WORKSHOP MEETING OF THE
BOARD OF DIRECTORS WITH MET DIRECTORS
MUNICIPAL WATER DISTRICT OF ORANGE COUNTY
18700 Ward Street, Board Room, Fountain Valley, California
June 7, 2017, 8:30 a.m.

AGENDA

PLEDGE OF ALLEGIANCE

ROLL CALL

PUBLIC PARTICIPATION/COMMENTS

At this time members of the public will be given an opportunity to address the Board concerning items within the subject matter jurisdiction of the Board. Members of the public may also address the Board about a particular Agenda item at the time it is considered by the Board and before action is taken.

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

ITEMS RECEIVED TOO LATE TO BE AGENDIZED

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

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

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

(NEXT RESOLUTION NO. 2055)

PRESENTATION/DISCUSSION/INFORMATION ITEMS

1. INPUT OR QUESTIONS ON MET ISSUES FROM THE MEMBER AGENCIES/MET DIRECTOR REPORTS REGARDING MET COMMITTEE PARTICIPATION

Recommendation: Receive input and discuss the information.

2. CALIFORNIA WATERFIX KEY DECISIONS & TIMELINE

Recommendation: Review and discuss the information presented.

3. METROPOLITAN'S BOARD WORKSHOP ON INTERGRATED RESOURCE PLAN (IRP) POLICY PRINCIPLES

Recommendation: Review and discuss the information presented.

4. MET ITEMS CRITICAL TO ORANGE COUNTY (The following items are for informational purposes only – a write up on each item is included in the packet. Discussion is not necessary unless requested by a Director)

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

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

5. METROPOLITAN (MET) BOARD AND COMMITTEE AGENDA DISCUSSION ITEMS

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

Recommendation: Review and discuss the information presented.

ADJOURNMENT

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

MUNICIPAL WATER DISTRICT OF ORANGE COUNTY

Item No. 2

DISCUSSION ITEM
June 7, 2017

TO: **Board of Directors**

FROM: **Robert Hunter,**
General Manager

Staff Contact: Harvey De La Torre

SUBJECT: **CALIFORNIA WATERFIX KEY DECISIONS & TIMELINE**

STAFF RECOMMENDATION

Staff recommends the Board of Directors review and discuss this information

REPORT

The California WaterFix is the state's plan to upgrade outdated infrastructure in the Sacramento-San Joaquin Delta (Delta) to secure California's water supplies and improve the Delta's ecosystem. California's largest supply of clean water is dependent on 50-year-old system. Earthquakes, floods and rising sea levels could compromise this system, putting our fresh water supply at risk from saltwater contamination. The current system is inefficient and cannot adequately capture and store water when it's abundantly available. The current Delta pumps are extremely powerful, causing reverse flows, which can impact the Delta ecosystem. Therefore, the California WaterFix and EcoRestore will have both water delivery and ecosystem benefits.

The California WaterFix includes the construction of two 40-feet tunnels in the Delta that will be place 150-ft underground; along with three new intakes, located north of the Delta, each with 3,000 cubic-feet per second (cfs) capacity. Once completed the average annual yield is expected to reach close to 5 million acre-feet.

Constructing and permitting a $15 billion project is complex and involves multiple state and federal agencies. Below is a brief description of the upcoming key decisions for securing the necessary environmental documents and permits for this project:

Budgeted (Y/N): N	Budgeted amount: None	Core _X_	Choice __
Action item amount: N/A	Line item:		
Fiscal Impact (explain if unbudgeted):			

- **U.S. Bureau Reclamation/Department of Water Resources – Environmental Documents**
    - Environmental documents (Environmental Impact Statement/Report – EIR/EIS) and project approval under CEQA and NEPA

  Status: Once the Biological Opinions are completed and the 2081 permits are secured then you can move forward with the Record of Decision (ROD) (which is expected within the next month) & Notice of Decision (NOD)

- **USFWS|NMFS|CDFW – ESA/CESA Authorizations**
    - "Section 7" Biological Opinion – Federally-listed species
    - "Section 2081" Permit – State-listed species

  Status: Biological Opinion on the Delta Smelt and the 2081 permit from California Department of Fish and Wildlife (CDFW) is expected to be completed by mid-June 2017

- **State Water Resources Control Board – Water Rights Change in Point of Diversion Permit**
    - Water right permit for new point of diversion for new intakes

  Status: Currently being reviewed by the State Water Resource Control Board

- **U.S. Army Corp of Engineers – Permits**
    - Placement of fill in waters of the U.S. under the Clean Water Act (404)

  Status: Once the all Environmental Documents are certified the permit will be considered by the Army Corp of Engineer

Once all environmental documents and permits are certified and secure, construction can begin as soon as summer 2018.

Metropolitan Board Review of the CA WaterFix

Early this year, Metropolitan staff announced prior to taking a Board position on the California WaterFix, Metropolitan staff plans to hold a number of Committee & Board Workshops. This is also include the preparation of white papers to cover three key areas of the California WaterFix, which are essential pieces to the recommendation:

1. **Physical Infrastructure (Water Planning & Stewardship - July 10)**
    - Project features including protection for seismic risks
    - Design and Construction Enterprise
    - Cost Estimate
    - Construction budget and schedule

2. **Operations (Special Committee on Bay-Delta - July 25)**
    - Project operations
    - Biological opinions
        i. Section 7 Biological Opinion - Federally listed species
        ii. Section 2081 Permit –State listed species
    - Range of supply/Expected yield
    - Water Quality
    - Ability to manage water transfers

3. **Finance/Cost Allocation (Water Planning & Stewardship - August 14)**
    - Proposed Cost Allocation and Financing Mechanisms
        i. State/Federal
        ii. State Water Contractors
    - Cost share analysis and cost impact to rates

From these policy discussion, there will be a full Board Workshop on August 22, followed by a Board action on September 12.

MWDOC Board Review of the CA WaterFix

In preparation to the MET Board action in September, MWDOC plans to hold a series of Board Workshop discussions in Orange County on the California WaterFix. Below is the suggested schedule and topic of discussion:

- **July 5**
    - Completion of the Biological Opinions
    - Status of the EIR/EIS & Key Permits and State Control Board Hearings

- **August 2**
    - Physical Infrastructure
    - Operations of the California WaterFix

- **September 6**
    - Financing and Cost Allocation
    - MET's staff recommendation for September 12 Board action

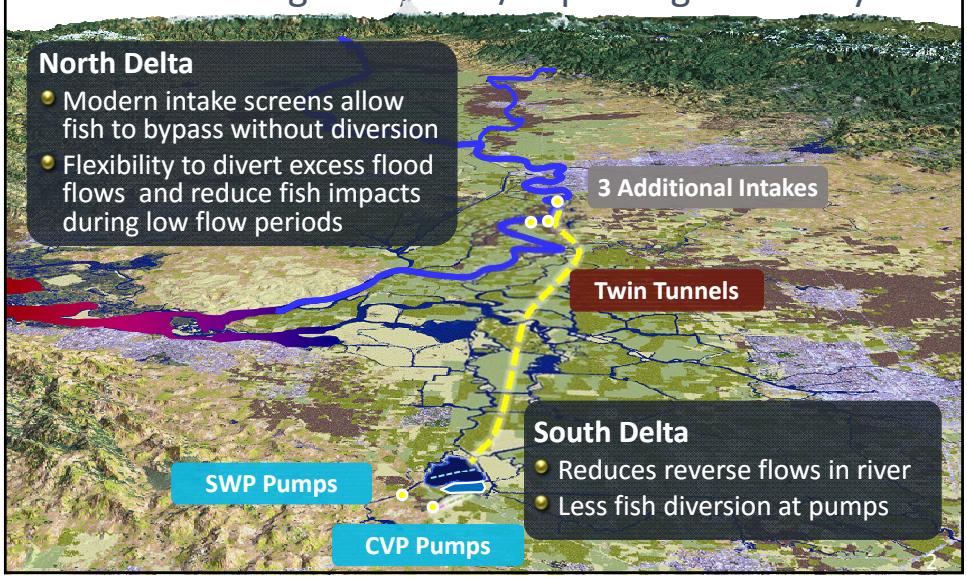
California WaterFix Key Decisions & Timeline

Joint Board Workshop
Municipal Water District of Orange County
June 7, 2017

CALIFORNIA WATER FIX
RELIABLE. CLEAN. WATER.

CALIFORNIA ECO RESTORE
A STRONGER DELTA ECOSYSTEM.

