "closed" grants so that the grantee can see what grants may again be available for the grantee in the next cycle.

Memorandum

To: Municipal Water District of Orange County
From: Best Best & Krieger
Date: April 18, 2016
Re: Monthly State Political Report

LEGISLATIVE UPDATE

Legislation:

AB 1713 (Eggman) and AB 2583 (Fraizer), both of which seek to prevent the Delta fix from going forward, were pulled from the April 12 hearing date and moved to the 19th, along with nearly every other major water bill. At the time this report was prepared, opponents of AB 1713 and AB 2583 are feeling good about their chances of stopping AB 1713, but there are rumors of the Chair being pressured to let AB 2583 out of committee on some kind of compromise.

Legislature:

The legislature, back from its Spring Recess on March 28th, is now 100% focused on policy and budget subcommittee hearings. The deadline for passing a bill with fiscal implications is April 22nd, and bills without fiscal impact have until May 6th. Since this is the 2nd year of the 2-year legislative session, bills that fail to move are “dead-dead,” which means they cannot be used for any purpose without a particular type of rule waiver that is almost never granted. (A “dead bill,” in Capitol parlance, is one that is stalled and cannot move but could be revived at some point.)

Kudos are due to the Santa Margarita Water District (SMWD) and ACWA for persuading the budget subcommittees to appropriate the remaining Proposition 1 funds for water recycling and reuse projects. The appropriation must survive the full Budget Committee process, but the odds are good for items supported by both houses. Syrus Devers will be available to assist with the Budget Committee if needed.

Agencies:

The SWRCB released updated conservations standards on April 7th, with an effective date of March 1st. On average, water districts in Orange County saw a 7% reduction to their conservation standard where changes were made, although not every district benefitted.

April 20th will be a busy day at the SWRCB. For weeks, rumors have circulated that the board is ready to “pivot” and move in a different direction with the drought regulations. There have been hints of a regional approach to conservation requirements, and even a larger role for the Dept. of Water Resources and the regional boards. Voluminous written comments were submitted, some of which were hundreds of pages long. It is anticipated that the board will clarify its direction going forward.



As if that's not enough, the board will also comment on the Groundwater Sustainability Plan regulations. It's safe to assume that every lobbyist involved in water in Sacramento will be at the hearing, including MWDOC's.

Other Issues:

ACWA has shelved plans to pursue an amendment to Article X for the time being. An unfavorable title and summary from the Attorney General appeared to be an insurmountable obstacle to going forward. The discussion now centers around what might be possible in 2018, which could be a version that does not include the provisions relating to storm water or changes to the minimum voting requirements or water projects. That decision, however, may have significant political consequences.

Meetings attended:

Support for Proposition 1 funding appropriation: Appropriations V.C. Bigelow, and Assemblyman Patterson.

AB 1713 (Eggman-Oppose) and AB 2483 (Fraizer-Oppose): Assemblymembers—Garcia, Williams, Dababneh, Harper, Gomez, Lopez, and Republican Caucus staff.

AB 2488 (Dababneh-Support): Assemblymembers Williams, Garcia, and Dababneh.

AB 1925 (Chang—Supportive): Dababneh and Gomez.

The County of Orange Report

April 12, 2016
by Lewis Consulting Group

Total Population Prevails in Redistricting Case

In a case that has enormous political consequences, particularly for California and other South West States, the Supreme Court ruled on April 4, 2016 that states may continue to use total population for purposes of redistricting.

The High Court voted 8-0 to reject plaintiff's arguments in the Texas based *Evenwel v Abbott* case. Two Texas voters had filed suit claiming that creating districts based on wide variances of registered voters was unconstitutional. Writing the majority opinion for six of the eight Justices, Justice Ruth Ginsberg wrote that the elected representatives "serve all residents, not just those eligible or registered to vote".

In Orange County it is easy to see the effect of drawing lines on total population including non-citizens and minor children. In Orange County's 69th Assembly District there are 138, 937 registered voters, yet in Orange County's 73rd Assembly District the number of voters climbs to 265,246.



With only Justice Thomas and Alito writing a separate opinion, it is unlikely that Justice Scalia's untimely death affected the outcome. However, this issue is not yet complete. In their ruling, the Justices allowed states to continue to draw districts based on total population yet they did not disallow states from drawing districts by registered voters, setting the stage for yet another big voting and redistricting fight in years to come.

Supervisor Bartlett Touts South Orange County Water Districts



At the April 12th meeting of the Orange County Board of Supervisors, Chairman Lisa Bartlett honored two water districts serving her constituents in the 5th supervisor district. Using her prerogative as board chair, Bartlett announced she was extremely proud of the job her local water districts are doing and plans to honor two districts at each of the upcoming board meetings.

The first two districts to receive county resolutions were the *Moulton Niguel Water District* and the *South Coast Water District*. South Coast was represented by general manager Andrew Brunhart.

He discussed four initiatives they have had success with; tunnel and sewer main rehabilitation, the Doheny Beach desalination initiative, expanded recycled water programs and potable water conservation. One of South Coast's major successes has been to institute a leak detection program. They were able to detect over 1,000 leaks and most have been fixed, they have less than 100 leaks to still deal with.

The Moulton Niguel Water District was represented by general manager Joone Lopez and five of their seven board members, including county board assistant Brian Probolsky. She announced that they have spent \$70 million in the last eight years to enhance water supplies and was also successful in meeting their 20% mandatory cutback.

“Political Investing” Costs Cal-Pers Dearly

Fifteen years ago Cal-Pers, the nation’s largest pension fund divested itself of all investments in tobacco companies. Now the agency, which is only 76% funded is counting its losses from that “feel good decision” – a staggering \$3 billion.



At the same time, numerous pension funds in the U.S. and across the world have divested from energy stocks. A 2015 study, by University of Chicago Law professor David Fischel, calculates that funds with energy investments have outperformed those without, by 0.7%, a seemingly small number; but over 50 years represents a 23% difference in fund performance.

Rain Dampens Water Concerns

In a poll taken by Public Policy Institute of California (PPIC) and released March 23, 2016, 57% of Californians say water supply is a big problem in their part of the state. However, that is a 13% decline from a record 70%, who in September 2015 named water supply a big problem.

Not surprisingly, the Central Valley registered the biggest number with 68%; Orange County/San Diego 60% and the Bay Area had the lowest number in the state at 53%.

In a separate question, 88% of those living in Orange County/San Diego region believe that either the right amount or not enough is being done locally to respond to the current drought. That very closely tracks with the 87% figure among all Californians.

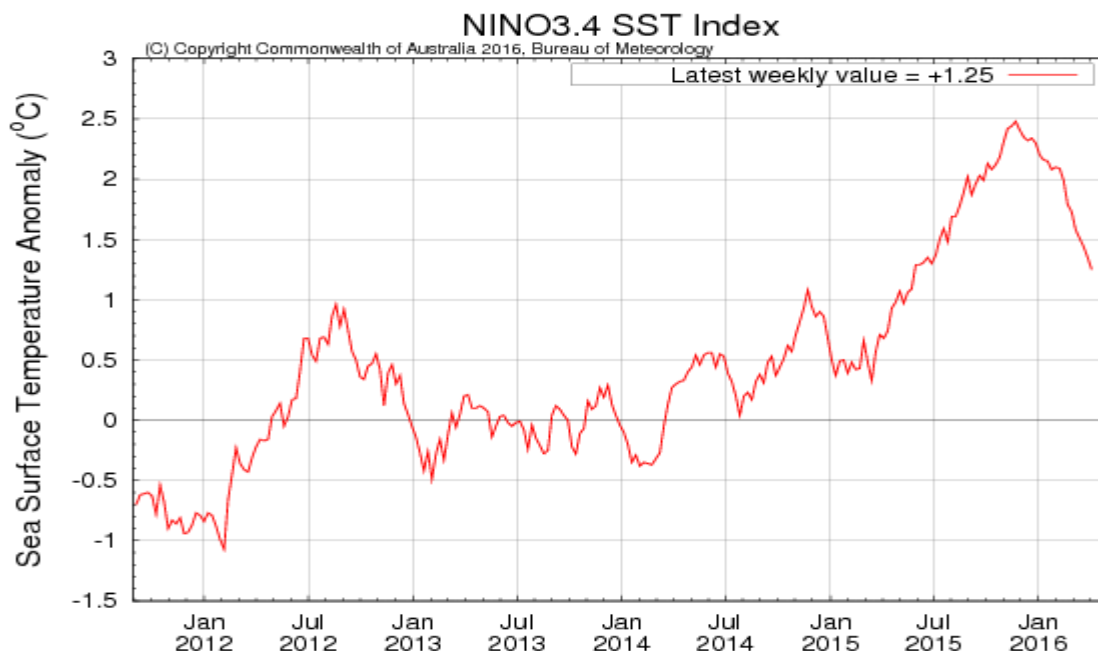
The PPIC survey also queried public opinion for Governor Brown’s proposal to build tunnels in the Sacramento-San Joaquin Delta. Statewide, 54% said it was very important and another 26% said it was somewhat important. Interestingly, statewide, Democrats, 57% are much more likely than Republicans, 41%, to support the Governor’s tunnel plan.

In terms of overall concerns, jobs and the economy at 27%, registered first as the most important issue facing California. Water and drought was second with 20%. Third on the list were immigration concerns at 7%.

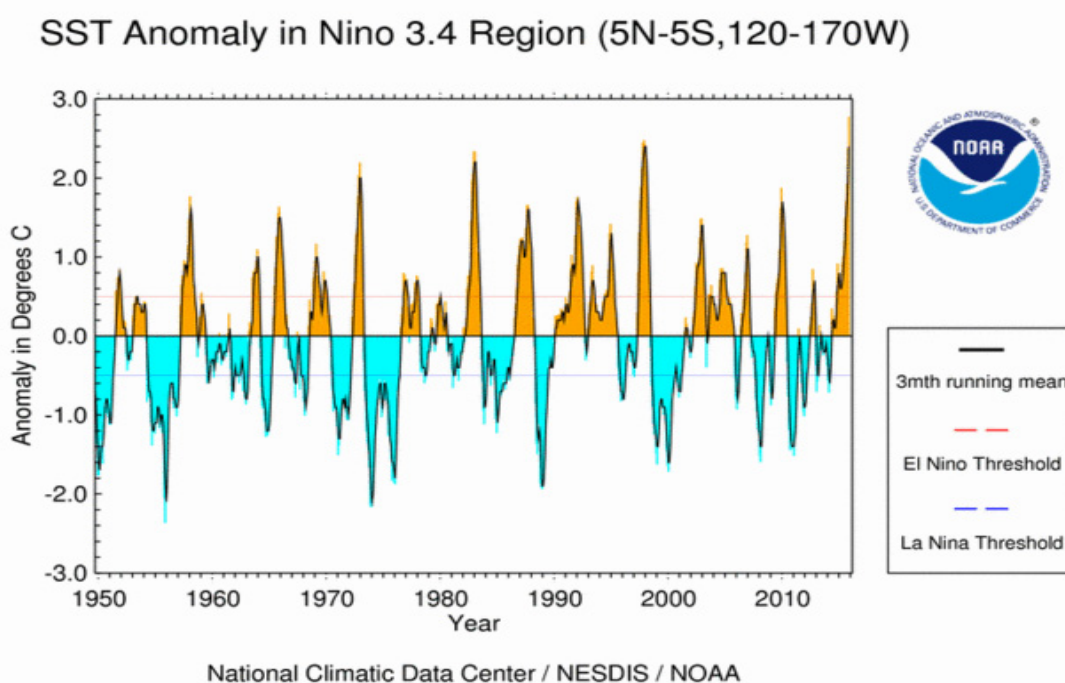
The survey was conducted March 6-15 and released publicly March 23, 2016. The survey of 1,710 California adults yields a +/- of 3.6% margin of error with 95% confidence. Of the 1,710 California residents surveyed, 1,385 were registered voters and those results yields slightly different results.

As El Niño Fades, Could La Niña Be Looming?

As water temperatures in the equatorial Pacific rapidly falls it appears El Niño conditions are quickly coming to an end. Equatorial Pacific Ocean waters peaked 2.5 degrees above average, making this El Niño one of the most powerful in recent times. The first graph indicates that anomalous temperature has been cut in half, to 1.25 degrees and continues to plunge.



For us in California, we must now hope to beat the odds and avoid possible La Niña conditions. La Niña, which represents a cooling of tropical Pacific water, increases the probability of future drought conditions. As the chart below from N.O.A.A., National Oceanic and Atmospheric Administration, indicates, more often than not a strong El Niño is followed by La Niña conditions.



ACKERMAN CONSULTING

Legal and Regulatory

April 18, 2016

1. **Saudi Arabia Buys Water Rights:** A Saudi dairy company has purchased 14,000 acres in the Palo Verde Valley near the Colorado River, including the senior water rights. Saudi Arabia, the United Arab Emirates and other Middle East countries are acquiring land in Southern California and Arizona to grow water using crops like alfalfa to feed their dairy industry to sustain their home land countries. These crops, which we consider low value, have huge water demands and are not encouraged by our State or our farmers. However, as a result of severe water shortages in Middle East countries, they are looking for alternative food sources with good water available. These developments are bringing mixed reviews. Clearly, they will help the local communities with jobs and buying power. At the same time, California is in a drought condition and we are collectively trying to balance the needs of people, agriculture, business and the environment.
2. **Granite Bay opts Out of State Mandate:** The San Juan Water District, near Folsom Lake, serves the wealthy community of Granite Bay. Its Board recently announced it would not observe the mandates announced by the State for conservation. It shifted its goals to a lower standard based on voluntary cut backs. The decision was based on the vastly improved conditions in their area including the continuing release of water from Folsom Lake for flood control. They stated they were not ignoring the State Water Boards directive but merely reacting to current conditions. Surrounding water districts are taking a wait and see approach hoping the State Board will adjust its mandates soon.
3. **Water Rates Increase-Sacramento 45%:** The city of Sacramento voted to increase its water rates 45% by 2019, roughly 10% per year for the next four years. The reasons include maintaining a 70 years old system, installing water meters pursuant to State mandate, (they previously had no water meters), upgrading waste water infrastructure (they previously dumped poorly treated waste water in the Sacramento River) and other system wide improvements. The increase was fairly non-controversial has most folks noted that improvements were necessary and had to be paid for. Other water districts are facing increases as a result of the State Mandates and the pressures being brought to maintain aging systems in light of reduced usage. Districts including MWD are looking at long term solutions for rate setting ensuring continued maintenance of the systems no matter what the individual usage patterns become.
4. **La Nina Projections:** The predictions are coming regarding La Nina. El Nino was one of the strongest events in recent time, even though its focus hit further north than expected. Usually,

the La Nina phenomenon follows El Nino, although not in every case. The experts predict that because of the strength of El Nino, that a strong La Nina may follow. The wave actions and ocean temperatures produced by El Nino naturally invited the reactive La Nina. The scientific odds makers are predicting a 50% chance of the cooler ocean and drying atmospheric conditions of La Nina.

5. **California Misses Governors Goal:** Governor Jerry Brown ordered a 25% reduction in water usage a year ago. Californians came up a little short at 23.9%. Still the estimated savings was 368 billion gallons of water. The miracle March hoped for became a modest March. The weather cooled and people used less water, and then it warmed and become drier. Southern California overall did worse than the rest of the State according to State Board figures. Four suppliers were fined \$61,000. One district (Beverly Hills) paid, the others have not.
6. **Drought-New Normal:** Scientists from Stanford, Northwestern and Columbia have concluded that California may be facing more and extended drought conditions in the future. They studied atmospheric conditions from 1948 to the present and concluded that the formerly moderate weather pattern experienced by California may be changing. They are predicting more and longer warmer and dry periods laced with warm and wet times. The contours of our state with the high mountains ranges and our proximity to the ocean combine to influence atmospheric conditions that flow over our State. They are still researching an explanation for the higher temperatures experience along our coast. These studies will be considered with other climate change conditions during the study. The obvious conclusion is a stronger argument for enhanced storage capabilities to capture water during the wet times.
7. **Farmers Water Supply +/-:** Farmers in the northern Sacramento Valley and Central Valley may receive their full allotment from the Federal sources. Meanwhile, farmers in the southern San Joaquin Valley will receive 5% of their contract supply. Even within the San Joaquin Valley some farmers with senior water right will receive full deliveries while other will receive substantially less. In particular, farmers on the west side of the Valley will receive very low amounts. The reaction to the allocations has already begun. While some of the decisions are based on the heavy rainfall in the north and the light rainfall in the south, some are still being based on the Delta smelt issues. Again there is the variance in water rights concerns and where your farms happens to be located.
8. **El Nino Spikes Salmon Prices:** The international impacts of El Nino is driving salmon prices higher. The wholesale price of salmon has risen from \$5.75 to \$8 per pound. A toxic algae off the coast of Chile caused by El Nino has killed millions of farmed fish. The algae decreases the oxygen level in the water and asphyxiates the fish. The two major sources of salmon in the US are Chile and Atlantic farms. But not to worry yet. Most restaurants and markets say they will not raise prices but will hope to weather the storm until conditions return to normal.

9. **Snowpack Good but Not Enough:** The snowpack at Phillips Station measures 58 inches with a water content of 26 inches, both average for this time. While Phillips Station gets all the press, water officials use measurements from about 100 stations across the Sierra Nevada Mountains for more accurate data. That combined data is just slightly below Phillips (a couple of inches) The April 1 data is most important as that is considered the time the snowpack historically peaks. Officially the drought is still on since the Governor has not said otherwise.
10. **New Groundwater Rules??:** The consensus thus far is that the rules being proposed are confusing and potentially costly to implement. The regulations are scheduled to take effect June 1 of this year. It is suggested that the proposed management scheme for enforcement is not workable. Districts consider the Act an unfunded mandate when it comes to monitoring the basin levels. The proposed rules require the drilling of wells. The “one size fits all” approach does not work and all of the basins have unique characteristics and challenges that one size does not fit. Confusion seems to be prevailing over clarity.
11. **Challenge to Bottled Water:** The permit for Nestles bottled water division in the San Bernardino Mountains is being challenged by environmental groups. Nestles original permit was issued in 1976 and it has been renewed several times. The current permit issued in 2002 is still under review. The US Forest Service has stated that Nestles will have to comply with the current environmental laws. The environmental groups claim the water diversion and route is a danger to animals along the way. Nestles withdraws over 700 million gallons of water per year for its 5 bottled water plants in the State. That equates to 0.008% of the State’s water supply.

Legislation Tracking
Prepared for Municipal Water District of Orange County

PAL Committee

4/18/2016

A. Priority Support/Oppose

[AB 1713](#)

([Eggman](#) D) Sacramento-San Joaquin Delta: peripheral canal.

Current Text: Introduced: 1/26/2016 [pdf](#) [html](#)

Status: 4/7/2016-In committee: Set, first hearing. Hearing canceled at the request of author.

Is Urgency: N

Summary: Current law requires various state agencies to administer programs relating to water supply, water quality, and flood management in the Sacramento-San Joaquin Delta. The bill would prohibit the construction of a peripheral canal, as defined, unless expressly authorized by an initiative voted on by the voters of California on or after January 1, 2017, and would require the Legislative Analyst's Office to complete a prescribed economic feasibility analysis prior to a vote authorizing the construction of a peripheral canal.

Laws: An act to add Chapter 1.5 (commencing with Section 115) to Division 1 of the Water Code, relating to the Sacramento-San Joaquin Delta.

Position	Priority
Opposition	A. Priority
	Support/Oppose

Notes 1: Priority oppose based on MWDOC's support for the CA Water Fix. The object of this bill is to cause delay until Gov. Brown is out of office.

[AB 1755](#)

([Dodd](#) D) The Open and Transparent Water Data Act.

Current Text: Amended: 4/5/2016 [pdf](#) [html](#)

Last Amend: 4/5/2016

Status: 4/7/2016-In committee: Hearing postponed by committee.

Is Urgency: N

Summary: Would enact the Open and Transparent Water Data Act. The act would require the Department of Water Resources to establish a public benefit corporation that would create and manage (1) a statewide water information system to improve the ability of the state to meet the growing demand for water supply reliability and healthy ecosystems, that, among things, would integrate existing water data information from multiple databases and (2) an online water transfer information clearinghouse to report on water transactions that would include a database with information on completed water transfers, a public forum to exchange information on water market issues, and information to assist proponents with the water transfer approval processes.

Laws: An act to add Part 4.9 (commencing with Section 12400) to Division 6 of the Water Code, relating to water data.