Enhancing Ecosystem/Improving Reliability

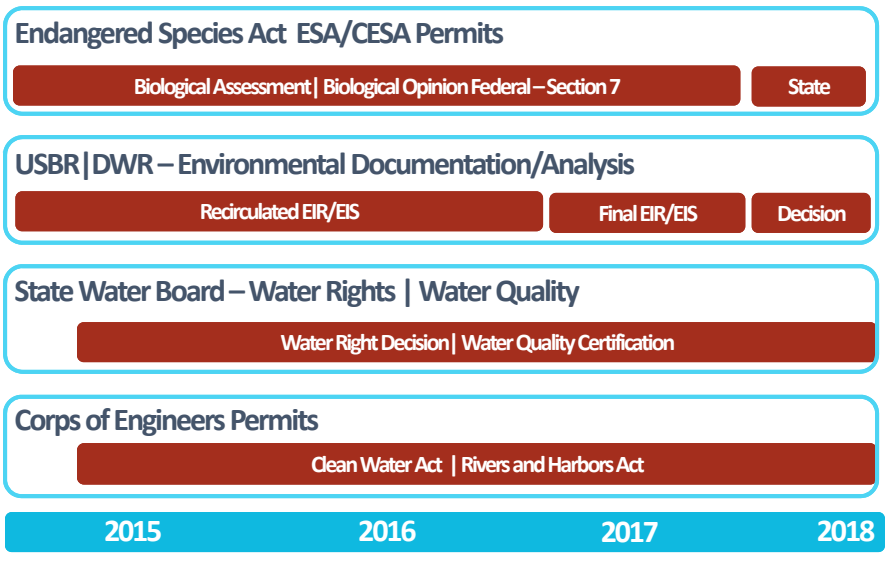


Upcoming Key Decisions

- U.S. Bureau Reclamation/DWR – Environmental Documents
  - Environmental documents (EIR/EIS) and project approval under CEQA and NEPA
- USFWS |NMFS|CDFW – ESA/CESA Authorizations
  - "Section 7" Biological Opinion – Federally-listed species
  - "Section 2081" Permit – State-listed species
- State Water Resources Control Board – Water Rights Change in Point of Diversion Permit
  - Water right permit for new point of diversion for new intakes
- U.S. Army Corp of Engineers – Permits
  - Placement of fill in waters of the U.S. under the Clean Water Act (404)

MUNICIPAL WATER DISTRICT OF ORANGE COUNTY

Upcoming Key Decisions



MET's Board Review

California Water Fix Board Review

Policy Paper	Presentation	Proposed Date
Physical Infrastructure	Water Planning and Stewardship	July 10
Operations	Special Committee on Bay-Delta	July 25
Finance/Cost Allocation	Water Planning and Stewardship	August 14
	Board Workshop	August 22
	Board Action	September 12

Paper #1:

Physical Infrastructure

White Paper will focus on:

- Project features including protection for seismic risks
- Design and Construction Enterprise
- Cost Estimate
- Construction budget and schedule

MUNICIPAL WATER DISTRICT OF ORANGE COUNTY

Paper #2:
Operations

White Paper will focus on:

- Project operations
- Biological opinions
  - Section 7 Biological Opinion - Federally listed species
  - Section 2081 Permit –State listed species
- Range of supply/Expected yield
- Water Quality
- Ability to manage water transfers

Paper #3:
Financing and Cost Allocation

White Paper will focus on:

- Proposed Cost Allocation and Financing Mechanisms
  - State/Federal
  - State Water Contractors
- Cost share analysis and cost impact to rates

MWDOC Joint Board Workshop

Series of Discussions

In preparation of MET Board Action in September, MWDOC will have a series of Board Workshop discussions:

- **July 5** – Discuss Status on:
  - Completion of the BiOp
  - Status of the EIR/EIS & Key Permits and State Control Board Hearings
- **August 2** – Discuss two of MET's whitepapers:
  - Physical Infrastructure
  - Operations of the CA WaterFix
- **September 6** – Discuss MET's last whitepaper:
  - Financing and Cost Allocation
  - MET's staff recommendation for Sept. 12 Board action

Background Slides

California Water Fix Updated Cost Analysis

IMPROVEMENTS	Capital	O&M (Total 50 Years)	TOTAL
Conveyance	$14.99 B	$1.46 B	$16.45 B
Mitigation, Monitoring	$0.56 to $0.82 B	$0.22 B	$0.78 to $1.04 B
TOTAL	$15.55 to $15.81 billion	$1.68 billion	$17.23 to $17.49 billion

Within $5-$10 per household per month

Presented to Metropolitan's Board September 29, 2015

Estimated costs from DWR; in undiscounted 2014 dollars with 36% contingency
Metropolitan's share is approximately 25%

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Estimated Cost & Rate Impact

California WaterFix Cost

- Tunnels/Pipeline Conveyance - $15 Billion*
- State Water Project Contractors - 55% cost share
- Federal (CVP) Contractors – 45% cost share

Project Costs affect on MET's Rates

- $140 - $166/AF increase
- 1.5% - 2.0% per year increase for 10 years
- ~$5-$10 average/month/household cumulative impact

**Estimated costs from DWR; in undiscounted 2014 dollars with a 36% contingency Metropolitan's share is approximately 25%-30%*

MUNICIPAL WATER DISTRICT OF ORANGE COUNTY

MUNICIPAL WATER DISTRICT OF ORANGE COUNTY

Item No. 3

DISCUSSION ITEM
June 7, 2017

TO: **Board of Directors**

FROM: **Robert Hunter,**
General Manager

Staff Contact: Harvey De La Torre

SUBJECT: **METROPOLITAN'S BOARD WORKSHOP ON INTERGRATED RESOURCE PLAN (IRP) POLICY PRINCIPLES**

STAFF RECOMMENDATION

Staff recommends the Board of Directors review and discuss this information

BACKGROUND

Following the adoption of the 2015 Integrated Resource Plan (IRP) in January 2016, the Metropolitan (MET) Board embarked on a Phase II of the IRP. This phase focuses on the development of policy principles to help guide the Board and staff as ways to achieve the reliability goals set in the IRP are outlined.

In early 2017, the IRP Committee began to solicit input regarding the policy of how MET can further encourage local resource development and water conservation. MET staff started this discussion by providing an overview of MET's historic role in helping agencies develop local resource projects and water conservation programs in MET service area through the policy statements of the Laguna Declaration (1952) and the San Pedro Principles (1995). They also reviewed the previous IRPs, and the recent 2015 IRP target assumptions, current adaptive management approach, which is designed to address current and future uncertainty, and existing MET programs' regional benefits and performance.

To assess the Board's interest for MET to be more active in local resource development and conservation, Chairman Record called for a full Board workshop on May 23 to discuss the development of policy principles in the following two major policy areas:

Budgeted (Y/N): N	Budgeted amount: None	Core _X_	Choice __
Action item amount: N/A	Line item:		
Fiscal Impact (explain if unbudgeted):			

1. How should Metropolitan expand its role in local resources and conservation and under what conditions; and
2. How should Metropolitan plan and participate with existing and expanding mandates

To give the Board background information on these policy questions, MET staff prepared a white paper (See Attached). Included was also draft policy principles for the Board to review and consider. The purpose of this report is to outline these suggested policy principles and highlight the key comments from the Board workshop.

REPORT

The IRP Board workshop began by highlighting the process and history of IRPs along with policy background of the Laguna Declaration and San Pedro Principles, which laid the foundation for MET to be the lead agency in regional water management and planning to meet the increasing needs of the Southern California.

Based on recent hydrologic conditions and the need to prepare for the next drought, the MET Board considered whether MET should a take more active role in the development of local resources and conservation; and whether MET should continue its support when state and/or federal mandates are in place. To provide the Board and staff direction on these policy questions, the Board considered the following policy principles:

PROPOSED POLICY PRINCIPLES ON MET'S ROLE

A. Metropolitan should take an *active role in identifying and evaluating* potential local resource and conservation opportunities within its service area

B. Metropolitan should have *multiple approaches and avenues* for developing and implementing local resources and conservation with local agencies and entities

C. Metropolitan should, where appropriate, *evaluate the feasibility and effectiveness of direct investment* and development of regionally beneficial local resources and conservation

D. Metropolitan's involvement in the development of local resources and conservation should include *consideration of maintaining or recovering* existing projects and programs

E. Evaluations of regional investments in local resources and conservation and development of any priorities among potential projects should include consideration of:

- Type and Source of water supply;
- Measureable water supply yield or demand reduction;
- Impacts, positive or negative, to Metropolitan system redundancy or emergency risk;
- Impacts, positive or negative, to existing Metropolitan system investments and developed capacity;
- Financial exposure and revenue recovery

F. Metropolitan should ensure that its operational and administrative policies *do not adversely impact regional efforts* to encourage and develop local resource and conservation investments

Board member key comments at the Workshop on MET's Role

- Part of the intent of including the list of criteria in evaluating regional projects is to ensure MET makes a wise investment (should be a standard for all MET investments) – Getting away from the first come-first serve approach is "the best way to get the best projects done"
- West Basin MWD does not support the notion of prioritizing projects. Such action will place artificial constraint on local resource development and have projects compete against each other
- There is a difference between evaluation criteria (additional information) versus performance criteria (more of a requirement); wanting more information and having a minimum criteria before moving forward with a project is "just good business"
- IRP goals should be annually updated with additional conservation savings and local resource projects to avoid any "over investment"
- Concern was raised that the policy principles are too broad and flexible; not providing a clear direction for where we want MET to go
- May need to modify the wording in Policy Principle E to prevent any hindrance of project development

PROPOSED POLICY PRINCIPLES ON MANDATES

A. Metropolitan and the region has an interest in ensuring that local supply and conservation maintenance and development are *achieved consistent with IRP targets*
B. Metropolitan should evaluate state and federal mandates on water resource and conservation development to *determine intent and consistency of the mandate with regional IRP targets*
C. If and when a mandate applies to a specific project or program within a member agency service area, Metropolitan should collaborate with the member agency to determine the *appropriate participation approach commensurate with the regional benefits* provided by the project or program

Board member key comments at the Workshop on Mandates

- Chairman Record stated does not want a mandate or regulation to prohibit projects or programs from receiving MET assistance. As long as the project or program helps the region's reliability goals, MET should be involved
- SDCWA does not agree with MET providing support when there is a mandate by the state, in particular as it relates to water conservation programs

- Consideration should be given to whether the project is aligned with achieving the IRP goals
- It is an issue of equity; whereby smaller agencies may need to rely on MET for assistance

Next Steps

Based on the MET Board member's comments, MET staff plans to incorporate these comments into the policy principles and present any modification next month. It is expected that the MET Board will consider adoption of these policy principles in July.

Attachment – Metropolitan's White Paper "Policy Principle Framework and Recommendations for Implementation of Local Resources and Conservation"

Policy Principle Framework and Recommendations for Implementation of Local Resources and Conservation

Background

The 2015 IRP Update continues Metropolitan's collaborative long-term planning approach to providing a reliable water supply for its entire service area. Through the IRP, the region has identified targets for water resource and supply development that will ensure that the region can achieve a high level of water supply reliability. The 2015 IRP Update, as does its predecessors, emphasizes a balanced approach of developing and maintaining imported supplies delivered through the Colorado River and the State Water Project, and developing and maintaining the region's base of local supplies and conservation. Metropolitan's regional distribution, storage and treatment system facilitate the integrated use of all of the regional supplies for reliability benefits across the region. The 2015 IRP Update also recognized that the maintenance of existing production of water supplies, and not a primary focus on increasing new production, is critical in achieving water supply reliability for the region.

As a regional wholesale water provider, Metropolitan's service area encompasses the service areas of the member agencies and other local water agencies. Historically, member agencies and local water agencies have been the primary builders, owners and operators of the local supplies in the region. In addition, because they are end-user driven, conservation programs are implemented at the local level. Regional participation by Metropolitan has assisted local agencies in the development and successful implementation of local resources and conservation. Looking forward, clarity on how Metropolitan should participate in the continued development of local resources and conservation and how to ensure the regional benefits associated with investments in local resources and conservation will be key to successfully achieving the IRP targets and water supply reliability.

The 1952 Laguna Declaration, codified in Section 4202 of Metropolitan's Administrative Code, established that Metropolitan would play the main role in securing and ensuring water supplies for the growing Southern California area. The Laguna Declaration reaffirmed Metropolitan's intent to meet the demands of its member agencies and stated:

- The District is prepared, with its existing governmental powers and its present and projected distribution facilities, to provide its service area with adequate supplies of water to meet expanding and increasing needs in the years ahead. When and as additional water resources are required to meet increasing needs for domestic, industrial and municipal water, the District will be prepared to deliver such supplies

Leading up to the adoption of the 1996 IRP, Metropolitan and its member agencies and regional stakeholders recognized the regional benefits of increased conservation and local resources. In 1995, Metropolitan held the third in a series of Integrated Resources Plan Assemblies. This IRP Assembly resulted in the establishment of the San Pedro Principles which described the vision and direction for collaborative planning and development of local supplies and conservation. The principles endorsed by the Assembly were:

- No water supplier in Southern California is an isolated, independent entity unto itself. All suppliers and the community served are dependent to varying degrees upon a regional system of water importation, storage and distribution.

- Metropolitan is Southern California's lead agency in regional water management. It has responsibility not only for importing water from outside the region and constructing necessary conveyance and storage facilities, but also for convening dialogues on regional water issues, encouraging local water development and conservation, advocating the region's interests to the state and federal governments, and in other ways leading Southern California's water community.
- Water suppliers at all levels have a responsibility to promote a strong water ethic both within the water community and among the public. This requires that plans be developed through open processes and that agencies commit to achieving adopted regional goals and strategies. It also requires that all suppliers commit to a policy of equity and fairness in the development and implementation of programs for water management.

The 1996 IRP took the step of identifying regional targets for the implementation of conservation and local resources, with these targets being updated in subsequent IRP Updates in 2004, 2010 and most recently in 2015. Through this time, Metropolitan has facilitated the implementation of local resources and conservation primarily through the development and refinement of the regional incentive programs.

Policy Development Process

Following the adoption of the 2015 IRP Update and its associated targets and goals for achieving regional water supply reliability, Metropolitan has engaged in a series of discussions aimed at determining the potential policies needed to implement the IRP. In April 2016, Metropolitan's Board held a retreat with one of the main topics being a discussion of policy questions related to IRP implementation. The major themes coming out of the discussion included the role of Metropolitan in achieving regional reliability, how to achieve future conservation with increased outdoor water use efficiency, and the role of Metropolitan in developing local resources. Following the Board Retreat, the IRP Committee of the Board held a series of meetings to review and discuss Metropolitan's historic and current role and activities in the areas of local resources and conservation development. The most recent meetings solicited direct input and discussion on policy areas and policy questions with the intention of developing policy principles that provide guidance and direction to staff.

Policy Goals and Outcomes

The overarching goal of developing policy for local resources and conservation development is to ensure that Metropolitan is participating in a way that best serves the region in achieving the IRP targets and water supply reliability. Metropolitan's participation should increase the ability to successfully implement projects and programs that maintain and build the region's local resources and conservation for the benefit of the region, and make investments commensurate with those regional benefits. Policy principles that address this goal would provide the following outcomes:

1. Provide guidance and direction to staff in determining the appropriate participation for Metropolitan in the continued regional implementation and maintenance of local resources and conservation
2. Provide guidance and direction to staff in developing evaluation and decision criteria for determining appropriate Metropolitan participation and prioritizing investment of regional finances
3. Provide guidance and direction to staff in developing improvements to increase the effectiveness of the existing Local Resources Program and Conservation Credits Program

Policy Areas and Policy Principle Recommendations

Based on the process in the IRP Committee, policy discussion and potential policy principles have coalesced in two areas. The first is Metropolitan's Role in Local Resources and Conservation Development. Policy development in this area should address the role or roles that Metropolitan can fill to enable the effective maintenance and development of local supplies

Metropolitan's Role in Local Resources and Conservation Development

Framing Question: How should Metropolitan define its role in the development of local resources and conservation and under what conditions?

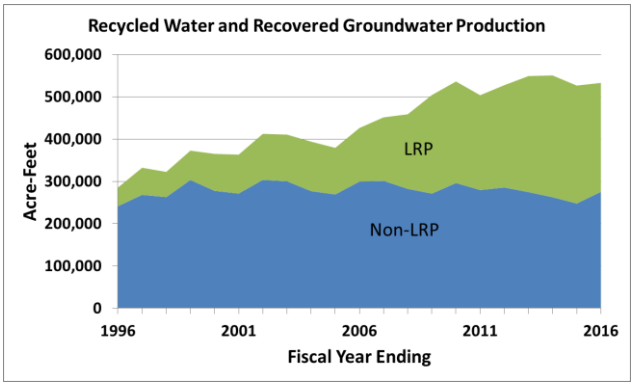
Local resources and conservation are, by their nature, developed and implemented at the local and end user level. From the very beginning of water development in Southern California, local agencies and local entities were primarily responsible for building and maintaining the water supplies and systems for their areas. Early water development began with surface water diversions and groundwater wells, and over time also included imported supplies like the Los Angeles Aqueduct system which had a source of water supply well outside of the local area but was developed and financed by the local agency. Development of more technologically advanced and more costly supplies began in the 1980's with the advent of recycled water and groundwater remediation and treatment. The most recent local resources development has included even more technologically advanced and costly supplies such as advanced-treated recycled water and seawater desalination.

Metropolitan has been the regional vehicle for participation in the maintenance and development of local resources and conservation for much of its history. The primary role Metropolitan has played has been mostly one of facilitation and financial assistance and not one of active or direct participation. In the area of recycled water, Metropolitan recognized the potential regional benefits and development through its participation in the Orange and Los Angeles Counties Reuse Study in the 1980's and the Southern California Comprehensive Water Reclamation and Reuse Study in the 1990's. These studies led to the inception of financial incentive programs to encourage the development of recycled water. The initial incentive program in 1981 was called the Local Projects Program. Under this program, Metropolitan did not actively participate in the building or operating of recycled water projects under this program. However, Metropolitan did invest directly in the capital costs of two projects under this program and was considered a co-equity owner in that it received revenues from the sales of its proportion of the water supply produced. In 1986, the Local Projects Program was revised into a pay-for-performance program that provided financial incentives for water produced as opposed to the previous financing of up-front capital costs. The pay-for-performance incentive approach, which is now operating as the Local Resources Program since 1995, continues today. Various adjustments to the program design and financial incentive structure have been made through time to reflect the changing nature and more specific needs of local programs.