Position	Priority
Watch	A. Priority
	Support/Oppose

Notes 1: This bill was previously flagged as a "watch" due to the policy committee chair authoring a bill on the

same subject. Assemblyman Dodd, however, has emerged as a possible consensus builder on the issue of water transfers. As this may affect water transfers, it is of direct concern to MWD's supply portfolio, which could directly affect MWDOC. The bill should be viewed as a "work in progress" at this time, and may be covered in depth in a future report.

AB 1925

([Chang R](#)) Desalination: statewide goal.

Current Text: Amended: 3/16/2016 [pdf](#) [html](#)

Current Analysis: 04/08/2016 [Assembly Water, Parks And Wildlife \(text 3/16/2016\)](#)

Last Amend: 3/16/2016

Status: 3/29/2016-In committee: Set, first hearing. Hearing canceled at the request of author.

Is Urgency: N

Summary: The Cobey-Porter Saline Water Conversion Law, states the policy of this state that desalination projects developed by or for public water entities be given the same opportunities for state assistance and funding as other water supply and reliability projects, and that desalination be consistent with all applicable environmental protection policies in the state. This bill would establish a goal to desalinate 300,000 acre-feet of drinking water per year by the year 2025 and 500,000 acre-feet of drinking water per year by the year 2030.

Laws: An act to add Section 12946.5 to the Water Code, relating to water resources.

Position	Priority
	A. Priority
	Support/Oppose

Notes 1: Support: Eastern Municipal Water District, Mesa Water District, Poseidon Water, South Coast Water District

Opposition: California Coastkeeper Alliance, California League of Conservation Voters, Natural Resources Defense Council, Sierra Club California

Out of committee with amendments on 4/12.

AB 2022

([Gordon D](#)) Advanced purified demonstration water.

Current Text: Amended: 3/31/2016 [pdf](#) [html](#)

Current Analysis: 03/24/2016 [Assembly Environmental Safety And Toxic Materials \(text 3/28/2016\)](#)

Last Amend: 3/31/2016

Status: 4/4/2016-Re-referred to Com. on APPR.

Is Urgency: N

Summary: Would authorize the operator of a facility producing advanced purified demonstration water, as defined, to cause that water to be bottled and distributed as samples for educational purposes and to promote water recycling. The bill would prohibit the advanced purified demonstration water from being distributed unless the water meets or is superior to all federal and state drinking water standards. The bill would authorize advanced purified demonstration water to be bottled at a licensed water-bottling plant in compliance with specified provisions.

Laws: An act to add Section 13570 to the Water Code, relating to water.

Position	Priority
	A. Priority
Support	Support/Oppose

Notes 1: Moving with unanimous support so far.

AB 2304

([Levine D](#)) California Water Market Exchange.

Current Text: Introduced: 2/18/2016 [pdf](#) [html](#)

Current Analysis: 04/08/2016 [Assembly Water, Parks And Wildlife \(text 2/18/2016\)](#)

Status: 3/3/2016-Referred to Com. on W., P., & W.

Is Urgency: N

Summary: Would establish the California Water Market Exchange, governed by a 5-member board, in the Natural Resources Agency. This bill would require the market exchange, on or before December 31, 2017, to create a centralized water market platform on its Internet Web site that provides ready access to information about water available for transfer or exchange.

Laws: An act to add Chapter 7.5 (commencing with Section 485) to Division 1 of the Water Code, relating to water.

Position	Priority
	A. Priority
Watch	Support/Oppose

Notes 1: There are many concerns with this bill, such as adding more requirements to water transfers which are

already difficult to complete. On the other hand, there could be potential benefits if it makes it easier for water buyers to find sellers and to know in advance what will likely be required to close a deal. For these reasons the majority of the water industry is taking a "wait and see" approach. ACWA has a "support if amended" position and is in discussions with the author. Enviro groups are supporting.

AB 2583

([Frazier](#) D) Sacramento-San Joaquin Delta Reform Act of 2009.

Current Text: Amended: 3/17/2016 [pdf](#) [html](#)

Last Amend: 3/17/2016

Status: 4/7/2016-In committee: Hearing postponed by committee.

Is Urgency: N

Summary: Would add a definition of the California Water Fix to the Sacramento-San Joaquin Delta Reform Act of 2009. This bill would eliminate certain provisions applicable to the BDCP and would revise other provisions to instead refer to a new Delta water conveyance project for the purpose of exporting water. This bill would require new Delta water conveyance infrastructure to be considered as interdependent parts of a system and to be operated in a way that maximizes benefits for each of the coequal goals. This bill contains other related provisions and other existing laws.

Laws: An act to amend Sections 85057.5, 85086, 85088, 85089, 85320, and 85321 of, to amend the heading of Chapter 2 (commencing with Section 85320) of Part 4 of Division 35 of, and to add Section 85053.5 to, the Water Code, relating to the Sacramento-San Joaquin Delta.

Position	Priority
Opposition	A. Priority
	Support/Oppose

Notes 1: Same concerns as AB 1713. Intended to delay CA Water Fix.

SB 20

([Pavley](#) D) California Water Resiliency Investment Act.

Current Text: Amended: 8/26/2015 [pdf](#) [html](#)

Current Analysis: 05/31/2015 [Senate Floor Analyses \(text 12/1/2014\)](#)

Last Amend: 8/26/2015

Status: 8/28/2015-Failed Deadline pursuant to Rule 61(a)(11). (Last location was W.,P. & W. on 8/26/2015)

Is Urgency: N

Summary: Under current law, various measures provide funding for water resources projects, facilities, and programs. This bill would create the California Water Resiliency Investment Fund in the State Treasury and provide that moneys in the fund are available, upon appropriation by the Legislature, for the purpose of providing a more dependable water supply for California. This bill would create various accounts within the fund for prescribed purposes.

Laws: An act to add Division 36 (commencing with Section 86000) to the Water Code, relating to water.

Position	Priority
Watch	A. Priority
	Support/Oppose

Notes 1: High priority watch bill as it may be used as a vehicle for public goods charge, or other public funding mechanism.

Notes 2: Could affect potential funding sources for water infrastructure projects.

ACWA is opposed.

SB 163

([Hertzberg](#) D) Wastewater treatment: recycled water.

Current Text: Amended: 9/3/2015 [pdf](#) [html](#)

Current Analysis: 06/02/2015 [Senate Floor Analyses \(text 6/2/2015\)](#)

Last Amend: 9/3/2015

Status: 9/11/2015-Failed Deadline pursuant to Rule 61(a)(14). (Last location was RLS. on 9/8/2015)

Is Urgency: N

Summary: Would declare that the discharge of treated wastewater from ocean outfalls, except in compliance with the bill's provisions, is a waste and unreasonable use of water in light of the cost-effective opportunities to recycle this water for further beneficial use. This bill, on or before January 1, 2026, would require a wastewater treatment facility discharging through an ocean outfall to achieve at least 50% reuse of the facility's actual annual flow, as defined, for beneficial purposes.

Laws: An act to add Section 13557.5 to the Water Code, relating to water.

Position	Priority
Watch	A. Priority
	Support/Oppose

Notes 1: This bill is problematic and would be the recommendation would be "oppose" on its current language. This board has not been asked to take a position based on information that the author has expressed a willingness

to meet with interested parties and address their concerns. The California Assoc. of Sanitation Agencies is leading the discussions.

[SB 814](#)

([Hill](#) D) Drought: excessive water use: urban retail water suppliers.

Current Text: Amended: 3/30/2016 [pdf](#) [html](#)

Current Analysis: 03/24/2016 [Senate Senate Natural Resources And Water \(text 3/17/2016\)](#)

Last Amend: 3/30/2016

Status: 3/31/2016-Withdrawn from committee. Re-referred to Com. on APPR.

Is Urgency: N

Summary: Would declare that excessive water use during a state of emergency based on drought conditions by a residential customer, as specified, is prohibited. This bill would require each urban retail water supplier to establish a method to identify and restrict excessive water use. This bill would authorize as a method to identify and restrict excessive water use the establishment of a rate structure that includes block tiers, water budgets, penalties for prohibited uses, or rate surcharges over and above base rates for excessive water use by residential customers.

Laws: An act to add Chapter 3.3 (commencing with Section 365) to Division 1 of the Water Code, relating to water.

Position	Priority
Oppose unless amended	A. Priority Support/Oppose

Notes 1: ACWA is attempting to negotiate amendments with the author. Opposition is taking a "wait and see" approach as long as the author is willing to consider amendments.

[SB 919](#)

([Hertzberg](#) D) Water supply: creation or augmentation of local water supplies.

Current Text: Amended: 4/6/2016 [pdf](#) [html](#)

Current Analysis: 04/07/2016 [Senate Senate Natural Resources And Water \(text 4/6/2016\)](#)

Last Amend: 4/6/2016

Status: 4/12/2016-Action From N.R. & W.: Do pass as amended.To APPR..

Is Urgency: N

Summary: Would require the Public Utilities Commission, before January 1, 2018, in consultation with the Independent System Operator, to address the oversupply of renewable energy resources through a tariff or other economic incentive for electricity purchased by customers operating "facilities that create or augment local water supplies," as defined, to reduce the cost of electricity to those facilities. This bill contains other related provisions and other existing laws.

Laws: An act to add Section 711 to the Public Utilities Code, relating to water supply.

Position	Priority
Watch	A. Priority Support/Oppose

Notes 1: This bill is moving without opposition and is a possible candidate for a support recommendation due to potential to benefit desalinization projects. At this time, however, MWDOC has not been asked to take a position, and it is not clear that it would provide a tangible benefit to a member agency if passed. ACWA, CASA, and CMUA are supportive but seeking clarifying amendments. San Diego Water Authority is the only water agency listed in full support.

B. Watch

[AB 647](#)

([Eggman](#) D) Beneficial use: storing of water underground.

Current Text: Amended: 6/30/2015 [pdf](#) [html](#)

Current Analysis: 05/06/2015 [Assembly Floor Analysis \(text 5/5/2015\)](#)

Last Amend: 6/30/2015

Status: 7/17/2015-Failed Deadline pursuant to Rule 61(a)(10). (Last location was N.R. & W. on 6/30/2015)

Is Urgency: N

Summary: Current law declares that the storing of water underground, and related diversions for that purpose, constitute a beneficial use of water if the stored water is thereafter applied to the beneficial purposes for which the appropriation for storage was made. This bill would repeal that declaration and instead declare that the

diversion of water to underground storage constitutes a beneficial use of water if the water so stored is thereafter applied to the beneficial purposes for which the appropriation for storage was made, or if the water is so stored consistent with a sustainable groundwater management plan, statutory authority to conduct groundwater recharge, or a judicial decree and is for specified purposes.

Laws: An act to repeal and add Section 1242 of the Water Code, relating to water.

Position Priority
B. Watch

Notes 1: This bill is being closely followed as it could have impacts on member agencies, particularly those that actively manage groundwater. Not set to be heard until July at this time.

AB 938

([Rodriguez](#) D) Sustainable Groundwater Management Act: adjudicated basins.

Current Text: Amended: 3/9/2016 [pdf](#) [html](#)

Current Analysis: 04/13/2015 [Assembly Water, Parks And Wildlife \(text 2/26/2015\)](#)

Last Amend: 3/9/2016

Status: 3/9/2016-From committee chair, with author's amendments: Amend, and re-refer to committee. Read second time, amended, and re-referred to Com. on N.R. & W.

Is Urgency: Y

Summary: Would authorize the watermaster or local agency administering an adjudicated basin to elect that the adjudicated basin be subject to the provisions of the Sustainable Groundwater Management Act. The bill would authorize the court with jurisdiction over the adjudicated basin to issue an order setting a hearing to determine whether the adjudicated basin shall be subject to the act, as prescribed. This bill contains other related provisions and other existing laws.

Laws: An act to amend Section 10720.8 of the Water Code, relating to groundwater, and declaring the urgency thereof, to take effect immediately.

Position Priority
B. Watch

Notes 1: This bill is a holdover from last year and is not moving at this time. Watch position is due to potential impacts to SGMA.

AB 1242

([Gray](#) D) Water quality and storage.

Current Text: Amended: 9/1/2015 [pdf](#) [html](#)

Current Analysis: 08/19/2015 [Senate Floor Analyses \(text 8/19/2015\)](#)

Last Amend: 9/1/2015

Status: 9/11/2015-Failed Deadline pursuant to Rule 61(a)(14). (Last location was THIRD READING on 9/2/2015)

Is Urgency: N

Summary: Would require the Department of Water Resources to increase statewide water storage capacity by 25% by January 1, 2025, and 50% by January 1, 2050, as specified. The bill would require the department, on or before January 1, 2017, to identify the current statewide water storage capacity and prepare a strategy and implementation plan to achieve those expansions in statewide water storage capacity, and would require the department to update the strategy and implementation plan on January 1, 2018, and every 2 years thereafter, until January 1, 2050.

Laws: An act to amend Section 39719 of the Health and Safety Code, and to add Section 13145.5 to, and to add Chapter 4.5 (commencing with Section 430) to Division 1 of, the Water Code, relating to water, and making an appropriation therefor.

Position Priority
B. Watch

Notes 1: This bill is from 2015 and is not moving at this time. Watched due to potential impacts to SGMA and how SWRCB must deal with groundwater sustainability plans when formulating water quality regulations.

AB 1463

([Gatto](#) D) Onsite treated water.

Current Text: Amended: 9/4/2015 [pdf](#) [html](#)

Current Analysis: 05/29/2015 [Assembly Floor Analysis \(text 2/27/2015\)](#)

Last Amend: 9/4/2015

Status: 9/11/2015-Failed Deadline pursuant to Rule 61(a)(14). (Last location was E.Q. on 9/4/2015)

Is Urgency: N

Summary: Would require the State Water Resources Control Board, in consultation with the State Department of Public Health, the California Building Standards Commission, and stakeholders, to establish water quality standards and distribution, monitoring, and reporting requirements for onsite water recycling systems prior to authorizing the use of onsite treated water in internal plumbing of residential and commercial buildings. This bill would require onsite treated water to be considered the same as recycled water that is produced on site.

Laws: An act to add Article 8 (commencing with Section 13558) to Chapter 7 of Division 7 of the Water Code,

relating to recycled water.

Position

Priority

B. Watch

Notes 1: Watched due to potentially serious concerns by retail agencies over contamination of potable water. Not moving at this time.

[AB 1586](#)

([Mathis](#) R) California Environmental Quality Act: Temperance Flat Reservoir.

Current Text: Amended: 3/28/2016 [pdf](#) [html](#)

Current Analysis: 03/31/2016 [Assembly Natural Resources \(text 3/28/2016\)](#)

Last Amend: 3/28/2016

Status: 4/4/2016-In committee: Set, first hearing. Failed passage. Reconsideration granted.

Is Urgency: N

Summary: The California Environmental Quality Act establishes a procedure by which a person may seek judicial review of the decision of the lead agency made pursuant to the act. This bill would prohibit the court, in an action or proceeding alleging a violation of the act, from staying or enjoining the construction or operation of the Temperance Flat Reservoir unless the court makes certain findings. This bill contains other related provisions.

Laws: An act to add Section 21168.10 to the Public Resources Code, relating to environmental quality.

Position

Priority

B. Watch

Notes 1: Watched due to possible improvement to state water supplies, but also to watch for impacts to other supply projects that may be of more direct concern.

[AB 1587](#)

([Mathis](#) R) Groundwater.

Current Text: Amended: 3/15/2016 [pdf](#) [html](#)

Current Analysis: 04/08/2016 [Assembly Water, Parks And Wildlife \(text 3/15/2016\)](#)

Last Amend: 3/15/2016

Status: 3/16/2016-Re-referred to Com. on W., P., & W.

Is Urgency: N

Summary: Would, during a period for which the Governor has issued a proclamation of a state of emergency based on drought or flood conditions, prohibit the State Water Resources Control Board from requiring a permit to recharge groundwater if the water may be diverted and used without injury to a lawful user of water, and the water may be diverted and used without unreasonable effect on other beneficial uses.

Laws: An act to add Article 2.12 (commencing with Section 65899.5) to Chapter 4 of Division 1 of Title 7 of the Government Code, and to add Sections 1242.1 and 79776 to the Water Code, relating to groundwater, and making an appropriation therefor.

Position

Priority

B. Watch

Notes 1: Watched due to possible impacts to groundwater management of member agencies. Significant opposition in committee on 4/12.

[AB 1588](#)

([Mathis](#) R) Water and Wastewater Loan and Grant Program.

Current Text: Amended: 3/16/2016 [pdf](#) [html](#)

Current Analysis: 04/04/2016 [Assembly Appropriations \(text 3/16/2016\)](#)

Last Amend: 3/16/2016

Status: 4/6/2016-In committee: Set, first hearing. Referred to APPR. suspense file.

Is Urgency: Y

Summary: Would require the State Water Resources Control Board to establish a program to provide funding to counties to award low-interest loans and grants to eligible applicants for specified purposes relating to drinking water and wastewater treatment. This bill would authorize a county to apply to the board for a grant to award loans or grants, or both, to residents of the county, as prescribed. This bill would create the Water and Wastewater Loan and Grant Fund and provide that the moneys in this fund are available, upon appropriation by the Legislature, to the board to administer and implement the program.

Laws: An act to add Chapter 6.6 (commencing with Section 13486) to Division 7 of the Water Code, relating to water, and declaring the urgency thereof, to take effect immediately.

Position

Priority

B. Watch

Notes 1: Potential benefit to water infrastructure projects, but 2/3rds vote required. Not impossible since the bill creates a loan program, but fate will be determined by concerns beyond the bill itself.

AB 1590

(Mathis R) State Water Resources Control Board: appointments.

Current Text: Amended: 3/10/2016 [pdf](#) [html](#)

Last Amend: 3/10/2016

Status: 3/16/2016-In committee: Set, first hearing. Hearing canceled at the request of author.

Is Urgency: N

Summary: Would require that an additional 4 members be appointed to the State Water Resources Control Board by the Legislature. The bill would require that one member each be appointed by the Speaker of the Assembly, the Assembly Minority Leader, the President pro Tempore of the Senate, and the Senate Minority Leader. The bill would require that vacancies be immediately filled by the appointing power.

Laws: An act to amend Sections 175 and 177 of the Water Code, relating to water.

Position

Priority

B. Watch

Notes 1: Watched due to general concern over composition of SWRCB. Not likely to move.

AB 1749

(Mathis R) California Environmental Quality Act: exemption: recycled water pipeline.

Current Text: Amended: 3/28/2016 [pdf](#) [html](#)

Current Analysis: 03/11/2016 [Assembly Natural Resources \(text 2/2/2016\)](#)

Last Amend: 3/28/2016

Status: 4/4/2016-In committee: Set, second hearing. Hearing canceled at the request of author.

Is Urgency: N

Summary: CEQA exempts from its requirements projects consisting of the construction or expansion of recycled water pipeline and directly related infrastructure within existing rights of way, and directly related groundwater replenishment, if the project does not affect wetlands or sensitive habitat, and where the construction impacts are fully mitigated, and undertaken for the purpose of mitigating drought conditions for which a state of emergency was proclaimed by the Governor on a certain date. CEQA provides that this exemption remains operative until the state of emergency has expired or until January 1, 2017, whichever occurs first. This bill would extend that date to January 1, 2019.

Laws: An act to amend Section 21080.08 of the Public Resources Code, relating to environmental quality.

Position

Priority

B. Watch

Notes 1: This bill proposes a CEQA exemption. Pulled from committee twice. Will prepare recommendation if there is any possibility of it moving.

AB 2198

(Brough R) Coastal development permits: desalinization facilities.

Current Text: Introduced: 2/18/2016 [pdf](#) [html](#)

Status: 3/3/2016-Referred to Com. on NAT. RES.

Is Urgency: N

Summary: The California Coastal Act of 1976 requires any person wishing to perform or undertake any development in the coastal zone, as defined, to obtain a coastal development permit, except as specified, from the California Coastal Commission or from a local government. This bill would require an application for a coastal development permit for a desalinization project, as described, to be given priority for review, and would require the issuing agency to expedite the processing of any such permit application.

Laws: An act to add Section 30616 to the Public Resources Code, relating to coastal resources.

Position

Priority

B. Watch

Notes 1: This is effectively a spot bill as it will not move in its current form. Watched due to interest in desalinization projects in Orange County.