Metropolitan has played a variety of roles in the area of maintaining and developing local groundwater production. Metropolitan has primarily served a source of water supply for groundwater replenishment and recharge. This was done through a variety of interruptible service programs that were supported by differentials in water rates that reflected the interruptibility of the water supply. Interruptible service programs no longer exist at Metropolitan with water supply purchased for groundwater replenishment

Metropolitan has also participated in expanding the storage and recovery of water in the regional groundwater basins through programs like the Cyclic Storage Program and the Conjunctive Use Program. In 1991 Metropolitan initiated a program offering financial incentives through the Groundwater Recovery Program. This program sought to maintain, restore and increase regional groundwater production by incentivizing the development of treatment for degraded groundwater supplies. This program was converted into the Local Resources Program in 1995, putting the regional participation in the development of recycled water and groundwater recovery into the same program and approach.

The financial incentive-based approach has been relatively successful, particularly through the first two decades of its existence. As of 2016, the Local Resources Program was responsible for 260,000 acre-feet of the roughly 500,000 acre-feet of total recycled water and groundwater recovery production in the service area. However, the total rate of implementation of new projects has declined since the 2010 timeframe.



In addition, there have been more instances and experience gained with local resources that needed assistance and participation from Metropolitan in a different way than was available through the incentive-based approach. Working through these projects resulted in new approaches like the Reimbursable Services Program and the On-Site Retrofit Program. In the Reimbursable Services Program Metropolitan provided technical services including planning and engineering, contracting with outside professional services, and financing. The local agency ultimately reimbursed Metropolitan for all actual costs and took over ownership and operation of the project. The Reimbursable Services Program, which began with a specific project, is now part of the overall Local Resources Program and shows the value of flexible participation in meeting the needs and challenges that local projects face in implementation.

The 2010 IRP Update process included a six-month Strategic Policy Review which focused on the question "What should Metropolitan's role be in managing and developing the region's water supplies?" The process, which analyzed three alternative approaches to Metropolitan's role in managing, developing and financing local resources, resulted in the 2010 IRP Update findings that Metropolitan should:

- Adopt an adaptive management approach for the future
- Diversify its role in developing regional water supply
- Explore various options under which the region can pursue cooperative development of beneficial projects

These findings provided a basis for some of the adaptive changes to the Local Resources Program and also for the initiation of the Foundational Actions program which was designed to further the research and address implementation barriers that face less traditional types of local resources in the region.

In order to address the increasingly challenging nature of remaining local resource development in Metropolitan's service area and to ensure that regional investments and efforts provide regional benefits

to all of Metropolitan's member agencies, policy is needed to guide the appropriate role or roles that Metropolitan should play. Recommended policy principles in this area are:

- Metropolitan should take an active role in identifying and evaluating potential local resource and conservation opportunities within its service area
- Metropolitan should have multiple approaches and avenues for developing and implementing local resources and conservation in cooperation with local agencies and entities
- Metropolitan should, where appropriate, evaluate the feasibility and effectiveness of direct investment and development of regionally beneficial local resources and conservation
- Metropolitan's involvement in the development of local resources and conservation should include consideration of maintaining or recovering existing projects and programs
- Evaluations of regional investments in local resources and conservation and development of any priorities among potential projects should include consideration of:
    - Type and source of water supply
    - Measureable water supply yield or demand reduction
    - Impacts, positive or negative, to Metropolitan system redundancy or emergency risk
    - Impacts, positive or negative, to existing Metropolitan system investments and developed capacity
    - Financial exposure and revenue recovery
- Metropolitan should ensure that its operational and administrative policies do not adversely impact regional efforts to encourage and develop local resource and conservation investments

Consideration of State and Federal Mandates in Local Resources and Conservation Development

Framing Question: How should Metropolitan plan and participate in local resources and conservation when there are overlapping mandates?

Local resources development for the more traditional types of supply such as surface and groundwater historically resulted from the need to meet the demand for water and the availability of resources. Metropolitan and the region recognized the importance of non-traditional supplies such as recycled water and the development of conservation programs. Over time, the State and Federal government have also played a role in establishing policy, legislation and regulation that guides and affects specific areas of resource development and goals. These actions by the State and Federal government may have the effect of a mandate. That is, the actions may be interpreted as requiring a specific action or development by a local agency or area.

Mandates in the area of local resources and conservation development can create uncertainty regarding the effectiveness or need for Metropolitan's participation. If the implementation of a specific resource such as recycled water or conservation becomes non-discretionary on the part of a local agency due to a governmental mandate, then it would follow that the need for Metropolitan's participation or facilitation would be eliminated. However, policy, legislation and regulation from the State and Federal government have not yet risen to the level of a strict mandate requiring the implementation of a specific resource. Existing policy, legislation and regulation have also applied not just to the local level but also to the regional level, creating further uncertainty as to the appropriate Metropolitan role.

One example of a State mandate is the legislation from Senate Bill 60 (Hayden 1999), which applied to Metropolitan as a singular entity. SB60 expressed the California Legislature's intent that Metropolitan "expand water conservation, water recycling and groundwater recovery efforts" and that Metropolitan "shall place increased emphasis on sustainable, environmentally sound, and cost-effective water conservation, recycling, and groundwater storage and replenishment measures." The direction of this mandate was consistent with the targets and activities being taken by Metropolitan and its member agencies as a result of the IRP and thus did not affect the role that Metropolitan was playing at that time in incentivizing and facilitating the implementation of local resources and conservation within its service area.

A second example of a State mandate is the legislation from Senate Bill 7X-7 which set targets for reductions in potable water use per capita. This mandate directly applied to local agencies and not to Metropolitan. As was the case with the SB60 mandate, the direction of the mandate from SB7X-7 was consistent with the water use efficiency goals of the IRP. Further, the mandate applied to potable water use as a whole for a local agency and did not require specific projects or actions on the part of the local agency. As it was already in the region's interest to increase water use efficiency through the development of recycled water and conservation consistent with the IRP targets, it remained in Metropolitan's interest to continue to participate through incentivizing and facilitating the implementation of recycled water and conservation.

It is apparent that when state and federal mandates on local resources and conservation development are consistent with the goals and water supply benefits desired by Metropolitan and its member agencies, Metropolitan retains an interest in participating to ensure that the regional goals are achieved. However, in the case where specific projects are directly required of a local agency or entity by a mandate, Metropolitan's participation may not be required to ensure the completion of that project. Recommended policy principles that will guide the determination of the appropriate Metropolitan participation in mandated local resources and conservation development are:

- Metropolitan and the region have an interest in ensuring that local supply and conservation maintenance and development are achieved consistent with IRP targets
- Metropolitan should evaluate State and Federal mandates on water resource and conservation development to determine intent and consistency of the mandate with regional IRP targets
- If and when a mandate applies to a specific project or program within a member agency service area, Metropolitan should collaborate with the member agency to determine the appropriate participation approach commensurate with the regional benefits provided by the project or program

Conclusions

The challenge of maintaining and developing local resources and conservation in Southern California has evolved into an increasingly complex issue. The regional benefits and importance of having a stable base of local resources and conservation towards achieving regional water supply reliability are as important as ever, and Metropolitan is well-situated to ensure that regional investments and financing of local resources and conservation result in regional benefits for all of its member agencies. Having guiding policy principles that enable Metropolitan to identify evaluate and participate in the local resources and

conservation development that provides regional benefits is important and will ensure proper investment and return on regional dollars.

MET's Board Workshop on IRP Policy Principles

June 7, 2017

Municipal Water District of Orange County

Background

- Since the April 2016 Board Retreat, MET staff has briefed the Board on:
  - Laguna Declaration
  - San Pedro Principles
  - MET's historic role, past & current programs, and performance
- Beginning of the year the MET's IRP Committee has focused on Policy related to MET's future role in **Local Resource Development** and **Water Conservation**
- Objective is to develop Policy Principles, in order to:
  - Clarify **MET's role in future** involvement
  - Provide guidance for the Board and staff for implementation actions/changes

Policy Area #1 – MET's Role

How should Metropolitan expand its role in local resources and conservation and under what conditions?