Total Measures: 20

Total Tracking Forms: 20

**Metropolitan Water District of Southern California
State Legislation Matrix 4/11/2016**

Bill Number Author	Amended Date; Location	Title-Summary	MWD Position	Effects on Metropolitan
AB 291 Medina (D) Sponsor: ACWA and McGeorge Law School Policy and Legislative Clinic	Amended 6/10/15 Senate Environmental Quality Committee	CEQA: Local Agencies: Notice of Determination: Amends CEQA to authorize local agency for multi-county water transfers to file notice of determination with county clerk in county of local agency's principal office and with Office of Planning and Research.	SUPPORT based upon April 2013 board-adopted CEQA policy principles	Would streamline filing of CEQA notices of determination for multi-county water transfers and improve public access to those notices. Notice of multi-county water transfers would be made available on CEQAnet for broader public access.
AB 501 Levine (D) Sponsor: Author	Amended 1/25/16 Senate Natural Resources and Water Committee	Resources: Delta Research: Requires that state-funded environmental research in San Francisco Bay/Sacramento-San Joaquin Delta Estuary be shareable and made available to Delta Science Program.	WATCH	Seeks to foster communication and transparency among Delta researchers and provide open access to research data. It is unclear how enforcement measures would be implemented when data is not released within six months after entity has completed work under a state grant.

Item 1f

**Metropolitan Water District of Southern California
State Legislation Matrix 4/11/2016**

Bill Number Author	Amended Date; Location	Title-Summary	MWD Position	Effects on Metropolitan
AB 647 Eggman (D) Sponsor: Author	Amended 6/30/15 Senate Natural Resources and Water Committee	Beneficial Use: Storing of Water Underground: Would amend California Water Code to state that diversion of water underground to protect water quality, prevent land subsidence or prevent or remediate chronic lowering of groundwater levels is a beneficial use. Also states that existing forfeiture provisions for non-use of water for period of longer than five years would not apply to water being beneficially used for these specific purposes.	SUPPORT (PENDING)	Recent amendment includes safeguards to ensure that permanent underground storage is implemented in reasonable manner. Amendments provide that SWRCB must confirm that flows are not already appropriated or diverted at times when federal Central Valley Project, State Water Project or other permitted reservoir releases are required to release supplemental project water to meet water quality objectives in Delta watershed.
AB 935 Salas (D) Sponsor: Author	Amended 9/4/15 Senate Inactive File	Water Projects: Requires DWR to fund two specified projects on Friant-Kern Canal and San Joaquin River, under certain conditions. Funding shall not exceed \$75 million and is subject to future appropriation by Legislature.	OPPOSE UNLESS AMENDED based upon June 2007 board-adopted Delta Action Plan	Projects named in bill have potential to negatively impact State Water Project's ability to deliver water supply through Delta due to potential effects on hydrology, hydrodynamics, water quality, fisheries and other aquatic resources in the Delta. Measure contains no best available science requirement or any public hearing prerequisite to give potentially impacted parties a chance to weigh in before projects move forward.

**Metropolitan Water District of Southern California
State Legislation Matrix 4/11/2016**

Bill Number Author	Amended Date; Location	Title-Summary	MWD Position	Effects on Metropolitan
AB 1201 Salas (D) Sponsor: Author	Amended 8/17/15 Senate Appropriations Committee	Delta: Predation: Directs Department of Fish and Wildlife to develop science-based approach that addresses predation in the Delta.	SUPPORT based upon June 2007 board-adopted Delta Action Plan	Aligns with Metropolitan's broader efforts to base management decisions in Delta on science. Places responsibility on appropriate state agency to manage statewide problem.
AB 1713 Eggman (D) Sponsor: Author	Introduced 1/26/16 Assembly Water, Parks and Wildlife Committee Date of Hearing: 4/19/16	Delta: Peripheral Canal: Prohibits construction of a Peripheral Canal unless authorized by initiative vote of all California voters on or after January 1, 2017. "Peripheral Canal," as defined in bill, only pertains to new conveyance improvements envisioned under CA Water Fix.	OPPOSE based upon June 2007 board-adopted Delta Action Plan	Creates dangerous precedent for major infrastructure investments that are critical to supporting state's economy. Would subvert historic agreement and progress of 2009 Delta Reform Act to achieve co-equal goals of providing reliable water supplies for California and restoration of Delta ecosystem.

**Metropolitan Water District of Southern California
State Legislation Matrix 4/11/2016**

Bill Number Author	Amended Date; Location	Title-Summary	MWD Position	Effects on Metropolitan
AB 1749 Mathis (R) Sponsor: Author	Amended 3/28/16 Assembly Natural Resources Committee Date of Hearing: 4/18/16	CEQA: Recycled Water Pipelines: CEQA exempts from its requirements projects consisting of construction or expansion of recycled water pipelines and directly-related infrastructure within existing rights of way, and directly-related groundwater replenishment, if project does not affect wetlands or sensitive habitat, and where construction impacts are fully mitigated and undertaken for purpose of mitigating drought conditions during gubernatorial-declared drought emergency. Exemption remains operative until state of emergency has expired or until January 1, 2017, whichever occurs first. This bill extends date to January 1, 2019.	SUPPORT AND SEEK AMENDMENTS based upon sponsorship of AB 2417 (Nazarian) from 2014	Metropolitan and LA County Sanitation Districts may avail themselves of exemption in existing law for joint recycled water pilot project pipeline; however, joint project may not reach project approval stage before expiration of deadline. To extent any member agencies are proposing projects to extend recycled water pipelines in existing rights of way, projects may benefit from extension as well. Clarification of terms within existing law would also be helpful to project proponents.
AB 2022 Gordon (D) Sponsors: Orange County Water District; Orange County Sanitation District; and WateReuse California	Amended 3/31/16 Assembly Appropriations Committee	Advanced Purified Demonstration Water: Authorizes bottling of advanced purified demonstration water, as defined, for educational purposes to promote water recycling.	SUPPORT based upon board-adopted policy principles on water recycling (1998) and water use efficiency (2009)	Would authorize the use of an important outreach tool to increase public awareness of advanced purified water as an important water resource.

**Metropolitan Water District of Southern California
State Legislation Matrix 4/11/2016**

Bill Number Author	Amended Date; Location	Title-Summary	MWD Position	Effects on Metropolitan
AB 2488 Dababneh (D) Sponsor: Metropolitan Water District of Southern California	Amended 3/31/16 Assembly Water, Parks and Wildlife Committee Date of Hearing: 4/12/16	Protected Species: Unarmored Threespine Stickleback (UTS): Will allow Metropolitan to perform important maintenance and repairs on its Foothill Feeder by authorizing Department of Fish and Wildlife to issue an incidental take permit to Metropolitan for potential take of UTS, a California fully protected species.	SUPPORT pursuant to board action on February 9, 2016	Will allow for rescue and relocation of UTS out of harm's way and other measures to minimize and mitigate incidental take, and to contribute to the conservation of this sensitive species while ensuring reliability of the Foothill Feeder's critical water supply to Southern California.

**Metropolitan Water District of Southern California
State Legislation Matrix 4/11/2016**

Bill Number Author	Amended Date; Location	Title-Summary	MWD Position	Effects on Metropolitan
AB 2583 Frazier (D) Sponsor: Author	Amended 3/17/16 Assembly Water, Parks and Wildlife Committee Date of Hearing: 4/19/16	Sacramento-San Joaquin Delta Reform Act of 2009: Would give any state or federal water contractor that “will receive water” from new Delta conveyance a veto over construction of CA WaterFix by requiring every contractor to enter into legally binding agreement to pay all costs associated with both new conveyance and existing CVP and SWP facilities, including reimbursing state for any bonds or General Funds used to date for either project; would require SWRCB to complete its update to Bay-Delta Water Quality Control Plan before it could grant change in point of diversion permit; eliminates current requirements for BDCP incorporation into Delta Plan and replaces requirements with onerous new prerequisites that must be met before construction could begin; and adds requirement for CA WaterFix to include transparent, real-time, annual and long-term operational decision-making process in which fishery agencies ensure applicable biological performance measures are achieved.	OPPOSE based upon June 2007 board-adopted Delta Action Plan	Creates an unnecessary and destructive double standard for advancing projects to modernize statewide water system by establishing a faulty regulatory scheme in numerous unproductive ways. Represents step backward in meeting California’s co-equal goals of a reliable water supply and restored Delta ecosystem.

**Metropolitan Water District of Southern California
State Legislation Matrix 4/11/2016**

Bill Number Author	Amended Date; Location	Title-Summary	MWD Position	Effects on Metropolitan
SB 20 Pavley (D) Sponsor: California Water Foundation	Amended 8/26/15 Assembly Water, Parks and Wildlife Committee	California Water Resiliency Investment Act: Would create California Water Resiliency Investment Fund for funding “orphan” water infrastructure investments, including: 1) emergency drought response to protect vulnerable populations; 2) matching grants to local and regional agencies to increase regional self-reliance; 3) planning, construction, operation and maintenance of drinking water systems for disadvantaged communities; 4) restoration and protection of fish and wildlife to avoid or reduce conflicts with water management systems; and 5) to support improved data and information systems.	WATCH based upon board-adopted Legislative Priorities for 2016	Contains no specific funding source. Creates only a policy “framework” for initiating dialogue on sustainable funding options to fill gaps that reportedly exist for state and local water infrastructure financing and operations.
SB 471 Pavley (D) Sponsor: Author	Amended 8/17/15 Assembly Appropriations Committee	Water, Energy and Reduction of Greenhouse Gas Emissions (GHG): Would authorize SWRCB, in cooperation with the CEC, CARB, PUC and DWR to establish grant and loan program for water projects that result in net reduction of water-related GHGs. Also directs CEC, in cooperation with SWRCB, CARB, PUC and DWR, to conduct study of water-related energy use in California.	SUPPORT AND SEEK AMENDMENTS based upon August 2008 board-adopted energy policy principles	While energy use has always been key factor in water resource planning, measure would provide new opportunities for accessing funding for projects that reduce water-related GHG emissions.

**Metropolitan Water District of Southern California
State Legislation Matrix 4/11/2016**

Bill Number Author	Amended Date; Location	Title-Summary	MWD Position	Effects on Metropolitan
SB 554 Wolk (D) Sponsor: Author	Amended 1/4/16 Assembly Desk	Delta Levee Maintenance: Current law establishes Delta levee maintenance program for reimbursement of costs incurred in connection with maintenance or improvement of projects or non-project levees in the Sacramento-San Joaquin Delta. This bill would declare legislative intent and authorize Central Valley Flood Protection Board to reimburse up to 75% of those costs incurred in any year for maintenance or improvement of levees in excess of \$1,000 per mile of levee.	<p style="text-align: center;">OPPOSE UNLESS AMENDED</p> based upon June 2007 board-adopted Delta Action Plan	SB 554 is contrary to “beneficiaries pay” principle as it seeks to permanently encumber state General Fund for levee maintenance responsibilities on private lands in Sacramento-San Joaquin Delta absent financial justification for such level of state investment. Amendments are necessary to direct Dept. of Water Resources to enlist outside entity to conduct affordability/beneficiaries assessment for Delta levee subventions program.

**ACTION ITEM**

April 20, 2016

TO: Board of Directors**FROM:** **Public Affairs & Legislation Committee**
(Directors Barbre, Hinman, and Tamaribuchi)

Robert Hunter, General Manager

Staff Contact: Heather Baez

SUBJECT: TRAVEL TO WASHINGTON D.C. TO COVER FEDERAL INITIATIVES**STAFF RECOMMENDATION**

Staff recommends the Board of Directors receives and files the report.

COMMITTEE RECOMMENDATION

Committee recommends (To be determined at Committee Meeting)

DETAILED REPORT

For the third quarter of fiscal year 2015-2016, two trips occurred:

- January (Director Barbre & Heather Baez)
- February (Director Barbre – note Heather Baez & Rob Hunter also were in DC in February but that is captured under the ACWA DC Conference, not advocacy.)

Numerous, productive meetings were held with discussions revolving around what Congress and the various Committees will do with respect to specific California drought legislation, the Surface Transportation Bill, a provision added that would allow tax free municipal bond financing to be used with WIFIA Loans; and gathering support for legislation which will encourage permanent water conservation through responsible federal income tax policy by allowing such rebates to occur without our constituents incurring a taxable event – such as a turf removal rebate.

Budgeted (Y/N): Yes	Budgeted amount: \$11,000 for staff, \$8,500 for Board; 2015-2016 Fiscal year expenditure	Core <u>X</u>	Choice <u> </u>
Action item amount:	Line item:		
Fiscal Impact (explain if unbudgeted): Within projected budget			

FISCAL IMPACT

The following is budgeted for fiscal year 2015/2016 for **staff**:

Washington Legislative Travel - \$11,000

- Total cost for this quarter:
January - \$800

The following is budget for fiscal year 2015/2016 for **board** members:

Washington Legislative Travel - \$8,500

- Total cost for this quarter
January - \$800
February - \$1400

Projecting out for 4th Quarter of fiscal year 2015/2016

- One trip has been scheduled by Director Barbre so far:

April ~ \$900. This advocacy trip will be focused on our continued concern about the passing of California drought legislation, discuss measures that MWDOC has taken to mitigate drought issues and what may be needed in the future, the impact of recent rain events on our water supply, respond to questions that offices may have regarding water issues, discuss changes in the WIFIA loan program, and discuss IRS issues (turf removal program, et al). On federal drought, there will be a renewed effort to try and pass something this year. We will have a shortened legislative year due to the Presidential Campaign Conventions in July and August.

**ACTION ITEM**

April 20, 2016

TO: Board of Directors**FROM:** **Public Affairs & Legislation Committee**
(Directors Barbre, Hinman, and Tamaribuchi)

Robert Hunter, General Manager

Staff Contact: Heather Baez

SUBJECT: TRAVEL TO SACRAMENTO TO COVER STATE INITIATIVES**STAFF RECOMMENDATION**

Staff recommends the Board of Directors receives and files the report.

COMMITTEE RECOMMENDATION

Committee recommends (To be determined at Committee Meeting)

DETAILED REPORT

For the third quarter of fiscal year 2015-2016, 3 trips were taken.

- January (Heather Baez)
- February (Heather Baez)
- March (Heather Baez)

FISCAL IMPACT

So far in fiscal year 2015-2016, seven trips have been taken.

Budgeted (Y/N): Yes	Budgeted amount: Sacramento Legislative Advocacy - \$5,000 – 12 trips;	Core <u>X</u>	Choice __
Action item amount:		Line item:	
Fiscal Impact (explain if unbudgeted): Currently travel to Sacramento is slightly over budget but our combined total advocacy budget (Sacramento & Washington D.C.) is under budget for the fiscal year.			

The following is budgeted for fiscal year 2015/2016 for **staff**:

Sacramento Legislative Travel - \$5,000

- Total cost for this quarter:
 - January - \$400
 - February - \$600
 - March - \$750 (conferences in area raised hotel prices to \$349/night)

Projecting out for 4th Quarter of fiscal year 2015/2016

- Upcoming trips:
 - April 29: ACWA State Legislative Committee
 - May 19-20: ACWA State Legislative Committee & advocacy in advance of the House of Origin deadline
 - June 10: ACWA State Legislative Committee

We are projected to be slightly over budget for this fiscal year. Some travel days require an overnight stay, as noted above, while others are a one-day trip. This is a correction that will be made when budgeting for fiscal year 2016-2017.

**ACTION ITEM**

April 20, 2016

TO: Board of Directors**FROM:** **Public Affairs & Legislation Committee**
(Directors Barbre, Hinman, Tamaribuchi)

Robert Hunter, General Manager

Staff Contact: Heather Baez

SUBJECT: AB 1925 (Chang) – Desalination, Statewide Goal**STAFF RECOMMENDATION**

Staff recommends the Board of Directors vote to support AB 1925 (Chang) and send a separate letter to the author and members of the Orange County delegation indicating our support.

COMMITTEE RECOMMENDATION

Committee recommends (To be determined at Committee Meeting)

SUMMARY

AB 1925 would establish a goal to desalinate 300,000 acre-feet of drinking water per year by the year 2025 and 500,000 acre-feet of drinking water per year by the year 2030.

ARGUMENTS IN SUPPORT

According to the author's office, "AB 1925 will serve as a catalyst for pro-desalination policies and proposals throughout the state by placing annual goals for the production of water through desalination. By diversifying California's water supply, promote self-reliance for our diverse regions and provide a drought proof source of water to better prepare us for the inevitable dry years to come."

Budgeted (Y/N): n/a	Budgeted amount:	Core x	Choice __
Fiscal Impact (explain if unbudgeted):			

ARGUMENTS IN OPPOSITION

The Assembly Water, Parks & Wildlife Committee analysis states, "Setting a statewide desalination goal inappropriately prioritizes development of desalination projects, which have significant environmental impacts, as well as high costs to the public. California should not waste funds on this type of investment at this time. Desalination is more expensive than conservation, efficiency, storm water capture, and wastewater recycling. The State of California should prioritize less environmentally harmful, less expensive water resources and only pursue ocean water or groundwater desalination when more cost-effective and less environmentally damaging water resource options have been exhausted."

COMMENTS

This bill is co-authored by Assembly Members Travis Allen, Brian Jones, Devon Mathis, Marc Steinorth & Senator Pat Bates.

Support on file: Association of California Water Agencies, CalDesal, Eastern Municipal Water District, Mesa Water District, Poseidon Water, & South Coast Water District.

Opposition on file: California League of Conservation Voters, Natural Resources Defense Council, & Sierra Club California.

AB 1925 was heard in the Assembly Water, Parks & Wildlife Committee on April 12, 2016. Two amendments were suggested by the committee and were accepted by the author. As of press time for MWDOC's Public Affairs & Legislation Committee packet, the amendments were not yet in print. An oral update will be provided at the committee hearing.

DETAILED REPORT

The full text of AB 1925 is attached.

AMENDED IN ASSEMBLY MARCH 16, 2016

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 1925

Introduced by Assembly Member Chang
(Coauthors: Assembly Members Travis Allen, Jones, Mathis, and Steinorth)
(Coauthor: Senator Bates)

February 12, 2016

An act to add Section 12946.5 to the Water Code, relating to water resources.

LEGISLATIVE COUNSEL'S DIGEST

AB 1925, as amended, Chang. Desalination: statewide goal.

Existing law, the Cobey-Porter Saline Water Conversion Law, states the policy of this state that desalination projects developed by or for public water entities be given the same opportunities for state assistance and funding as other water supply and reliability projects, and that desalination be consistent with all applicable environmental protection policies in the state. The law provides that it is the intention of the Legislature that the Department of Water Resources undertake to find economic and efficient methods of desalting saline water so that desalted water may be made available to help meet the growing water requirements of the state.

This bill would establish a goal to desalinate _____ 300,000 acre-feet of drinking water per year by the year 2025 and _____ 500,000 acre-feet of drinking water per year by the year 2030.

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

SECTION 1. The Legislature finds and declares all of the following:

(a) The State of California is subject to periodic drought conditions and is currently in the fourth year of the most recent drought.

(b) The competing demands for traditional water resources have demonstrated that new drinking water supply options need to be added to support the California economy and the public health and safety of all Californians.

(c) There is an immediate need for safe, clean, and reliable new drinking water to provide local and regional water suppliers all available water supply options to meet their local or regional drinking water supply needs.

(d) The Governor's Water Action Plan encourages the state to maximize local and regional water supply development and calls for the streamlining of the permitting process for desalination and recycling of water.

(e) The policy of the State of California is to reduce its dependence on the Sacramento-San Joaquin Delta.

(f) Desalinated water is an important and reliable source for meeting total water demand. Continued and expanded production and distribution of desalinated water for beneficial and permitted uses can improve regional self-reliance by meeting a portion of future increased total drinking water demands.

SEC. 2. Section 12946.5 is added to the Water Code, to read:

12946.5. This section establishes a statewide goal to desalinate _____ 300,000 acre-feet of drinking water per year by the year 2025 and _____ 500,000 acre-feet of drinking water per year by the year 2030.

O

**ACTION ITEM**

April 20, 2016

TO: Board of Directors**FROM:** **Public Affairs & Legislation Committee**
(Directors Barbre, Hinman, Tamaribuchi)

Robert Hunter, General Manager

Staff Contact: Heather Baez

SUBJECT: SB 1292 (Stone) – Grand Juries: Reports**STAFF RECOMMENDATION**

Staff recommends the Board of Directors vote to support SB 1925 (Stone) and send a letter indicating our support position to the bill's author and the Orange County delegation.

COMMITTEE RECOMMENDATION

Committee recommends (To be determined at Committee Meeting)

SUMMARY

SB 1292 would - (1) require each grand jury to hold an exit interview with the subject of their investigations to discuss the findings of the report, as specified; (2) allow a grand jury to provide a draft of their findings to the subject of the report, in order to receive initial comments on the draft, as specified; and (3) grant the subject of an investigation the option to provide comments on the report that will be released and posted with the grand jury report.

ARGUMENTS IN SUPPORT

CSDA is sponsoring SB 1292 (Stone), which promotes the integrity of the grand jury system and assists the grand jury in increasing the accuracy of their publically released reports, while maintaining the fundamental principles of the civil grand jury as an independent watchdog. Specifically, this bill:

Budgeted (Y/N): n/a	Budgeted amount:	Core x	Choice __
Fiscal Impact (explain if unbudgeted):			

- Requires each grand jury to hold an exit interview with the subject (person or entity) of their investigations to discuss the findings of the report.
- Affords grand juries with the option of providing a draft of their findings to the subject of the report in order to receive initial comments on the draft.
- Grants the subject of an investigation the option to provide comments on the report that will be released and posted with the grand jury report at the time it is made publically available.

ARGUMENTS IN OPPOSITION

The California Supreme Court has confirmed the independence of the grand jury and the inherent value of its final report: "The modern final report, containing the grand jury's findings and recommendations on the subject of its investigations is the normal end product of its watchdog functions and is the only formal means by which the grand jury can hope to effectuate its recommendations." (McClatchy Newspapers v. Superior Court, 44 Cal. 3d 1162, 1171-72 (1988).)

This bill changes procedures relating to a local entity's involvement in the final report of the grand jury.

COMMENTS

CSDA is asking members to support this measure and send a letter as it, "will have a positive effect on all special districts and the public."

Support on file: Association of California Healthcare Districts, California Association of Recreation and Park Districts, California Fire Chiefs Association, California Grand Jurors Association, Fire Districts Association of California.

Opposition on file: California Attorneys for Criminal Justice

DETAILED REPORT

The full text of SB 1292 is attached.

Introduced by Senator Stone

February 19, 2016

An act to ~~amend~~ *amend, repeal, and add* Section 933.05 of the Penal Code, relating to grand juries.

LEGISLATIVE COUNSEL'S DIGEST

SB 1292, as amended, Stone. Grand juries: reports.

(1) Existing law sets forth the duties of the grand jury *of each county*. Existing law requires the grand jury to submit to the presiding judge of the superior court a final report of its findings and recommendations that pertain to county government matters during the fiscal or calendar year. Existing law authorizes a grand jury to request a subject person or entity to come before the grand jury for the purpose of reading and discussing the findings of the grand jury report that relates to that person or entity in order to verify the accuracy of the findings prior to their release.

~~This bill would require a grand jury to request a subject person or entity to come before the grand jury as described above. The bill would authorize a grand jury to disclose the factual data used in making its findings during discussions conducted pursuant to these provisions.~~

~~This bill would authorize a grand jury to provide to a subject person or entity for comment an administrative draft of that portion of the grand jury's report relating to that subject person or entity. The bill would require an administrative draft provided pursuant to this provision to include proposed grand jury findings, would authorize the draft to include the factual data utilized in making the grand jury's findings, and would prohibit the draft from including the grand jury's~~

~~recommendations. Within a time period determined by the grand jury, but no sooner than 10 days after the grand jury submits an administrative draft of its report to a subject person or entity for comment, the bill would authorize the subject person or entity to file with the grand jury written comments on the findings and data included in the administrative draft pertaining to that subject person or entity. The bill would prohibit an officer, agency, department, or governing body of a public agency from disclosing any contents of the administrative draft of the report prior to the public release of the final report.~~

This bill would delete the authority of a grand jury to request a subject person or entity to come before it for purposes of reading and discussing the findings of a grand jury report. The bill would instead require a grand jury to conduct at least one exit interview of an official or other responsible representative of each entity to which recommendations will be directed in a final grand jury report. The bill would authorize the grand jury, with the court's approval, to provide to the exit interviewee a copy of the draft findings related to that entity and would allow the subject entity to provide written comments to the grand jury concerning the draft findings within a time to be determined by the grand jury, but at least 5 working days after providing the draft findings to the exit interviewee. The bill would require any draft findings given to the exit interviewee to remain confidential, would prohibit those findings from being distributed to anyone outside the entity prior to or after the release of the final report, and would prohibit the exit interviewee and any board, officer, employee, or agent of the entity from publicly revealing any other information obtained during the exit interview prior to the public release of the report.

Existing law requires a grand jury to provide to the affected agency a copy of the portion of the grand jury report relating to that person or entity 2 working days prior to its public release and after the approval of the presiding judge.

~~This bill would instead require a grand jury to provide to the affected agency for comment~~ *entity a copy of the portion of the grand jury report relating to that person or entity no later than 10 6 working days prior to its public release and after the approval of the presiding judge. The bill would authorize all written comments of the affected agency to be submitted the subject person or entity to submit a preliminary response on behalf of the affected entity to the presiding judge of the superior court who impaneled the grand jury jury, with a copy of that preliminary response submitted to the grand jury, no later than 10 6 working days*

after receipt of a copy of the grand jury final report by the affected agency. The bill would require ~~a copy of all written comments by the affected agency to be placed on file as part of the contents of the applicable~~ *the grand jury to release, when the final report is publicly released, a copy of any preliminary response that relates to the final report and included in the public release of the final report. either by posting the preliminary response on an Internet Web site or by electronic transmission with the final report, as specified.*

(2) The Ralph M. Brown Act requires, with specified exceptions, that all meetings of a legislative body of a local agency, as those terms are defined, be open and public and that all persons be permitted to attend and participate.

This bill would authorize the governing body of an affected ~~agency~~ *entity* to meet in closed session to discuss and prepare written comments of the affected ~~agency~~ *entity* to the *confidential draft* findings and ~~factual data contained in an administrative draft~~ *the facts related to those confidential draft findings* of the grand jury report and a ~~grand jury final report~~ submitted for comment to the entity by ~~a~~ *the* grand jury pursuant to the provisions described above. *The bill would also authorize the governing body of an affected entity to meet in closed session to discuss and prepare a written preliminary response to a grand jury final report submitted to the entity by the grand jury pursuant to the provisions described above.* The bill would require, if a legislative body of a local agency meets to discuss the final report of the grand jury at either a regular or special meeting after the public release of a grand jury final report, the legislative body to do so in a meeting conducted pursuant to the Ralph M. Brown Act unless exempted from this requirement by some other provision of law.

(3) *This bill would make its provisions operative beginning July 1, 2017.*

~~(3)~~

(4) Existing constitutional provisions require that a statute that limits the right of access to the meetings of public bodies or the writings of public officials and agencies be adopted with findings demonstrating the interest protected by the limitation and the need for protecting that interest.

This bill would make legislative findings to that effect.

Vote: majority. Appropriation: no. Fiscal committee: yes.

State-mandated local program: no.

The people of the State of California do enact as follows:

1 ~~SECTION 1. Section 933.05 of the Penal Code is amended to~~
2 ~~read:~~

3 ~~933.05. (a) For purposes of subdivision (b) of Section 933, as~~
4 ~~to each grand jury finding, the responding person or entity shall~~
5 ~~indicate one of the following:~~

6 ~~(1) The respondent agrees with the finding.~~

7 ~~(2) The respondent disagrees wholly or partially with the finding,~~
8 ~~in which case the response shall specify the portion of the finding~~
9 ~~that is disputed and shall include an explanation of the reasons~~
10 ~~therefor.~~

11 ~~(b) For purposes of subdivision (b) of Section 933, as to each~~
12 ~~grand jury recommendation, the responding person or entity shall~~
13 ~~report one of the following actions:~~

14 ~~(1) The recommendation has been implemented, with a summary~~
15 ~~regarding the implemented action.~~

16 ~~(2) The recommendation has not yet been implemented, but~~
17 ~~will be implemented in the future, with a timeframe for~~
18 ~~implementation.~~

19 ~~(3) The recommendation requires further analysis, with an~~
20 ~~explanation and the scope and parameters of an analysis or study,~~
21 ~~and a timeframe for the matter to be prepared for discussion by~~
22 ~~the officer or head of the agency or department being investigated~~
23 ~~or reviewed, including the governing body of the public agency~~
24 ~~when applicable. This timeframe shall not exceed six months from~~
25 ~~the date of publication of the grand jury report.~~

26 ~~(4) The recommendation will not be implemented because it is~~
27 ~~not warranted or is not reasonable, with an explanation therefor.~~

28 ~~(c) If a finding or recommendation of the grand jury addresses~~
29 ~~budgetary or personnel matters of a county agency or department~~
30 ~~headed by an elected officer, both the agency or department head~~
31 ~~and the board of supervisors shall respond if requested by the grand~~
32 ~~jury, but the response of the board of supervisors shall address~~
33 ~~only those budgetary or personnel matters over which it has some~~
34 ~~decisionmaking authority. The response of the elected agency or~~
35 ~~department head shall address all aspects of the findings or~~
36 ~~recommendations affecting his or her agency or department.~~

37 ~~(d) (1) A grand jury shall request a subject person or entity to~~
38 ~~come before the grand jury for the purpose of reading and~~

1 discussing the findings of the grand jury report that relates to that
2 person or entity in order to verify the accuracy of the findings prior
3 to their release.

4 (2) A grand jury may disclose the factual data used in making
5 its findings during discussions conducted pursuant to paragraph
6 (1).

7 (3) A grand jury may provide to a subject person or entity for
8 comment an administrative draft of that portion of the grand jury's
9 report relating to that subject person or entity. An administrative
10 draft provided pursuant to this paragraph shall include proposed
11 grand jury findings, may include the factual data utilized in making
12 the grand jury's findings, and shall not include the grand jury's
13 recommendations. Within a time period determined by the grand
14 jury, but no sooner than 10 days after the grand jury submits an
15 administrative draft of its report to a subject person or entity for
16 comment, the subject person or entity may file with the grand jury
17 written comments on the findings and data included in the
18 administrative draft pertaining to that subject person or entity. An
19 officer, agency, department, or governing body of a public agency
20 shall not disclose any contents of the administrative draft of the
21 report prior to the public release of the final report.

22 (e) During an investigation, the grand jury shall meet with the
23 subject of that investigation regarding the investigation, unless the
24 court, either on its own determination or upon request of the
25 foreperson of the grand jury, determines that such a meeting would
26 be detrimental.

27 (f) A grand jury shall provide to the affected agency for
28 comment a copy of the portion of the grand jury report relating to
29 that person or entity no later than 10 days prior to its public release
30 and after the approval of the presiding judge. All written comments
31 of the affected agency may be submitted to the presiding judge of
32 the superior court who impaneled the grand jury no later than 10
33 days after receipt of a copy of the grand jury final report by the
34 affected agency. A copy of all written comments by the affected
35 agency shall be placed on file as part of the contents of the
36 applicable grand jury final report and included in the public release
37 of the final report. An officer, agency, department, or governing
38 body of a public agency shall not disclose any contents of the
39 report prior to the public release of the final report.

1 ~~(g) (1) Notwithstanding any other law, except as provided in~~
2 ~~paragraph (2), the governing body of an affected agency may meet~~
3 ~~in closed session to discuss and prepare written comments of the~~
4 ~~affected agency to both of the following:~~

5 ~~(A) The findings and factual data contained in an administrative~~
6 ~~draft of the grand jury report submitted for comment by a grand~~
7 ~~jury pursuant to paragraph (3) of subdivision (d).~~

8 ~~(B) A grand jury final report submitted for comment by a grand~~
9 ~~jury pursuant to subdivision (f).~~

10 ~~(2) If the legislative body of a local agency meets to discuss the~~
11 ~~final report of the grand jury at either a regular or special meeting~~
12 ~~after the public release of a grand jury final report, the legislative~~
13 ~~body shall do so in a meeting conducted pursuant to the Ralph M.~~
14 ~~Brown Act (Chapter 9 (commencing with Section 54950) of Part~~
15 ~~1 of Division 2 of Title 5 of the Government Code) unless~~
16 ~~exempted from this requirement by some other provision of law.~~

17 ~~SECTION 1. Section 933.05 of the Penal Code is amended to~~
18 ~~read:~~

19 ~~933.05. (a) For purposes of subdivision (b) of Section 933, as~~
20 ~~to each grand jury finding, the responding person or entity shall~~
21 ~~indicate one of the following:~~

22 ~~(1) The respondent agrees with the finding.~~

23 ~~(2) The respondent disagrees wholly or partially with the finding,~~
24 ~~in which case the response shall specify the portion of the finding~~
25 ~~that is disputed and shall include an explanation of the reasons~~
26 ~~therefor.~~

27 ~~(b) For purposes of subdivision (b) of Section 933, as to each~~
28 ~~grand jury recommendation, the responding person or entity shall~~
29 ~~report one of the following actions:~~

30 ~~(1) The recommendation has been implemented, with a summary~~
31 ~~regarding the implemented action.~~

32 ~~(2) The recommendation has not yet been implemented, but~~
33 ~~will be implemented in the future, with a timeframe for~~
34 ~~implementation.~~

35 ~~(3) The recommendation requires further analysis, with an~~
36 ~~explanation and the scope and parameters of an analysis or study,~~
37 ~~and a timeframe for the matter to be prepared for discussion by~~
38 ~~the officer or head of the agency or department being investigated~~
39 ~~or reviewed, including the governing body of the public agency~~

1 when applicable. This timeframe shall not exceed six months from
2 the date of publication of the grand jury report.

3 (4) The recommendation will not be implemented because it is
4 not warranted or is not reasonable, with an explanation therefor.

5 (c) ~~However, if~~ If a finding or recommendation of the grand
6 jury addresses budgetary or personnel matters of a county agency
7 or department headed by an elected officer, both the agency or
8 department head and the board of supervisors shall respond if
9 requested by the grand jury, but the response of the board of
10 supervisors shall address only those budgetary or personnel matters
11 over which it has some decisionmaking authority. The response
12 of the elected agency or department head shall address all aspects
13 of the findings or recommendations affecting his or her agency or
14 department.

15 (d) A grand jury may request a subject person or entity to come
16 before the grand jury for the purpose of reading and discussing
17 the findings of the grand jury report that relates to that person or
18 entity in order to verify the accuracy of the findings prior to their
19 release.

20 (e) During an investigation, the grand jury shall meet with the
21 subject of that investigation regarding the investigation, unless the
22 court, either on its own determination or upon request of the
23 foreperson of the grand jury, determines that such a meeting would
24 be detrimental.

25 (f) A grand jury shall provide to the affected agency a copy of
26 the portion of the grand jury report relating to that person or entity
27 two working days prior to its public release and after the approval
28 of the presiding judge. No officer, agency, department, or
29 governing body of a public agency shall disclose any contents of
30 the report prior to the public release of the final report.

31 (g) *This section shall become inoperative on July 1, 2017, and,*
32 *as of January 1, 2018, is repealed, unless a later enacted statute,*
33 *that becomes operative on or before January 1, 2018, deletes or*
34 *extends the dates on which it becomes inoperative and is repealed.*

35 SEC. 2. Section 933.05 is added to the Penal Code, to read:

36 933.05. (a) For purposes of subdivision (b) of Section 933, as
37 to each grand jury finding, the responding person or entity shall
38 indicate one of the following:

39 (1) The respondent agrees with the finding.

1 (2) *The respondent disagrees wholly or partially with the*
2 *finding, in which case the response shall specify the portion of the*
3 *finding that is disputed and shall include an explanation of the*
4 *reasons therefor.*

5 (b) *For purposes of subdivision (b) of Section 933, as to each*
6 *grand jury recommendation, the responding person or entity shall*
7 *report one of the following actions:*

8 (1) *The recommendation has been implemented, with a summary*
9 *regarding the implemented action.*

10 (2) *The recommendation has not yet been implemented, but will*
11 *be implemented in the future, with a timeframe for implementation.*

12 (3) *The recommendation requires further analysis, with an*
13 *explanation and the scope and parameters of an analysis or study,*
14 *and a timeframe for the matter to be prepared for discussion by*
15 *the officer or head of the agency or department being investigated*
16 *or reviewed, including the governing body of the public agency*
17 *when applicable. This timeframe shall not exceed six months from*
18 *the date of publication of the grand jury report.*

19 (4) *The recommendation will not be implemented because it is*
20 *not warranted or is not reasonable, with an explanation therefor.*

21 (c) *If a finding or recommendation of the grand jury addresses*
22 *budgetary or personnel matters of a county agency or department*
23 *headed by an elected officer, both the agency or department head*
24 *and the board of supervisors shall respond if requested by the*
25 *grand jury, but the response of the board of supervisors shall*
26 *address only those budgetary or personnel matters over which it*
27 *has some decisionmaking authority. The response of the elected*
28 *agency or department head shall address all aspects of the findings*
29 *or recommendations affecting his or her agency or department.*

30 (d) (1) *A grand jury shall conduct at least one exit interview*
31 *of an official or other responsible representative of each entity to*
32 *which recommendations will be directed in a final grand jury*
33 *report. The grand jury shall read to, and discuss with, the exit*
34 *interviewee the draft findings of the report that relate to that entity*
35 *in order to verify the accuracy of the findings.*

36 (2) *The grand jury may also discuss with the exit interviewee*
37 *the facts in that report that support one or more of those findings.*

38 (3) *With the court's approval, the grand jury may provide to*
39 *the exit interviewee a copy of the draft findings related to that*
40 *entity and may allow the subject entity to provide written comments*

1 *to the grand jury concerning the draft findings within a time to be*
2 *determined by the grand jury, but at least five working days after*
3 *providing the draft findings to the exit interviewee.*

4 *(4) The grand jury shall not reveal to the exit interviewee the*
5 *name of any person, or another fact that identifies any person,*
6 *who provided information to the grand jury.*

7 *(5) Any draft findings given to the exit interviewee shall remain*
8 *confidential and shall not be distributed to anyone outside the*
9 *entity prior to or after the release of the final report. The exit*
10 *interviewee and any board, officer, employee, or agent of the entity*
11 *shall not publicly reveal any other information obtained during*
12 *the exit interview prior to the public release of the report.*

13 *(e) During an investigation, the grand jury shall meet with the*
14 *subject of that investigation regarding the investigation, unless*
15 *the court, either on its own determination or upon request of the*
16 *foreperson of the grand jury, determines that such a meeting would*
17 *be detrimental.*

18 *(f) A grand jury shall provide to the affected entity a copy of*
19 *the portion of the grand jury report relating to that person or entity*
20 *no later than six working days prior to its public release and after*
21 *the approval of the presiding judge. The subject person or entity*
22 *may submit a preliminary response on behalf of the affected entity*
23 *to the presiding judge of the superior court who impaneled the*
24 *grand jury, with a copy of that preliminary response submitted to*
25 *the grand jury, no later than six working days after receipt of a*
26 *copy of the grand jury final report by the affected entity. The grand*
27 *jury shall, when the final report is publicly released, also release*
28 *a copy of any preliminary response that relates to the final report*
29 *either by posting the preliminary response on an Internet Web site*
30 *or by electronic transmission with the final report. If the grand*
31 *jury distributes printed copies of the report, the preliminary*
32 *response or a citation to the Internet Web site where the report*
33 *and preliminary response, if any, are posted shall be included with*
34 *or in the report. A board, officer, employee, agent, department, or*
35 *governing body of the entity shall not disclose any contents of the*
36 *report prior to the public release of the final report.*

37 *(g) (1) Notwithstanding any other law, except as provided in*
38 *paragraph (2), the governing body of an affected entity may meet*
39 *in closed session to do both of the following:*

1 (A) Discuss and prepare written comments of the affected entity
2 to the confidential draft findings and the facts related to those
3 confidential draft findings of the grand jury report submitted to
4 the entity by the grand jury pursuant to paragraph (3) of
5 subdivision (d).

6 (B) Discuss and prepare a written preliminary response to a
7 grand jury final report submitted to the entity by the grand jury
8 pursuant to subdivision (f).

9 (2) If the legislative body of a local agency meets to discuss the
10 final report of the grand jury at either a regular or special meeting
11 after the public release of a grand jury final report, the legislative
12 body shall do so in a meeting conducted pursuant to the Ralph M.
13 Brown Act (Chapter 9 (commencing with Section 54950) of Part
14 1 of Division 2 of Title 5 of the Government Code) unless exempted
15 from this requirement by some other law.

16 (h) This section shall become operative on July 1, 2017.