Proposed Policy Principles - MET's Role

A. Metropolitan should take an ***active role in identifying and evaluating*** potential local resource and conservation opportunities within its service area

B. Metropolitan should have ***multiple approaches and avenues*** for developing and implementing local resources and conservation with local agencies and entities

C. Metropolitan should, where appropriate, ***evaluate the feasibility and effectiveness of direct investment*** and development of regionally beneficial local resources and conservation

D. Metropolitan's involvement in the development of local resources and conservation should include ***consideration of maintaining or recovering*** existing projects and programs

Proposed Policy Principles - MET's Role (cont'd)

E. Evaluations of regional investments in local resources and conservation and development of any priorities among potential projects should include consideration of:
   - Type and Source of water supply;
   - Measureable water supply yield or demand reduction;
   - Impacts, positive or negative, to Metropolitan system redundancy or emergency risk;
   - Impacts, positive or negative, to existing Metropolitan system investments and developed capacity;
   - Financial exposure and revenue recovery

F. Metropolitan should ensure that its operational and administrative policies ***do not adversely impact regional efforts*** to encourage and develop local resource and conservation investments

MUNICIPAL WATER DISTRICT OF ORANGE COUNTY

Key Comments from the Board Workshop – MET's Role

- Having a criteria helps evaluate projects to ensure MET makes a wise investment
  - "Getting away from the first come-first serve approach"
- West Basin MWD does not support the notion of prioritizing projects. Such action will place artificial constraint on local resource development and have projects compete against each other
- There is a difference between evaluation criteria (additional information) versus performance criteria (more of a requirement)
- Having more information and having a minimum criteria before moving forward with a project is "just good business"

MUNICIPAL WATER DISTRICT OF ORANGE COUNTY

Key Comments from the Board Workshop – MET's Role (cont'd)

- Should be annually updated with additional conservation savings and local resource projects to avoid any "over investment"
- Concern was raised that the policy principles are too broad and flexible
  - Not providing a clear direction for where we want MET to go
- May need to modify the wording in Policy Principle *E* to prevent any hindrance of project development

Policy Area #2 – Mandates

How should Metropolitan plan and participate with existing and expanding mandates?

Proposed Policy Principles - Mandates

A. Metropolitan and the region has an interest in ensuring that local supply and conservation maintenance and development are ***achieved consistent with IRP targets***

B. Metropolitan should evaluate state and federal mandates on water resource and conservation development to ***determine intent and consistency of the mandate with regional IRP targets***

C. If and when a mandate applies to a specific project or program within a member agency service area, Metropolitan should collaborate with the member agency to determine the ***appropriate participation approach commensurate with the regional benefits*** provided by the project or program

MUNICIPAL WATER DISTRICT OF ORANGE COUNTY

Key Comments from the Board Workshop - Mandates

- Chairman Record does not want a mandate or regulation to prohibit projects or programs from receiving MET assistance.
  - "As long as the project or program helps the region's reliability goals, MET should be involved"
- SDCWA does not agree with MET providing support when there is a mandate by the state
  - In particular, as it relates to water conservation programs
- Consideration should be given to whether the project is aligned with achieving the IRP goals
- It is an issue of equity; whereby smaller agencies may need to rely on MET for assistance

MUNICIPAL WATER DISTRICT OF ORANGE COUNTY

Next Steps

- MET staff will made refinements to the suggested Policy Principles from the Board's May 23 feedback and comments
- June 23, 2017
  - IRP Committee meeting review on the refined Policy Principles
- July 11, 2017
  - Board recommendation to adopt Policy Principles

MUNICIPAL WATER DISTRICT OF ORANGE COUNTY

Item No. 4

DISCUSSION ITEM
June 7, 2017

TO: **Board of Directors**

FROM: **Robert Hunter,**
General Manager

Staff Contact: Karl Seckel
Harvey De La Torre
Melissa Baum-Haley

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

STAFF RECOMMENDATION

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

DETAILED REPORT

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

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

Budgeted (Y/N): N	Budgeted amount: None	Core _X_	Choice __
Action item amount: N/A	Line item:		
Fiscal Impact (explain if unbudgeted):			

ISSUE BRIEF # A

SUBJECT: MET's Water Supply Conditions

RECENT ACTIVITY

2017 Water Supply Balance

With the Department of Water Resources (DWR) setting the State Water Project (SWP) "Table A" allocation at 85%, Metropolitan with have approximately 1.624 million acre-feet (MAF) in SWP deliveries this water year. So far, Metropolitan has received approximately 100 TAF of Article 21 supplies. On the Colorado River system, there is an estimated 960 TAF.

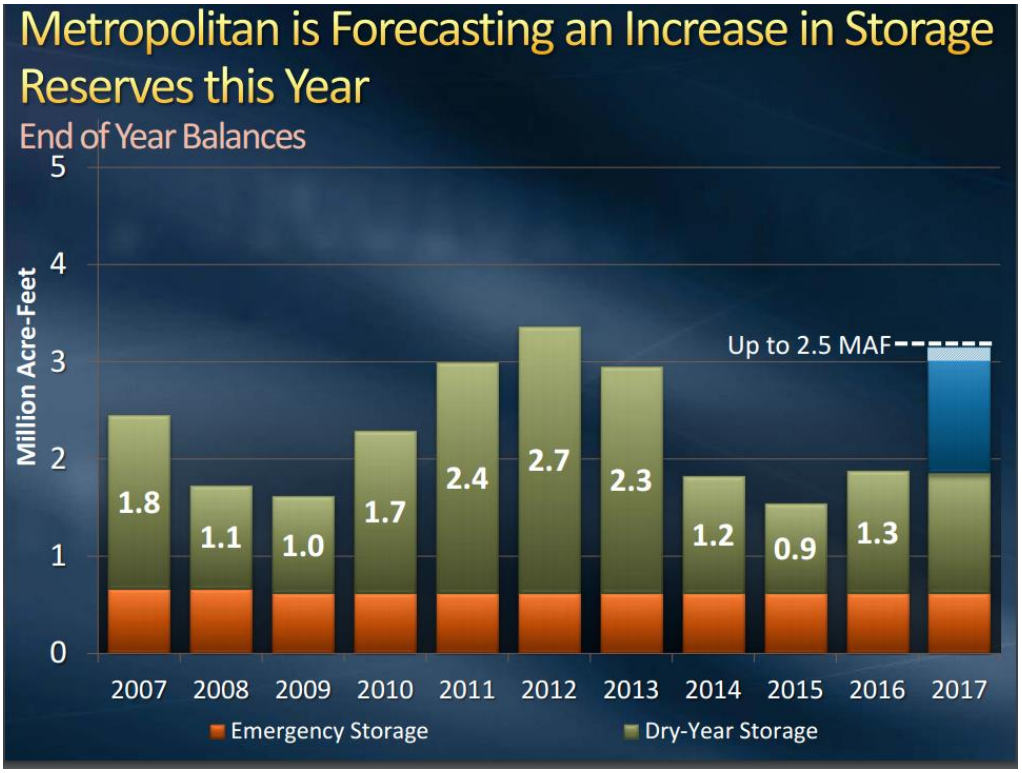
2017 State Water Project Supply Estimate (Acre-Feet)	
Table A Supply (85% SWP allocation)	**1,625,000**
Article 21 (received as of May 1)	**100,000**
Port Hueneme Agreement	**2,000**
SWP Contractual Suppy	**1,727,000**

2017 Colorado River Aqueduct Base Supply Estimate (Acre-Feet)	
Basic Apportionment	550,000
IID/MWD Conservation Program	85,000
PVID/Bard Fallowing Programs	125,000
Exchange with SDCWA (IID Transfer and Canal Lining)	178,000
Canal Lining Water to MWD	16,000
Lower Colorado Water Supply Project	6,000
CRA Supply Before Water Management And Storage Actions	**960,000**

Metropolitan is projecting that supplies will exceed demand levels in CY 2017. With a current demand trend of 1.5 MAF, Metropolitan in expected to increase their dry-year stoarge by 1.0 to 1.2 MAF. Based on this estimated recovery and a beginning dry-year storage balance of 1.3 MAF, this will bring Metropolitan's total dry year storage to a potential range of 2.3 to 2.5 MAF.