17 ~~SEC. 2.~~

18 SEC. 3. The Legislature finds and declares that Section 1 of
19 this act, which amends Section 933.05 of the Penal Code, imposes
20 a limitation on the public's right of access to the meetings of public
21 bodies or the writings of public officials and agencies within the
22 meaning of Section 3 of Article I of the California Constitution.
23 Pursuant to that constitutional provision, the Legislature makes
24 the following findings to demonstrate the interest protected by this
25 limitation and the need for protecting that interest:

26 In order to protect the confidentiality of grand jury investigations
27 and reports, it is necessary for this act to take effect.

O

**ACTION ITEM**

April 20, 2016

TO: Board of Directors**FROM:** **Public Affairs & Legislation Committee**
(Directors Barbre, Hinman, Tamaribuchi)

Robert Hunter, General Manager

Staff Contact: Heather Baez

SUBJECT: H.R. 4822 (Nunes) – Public Employee Pension Transparency Act**STAFF RECOMMENDATION**

Staff recommends the Board of Directors vote to support H.R. 4822 and send a separate letter to the author and members of the Orange County delegation indicating our support.

COMMITTEE RECOMMENDATION

Committee recommends (To be determined at Committee Meeting)

SUMMARY

H.R. 4822 would amend the Internal Revenue Code of 1986 to provide for reporting and disclosure by State and local public employee retirement pension plans by encouraging state and local government pension plans to disclose the true nature of their liabilities with the Secretary of the Treasury. This information would be available to the public through a searchable website. State and local governments that fail to disclose the requested information would have their federal tax-exempt bonding authority eliminated. The bill also expressly states that state and local pension obligations are solely the responsibility of those entities and that the federal government will not provide a bailout.

Budgeted (Y/N): n/a	Budgeted amount:	Core x	Choice __
Fiscal Impact (explain if unbudgeted):			

ARGUMENTS IN SUPPORT

According to the author's office, "Public pension accounting should ideally provide citizens and government officials with a sense of how indebted taxpayers are to state and local government employees. However, the government accounting standards currently used allow states to use procedures that severely understate their liabilities.

Using the revised standards of the Governmental Accounting Standards Board, state and municipal public pension officials have disclosed unfunded liabilities of \$1.2 trillion. However, even this enormous number fails to convey the true debt level because public pensions can calculate their liabilities using unreasonably high discount rates. In many instances, they also severely distort the fair market value of assets in order to hide debt. A forthcoming study by Stanford University Professor of Finance Joshua Rauh estimates the true amount of unfunded liabilities for states and major municipalities, as of 2014, at \$3.4 trillion — nearly triple the amount reported by the pension funds themselves.

Under current law, government accounting standards result in public pensions discounting their liabilities at the expected rate of return on their assets. Economists have stated that this approach is analytically misguided, as the magnitude of pension liabilities should be viewed as independent of how a pension's funds are invested. In practice, these standards set up a false equivalence between pension payments, which are in most cases guaranteed by Constitutional protections, and the much less certain outcome of an investment portfolio.

ARGUMENTS IN OPPOSITION

According to a letter from the opposition (listed below), "This legislation creates a dangerous precedent with regard to federal taxation and regulation of state and local governments.

The proposal does not protect benefits, save taxpayer dollars or improve retirement system funding. To the contrary, it imposes federal unfunded mandates in areas that are the fiscal responsibility of sovereign States and localities, and is conflicting, administratively burdensome and costly. Further, it threatens to eliminate the tax-exempt bonding authority of state and local governments.

The legislation not only violates the principles of federalism, but represents a fundamental lack of understanding regarding state and local government operations and financing, including governmental accounting rules and strict legal constraints already in place that require open financial reporting and processes. It also ignores the fact that every state and countless localities have recently made modifications to pension financing, benefits structures, or both."

COMMENTS

Support: National Taxpayers Union, Americans for Tax Reform, American Conservative Union, Citizens Against Government Waste, Americans for Limited Government, Americans

for Prosperity, U.S. Chamber of Commerce, Free Enterprise Nation, National Federation of Independent Business

Opposition: National Conference of State Legislatures (NCSL), International Association of Fire Fighters (IAFF), National Association of Counties (NACo), National Association of Police Organizations (NAPO) , United States Conference of Mayors (USCM), National Education Association (NEA), National League of Cities (NLC), American Federation of Teachers (AFT), International City/County Management Association (ICMA) National Association of State Auditors Comptrollers and Treasurers (NASACT), American Federation of State, County and Municipal Employees (AFSCME), Government Finance Officers Association (GFOA), Service Employees International Union (SEIU), International Public Management Association for Human Resources (IPMA-HR), National Conference of State Social Security Administrators (NCSSSA), National Conference on Public Employee Retirement Systems (NCPERS), National Council on Teacher Retirement (NCTR), National Association of State Retirement Administrators (NASRA)

DETAILED REPORT

The full text of H.R. 4822 is attached.

114TH CONGRESS
2D SESSION

H. R. 4822

To amend the Internal Revenue Code of 1986 to provide for reporting and disclosure by State and local public employee retirement pension plans.

IN THE HOUSE OF REPRESENTATIVES

MARCH 21, 2016

Mr. NUNES (for himself, Mr. STEWART, Mr. DUNCAN of South Carolina, Mr. ROSS, Mr. ROKITA, Mr. MARCHANT, and Mr. BUCSHON) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to provide for reporting and disclosure by State and local public employee retirement pension plans.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Public Employee Pen-
5 sion Transparency Act”.

6 **SEC. 2. FINDINGS.**

7 The Congress finds the following:

8 (1) Pursuant to clauses 1 and 3 of section 8 of
9 article I of the Constitution of the United States,

1 the Congress has the authority to condition the con-
2 tinuation of certain specified Federal tax benefits
3 upon State or local government employee pension
4 benefit plans on the provision of meaningful disclo-
5 sure under section 4980J of the Internal Revenue
6 Code of 1986, as added by this Act.

7 (2) State and local government employee pen-
8 sion benefit plans have promised pension benefits to
9 approximately 20,000,000 Americans who are active
10 employees of these entities. An additional 7,000,000
11 retirees and their dependents currently receive bene-
12 fits from State or local government employee pen-
13 sion benefit plans. The interests of participants in
14 many of such plans are in the nature of property
15 rights under State law.

16 (3) State and local government employee pen-
17 sion benefit plans are substantially facilitated by the
18 favorable tax treatment of participants and bene-
19 ficiaries, investment earnings, and employee con-
20 tributions with respect to such plans provided by the
21 Federal Government under the Internal Revenue
22 Code of 1986.

23 (4) The investment of State or local govern-
24 ment employee pension benefit plan assets, the dis-
25 tribution of benefits under such plans, and other re-

1 lated financial activities are facilitated through the
2 use of instrumentalities of, and substantially affect,
3 interstate commerce. These activities, which are
4 interstate in nature and have a substantial impact
5 on the national economy, affect capital formation,
6 regional growth and decline, the national markets
7 for insurance, and the markets for securities and the
8 trading of securities of State and local governments.

9 (5) The financial status of State or local gov-
10 ernment employee pension benefit plans also has a
11 direct impact on the national markets for insurance
12 and trading of securities of State and local govern-
13 ments.

14 (6) State or local government employee pension
15 benefit plans additionally have a substantial impact
16 on interstate commerce as a consequence of the
17 interstate movement of participants.

18 (7) State or local government employee pension
19 benefit plans are becoming a large financial burden
20 on certain State and local governments and have al-
21 ready resulted in tax increases and the reduction of
22 services.

23 (8) In fact, a soon to be published study has
24 determined that as of 2014, the present value of the
25 already promised pension liabilities of the 50 States

1 and major municipalities, calculated using the meth-
2 odology prescribed by this bill, is
3 \$7,019,627,000,000 with unfunded liabilities at
4 \$3,412,587,000,000. These amounts are substan-
5 tially higher than those reported by pension funds
6 using the Governmental Accounting Standards
7 Board's (GASB) revised standards (total liabilities
8 of \$4,798,075,000,000 and unfunded liabilities of
9 \$1,191,035,000,000).

10 (9) Some economists and observers have stated
11 that the extent to which State or local government
12 employee pension benefit plans are underfunded is
13 obscured by governmental accounting rules and
14 practices, particularly as they relate to the valuation
15 of plan assets and liabilities. This results in a
16 misstatement of the value of plan assets and an un-
17 derstatement of plan liabilities, a situation that
18 poses a significant threat to the soundness of State
19 and local budgets.

20 (10) There currently is a lack of meaningful
21 disclosure regarding the value of State or local gov-
22 ernment employee pension benefit plan assets and li-
23 abilities. This lack of meaningful disclosure poses a
24 direct and serious threat to the financial stability of
25 such plans and their sponsoring governments, im-

1 pairs the ability of State and local government tax-
2 payers and officials to understand the financial obli-
3 gations of their government, and reduces the likeli-
4 hood that State and local government processes will
5 be effective in assuring the prudent management of
6 their plans. The status quo also constitutes a serious
7 threat to the future economic health of the Nation
8 and places an undue burden upon State and local
9 government taxpayers, who will be called upon to
10 fully fund existing, and future, pension promises.

11 (11) State or local government employee pen-
12 sion benefit plans affect the national public interest
13 and meaningful disclosure of the value of their as-
14 sets and liabilities is necessary and desirable in
15 order to adequately protect plan participants and
16 their beneficiaries and the general public. Meaning-
17 ful disclosure would also further efforts to provide
18 for the general welfare and the free flow of com-
19 merce.

1 **SEC. 3. REPORTING OF INFORMATION WITH RESPECT TO**
 2 **STATE OR LOCAL GOVERNMENT EMPLOYEE**
 3 **PENSION BENEFIT PLANS TREATED AS A TAX**
 4 **EXEMPTION, ETC., REQUIREMENT FOR STATE**
 5 **AND LOCAL BONDS.**

6 (a) IN GENERAL.—Subpart B of part IV of sub-
 7 chapter B of chapter 1 of the Internal Revenue Code of
 8 1986 is amended by adding at the end the following new
 9 section:

10 **“SEC. 149A. REPORTING WITH RESPECT TO STATE OR**
 11 **LOCAL GOVERNMENT EMPLOYEE PENSION**
 12 **BENEFIT PLANS.**

13 “(a) IN GENERAL.—In the case of a failure to satisfy
 14 any requirement of subsection (a) or (b) of section 4980J
 15 with respect to any plan maintained with respect to em-
 16 ployees of one or more States or political subdivisions of
 17 one or more States, no specified Federal tax benefit shall
 18 be allowed or made with respect to any specified bond
 19 issued by any such State or political subdivision (or by
 20 any bonding authority acting on behalf, or for the benefit,
 21 of such State or political subdivision) during the non-
 22 compliance period.

23 “(b) NONCOMPLIANCE PERIOD.—For purposes of
 24 this section, the term ‘noncompliance period’ means, with
 25 respect to any State or political subdivision in connection
 26 with any failure described in subsection (a), the period be-

1 ginning on the date that the Secretary notifies such State
 2 or political subdivision of such failure and ending on the
 3 date that such failure is cured (as determined by the Sec-
 4 retary).

5 “(c) SPECIFIED BOND.—For purposes of this section,
 6 the term ‘specified bond’ means—

7 “(1) any State or local bond within the meaning
 8 of section 103,

9 “(2) any qualified tax credit bond within the
 10 meaning of section 54A, and

11 “(3) any build America bond within the mean-
 12 ing of section 54AA.

13 “(d) SPECIFIED FEDERAL TAX BENEFIT.—For pur-
 14 poses of this section, the term ‘specified Federal tax ben-
 15 efit’ means—

16 “(1) any exemption from gross income allowed
 17 under section 103 (relating to interest on State and
 18 local bonds),

19 “(2) any credit allowed under section 54A (re-
 20 lating to credit to holders of qualified tax credit
 21 bonds),

22 “(3) any credit allowed under section 54AA (re-
 23 lating to build America bonds), and

1 “(4) any credit or payment allowed or made
 2 under section 6431 (relating to credit for qualified
 3 bonds allowed to issuer).”.

4 (b) REPORTING REQUIREMENTS.—Chapter 43 of
 5 such Code is amended by adding at the end the following
 6 new section:

7 **“SEC. 4980J. FAILURE OF STATE OR LOCAL GOVERNMENT**
 8 **EMPLOYEE PENSION BENEFIT PLANS TO**
 9 **MEET REPORTING REQUIREMENTS.**

10 “(a) ANNUAL REPORT.—For purposes of section
 11 149A, the requirements of this subsection are as follows:

12 “(1) IN GENERAL.—The plan sponsor of a
 13 State or local government employee pension benefit
 14 plan shall file with the Secretary, in such form and
 15 manner as shall be prescribed by the Secretary, a re-
 16 port for each plan year beginning on or after Janu-
 17 ary 1, 2017, setting forth the following information
 18 with respect to the plan, as determined by the plan
 19 sponsor as of the end of such plan year:

20 “(A) A schedule of funding status, which
 21 shall include a statement as to the current li-
 22 ability of the plan, the amount of plan assets
 23 available to meet that liability, the amount of
 24 the net unfunded liability (if any), and the
 25 funding percentage of the plan.

1 “(B) A schedule of contributions by the
2 plan sponsor for the plan year, indicating which
3 are or are not taken into account under sub-
4 paragraph (A).

5 “(C) Alternative projections which shall be
6 specified in regulations of the Secretary for
7 each of the next 60 plan years following the
8 plan year of the cash flows associated with the
9 current liability, together with a statement of
10 the assumptions used in connection with such
11 projections. The Secretary shall specify in such
12 regulations the projection assumptions to be
13 used as necessary to achieve comparability
14 across plans.

15 “(D) A statement of the actuarial assump-
16 tions used for the plan year, including the rate
17 of return on investment of plan assets and as-
18 sumptions as to such other matters as the Sec-
19 retary may prescribe by regulation.

20 “(E) A statement of the number of partici-
21 pants who are each of the following—

22 “(i) those who are retired or sepa-
23 rated from service and are receiving bene-
24 fits,

1 “(ii) those who are retired or sepa-
2 rated and are entitled to future benefits,
3 and

4 “(iii) those who are active under the
5 plan.

6 “(F) A statement of the plan’s investment
7 returns, including the rate of return, for the
8 plan year and the 5 preceding plan years.

9 “(G) A statement of the degree to which,
10 and manner in which, the plan sponsor expects
11 to eliminate any unfunded current liability that
12 may exist for the plan year and the extent to
13 which the plan sponsor has followed the plan’s
14 funding policy for each of the preceding 5 plan
15 years. The Secretary shall prescribe by regula-
16 tion the specific criteria to be used for meeting
17 the requirements of this paragraph.

18 “(H) A statement of the amount of pen-
19 sion obligation bonds outstanding.

20 “(I) A statement of the current cost of the
21 plan for the plan year.

22 “(2) TIMING OF REPORT.—The plan sponsor of
23 a State or local government employee pension ben-
24 efit plan shall make the filing required under para-
25 graph (1) for each plan year not later than 210 days

1 after the end of such plan year (or within such time
 2 as may be required by regulations prescribed by the
 3 Secretary in order to reduce duplicative filing).

4 “(b) ADDITIONAL REPORTING REQUIREMENTS.—
 5 For purposes of section 149A, the requirements of this
 6 subsection are as follows:

7 “(1) SUPPLEMENTARY REPORTS.—In any case
 8 in which, in determining the information filed in the
 9 annual report for a plan year under subsection (a)—

10 “(A) the value of plan assets is determined
 11 using a standard other than fair market value,
 12 or

13 “(B) the interest rate or rates used to de-
 14 termine the value of liabilities or as the dis-
 15 count value for liabilities are not the interest
 16 rates described in paragraph (3), the plan spon-
 17 sor shall include in the annual report filed for
 18 such plan year pursuant to subsection (a) the
 19 supplementary report for such plan year de-
 20 scribed in paragraph (2) of this subsection.

21 “(2) USE OF PRESCRIBED VALUATION METHOD
 22 AND INTEREST RATES.—A supplementary report for
 23 a plan year filed for a plan year pursuant to this
 24 subsection shall include the information specified as
 25 required in the annual report under subparagraphs

1 (A), (F), (G) and (I) of subsection (a)(1), deter-
 2 mined as of the end of such plan year by valuing
 3 plan assets at fair market value and by using the in-
 4 terest rates described in paragraph (3) to value li-
 5 abilities and as the discount value for liabilities.

6 “(3) INTEREST RATES BASED ON U.S. TREAS-
 7 URY OBLIGATION YIELD CURVE RATE.—

8 “(A) IN GENERAL.—The interest rates de-
 9 scribed in this subsection are, with respect to
 10 any day, the rates of interest which shall be de-
 11 termined by the Secretary for such day on the
 12 basis of the U.S. Treasury obligation yield
 13 curve for such day.

14 “(B) U.S. TREASURY OBLIGATION YIELD
 15 CURVE.—For purposes of this subsection, the
 16 term ‘U.S. Treasury obligation yield curve’
 17 means, with respect to any day, a yield curve
 18 which shall be prescribed by the Secretary for
 19 such day on interest-bearing obligations of the
 20 United States.

21 “(c) DEFINITIONS AND SPECIAL RULES.—For pur-
 22 poses of this section—

23 “(1) STATE OR LOCAL GOVERNMENT EM-
 24 PLOYEE PENSION BENEFIT PLAN.—The terms ‘State
 25 or local government employee pension benefit plan’

1 and ‘plan’ mean any plan, fund, or program, other
 2 than a defined contribution plan (within the mean-
 3 ing of section 414(i)), which was heretofore or is
 4 hereafter established or maintained, in whole or in
 5 part, by a State, a political subdivision of a State,
 6 or any agency or instrumentality of a State or polit-
 7 ical subdivision of a State, to the extent that by its
 8 express terms or as a result of surrounding cir-
 9 cumstances such plan, fund, or program—

10 “(A) provides retirement income to em-
 11 ployees, or

12 “(B) results in a deferral of income by em-
 13 ployees for periods extending to the termination
 14 of covered employment or beyond, regardless of
 15 the method of calculating the contributions
 16 made to the plan, the method of calculating the
 17 benefits under the plan, or the method of dis-
 18 tributing benefits from the plan.

19 “(2) FUNDING PERCENTAGE.—The term ‘fund-
 20 ing percentage’ for a plan year means the ratio (ex-
 21 pressed as a percentage) which—

22 “(A) the value of plan assets as of the end
 23 of the plan year bears to

24 “(B) the current liability of the plan for
 25 the plan year.

1 “(3) CURRENT LIABILITY.—The term ‘current
2 liability’ of a plan for a plan year means the present
3 value of all benefits accrued or earned under the
4 plan as of the end of the plan year.

5 “(4) PRESENT VALUE.—

6 “(A) IN GENERAL.—The present value of
7 an accrued benefit shall be determined by dis-
8 counting its future cash flows in accordance
9 with subsection (b)(3). The present value of all
10 benefits accrued for a participant shall be cal-
11 culated as the sum of the present value of the
12 accrued benefit for each exit event multiplied by
13 the probability of the associated exit event.

14 “(B) EXIT EVENT.—An ‘exit event’ occurs
15 when the employment of a plan participant ter-
16 minates. For each currently employed plan par-
17 ticipant as of the measurement date, there are
18 one or more potential future exit events. Each
19 exit event is associated with a termination date,
20 a cause of termination (e.g., retirement, death,
21 disability, quit, etc.), a contractual benefit, and
22 a probability that the participant will exit em-
23 ployment via the particular event.

24 “(5) ACCRUED BENEFIT.—

1 “(A) IN GENERAL.—An ‘accrued benefit’ is
2 determined for each exit event as the projected
3 benefit multiplied by service earned as of the
4 measurement date divided by service projected
5 to be earned by the event date. For participants
6 retired or separated from service as of the
7 measurement date, the accrued benefit equals
8 the projected benefit.

9 “(B) PROJECTED BENEFIT.—As of the
10 measurement date, a ‘projected benefit’ (con-
11 sisting of future cash flows) is calculated for
12 each possible exit event using service projected
13 to be earned to the event date and salary as of
14 the measurement date. Such projected benefit
15 shall reflect any cost-of-living adjustments pay-
16 able in the future based on the law in effect as
17 of the measurement date.

18 “(6) MEASUREMENT DATE.—The term ‘meas-
19 urement date’ means the date as of which the value
20 of the pension obligation is determined (sometimes
21 referred to as the ‘valuation date’).

22 “(7) CURRENT COST.—The term ‘current cost’
23 of a plan for a plan year means the present value
24 as of the end of the plan year of all benefits accrued
25 or earned under the plan during the plan year.

1 “(8) PLAN SPONSOR.—The term ‘plan sponsor’
 2 means, in connection with a State or local govern-
 3 ment employee pension benefit plan, the State, polit-
 4 ical subdivision of a State, or agency or instrumen-
 5 tality of a State or a political subdivision of a State
 6 which establishes or maintains the plan.

7 “(9) PARTICIPANT.—

8 “(A) IN GENERAL.—The term ‘participant’
 9 means, in connection with a State or local gov-
 10 ernment employee pension benefit plan, an indi-
 11 vidual—

12 “(i) who is an employee or former em-
 13 ployee of a State, political subdivision of a
 14 State, or agency or instrumentality of a
 15 State or a political subdivision of a State
 16 which is the plan sponsor of such plan, and

17 “(ii) who is or may become eligible to
 18 receive a benefit of any type from such
 19 plan or whose beneficiaries may be eligible
 20 to receive any such benefit.

21 “(B) BENEFICIARY.—The term ‘bene-
 22 ficiary’ means a person designated by a partici-
 23 pant, or by the terms of the plan, who is or
 24 may become entitled to a benefit thereunder.

1 “(10) PLAN YEAR.—The term ‘plan year’
2 means, in connection with a plan, the calendar or
3 fiscal year on which the records of the plan are kept.

4 “(11) STATE.—The term ‘State’ includes any
5 State of the United States, the District of Columbia,
6 the Commonwealth of Puerto Rico, the United
7 States Virgin Islands, American Samoa, Guam, and
8 the Commonwealth of the Northern Mariana Is-
9 lands.

10 “(12) FAIR MARKET VALUE.—The term ‘fair
11 market value’ has the meaning of such term under
12 section 430(g)(3)(A) (without regard to section
13 430(g)(3)(B)).

14 “(d) MODEL REPORTING STATEMENT.—The Sec-
15 retary shall develop model reporting statements for pur-
16 poses of subsections (a) and (b). Plan sponsors of State
17 or local government employee pension plans may elect, in
18 such form and manner as shall be prescribed by the Sec-
19 retary, to utilize the applicable model reporting statement
20 for purposes of complying with requirements of such sub-
21 sections.

22 “(e) TRANSPARENCY OF INFORMATION FILED.—The
23 Secretary shall create and maintain a public Web site,
24 with searchable capabilities, for purposes of posting the
25 information received by the Secretary pursuant to sub-

1 sections (a) and (b). Any such information received by the
 2 Secretary (including any updates to such information re-
 3 ceived by the Secretary) shall be posted on the Web site
 4 not later than 60 days after receipt and shall not be treat-
 5 ed as return information for purposes of this title.”.

6 (c) CLERICAL AMENDMENTS.—

7 (1) The table of sections for subpart B of part
 8 IV of subchapter B of chapter 1 of such Code is
 9 amended by adding at the end the following new
 10 item:

“Sec. 149A. Reporting with respect to State or local government employee pen-
 sion benefit plans.”.

11 (2) The table of sections for chapter 43 of such
 12 Code is amended by adding at the end the following
 13 new item:

“Sec. 4980J. Failure of State or local government employee pension benefit
 plans to meet reporting requirements.”.

14 **SEC. 4. GENERAL PROVISIONS AND RULES OF CONSTRUC-**
 15 **TION.**

16 (a) LIMITATIONS ON FEDERAL RESPONSIBILITIES
 17 RELATING TO PLAN OBLIGATIONS AND LIABILITIES.—

18 The United States shall not be liable for any obligation
 19 related to any current or future shortfall in any State or
 20 local government employee pension plan. Nothing in this
 21 Act (or any amendment made by this Act) or any other
 22 provision of law shall be construed to provide Federal Gov-
 23 ernment funds to diminish or meet any current or future

1 shortfall in, or obligation of, any State or local government
2 employee pension plan. The preceding sentence shall also
3 apply to the Federal Reserve.

4 (b) NO FEDERAL FUNDING STANDARDS.—Nothing
5 in this Act (or any amendment made by this Act) shall
6 be construed to alter existing funding standards for State
7 or local government employee pension plans or to require
8 Federal funding standards for such plans.

9 (c) DEFINITIONS.—Terms used in this section which
10 are also used in section 4980J of the Internal Revenue
11 Code of 1986 shall have the same meaning as when used
12 in such section.



**INFORMATION ITEM**

April 18, 2016

TO: Board of Directors**FROM:** **Public Affairs & Legislation Committee**
(Directors Barbre, Hinman & Tamaribuchi)Robert Hunter
General Manager

Staff Contact: Heather Baez

SUBJECT: Update on the Hransfer of Orange County Sanitation District Area 7**STAFF RECOMMENDATION**

Staff recommends the Board of Directors receive and file report.

COMMITTEE RECOMMENDATION

Committee recommends (To be determined at Committee Meeting)

DETAILED REPORT

For the past several months, the proposed EOCWD and IRWD applications to take over local sewer service for OCSD Service Area 7 have been discussed in great length by the OCLAFCO (Commission).

The Commission is scheduled to take up this issue for a vote to determine who will take over sewer service in the area – East Orange County Water District or Irvine Ranch Water District – on Thursday, April 14, 2016.

Attached is the Commission's analysis for the item. An oral report on the meeting and subsequent vote will be given at MWDOC's Public Affairs & Legislation meeting.

Budgeted (Y/N): n/a	Budgeted amount:	Core x	Choice __
Fiscal Impact (explain if unbudgeted):			



April 13, 2016

TO: Local Agency Formation Commission**FROM:** Executive Officer
Project Manager**SUBJECT:** Proposed "East Orange County Water District Reorganization for Local Sewer Service (RO 14-01)" and Proposed "Sphere of Influence Update and Service Area 7 Annexation to the Irvine Ranch Water District (DA 15-02)"**CHAIR**
DEREK J. MCGREGOR
Representative of
General Public**VICE CHAIR**
DR. ALLAN BERNSTEIN
Councilmember
City of Tustin**LISA BARTLETT**
Supervisor
5th District**CHERYL BROTHERS**
Councilmember
City of Fountain Valley**TODD SPITZER**
Supervisor
3rd District**CHARLEY WILSON**
Director
Santa Margarita Water District**JOHN WITHERS**
Director
Irvine Ranch Water District**ALTERNATE**
WENDY BUCKNUM
Councilmember
City of Mission Viejo**ALTERNATE**
ANDREW DO
Supervisor
1st District**ALTERNATE**
JAMES FISLER
Director
Mesa Water District**ALTERNATE**
KATHRYN FRESHLEY
Representative of
General Public**CAROLYN EMERY**
Executive Officer**INTRODUCTION**

On December 9, 2015, the Commission held a public hearing on the Proposed "East Orange County Water District (EOCWD) Reorganization for Local Sewer Service." After considering the analysis and recommendations contained in the staff report and receiving public comments, the Commission continued the item to a future meeting with the following direction to staff:

- Accept and analyze the revised 100-year financial plan submitted by EOCWD on December 7, 2015 with confirmation that no further revisions or written submittals of information would be accepted from EOCWD or the Irvine Ranch Water District (IRWD) unless requested by staff or the Commission;
- After both applications have been deemed complete, schedule a public hearing of the EOCWD and IRWD proposals at the same LAFCO meeting; and
- Require that each agency pay any additional fees necessary to continue processing their respective applications.

Since that time, the following actions have been taken involving IRWD's application: (1) approval of a sewer transfer agreement with the Orange County Sanitation District (OCSD) ensuring the continuation of sewage flows for treatment and use in groundwater replenishment, and (2) adoption of a property tax exchange resolution by the Board of Supervisors on behalf of OCSD and IRWD.

After a thorough analysis of both proposals, including the revised financial plan submitted by EOCWD, staff's conclusion and recommendations remain unchanged: IRWD is the most logical, efficient and accountable

agency to assume local sewer service to OCSD Service Area 7. The information contained in EOCWD’s proposal, including the revised financial plan, does not provide sufficient support to expand the District’s service responsibility or service boundary and identify EOCWD as the most logical service provider. Alternatively, IRWD’s experience, resource capabilities, and strong financial condition provide the basis for staff’s recommendation that the Commission approve the actions necessary to implement that District’s proposal.

ANALYSIS

Following the December LAFCO meeting, staff reviewed the revised financial plan submitted by EOCWD and met with representatives from EOCWD and IRWD to confirm assumptions and methodologies used in their respective financial plans. During the review of EOCWD’s revised financial plan, LAFCO staff identified errors in the rehabilitation and replacement model that affected the financial projections. EOCWD staff was notified of the errors and was provided the opportunity to submit a corrected financial model, which was received on January 6, 2016. This report provides a comparative analysis of the two final financial plans and an updated summary of key areas considered in the review of each proposal.

Review of Financial Plans

As part of their plan for service component of the application, LAFCO staff requested that both agencies prepare and submit a 20-year financial plan. In preparing their respective service plans, each district reviewed prior rate studies and financial reports prepared by OCSD.

Due to the potential use of debt financing, the financial plan from IRWD included 100-year projections. These long-term projections provided LAFCO staff with information needed to assess: (1) the adequacy of the proposed sewer fee, (2) the impact of debt financing, and (3) the District’s ability to finance long-term rehabilitation and replacement efforts.

The original application submitted by EOCWD included a 20-year financial plan that was revised several times between March 2014 and September 2015. In response to the Commission discussion during the September 2015 hearing on the Focused MSR for Service Area 7, EOCWD was provided the opportunity to submit a 100-year financial plan for comparison with the projections submitted by IRWD. On October 13, 2015, EOCWD submitted a revised financial plan providing its 100-year financial projections which maintained a pay-as-you-go approach to capital improvements, and a 10 percent reduction in rates. On December 7, 2015, EOCWD submitted a substantially different 100-year financial plan which included new assumptions, shifted to a debt financing approach, and projected a 50 percent rate reduction. This plan was revised and resubmitted in January 2016 to address some errors identified by LAFCO staff. The

following sections provide a summary of each financial plan and a comparative analysis of the reliability of each plan.

Irvine Ranch Water District’s Financial Plan

IRWD’s financial plan, which was submitted on March 23, 2015, includes a proposed 22 percent decrease in expenditures from OCSD’s historic costs of service, resulting in a 50 percent rate reduction. This rate reduction is based on the existing costs of service in the Newport Coast portion of the District’s service territory adjusted to account for the age of the infrastructure in Service Area 7. The 50 percent rate reduction is held static for the first five years before adjusting by two percent annually to account for inflation. Another two percent annual adjustment is added to the sewer service fee to help cover the debt service for the projected \$1 billion in bond issuances from 2054 through 2099.

Summary of IRWD 100-year Financial Plan	
Total Revenues	\$1.6 Billion
Total O&M Expenses	\$243 Million
Total Capital Expenses	\$1.1 Billion
Total Bond Issuance	\$1 Billion
Total Interest Earned	\$594 Million

East Orange County Water District’s Financial Plan

EOCWD’s financial plan, which was submitted in final form on January 6, 2016, projects an immediate reduction in annual operating expenditures of approximately 24 percent of OCSD’s historic costs of service. This revised financial plan matched IRWD’s plan in all respects with the exception of projected escalations in service fees and the model used to forecast the timing and cost of rehabilitation and replacement efforts.

Summary of EOCWD 100-year Financial Plan	
Total Revenues	\$1.7 Billion
Total O&M Expenses	\$229 Million
Total Capital Expenses	\$1.2 Billion
Total Bond Issuance	\$259 Million
Total Interest Earned	\$364 Million

In order to match IRWD’s proposed 50 percent rate reduction, EOCWD revised its financial plan to include substantial changes to key assumptions which increased revenues and decreased costs from previous versions. These revised assumptions resulted in an additional \$42 million in property tax revenue, an \$81 million reduction in the operating expenses and a \$114 million reduction in capital expenses. The revised financial plan also included new assumptions for annual service fee increases. EOCWD’s plan holds the 50 percent rate reduction static for six years before annual fee adjustments begin in FY 2023-24. The rates then increase by two percent for four years before a prolonged 25-year period of four percent annual increases followed by another prolonged 16-year period of 4.5 percent annual increases. In the revised plan, EOCWD assumes bond issuances in 2053 and 2070 for a combined total of \$259 million in bond sales.

Comparison of Financing Plans

It is important to note that each agency established its own set of assumptions when preparing its 100-year financial plans. In general, the financial projections provided by both EOCWD and IRWD are very similar in terms of estimated costs of service and total estimated costs of capital improvements of the next 100-years. However, the basis for the approach to capital improvement plans, calculation of amount of debt, assumed interest rates, and bond issuance ratings do vary. A comparative summary analysis of assumptions used by each agency is provided in Table I.

Table I: Summary of Financing Plan Assumptions & Methodologies

	IRWD’s Proposal	EOCWD’s Proposal
Approach to Capital Improvements	Proactive focus on rehabilitation of known issues and long-term planning model used for 20-years to forecast timing and cost of future capital expenditures. Minor pipe and manhole repairs are completed as identified and are routinely included in the District’s operating budget.	Financial planning model developed by consultant and used to project timing and cost of future capital improvements. The model was designed to phase sewer replacements over time and spread them out over many years.
Amount of Debt to Finance	Determined by the amount needed to prevent negative reserve fund balance. The District’s projected debt financing of \$1 billion does not assume inter-district borrowing which is commonly used by IRWD to fund short-term funding gaps during long-term capital improvement projects.	Determined by the amount needed to prevent reserve fund from going below \$30 million. The District’s proposed limited use of debt financing (\$259 million) is tied to the timing of capital improvements and corresponding increases in sewer fees.
Assumed Interest Rates on Reserves	Assumed reserve interest rate of 3.5 percent is reasonable given the District’s melded returns include real estate which is a source very few agencies can include. The real estate is a product of the District’s replacement fund and it helps to enhance earning power.	Matched IRWD’s assumed reserve interest rate of 3.5 percent. However, it is not a reasonable assumption for EOCWD given the District’s reserve policy and significant investment in LAIF which has a 5-year average of less than one percent and only 3.07 percent over a 20-year average.
Bond Issuance Rate	Assumed rate of three percent is reasonable given the District’s base cost of debt has remained under 2.4 percent over the last 25 years and the District has an AAA bond rating.	Matched IRWD’s assumed rate of three percent. Given the lack of available historical data and credit rating information, this rate assumption cannot be reasonably supported.

Approach to Capital Improvements

One of the key elements in delivering and sustaining sewer system service is the infrastructure rehabilitation and replacement programs. The vast majority of the pipelines in Area 7 are 8-inches in diameter and were installed in the 1950s and 1960s corresponding with the residential development of the area. In preparing their financing plans, each District reviewed prior condition assessments and rate studies completed by OCSD.

IRWD developed a replacement planning model for this area based on an existing model used by the District for the past 20-years for evaluating rehabilitation and replacement funding requirements and setting customer rates. The model estimates the rehabilitation and replacement cost for both manholes and sewer pipelines based on various criteria including: diameter of pipe or manhole, material, age, depth of manhole and length of pipe.

IRWD plans for rehabilitation of 25 percent of eligible pipelines and then replacement of the remaining 75 percent over the 100-year period. The 25 percent of the pipelines that undergo rehabilitation are then replaced after an extended useful life. This rehabilitation does not affect how that segment of pipeline is physically cleaned or maintained; it simply removes those segments from the “hot spot” inventory and returns them to the regular cleaning schedule. When coupled with the proactive rehabilitation efforts the District plans for the first five years to address severe root intrusion and other known “hot spots,” IRWD’s approach to capital improvements is designed to reduce long-term costs while ensuring the stability of the system throughout the 100-year period.

EOCWD hired an engineering consultant to develop a replacement planning model to provide the basis for the 100-year financial plan. The model used several studies previously completed by OCSD and includes similar assumptions to IRWD’s model for the age of the infrastructure. The models differ significantly on their assumptions for the useful life, rehabilitation periods and certain cost assumptions.

Similar to IRWD, EOCWD assumes that approximately 25 percent of eligible pipelines can be rehabilitated. However, EOCWD assumes a longer useful life for certain rehabilitated (125 percent) and replaced (150 percent) pipelines than IRWD. These assumptions work in EOCWD’s favor in terms of reduced costs and longer timeframes for future capital improvements. As part of the revised 100-year financial plan, EOCWD also adjusted its planning model to smooth projected capital improvement costs over a longer period of time. In order to extend the rehabilitation and replacement period, but not exceed the 100-year life of the pipes, EOCWD’s model assumes a reduced useful life of 85 years for the majority of the pipelines, creating a 15-year buffer.

The dramatic changes in assumptions between the EOCWD's financial plans submitted in October and December raise a concern about the reliability of the financial projections. Furthermore, EOCWD projections include a substantial reduction in the costs for manhole rehabilitation and replacement efforts when compared to IRWD's projections. EOCWD's projection of \$54 million is dramatically less than the \$97 million projected in IRWD's financial plan. IRWD's projections are supported by the District's extensive experience in the industry and prior experience budgeting for manhole replacements as an existing sewer system operator. EOCWD did not provide a source for their projected costs estimates.

Amount of Debt

The use of debt financing for infrastructure replacement is a common practice for public agencies. In the final financial plans, both Districts assume debt financing for a portion of the capital expenses. However, the assumptions for the method, timing and amount of the debt financing differ significantly.

IRWD's financial plan includes a combination of cash reserve balance and future revenue bonds in order to fund all costs and maintain a positive fund balance. The District staff used the planning model to review various scenarios and submitted the most conservative approach that would ensure sufficient revenues to avoid future rate spikes, while protecting against generating excessive reserves. In order to maintain a positive fund balance with the assumed two percent growth rate for the sewer service rates, IRWD's proposal includes \$1 billion in bond issuance. This bond issuance amount assumes that the District will not use inter-district borrowing which is commonly used by IRWD to fund short-term funding gaps realized by improvement districts as they perform long-term rehabilitation and replacement efforts for their water and sewer systems.

EOCWD's proposal includes \$259 million in bond issuance. The limited use of debt financing in EOCWD's plan is based on two key differences in the assumptions: (1) the timing of rehabilitation and replacement efforts and (2) a rapid increase in sewer service fees over a prolonged period. EOCWD's revised plan includes a \$5 million annual cap on capital improvement efforts. Any additional costs projected by the rehabilitation and replacement planning model are deferred to future years when the projected expenditures are less than \$5 million annually. As a result, \$88 million in capital expenditures projected for a three-year period (2047-2049) are spread across a much longer 30-year period (2047-2073). EOCWD's financial plan projects lower annual costs over a longer period of time than is predicted by the underlying data contained in the rehabilitation and replacement model. As previously noted, EOCWD's revised financial model also benefits from a prolonged and rapid increase in sewer service fees during a preceding and corresponding period (2027 to 2069).

Assumed Interest Rates on Bonds and Reserves

The assumed interest rates on bonds and reserves are key assumptions of each agency’s financial plan. Small differences in rates can have large impacts over 100 years of compounding interest. IRWD’s financial plan assumes a three percent bond issuance rate or cost of debt. The District has a very strong AAA credit rating with the major credit rating agencies. IRWD’s assumption of three percent interest rates is based on historic trends and the technical expertise of the District’s staff to conservatively project future costs with greater accuracy. Further, IRWD benefits from special legislation enacted in 1990 that allows the District to invest in local real estate and confidently assume higher rates of return on the District’s investments.

EOCWD informed LAFCO staff that key assumptions in its financial projections for the District’s long-term costs of operations and capital replacement efforts were derived by using the IRWD model and assumptions. However, staff notes that the EOCWD’s assumed interest rates and costs of debt do not have historical context to support using the same assumptions as IRWD which has different reserve policies, special legislation, and a strong credit rating to bank its assumptions. Therefore, staff notes that EOCWD’s financial projections are not reliable for accurately projecting the District’s long-term costs of operations or capital replacement efforts over the next 100 years.

Summary of Key Areas Considered in the Review of Proposals

Although the first part of this report focuses on the comparison of the 100-year financial plans, the Commission is required to consider several factors in its review of the competing proposals for service area expansions. The six key areas of analysis are: (A) service costs and impacts to ratepayers, (B) long-term reliability, (C) sewer service experience, (D) efficiency of service provision, (E) legislative intent, and (F) public comments. A summary of these key areas is shown in Table II, and additional details of each area is included in **Attachment A**. A detailed review of the additional statutory factors is delineated in **Attachment B**.