2017 Estimated Demands, Losses and Obligations (Acre-Feet)	
Member Agency Consumptive Demands	1,250,000
Member Agency Replenishment Demands	144,000
Coachella Valley Water District Agreement	35,000
System and Storage Losses	76,000
Total Estimated Demands and Losses	**1,505,000**

2017 Water Supply and Demand Balance Estimate (Acre-Feet)	
	85% SWP Allocation w/ Current Demands
CRA Supplies	960,000
SWP Supplies	1,727,000
Transfer/Exchanges	39,000
Total Supplies	2,726,000
Total Demands and Losses	1,505,000
Net Water Supply and Demand Balance	**1,221,000**



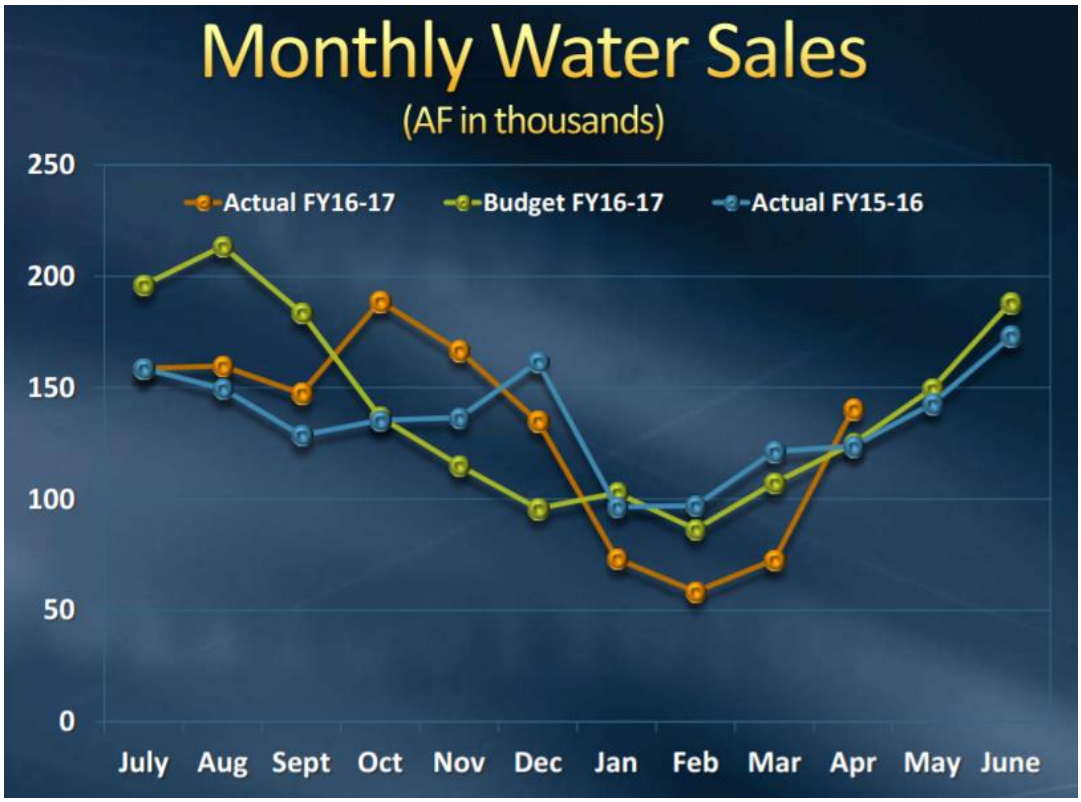
ISSUE BRIEF # B

SUBJECT: MET's Finance and Rate Issues

RECENT ACTIVITY

MET Financial Report

Water sales through the end of April were 61.2 TAF lower than budget and 183.4 TAF lower than the 5-year average. Reduction in sales primarily due to treated water sales remaining low. Revenue of water sales through the month of April 2017 are $81.1 million less than the budget, and $7.6 million greater than April 2016.



ISSUE BRIEF # C

SUBJECT: Colorado River Issues

RECENT ACTIVITY

Mexican Water Treaty Minute 32X

In 2012, the United States and the Republic of Mexico signed Minute 319 which included:

- Establishment of reservoir triggers for sharing both shortage and surplus;
- Establishment of a program of Intentionally Created Mexican Allocation (ICMA) whereby Mexico could temporarily reduce its order of Colorado River water, allowing that water to be delivered to Mexico in the future;
- Infrastructure and water conservation funding; and
- A one-time pulse flow in the Colorado River Delta.

Minute 319 is set to expire December 31, 2017. In anticipation of that expiration, the U.S. and Mexico have been negotiating a successor minute (Minute 32X). The U.S. negotiations have included the State Department, the U.S. Bureau of Reclamation (Reclamation), representatives of the basin states, and Colorado River contractors like Metropolitan. The U.S. was working towards completion of Minute 32X before the end of the last presidential administration, but negotiations did not proceed quickly enough to reach that goal. Recently, the parties have been working to restart negotiations with the aim to complete a Minute 32X before the expiration of Minute 319.

Water Use on Arizona State Land Department's Land on Yuma Island

The bed of the Colorado River shifted between the California and Arizona borders in a way that left some land owned by the Arizona State Land Department (ASLD) in California. Most of that land has been used for irrigated agriculture. In 1982, when ASLD became the recognized owner of these lands within California, it raised an issue of how use of the Colorado River water on this land would be accounted for, and under what right, if any, farmers could divert Colorado River water for use on these lands. ASLD requested a contract with the Secretary of the Interior for a portion of California's Seven-Party Water Agreement of August 1931, Priority 2 water. To date, this issue has not been resolved.

Metropolitan and Reclamation have previously agreed to an extension of time for the U.S. to take final action regarding whether consumptive use of Colorado River water on the Yuma Island should be charged to Priority 2 or otherwise, consistent with terms of the 2005 *Arizona v. California* Settlement Agreement.

Metropolitan staff met with representatives of ASLD in Phoenix on April 25 to discuss potential approaches to this issue.

ISSUE BRIEF # D

SUBJECT: Bay Delta/State Water Project Issues

RECENT ACTIVITY

California WaterFix

Work continues to complete the federal biological opinions and the State Section 2081 permit that are required to support the approval of the California WaterFix. Action on the Final Environmental Impact Report/ Environmental Impact Statement (EIR/EIS) through a Record of Decision and Notice of Determination would occur following the approval of the above mentioned state and federal Endangered Species Act permits.

State Water Resources Control Board Hearings

The California WaterFix Petition proceedings before the State Water Resources Control Board are ongoing. Part 1 of the hearings addresses the effects of the proposed project on legal users of water. Metropolitan staff is preparing for the rebuttal phase of Part 1 in collaboration with the State Water Contractors (SWC). The California Department of Water Resources (DWR) submitted rebuttal testimony on March 23, 2017, and the hearing for the Part 1 rebuttal started on April 25. Part 2 of the hearings, which is scheduled to begin once the EIR/EIS is approved and Endangered Species Act permits are approved, will consider the effects of the proposed project on fish and wildlife.

Science Activities

Metropolitan staff continues to participate in the Collaborative Science and Adaptive Management Program, providing input to current Delta smelt studies and to the development of work plans addressing priority salmon and Delta smelt science questions. In April, staff participated in an effort to develop presentation materials addressing the scientific basis of the Fall X2 action in the Delta Smelt Biological Opinion.

Metropolitan staff is participating in the Longfin Smelt Management Analysis and Synthesis Team (LFS MAST), which is an effort organized by the Interagency Ecological Program to synthesize science regarding longfin smelt. Metropolitan staff is participating in the team discussions and helping to develop the overall conceptual model and report describing the biology and ecology of longfin smelt in the San Francisco Estuary.

Metropolitan staff attended the Salmonid Restoration Federation and American Fisheries Society California-Nevada chapter conferences. These conferences are a series of presentations sharing new research results and technical analyses that advance the understanding of scientific topics important to the West Coast, Delta fisheries, and the scientific community. Metropolitan staff also organized and presented at a symposium on the benefits of floodplains to juvenile salmon and identifying floodplain restoration opportunities in the Central Valley. The symposium was attended by staff from fish agencies, non-governmental organizations (such as environmental organizations), regulatory agencies, and restoration practitioners.

Delta Flood Emergency Management Plan

DWR has substantially completed testing of the Emergency Response Tool model demonstrating that the emergency freshwater pathway will be functional following major levee and island failures in the range of six months or less for up to twenty hydrologic conditions, including critical water years. The model has tested the progressive closure of channels in the north Delta region under critical water years to direct water through the Delta Cross Channel toward the central Delta where the emergency freshwater pathway would convey the freshwater flows. The model has tested the use of San Joaquin River flows to flush saline waters from the pathway prior to export resumption. DWR is completing sensitivity testing requested by Metropolitan to better represent water quality conditions at export resumption under the most severe seismic emergency and critical water years.

ISSUE BRIEF # E

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

RECENT ACTIVITY

Doheny Desal

The details of this have been moved to briefing Issue H as it pertains only to South Orange County.

Poseidon Huntington Beach

Poseidon is still working on the permitting process and OCWD is still working on the system integration concepts.

ISSUE BRIEF # F

SUBJECT: Orange County Reliability Projects

RECENT ACTIVITY

Central Pool Augmentation Program

There are no updates to report.

Orange County Water Reliability Study

CDM-Smith and MWDOC staff are in the process of completing follow-up work to the 2016 study. The work includes modeling of more recently available information, updating Colorado River assumptions, assessment of additional scenarios for the Huntington Beach Desalination Plant, and assessment of the value of new storage. The work is expected to be completed in 2 to 3 months.

ISSUE BRIEF # G

SUBJECT: East Orange County Feeder No. 2

RECENT ACTIVITY

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

Nothing new to Report.

ISSUE BRIEF # H

SUBJECT: South Orange County Projects

RECENT ACTIVITY

UPDATED - Doheny Desal Project

South Coast WD is continuing to move the project forward, as follows:

STATUS INFORMATION BY TASK ORDER

Task Order # 7 – Project Delivery Analysis

Project Delivery Workshop 5 will potentially occur in late June.