Table II: Summary of Key Areas Considered in the Review of Proposals

	IRWD’s Proposal	EOCWD’s Proposal
A. Service Costs & Impacts to Ratepayers	Proposed 22 percent reduction in service costs and 50 percent rate reduction for Service Area 7 ratepayers. IRWD’s financial plan is based on reasonable assumptions and is reliable for accurately projecting long-term costs for operations and capital improvements.	Proposed 24 percent reduction in service costs and 50 percent rate reduction for Service Area 7 ratepayers. Revised financial plan does not include reasonable assumptions and is not reliable for accurately projecting long-term costs for operations and capital improvements.
B. Long-term Reliability	IRWD’s plan for service not only results in reductions in service costs and ratepayer fees, but provides a financing plan that the District’s experience and current financial operations can support over the long-term.	EOCWD appears to be at a crossroads, with several projects that may affect the District’s future financial condition and its ability to provide long-term reliable service to OCSD Service Area 7 and existing ratepayers.
C. Sewer Service Experience	50-years of experience in local sewer service and consolidating older systems. Extensive staff resources and assets.	Lack of direct experience operating or maintaining a local sewer system. Lack of assets and resources related to sewer service.
D. Efficiency of Service Provision	As an existing sewer service provider, IRWD is proposing improved service levels and regulatory oversight based on increased economies of scale and existing resources.	Largely maintains existing service levels currently provided by OCSD and the activation of EOCWD’s ability to provide sewer service does not represent the most efficient delivery of the service.
E. Legislative Intent	The legislative intent is to encourage logical boundaries. Since IRWD is an existing sewer provider that is interested in assuming service to the area, the District represents the most efficient alternative.	EOCWD’s request for activation of latent power requires that OC LAFCO consider the potential for an existing sewer agency to extend sewer service to Service Area 7 in a more efficient and accountable manner than is proposed. IRWD is an existing provider with short and long term capability to efficiently provide sewer service to the area.
F. Public Comments	Public comments in support of IRWD’s proposal focus on the District’s experience and efficiency providing sewer service.	Public comments in support of EOCWD’s proposal focus on three themes: local control, frugal fiscal policies, and efficient service provision.

The analysis of the final proposals identified additional concerns about the reliability of EOCWD’s revised financial plan and the ability of District staff to adequately plan and budget for local sewer service. Alternatively, IRWD has provided a conservative financial plan that is supported by the District’s technically qualified staff and extensive experience preparing budgets that provide sound financial planning for operations and maintenance of sewer system infrastructure.

TRANSFER OF TAXES, FEES AND RESERVES

The proposals seek the transfer of sewer service responsibility as well as those revenues that financially support service provision within Service Area 7. The following sections provide an overview of the transfer of taxes, fees and reserves and a discussion of proposed terms and conditions of approval of IRWD’s proposal to facilitate the transfer of the revenues and reserves to IRWD as the recommended successor agency.

Property Tax Transfer

As the successor to two former Sewer Maintenance Districts, OCSD currently receives a portion of the property tax collected within Service Area 7 to finance local sewer service. On November 16, 2015, the Auditor-Controller determined that approximately \$304,022 in property tax revenue was subject to negotiation and transfer for local sewer service. In accordance with Revenue and Taxation Code Section 99(b)(5), the Orange County Board of Supervisors is required to negotiate the transfer of property tax revenues on behalf of special districts for changes of organizations prior to being scheduled for LAFCO consideration.

On November 17, 2015, the Orange County Board of Supervisors adopted Resolution 15-129 approving the exchange of the property tax revenue currently being received by OCSD for local sewer service to EOCWD. The resolution is conditioned upon OC LAFCO approval of the EOCWD reorganization and would become effective on July 1, 2017. Denial of the EOCWD’s proposal by the Commission would invalidate the resolution adopted by the County Board of Supervisors.

On March 1, 2016, the Orange County Board of Supervisors adopted Resolution 16-019 approving the exchange of the property tax revenues currently being received by OCSD for local sewer service to IRWD. The resolution is conditioned upon OC LAFCO approval of the IRWD annexation and would become effective on July 1, 2017. Denial of the IRWD’s proposal by the Commission would invalidate the resolution adopted by the County Board of Supervisors.

Transfer of Sewer Service Fees and Reserves

OCSD has entered into a Sewer Transfer Agreement with EOCWD and IRWD that provides for the transfer of sewer service related assets, revenues and reserves. These

agreements also guarantee that future sewer flows would continue to be treated by OCSD and used to replenish the groundwater basin by the Orange County Water District.

Since LAFCO staff is recommending the approval of IRWD's reorganization, in accordance with Government Code Section 56886, the draft form of resolution approving IRWD's proposal (**Attachment E**) includes a condition that incorporates the provisions of the Sewer Transfer Agreement executed between IRWD and OCSD. Per the Sewer Transfer Agreement, OCSD is required to transfer \$25 million of the reserves assigned to Service Area 7 to IRWD within five business days of the effective date and the remaining reserve balance upon completion of the first Comprehensive Annual Financial Report for the year. Additionally, the draft form of resolution includes a condition related to the continuation of the sewer service fee previously authorized by OCSD. Finally, the proposed resolution also includes a condition that IRWD form an improvement district (ID 257) for Service Area 7 to isolate the sewer service fee reserves and future revenues and expenses within Service Area 7.

ENVIRONMENTAL REVIEW

On February 27, 2014, the EOCWD Board of Directors adopted the resolution of application for the proposed reorganization and found the District's reorganization to be categorically exempt from the California Environmental Quality Act (CEQA) pursuant to State CEQA Guidelines Section 15320. The Commission, as a responsible agency under CEQA, may use the environmental documentation in its consideration of the proposal. However, Commission action to deny the proposal is not a "project" and is exempt from the statutory requirements of CEQA. Accordingly, denial of the EOCWD proposal does not require any environmental determination by the Commission.

On April 13, 2015, the IRWD Board of Directors adopted the resolution of application for the proposed annexation and found the District's application to be categorically exempt from CEQA pursuant to State CEQA Guidelines Sections 15301 and 15320. A lead agency's exemption determination is not binding on a responsible agency. As a responsible agency, the Commission has reviewed the proposal independently and has determined that it is categorically exempt for the reasons identified in IRWD's application. The proposal is exempt pursuant to State CEQA Guidelines Section 15301 as an existing facility because the proposal involves the transfer of existing sewer functions to another public agency and would not expand use beyond that existing at the time that this determination is made. Moreover, the proposal is exempt pursuant to State CEQA Guidelines Section 15320 because the proposal consists of the change in organization of local governmental agencies where the changes do not change the geographical area in which previously existing powers are exercised. Specifically, this proposal involves the annexation a sewer services area by a neighboring district that has identical powers for providing sewer services. If the Commission finds the proposal

exempt from CEQA, LAFCO staff will prepare, execute and file with the Orange County Clerk-Recorder’s office a Notice of Exemption.

CONCLUSION

The Commission is required to consider several factors prescribed in state law during the review and consideration of proposed boundary changes. The analyses presented in this report and Attachment A focus on the key areas that are pertinent to the Commission’s consideration of the applications submitted by EOCWD and IRWD. Both Districts have submitted completed applications and plans for service justifying their capability to assume local sewer service within Service Area 7.

As a result of its detailed analysis, staff has noted several issues regarding EOCWD’s plan for service and accompanying financial plan. Most notably, LAFCO staff is concerned with the District’s ability to assume a new service in a highly regulated industry without the experience or resource capabilities needed to provide sewer service. Therefore, staff is recommending that the Commission deny EOCWD’s request for actions necessary to assume local sewer service responsibility in Service Area 7.

Alternatively, IRWD has 50 years of experience providing sewer service, and as an existing provider, has demonstrated its ability to provide enhanced services at reduced costs, increasing the efficiency of sewer service to Service Area 7 residents. The District has managed its sewer system in accordance with state regulations in a manner that has reduced sewer spills throughout its service territory. IRWD’s proactive approach to sewer system management has also resulted in significant improvements to the infrastructure and service levels of territory transferred to the District through prior annexations and consolidations approved by the Commission. IRWD’s proposed annexation of Service Area 7 aligns with the legislative intent found within LAFCO’s governing law and represents the most logical and efficient method of providing sewer service to the area. Therefore, staff is recommending that the Commission approve the annexation of Service Area 7 to IRWD.

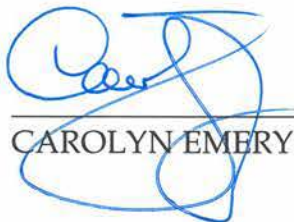
RECOMMENDATION

Staff recommends the Commission:

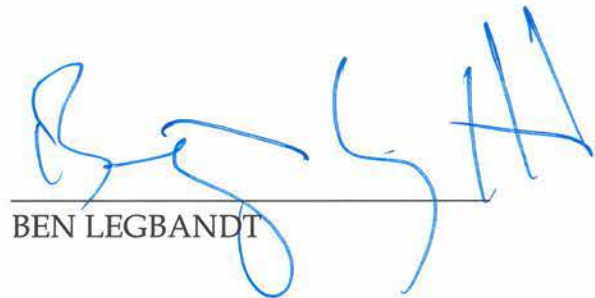
1. Adopt the form of resolution (Attachment E) disapproving the proposed “East Orange County Water District Reorganization for Local Sewer Service (RO 14-01;”
2. Adopt the form of resolution (Attachment F) approving the “Sphere of Influence Update and OCSD Service Area 7 Annexation to IRWD (DA 15-02)”;

3. Certify that the Commission has reviewed and considered the information contained within the CEQA documents prepared by the Irvine Ranch Water District;
4. As a responsible agency, approve the Notice of Exemption (Attachment D) for the "Sphere of Influence Update and OCSD Service Area 7 Annexation to IRWD (DA 15-02);" and
5. Authorize and direct the Executive Officer to conduct protest proceedings pursuant to Government Code Section 57000 et seq. and set a 30-day protest period following the 30-day reconsideration period that is required pursuant to Government Code Section 56895.

Respectfully submitted,



CAROLYN EMERY



BEN LEGBANDT

Attachments:

- A. Summary Analysis of Key Areas
- B. Factors Considered in the Review of the Proposals
- C. Draft Notice of Exemption
- D. Draft Form of Resolution Disapproving the "East Orange County Water District Reorganization for Local Sewer Service" (RO 14-01)
- E. Draft Form of Resolution Approving the "Sphere of Influence Update and Service Area 7 Annexation to the Irvine Ranch Water District" (DA 15-02)

**INFORMATION ITEM**

April 18, 2016

TO: Board of Directors**FROM:** **Public Affairs Legislative Committee**
(Directors Barbre, Tamaribuchi and Hinman)Robert Hunter
General Manager

Staff Contact: Jonathan Volzke

SUBJECT: Update on Potential SJC Utilities Consolidation**STAFF RECOMMENDATION**

Staff recommends the Board of Directors receive and file report.

COMMITTEE RECOMMENDATION

Committee recommends (To be determined at Committee Meeting)

DETAILED REPORT

The City of San Juan Capistrano on April 5 voted to send a potential consolidation or reorganization of its Utilities Department to the Local Agency Formation Commission for a Focused Municipal Services Review.

The vote was 3-1, with Councilman Sam Allevato in opposition and Councilman Derek Reeve absent. Councilman John Perry, a leader in the effort, reiterated that he believes a change will lead to lower or stabilized rates.

The council on April 5 also appropriated another \$150,000 for the consultant work and LAFCO fees. That is in addition to the \$511,450 paid to Brownstein Hyatt Farber Schreck, and the firm's consultants.

This was the first meeting attended by new City Manager Ben Siegel at which this issue was discussed. Mr. Siegel noted the following in his staff report:

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

"It is important to note that the study was limited in two important respects. First, the City did not undertake a financial analysis and comparison of the City's retained ownership and operation of the utilities and an alternative form of organization. Second, although the City Council has rejected privatization of the City's utilities, thereby significantly narrowing the scope of review and work, the City has not to date engaged individual public agencies in a manner that would permit identification of a preferred alternative to the City's ownership and operation of the utilities.

"To permit such an analysis, both parties would need to engage in a process of information-sharing, due diligence and development of a proposed transaction (i.e., transfer of all assets to public agency "A", which is a significant task for all participating entities)."

The public agencies that have expressed interest in the city's utilities operations thus far are Irvine Ranch Water District, Moulton Niguel Water District and Santa Margarita Water District.

Ray Miller, a licensed engineer and chairman of the city's Utilities Commission, was the only resident to address the council on the issue. He was critical that the city paid consultants rather than relying on the expertise of the Utilities Commission, which he said had not formally seen the issue for six months.

The council agreed the issue should first go to the Utilities Commission, which could draft parameters for the LAFCO work. Those parameters could include a comparison of potential rates with each of the districts considering taking over the utilities.

In a priority-setting session with Siegel on April 4, the City Council listed a utilities department reorganization among its top three priorities.



INFORMATION ITEM

April 18, 2016

TO: Board of Directors

FROM: **Public Affairs Legislative Committee**
(Directors Barbre, Tamaribuchi and Hinman)

Robert Hunter
General Manager

Staff Contacts: J. Volzke, T. Baca

SUBJECT: 2016 Water Summit Update

STAFF RECOMMENDATION

Staff recommends the Board of Directors receive and file report.

COMMITTEE RECOMMENDATION

Committee recommends (To be determined at Committee Meeting)

DETAILED REPORT

The program is set for the 2016 OC Water Summit, which is themed “Turbulent Times,” to symbolize the challenges in the water industry: drought, rate pressures, seismic threats and the atmosphere of local politics.

Staff and committee members have been meeting every two weeks. The committee, led by MWDOC Director Jeff Thomas and OCWD Director Cathy Green, gave the program final approval on Monday, April 11. The event is May 20 at the Westin South Coast Plaza. The program is balanced to provide information about water and water service, but also to attract and inform OC business and civic leaders. Each OC Mayor and City Manager are receiving a complimentary ticket to the event.

Attention is now fully turned toward sponsorships. More than \$30,000 in sponsorships has been obtained, and follow up emails and calls are underway to past sponsors. Additionally, a wide net is being cast through the OC engineering and development community. For

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

potential business sponsorships, partnerships have been struck with area chambers of commerce. Those chambers will send out sponsorship information to their members, as well as post information on their websites and include it in their newsletters where possible.

The Summit will also be the lead item in the eCurrents scheduled to go out to more than 7,000 people this week.

Sponsorship and program information is also available at www.ocwatersummit.com.

Please see the attached brochure for information on the panelists, moderators and sponsorship opportunities.



SPONSORSHIP OPPORTUNITIES

Whether El Niño delivers on its promise of a wet winter, water agencies across Orange County face a perfect storm of challenges in delivering reliable water that serves as the lifeblood for **3 million** residents and business communities that produce a gross county product of **\$223.2 billion**. The system of reservoirs and aqueducts that carry water hundreds of miles to reach our county are aging and susceptible to earthquakes and political tremors. Agencies have been ordered to cut their water use or face fines and ever-changing laws make developing fair and accurate rates more and more complex.

Join us for the **9th Annual OC Water Summit** to learn about the Orange County projects that will provide shelter from the storms, and lessons learned from businesses that are harvesting profits despite the clouds.

HOSTED BY



MAY 20, 2016

7:30 a.m. - 1:30 p.m.

The Westin, South Coast Plaza Hotel

INDIVIDUAL TICKET - \$130*

(*TICKET PRICE WILL INCREASE TO \$150 BEGINNING MAY 6, 2016)

Ticket includes continental breakfast, lunch, self-parking and Summit materials

www.OCWaterSummit.com

About the O.C. Water Summit

Currently in its ninth year, the O.C. Water Summit is an innovative, interactive forum that brings together hundreds of business professionals, elected officials, water industry stakeholders, and community leaders from throughout Southern California and beyond. Co-hosted by the Municipal Water District of Orange County (MWDOC) and the Orange County Water District (OCWD), this one-of-a-kind event engages participants in discussion on new and ongoing water supply challenges, water policy issues, and other important topics that impact our economy and public health.

Prominent authors, world-renowned experts, and distinguished speakers will deliver presentations and engage in dialogue with participants on these critical issues.

By sponsoring the O.C. Water Summit, you are investing in water reliability for Southern California. A variety of sponsorship opportunities are available to meet your organization's strategic goals.

Please visit www.ocwatersummit.com to view the 2016 program.



Sponsorship Information

We are currently seeking sponsorships from organizations like yours for our 2016 event.

For your convenience, you may complete the Sponsorship Commitment Form online at:
www.OCWaterSummit.com.

Please complete your sponsorship commitment form no later than **Thursday, April 14, 2016** to guarantee inclusion in all of the sponsorship benefits.

Payments may be made via credit card or check. Please make checks payable to
"MWDOC for O.C. Water Summit" and mail to:

Municipal Water District of Orange County
Attention: Public Affairs
PO Box 20895
Fountain Valley, CA 92728

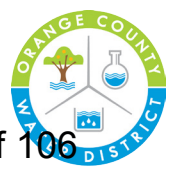
Send a high resolution electronic version of your logo to Tiffany Baca at tbaca@mwdoc.com. EPS, PDF or AI file formats are preferred for best image quality.

Questions? Contact:

Jonathan Volzke or Tiffany Baca (MWDOC)
jvolzke@mwdoc.com / tbaca@mwdoc.com
714) 593-5029 or 714) 593-5013

Eleanor Torres (OCWD)
etorres@ocwd.com
714) 378-3268

www.OCWaterSummit.com





- Logo exclusively featured alongside Presenting Sponsors
 - On event invitations, program cover, and on transitional slides
 - On the Summit registration website and on event signage
 - On advertising, marketing, and other promotional materials
- Table for (8) at the Summit with your logo
- Opportunity to host an exhibit table at the Summit and/or distribute a promotional item to attendees



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SPONSOR**

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- Logo featured:
 - On Summit lunch tickets
 - On the Summit website and in the printed program
 - In transitional slides during the program



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 - In the printed program
 - In transitional slides during the program
- Full page, full color, back cover ad on the program (This is the only ad space in the program)



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SPONSOR**

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 - In the printed program
- Two (2) complimentary tickets to the O.C. Water Summit
- Marketing piece distributed in the exhibit area



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SPONSOR**

\$4,000



- Logo featured:
 - On the Summit website
 - In the printed program
 - On transitional slides during the program
- Independent sponsorship slide at the beginning of the session
- Two (2) complimentary tickets to the O.C. Water Summit



**SESSION
SPONSOR**

\$3,500



- Logo featured:
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 - In the printed program
 - On transitional slides during the program
- Two (2) complimentary tickets to the O.C. Water Summit



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- Name featured:
 - On the Summit website
 - In the Summit program



**TABLE
SPONSOR**

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- Logo featured:
 - On the Summit website
 - On the breakfast signage



**BREAKFAST
SPONSOR**

\$1,000

PROGRAM AND SPEAKERS

SESSION 1: THE PERFECT STORM - ORANGE COUNTY'S WATER SUPPLY PORTFOLIO

Program Emcee: Peter M. Weitzner, Associate Professor, Chapman University (Confirmed)

- Rob Hunter, General Manager, Municipal Water District of Orange County: Imported Water (Confirmed)
- Michael R. Markus, PE., D.WRE, General Manager, Orange County Water District: Groundwater (Confirmed)

SESSION 2: STORMS ON THE HORIZON - THREATS TO OUR WATER SUPPLY

Moderator: Dr. David Feldman, Professor, UCI (Confirmed)

- JPL/NASA: California Water: Observations from Space (Invited)
- Dr. Lisa Grand Ludwig, UCI: Geologic Hazards (Confirmed)

SESSION 3: THE FORECAST - SUNSHINE AHEAD

Moderator: Charley Wilson, Executive Director, Southern California Water Committee (Confirmed)

- Helene Schneider, Mayor, City of Santa Barbara (Invited)

- Debra Man, AGM, COO, Metropolitan Water District of Southern California: Regional Recycled Water Program and CA WaterFix (Confirmed)

SESSION 4: SINGING IN THE RAIN - ADAPTING TO A CHANGED CLIMATE

Moderator: Michael Battaglia, President, Building Industry Association (Confirmed)

- Rancho Mission Viego: Building Drought Proof Homes (Invited)
- Siskiyou/Strauss Brewery (Invited)

SESSION 5: TROPICAL DEPRESSION - SURVIVING TURBULENT TIMES

Moderator: Jennifer Farrell, Rutan & Tucker (Confirmed)

- Kelly Salt, Best Best & Krieger: Rate Setting & District Finances (Confirmed)
- Richard Wilson, Author, Death of a Water District (Confirmed)



THANK YOU TO OUR 2015 SPONSORS!

Arcadis; Avista Technologies; Best, Best & Krieger, LLP; Black & Veatch;
Butler; CSM; City of Anaheim; **Disneyland Resort**; Eastern
Municipal Water District; Geoscience; **Irvine Ranch Water District**;
Lewis Consulting Group; **Mesa Water District**; Moulton Niguel
Water District; Metropolitan Water District of Southern California;
Orange County Sanitation District; Raymond James; **RBF
Consulting**; Santa Margarita Water District; Smart Utility
Systems; Southern California Edison; **Townsend Public
Affairs, Inc.**; Yorba Linda Water District

2016 REGISTRATION

INDIVIDUAL TICKET - \$130*

(*TICKET PRICE WILL INCREASE TO \$150 BEGINNING MAY 6, 2016)

Ticket includes continental breakfast, lunch, self-parking and Summit materials

www.OCWaterSummit.com

2016 PRESENTING SPONSORS





FRIDAY
MAY 20, 2016
7:30 AM - 1:30 PM

THE WESTIN
SOUTH COAST PLAZA HOTEL

GRAND BALLROOM
686 Anton Blvd.
Costa Mesa, CA 92626



REGISTER TODAY!

Please Join Us!

Whether El Niño delivers on its promise of a wet winter, water agencies across Orange County face a perfect storm of challenges in delivering reliable water that serves as the lifeblood for **3 million** residents and business communities that produce a gross county product of **\$223.2 billion**. The system of reservoirs and aqueducts that carries water hundreds of miles to reach our county are aging and susceptible to earthquakes and political tremors. Agencies have been ordered to cut their water use or face fines and ever-changing laws make developing fair and accurate rates more and more complex.

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- Kelly Salt, Best Best & Krieger: Rate Setting & District Finances (Confirmed)
- Richard Wilson, Author, "Death of a Water District (Amazon)" (Confirmed)

VIEW THE EVENT FLYER!

Click on the image below to view and print the event flyer



SPONSORSHIP OPPORTUNITIES AVAILABLE!

Click on the image below to view and print the Sponsorship Brochure



For More Information:

www.OCWaterSummit.com

Jonathan Volzke or Tiffany Baca (MWDOC)
jvolzke@mwdoc.com / tbaca@mwdoc.com
714) 593-5029 or 714) 593-5013

Eleanor Torres (OCWD)
etorres@ocwd.com
714) 378-3268



**INDIVIDUAL TICKET - \$130. Please note that the registration fee will increase to \$150 per person beginning May 6, 2016. Cancellations made after this date (and event no-shows) will be fully charged.*

**Public Affairs Activities Report
March 17, 2016 – April 12, 2016**

<p>Member Agency Relations</p>	<p>Heather and Jonathan attended MWDOC's semi-annual Elected Officials Forum.</p> <p>Jonathan met new South Coast Water District PIO Sonja Morgan.</p> <p>Jonathan and Tiffany attended the ACWA Communications Committee tour of Diamond Valley Lake and Inland Empire water projects.</p> <p>Laura attended the Water Use Efficiency Coordinators meeting. She coordinated a bulk order of the Sunset Magazine for our member agencies.</p> <p>Laura designed and coordinated the printing for the Spring 2016 Bill Inserts advertising our rebates for our member agencies.</p> <p>Laura attended the NPDES Public Education Sub-committee meeting at the City of Orange.</p> <p>Tiffany prepared and presented two flyers for the Wyland Foundation's annual Mayor's Challenge for Water Conservation, April 1-30. Challenge details and logistics were emailed to Orange County Mayor's and their City Managers. Additional information was emailed to MWDOC Member Agency GM's, PIO's and WUE contacts. Bryce is managing MWDOC social media outreach for the Challenge. This no-cost outreach campaign promotes individual contributions to agency reductions in water consumption which should help cities meet conservation goals.</p> <p>Bryce and Jonathan attended a WEROC training session at the South County EOC.</p> <p>Bryce compiled data from the "Water Waste" reporting component of ocwatersmart.com and provided said information to the relevant agencies.</p>
<p>Community Relations</p>	<p>Heather attended the grand opening/open house for the Orange County Association of Realtor's Fountain Valley office.</p>

Item 9

	<p>Jonathan gave a presentation to the Orange County Association of Realtors Green Committee in Laguna Hills on where OC water comes from and the OC Reliability Study.</p> <p>Jonathan gave a presentation to the Association of California School Administrators in Tustin on where OC water comes from and the OC Reliability Study.</p> <p>Jonathan worked with the Newport Beach Chamber of Commerce to coordinate a presentation by GM Hunter at the organization's "SpeakUp Newport" event.</p> <p>Jonathan and Joe Berg attended the ACC-OC infrastructure tour of the new Rancho Mission Viejo development in South OC.</p> <p>Bryce, Laura, Jonathan and Tiffany presented to approximately 400 children over two days at the Children's Water Education Festival at UCI.</p> <p>Jonathan staffed a booth with water-efficiency team member Andrew Kanzler at the OC Garden Friendly event at the Tree of Life Nursery.</p> <p>Laura staffed the OC Garden Friendly event at the Home Depot in Santa Ana.</p> <p>Bryce crafted the social media messaging for Fix-A-Leak Week, March 14-20, 2016.</p> <p>Bryce staffed the March 19th OC Garden Friendly water-use efficiency event at Home Depot in Anaheim.</p> <p>Laura coordinated the Water Awareness Poster & Slogan and the Digital Arts contests. She managed and recorded the students' entries.</p>
Education	<p>Laura and Jonathan toured The Ecology Center in San Juan Capistrano.</p> <p>Laura attended the Water Effect High School expo at Foothill High School.</p> <p>Laura attended the Water Effect presentations at Laguna Beach High School.</p>

Item 9

	<p>Laura worked with the respective agencies with student overage requests and adding new schools to the education program.</p>
Media Relations	<p>Jonathan coordinated an appearance by Director Thomas and Water Use Efficiency Director Joe Berg on the TBN “Joy in Our Town” television show.</p> <p>Jonathan worked with OC Register reporters to include quotes from GM Hunter in two OC water stories.</p> <p>Jonathan worked with member agencies and the OC Register to produce pages on the California Water Fix, reservoir storage, desalination and water efficiency rebate programs.</p> <p>Lara wrote a news release on “Fix a Leak Week,” which was also posted to the MWDOC website and sent to OC Supervisors for possible inclusion in their newsletters to constituents.</p> <p>Bryce wrote a news release on OC’s performance in water-use reduction per the governor’s order, which was also posted on the MWDOC website, submitted to ACWA for its homepage and OC Supervisors for their constituent newsletters.</p> <p>Bryce and Jonathan worked with Harvey to post information about MWDOC’s draft Urban Water Management Plan and an introduction on the MWDOC website.</p> <p>For Social Media, MWDOC posted more than twice daily on its Facebook page, which has an average daily reach of roughly 2,000. A “boosted” post on the poster/slogan contest reached more than 3,200 OC residents.</p>
Special Projects	<p>Tiffany and Bryce attended the bi-annual Inspection Trip Coordinators meeting at Metropolitan.</p> <p>Tiffany and Bryce are currently working on trip logistics, guest and Director needs for the following inspection trips:</p> <ol style="list-style-type: none"> 1. April 15-16, Director Ackerman CRA 2. April 22, Director McKenney Infrastructure <p>Tiffany has been coordinating with MWDOC/Met Directors and Met staff to submit proposed trip types and dates for the 2016-17 Inspection Trip season.</p>

Item 9

Heather organized and staffed the ISDOC Quarterly Luncheon featuring guest speaker Paul Walters, Chief of Staff for Supervisor Lisa Bartlett. The member agency spotlight was on Trabuco Canyon Water District, and the Associate Member spotlight was on Best, Best & Krieger. Both gave presentations on their agencies and services. In addition, CSDA presented the Special District Leadership Foundation "Recognition in Special Government" awards to Yorba Linda Water District's Director Bob Kiley and General Manager Marc Marcantonio.

Heather staffed the monthly WACO meeting with guest speakers James Peterson from Townsend Public Affairs, and MWD's Kathy Cole who provided a "What to Expect" this legislative year in Sacramento.

Heather, working with Nathan Purkiss, Albert Napoli & Jami Decker from MWD helped coordinate a "Community Leaders Briefing" with Assemblyman Matthew Harper. Director McKenney served as the emcee for the event and Steve Arakawa provided a water supply update, and overview of the CA Water Fix and AB 1713 (Eggman). There were roughly 45 people in attendance including city mayors and councilmembers, water district board members, and key community leaders all within Assemblyman Harper's district. Director Tamaribuchi, Rob & Jonathan also attended the event.

Heather staffed the ISDOC Executive Committee meeting. The Board voted to oppose CSDA sponsored SB 885 (Wolk) dealing with public works contracts. (MWDOC's PAL Committee took this same position at its March meeting.) Heather prepared the opposition letter on behalf of ISDOC President Mike Schaefer. Laura also attended the meeting.

Jonathan coordinated member agencies' meetings with MWDOC consultant Stetson Engineering for the Consumer Confidence Reports.

Heather met with Alicia Dunkin & Crystal Nettles of OCWD to go over upcoming WACO meetings and duties to ensure everyone is on the same page, working together, and dividing duties for successful meetings.

Item 9

	<p>Jonathan and Tiffany interviewed three candidates for the Public Affairs internship position. An offer has been extended, and the final candidate is going through HR screening.</p> <p>Tiffany and Laura attended Discovery Cube's annual Bubblefest.</p> <p>Tiffany participated in a Consensus Building class sponsored by OCSD.</p> <p>Tiffany and Bryce are developing layout options and obtaining quotes for a new entryway display.</p>
Legislative Affairs	<p>Heather traveled to Sacramento where she had met with staff from the Assembly Parks & Wildlife Committee members. Specifically, Heather and Syrus dropped in on Robert Boykin from Assemblyman Medina's office, they met with Assemblyman Bill Dodd and his legislative director Les Spahn, Michael Miiller, Chief of Staff to Committee Chair Assemblyman Marc Levine, and Michelle Reyes from Assemblyman Matt Dababneh's office. The purpose of the meetings was to reiterate our opposition to AB 1713 (Eggman) and answer any questions about our agency and/or position to this measure.</p> <p>Heather met with Matt Holder to discuss the Air Resources Board and working together in the future.</p> <p>Heather, Syrus, Joe Berg, Rob & Director Tamaribuchi met to go over our future goals in Sacramento. An emphasis was placed on the regulatory side and having Joe Berg more involved.</p> <p>Heather participated in the Southern California Water Committee Legislative Task Force Conference Call.</p> <p>Heather participated in MWD's Legislative Coordinators Conference Call.</p> <p>Heather monitored MWD's Communications and Legislation Committee meeting.</p>
Water Summit	<p>Jonathan and Tiffany met twice with the Water Summit Committee. Jonathan worked on identifying and confirming panelists..</p>

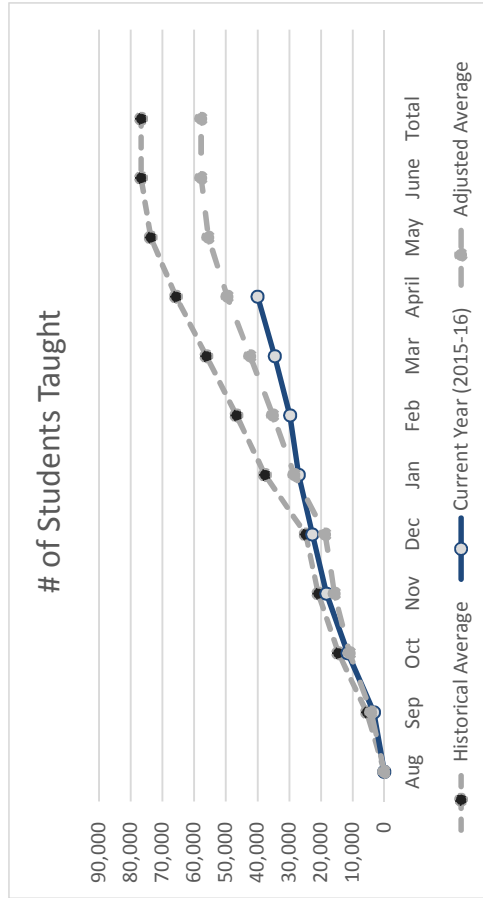
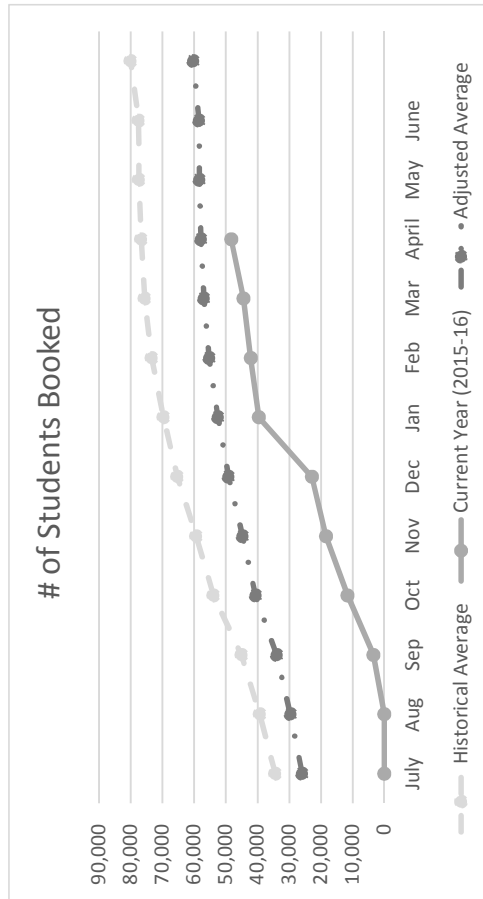
Item 9

	<p>Tiffany and Bryce conducted a walk-through of the hotel with the AV technician to determine space allotted, equipment needed, and adjustments to prior set-up requirements to adapt to new venue.</p> <p>Tiffany prepared and sent out 3 unique evites- standard, sponsorships and OC Chambers.</p> <p>Tiffany has been working with sponsors to provide and gather materials and graphics needed, ensure invoices are being delivered (if applicable), confirm in-kind agreements are being met and current handouts are being distributed.</p> <p>Tiffany prepared materials and supplied a variety of links to OCWD IT technician to update event materials on the ocwatersummit.com website.</p>
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2015-16 Water Education School Program

# of Students Booked	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	April	May	June	Target
Historical Average	34,405	39,319	45,070	53,900	59,337	65,269	69,616	73,332	75,563	76,726	77,411	77,523	80,000
Adjusted Average	25,921	29,624	33,957	40,610	44,706	49,175	52,451	55,250	56,931	57,807	58,323	58,407	60,274
Current Year (2015-16)	0	0	3,446	11,640	18,417	22,873	39,556	42,137	44,405	48,304			60,274

# of Students Taught	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	April	May	June	Total
Historical Average	0	5,526	14,522	20,838	24,823	37,676	46,625	56,093	65,692	73,691	76,705	80,000
Adjusted Average	0	4,163	10,941	15,700	18,702	28,386	35,128	42,262	49,494	55,521	57,791	57,791
Current Year (2015-16)	0	3,304	11,641	18,247	22,703	26,990	29,725	34,583	39,950			60,274



* Total is reduced from 80,000 because all participants receiving keypad program.



THE WATER EFFECT

MONTHLY REPORT

PRESENTED BY



The
Ecology
Center

The Water Effect - Inside the Outdoors School Visits Year 1 - 2015/2016										
Agency	High School	Intro Email	Admin. School Meeting	1st Visit - student	1st Visit Enrollment	2nd Visit - student	2nd Visit Enrollment	School Expo	Expo Campus Enrollment	Total Students
Anaheim	Anaheim High School	X	10/27/15	12/14/15	56	2/7/16	52	3/7/16		108
Brea	Brea Olinda High School	X	9/8/15	12/1/15	174	12/15/15	191	5/19/15		365
Buena Park	Buena Park High School	X								0
East Orange	Foothill High School (shared with Tustin)	X	10/9/15	11/12/15	29	1/14/15	28	3/25/16		57
El Toro	El Toro High School	X	10/6/15, 2/19/16	3/9/16	193	4/4/16		4/21/16		193
El Toro	Los Alisos Junior High	X	10/13/15	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Fountain Valley	Fountain Valley High School	X								0
Garden Grove	Pacifica High School	X								0
Golden State	Valencia High School	X	9/23/15	9/30/15	166	10/19/15	117	pending		283
Golden State	Los Alamitos High School	X	9/15/15	1/13/16	92	3/25/16	33	5/20/16		125
Huntington Beach	Marina High School	X	1/11/16, 2/2/16							0
Laguna Beach	Laguna Beach High School	X	12/4/15, 1/27/16	3/2/16	93	3/9/16	90	4/6/16		183
Mesa Water	Costa Mesa High School	X	9/23/15	11/17/15, 11/18/15	79	1/11/16, 1/12/16	78	4/18/16		157
Moulton Niguel	Capistrano Valley High School	X	11/2/15	12/7/15, 12/8/15	562	1/11/16, 1/12/16	624	2/22/16		1186
San Clemente	San Clemente High School	X	10/29/15	12/17/15	21	2/25/16	36	3/31/16		57
San Juan Capistrano	San Juan Hills High School	X	11/19/15							0
Santa Ana	Rio Contigu School	X	3/25/16	4/12/16		5/25/16		pending		0
Santa Ana	Santa Ana High School	X	pending							0
Santa Margarita	Tesoro High School	X	9/30/15, 2/5/16	3/30/16	25	5/3/16		5/17/16		25
South Coast	Dana Hills High School	X	11/2/15	11/19/15	82	3/29/16	82	5/31/16, 6/1/16		164
Tustin	Tustin High School (Foothill High School shared with EOCWD)	X	10/22/16							0
	Teacher Workshops		8/26/15	11/7/15	12/11/15	2/4/16	3/12/16			
			11	24	59	19	0			113
	Student Events		3/5/16	3/19/16	3/25/16	4/8/16	4/16/16			
			Student Kick-Off	Girls in Science	Tomorrow Teacher Conference	OCDE Friday Night Live	OCDE Friday Night Live			
			53	50						103

Quantitative:

Social Media

- 22,860 direct interactions with #TheWaterEffect by posting, commenting, and “liking” TWE content on social media
- Total social media followers: 532 cumulative
- Total hashtag mentions (#TheWaterEffect): 966 total to date
- Total pledges (www.TheWaterEffect.one): 191

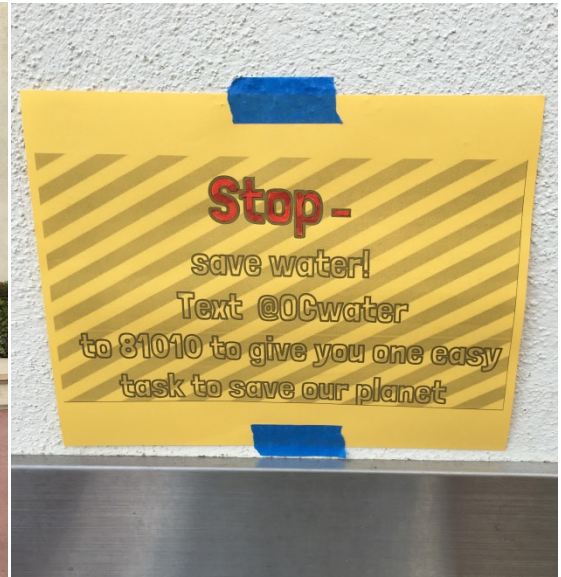
The Water Effect PSA

- Received 27,607 views on Facebook to date, and re-shared, commented, and liked 1656 times on Facebook.

The Water Effect Program Highlights



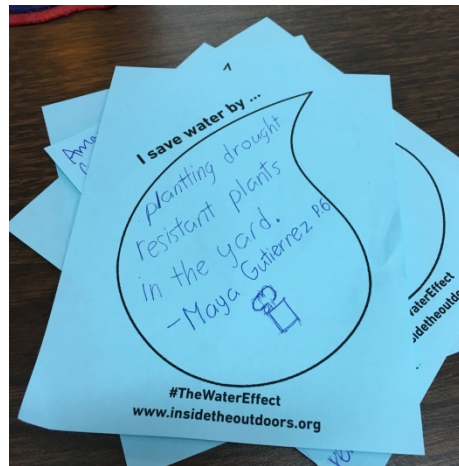
Laguna Beach Water Agency, Laguna Beach High School Teacher, MWD, Inside the Outdoors



1 of 20 Group Projects at Laguna Beach HS: Pledge to save water and sign up via text to receive water saving tips



Campus Water Expo



Water Pledges



Social Media Photos/Posts



The Water Effect Kick-off – Peer Brainstorming Session