Task Order # 8B – Environmental Impact Report

Major effort on the EIR is currently on hold, pending results of the Updated Slant Well Modeling Task Order.

EIR Schedule has been updated. Significant milestones on the updated schedule are:

- June 13, 2017: Workshop with District Staff to review alternatives based on slant well modeling and set direction for EIR description and alternatives
- Late July, 2017: 2nd NOP Scoping Meeting, if results from updated Slantwell Modeling show greater than 15 mgd desalination plant production capacity is possible
- August 28, 2017: Submit Administrative Draft to South Coast WD for Review
- November 13, 2017: Draft EIR Released for Public Comments
- March 23, 2018: Final EIR Publication
- April 30, 2018: SCWD Board of Directors Final Certification
- June 4, 2018: End of NOD 30-day Period

Task Order # 13 – Value for Money Analysis (VfM)

The VfM Board Workshop was held on March 22, 2017. Follow up meetings took place with Directors, by request, to review the Risk Register in more detail and understand additional concerns.

The Final VfM Report, including additional information to address South Coast WD Director's specific concerns is due on May 31.

Task Order # 14 – Updated Slant Well Modeling

Task 1 – Additional Data Analysis has been completed. Data analysis resulted in modifications to preliminary paleochannel configuration that warrants slightly different approach for exploratory boreholes.

New approach is to use one borehole and an onshore geophone array to refine nearshore geologic conditions. Permission/Permits are needed from OC Parks to complete this work, and securing this has been challenging.

Next Major Deliverable Milestones are:

- Task 2 - Exploratory boreholes and geophone work requires permits/permission from OC Parks, with exact requirements still being discussed with OC Parks. Permission/permits expected to be in hand by June 9, so work can begin shortly thereafter.
- Task 3 – Refinement of model has begun based on additional data analysis and will conclude after incorporating results of borehole and geophone array work, estimated completion date is June 30.
- Task 4 – Modeling work estimated completion date is July 21.
- Draft Report – August 4.
- Final Report – August 18.

UPDATED - Baker Water Treatment Plant

The Baker Water Treatment Plant is a joint regional project by five SOC water districts for a 28.1 million gallon per day (mgd) [43.5 cubic feet per second (cfs)] drinking water treatment plant at the site of the former Baker Filtration Plant in the City of Lake Forest.

On May 22, 2017, IRWD Board approved final acceptance of the Baker Water Treatment Plant Raw Water Conveyance Facilities.

UPDATED - Advanced Purified Water (APW) Facility at Lake Mission Viejo

The Lake Mission Viejo Association has requested water flow to the Lake. The Water Purification Plant is currently starting up for continued water delivery to the lake.

UPDATED - San Juan Watershed Project

Santa Margarita WD continues working on the San Juan Watershed Project. Phase 1, which is being designed to capture wet and dry weather runoff, with subsequent phases looking to introduce recycled water into San Juan Creek for Indirect Potable Reuse. The relatively recent discovery of a geological rock formation (ancient landslide) near Stonehill Drive appears to be a partial barrier to sub-surface flow. This impacts the proposed location of the rubber dams and the ability for Phase I to capture and percolate water into the basin resulting in the estimated water capture for Phase I being reduced from 1,700 AFY to 500-600 AFY. 14 additional borings are needed to better define the formation at a cost of $330,000 to better understand how it might impact the rubber dam locations. The budget for Phase I has therefore increased to $1.7 million. The Draft Environmental Impact Report (DEIR) is now scheduled for public review in August 2017.

Other Information on South County Projects:

SMWD Trampas Canyon Recycled Water Reservoir

(Nothing New to Report) Santa Margarita WD Board of Directors approved an agreement with Rancho Mission Viejo for transfer of land for Trampas Canyon Reservoir on February 17, 2017. The transfer of ownership will take place on June 1, 2017. The transfer of

ownership is required before Department of Water Resources Division of Safety of Dams will give final approval for the project.

The applications for regulatory permits from the Regional Water Quality Control Board, Army Corps of Engineers, and Department of Fish and Wildlife were submitted during the week of July 11, 2016, and resubmitted in March 2017. Additional water quality monitoring was requested by the Regional Water Quality Control Board. SMWD is in the process of contracting with a consultant to complete this monitoring. Approval of these permits is anticipated in June 2017. Final plans and specifications are now scheduled for completion in April 2017, with advertisement for bids in June 2017.

Camp Pendleton Seawater Desalination Project

(Nothing New to Report) San Diego County Water Authority (SDCWA) is studying a desalination project to be located at the southwest corner of Camp Pendleton Marine Corps Base adjacent to the Santa Margarita River. The project is currently in the feasibility study stage and SDCWA is conducting geological surveys, analyzing intake options, and studying the effect on ocean life and routes to bring desalinated water to SDCWA's delivery system. MWDOC and the Doheny Desal Participants are working to lease the Doheny Mobile Test Facility to Michael Baker International for use at the SDCWA intake study testing site.

Expansion of the Irvine Interconnection Project to South Orange County

(Nothing New to Report) An agreement completed in 2006 resulted in an investment by South Orange County (SOC) agencies in the Irvine Ranch Water District (IRWD) system to allow exchanges of water to be delivered by IRWD into SOC under emergency situations. Project capacity was committed by IRWD to move up to 30 cfs of emergency supplies whereas the agreement allows moving up to 50 cfs, not to exceed 3,000 AF per emergency event. In accordance with the Agreement with IRWD, the emergency capacity committed to the SOC agencies declines over time and goes to zero by 2030. IRWD is examining their ability to increase the exchange and conveyance of water under this arrangement or extend to extend the end date of the agreement and the capacity thereunder. MWDOC is working on other options with OCWD and MET to move groundwater via the EOCF#2 to SOC during emergency events.

Laguna Beach County Water District Groundwater Project with Newport Beach

(Nothing New to Report) – MWDOC, MET, Laguna Beach County Water District and Newport Beach have been working to activate Laguna Beach County's access to 2,025 AF of groundwater from within the Orange County Water District Basin. Deliveries began in September 2016.

If any agencies would like to have updates included herein on any projects within your service area, please email the updates to Karl Seckel at kseckel@mwdoc.com

Summary Report for
The Metropolitan Water District of Southern California
Board Meeting
May 9, 2017

COMMITTEE ASSIGNMENTS

None. **(Agenda Item 5C)**

BOARD ITEM

Approved the introduction, by title only, of the proposed Ordinance Of The Board Of Directors Of The Metropolitan Water District Of Southern California Determining That The Interests Of The District Require The Use Of Revenue Bonds In The Aggregate Principal Amount of $400,000,000 To Finance A Portion Of Capital Expenditures. **(Agenda Item 8-1)**

FINANCE AND INSURANCE COMMITTEE

Adopt the resolution to continue collecting the Standby Charge for fiscal year 2017/18. **(Agenda Item 8-2)**

ENGINEERING AND OPERATIONS COMMITTEE

Appropriated $10.39 million; awarded $1,219,809 contract to CopperTop Enterprises, Inc. to construct four houses at Hinds and Eagle Mountain Pumping Plants; awarded $1,219,809 contract to CopperTop Enterprises, Inc. to construct four houses at Iron Mountain and Gene Pumping Plants; authorized design of two new houses at Iron Mountain Pumping Plant; authorized construction to renovate approximately 89 desert houses; and authorized design to refurbish short-term accommodations at Eagle Mountain and Iron Mountain Pumping Plants. (Appropriation No. 15495) **(Agenda Item 8-3)**

Appropriated $10.2 million; and awarded $9,134,398 contract to Northwest Pipe Company to provide steel liner pipe for the Second Lower Feeder. (Appropriation No. 15497) **(Agenda Item 8-4)**

Authorized a new five-year maintenance agreement with Johnson Controls, Inc. for a total amount not-to-exceed $3.8 million for routine maintenance of the physical security system at all Metropolitan facilities, with an option for Metropolitan to terminate the agreement on an annual basis. Appropriated $2 million and authorize a $1.5 million agreement with Johnson Controls, Inc. to implement upgrades to specific components of the physical security system. (Appropriation No. 15499) **(Agenda Item 8-5)**

WATER PLANNING AND STEWARDSHIP COMMITTEE

Adopted a resolution shown in the board letter to declare a "Condition 1 – Water Supply Watch." **(Agenda Item 8-6)**

COMMUNICATIONS AND LEGISLATION COMMITTEE

Adopted the Legislative Priorities Related to Implementing the Governor's Executive Order B-37-16, "Making Water Conservation a California Way of Life," as amended by the committee on May 8, 2017 by substitute motion. **(Agenda Item 8-7)**

ORGANIZATION, PERSONNEL AND TECHNOLOGY COMMITTEE

Authorized the General Manager to exercise discretion under Administrative Code Section 6101(k) to enter into a successor Memorandum of Understanding with the Association of Confidential Employees. **(Agenda Item 8-8 no closed session held)**

CONSENT CALENDAR

In other action, the Board:

Amended a $324,715 contract to Macias Gini & O'Connell, LLP for annual audits covering fiscal year ending June 30, 2017. The amount payable under this amendment will not exceed $1,239,811. **(Agenda Item 7-1)**

Authorized increase of $120,000 in change order authority for the replacement of valves on the Palos Verdes Feeder, up to an aggregate amount not to exceed $370,000. (Appropriation No. 15441) **(Agenda Item 7-2)**

Appropriated $350,000; and authorized preliminary design to replace the on-site wastewater system at Lake Mathews. (Appropriation No. 15495) **(Agenda Item 7-3)**

Appropriated $1.2 million; and authorized design to rehabilitate Service Connection A-06 on the East Orange County Feeder No. 2. (Appropriation Nos. 15480) **(Agenda Item 7-4)**

Authorized increase of $160,000 in General Counsel's contract with GeoPentech for ongoing groundwater monitoring in the West DVL Basin under existing groundwater mitigation agreements with Owners as set forth in the board letter dated May 9, 2017. **(Agenda Item 7-5)**

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

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

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

MWD MEETING AGENDA

Board Meeting

June 13, 2017

12:00 p.m. -- Board Room

MWD Headquarters Building | **700 N. Alameda Street** | **Los Angeles, CA 90012**

1. Call to Order

(a) Invocation: Brett Schickling, Assistant Engineer, Engineering Services Group

(b) Pledge of Allegiance: Desert Compadres 4-H Members

2. Roll Call

3. Determination of a Quorum

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

5. OTHER MATTERS

A. Approval of the Minutes of the Meeting for May 9, 2017. (A copy has been mailed to each Director) Any additions, corrections, or omissions

Board Minutes

B. Report on Directors' events attended at Metropolitan expense for month of May

C. Approve committee assignments

D. Chairman's Monthly Activity Report

6. DEPARTMENT HEADS' REPORTS

A. General Manager's summary of Metropolitan's activities for the month of May

B. General Counsel's summary of Legal Department activities for the month of May

C. General Auditor's summary of activities for the month of May

D. Ethics Officer's summary of activities for the month of May

7. CONSENT CALENDAR ITEMS — ACTION

7-1 Adopt CEQA determination and approve up to $1.173 million to purchase insurance coverage for Metropolitan's Property and Casualty Insurance Program. (F&I)

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action is not defined as a project, and is not subject to CEQA, and
Approve up to $1.173 million to renew all the expiring excess liability and specialty insurance policies, and maintain the same retentions and coverage limits, and add liability coverage for the use of UAVs.

7-1 Board Letter and Attachment

7-2 Adopt CEQA determination and appropriate $670,000; and authorize design to replace concrete panels at Iron Mountain Reservoir and along the Colorado River Aqueduct (Appropriation No. 15483). (E&O)

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action is categorically exempt under the provisions of CEQA and the State CEQA Guidelines, and
a- Appropriate $670,000; and
b- Authorize design to replace concrete lining panels along the CRA and at Iron Mountain Reservoir.

7-2 Board Letter and Attachments

7-3 Adopt CEQA determination and appropriate $1.85 million; authorize the General Manager to make offers of compensation and acquire permanent and temporary property rights on nine parcels within the Orange County Operating Region; and authorize field investigations to address erosion-related issues across the distribution system (Appropriation No. 15474). (E&O)

Recommendation:

Option #1:

Adopt the CEQA determination that the first proposed action has been previously addressed in the certified 2016 Final Program EIR, Findings, and MMRP, and that the second proposed action is categorically exempt, and
a- Appropriate $1.85 million;
b- Authorize the General Manager to make offers and acquire permanent and temporary property rights in nine parcels for planned construction within the Orange County Operating Region, and to approve and obtain all acquisition-related documentation; and
c- Authorize field investigations to address erosion-related issues throughout the distribution system.

7-3 Board Letter and Attachments

7-4 Adopt CEQA determination and authorize revisions to Metropolitan Water District's Conflict of Interest Code for approval by the Fair Political Practices Commission. (L&C) [To be mailed separately]

7-5 Adopt CEQA determination and authorize a long-term lease to city of San Bernardino. (RP&AM)

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed project is categorically exempt, and
Authorize a 20-year greenbelt landscaping lease with City of San Bernardino.

7-5 Board Letter and Attachments

(END OF CONSENT CALENDAR)

8. OTHER BOARD ITEMS — ACTION

8-1 Adopt CEQA determination and adopt Ordinance No. 150 determining that the interests of Metropolitan require the use of revenue bonds in the aggregate principal amount of $400 million to finance a portion of capital expenditures. (F&I) (Two-thirds vote required)

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action is not defined as a project and is not subject to CEQA, and, by a two-thirds vote,
Adopt Ordinance No. 150, determining that the interests of Metropolitan require the use of revenue bonds in the aggregate principal amount of $400 million to finance a portion of Metropolitan's capital expenditures. (Attachment 1.)

8-1 Board Letter and Attachment

8-2 Adopt CEQA determination and adopt Third Supplemental Subordinate Resolution to the Master Subordinate Resolution authorizing the issuance of up to $80 million of Subordinate Water Revenue Bonds, 2017 Series C; and approve expenditures to fund the costs of issuance of the Bonds. (F&I) [To be mailed separately]

8-3 Adopt CEQA determination and approve Metropolitan's Statement of Investment Policy for fiscal year 2017/18, and delegate authority to the Treasurer to invest Metropolitan's funds for fiscal year 2017/18. (F&I)

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action is not defined as a project and is not subject to CEQA, and
a- Approve the Statement of Investment Policy for fiscal year 2017/18, as set forth in Attachment 1 of the board letter; and
b- Delegate authority to the Treasurer to invest Metropolitan's funds for fiscal year 2017/18.

8-3 Board Letter and Attachment

8-4 Adopt CEQA determination and appropriate $4.45 million; and authorize: (1) conceptual design for a system-wide upgrade of Metropolitan's control system; and (2) agreement with CH2M in an amount not to exceed $2,485,000 to provide specialized technical support (Appropriation No. 15467). (E&O)

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action was previously determined to be categorically exempt, and
a- Appropriate $4.45 million;
b- Authorize conceptual design for a system-wide upgrade of Metropolitan's control system; and
c- Authorize agreement with CH2M in an amount not to exceed $2,485,000 to provide specialized technical support.

8-4 Board Letter and Attachment

8-5 Adopt CEQA determination and authorize approval of an operating agreement with the California Independent System Operator for the Colorado River Aqueduct power system and adopt a resolution establishing Metropolitan's Colorado River Aqueduct resource adequacy requirements. (E&O)

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action is not defined as a project and is not subject to CEQA, and
a- Authorize the General Manager to execute the Operating Agreement with the California Independent System Operator; and
b- Adopt the resolution on Metropolitan's resource adequacy requirements in the Board's capacity as Metropolitan's Local Regulatory Authority.

8-5 Board Letter and Attachment

8-6 Adopt CEQA determination and approve Metropolitan Water District of Southern California's Salary Schedule pursuant to CalPERS regulations. (OP&T) [To be mailed separately]

8-7 Adopt CEQA determination and express support for the Association of California Water Agencies Policy Statement on Bay-Delta Flow Requirements. (WP&S)

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action is not defined as a project, and
Express support for the Association of California Water Agencies Policy Statement on Bay-Delta Flow Requirements.

8-7 Board Letter and Attachment

8-8 Adopt CEQA determination and authorize payment of up to $688,000 for support of the Colorado River Board and Colorado River Authority for fiscal year 2017/18. (WP&S) (Two-thirds vote required)

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action is not defined as a project under CEQA and, by a two-thirds vote,
Authorize the General Manager to make payment of up to $688,000 for the Colorado River Board/Six Agency Committee and Authority for FY 2017/18.

8-8 Board Letter and Attachment

8-9 Adopt CEQA determination and authorize payments of up to $3.79 million for participation in the State Water Contractors, Inc. and the State Water Project Contractors Authority for fiscal year 2017/18. (WP&S) (Two-thirds vote required)

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed actions are not defined as a project under CEQA and, by a two-thirds vote, and
a- Authorize the General Manager to make payment of
$2.73 million to the State Water Contractors; and
b- Authorize the General Manager to make payment up to $1.05 million to the State Water Project Contractors Authority.

8-9 Board Letter and Attachments

8-10 Adopt CEQA determination and express support for the Brown Administration's budget trailer bill regarding supervision of dam safety and express support, if amended, for AB 1270 (Gallagher, R-Yuba City) regarding inspection of dams and reservoirs. (C&L) [To be mailed separately]

9. BOARD INFORMATION ITEMS

9-1 Overview of proposed International Boundary and Water Commission Minute and related agreements. (WP&S)

9-1 Board Letter

10. FUTURE AGENDA ITEMS

11. ADJOURNMENT

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

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

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

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