

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

March 5, 2014

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

MWDOC DIRECTORS

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

MWDOC STAFF

Robert Hunter, General Manager
Karl Seckel, Assistant General Manager
Russ Behrens, Legal Counsel
Maribeth Goldsby, Board Secretary
Harvey De La Torre, Principal Water Res. Planner
Joe Berg, Water Use Efficiency Prog. Mgr.
Warren Greco, Assoc. Water Resources Analyst

*Also MWDOC MET Directors

OTHER MWDOC MET DIRECTORS

Linda Ackerman

OTHERS PRESENT

Patty Qulizapa
William Kahn
Mike Dunbar
Robert Hanford
Brian Ragland
Doug Reinhart
Peer Swan
Paul Shoenberger
Don Froelich
John Kennedy
Ray Miller
Rick Erkeneff
Bob Moore
Andy Brunhart
Gary Melton
Liz Mendelson
Carol Redhead

Aleshire & Wynder
El Toro Water District
Emerald Bay Service District
Golden State Water Company
City of Huntington Beach
Irvine Ranch Water District
Irvine Ranch Water District
Mesa Water District
Moulton Niguel Water District
Orange County Water District
City of San Juan Capistrano
South Coast Water District
South Coast Water District
South Coast Water District
Yorba Linda Water District
San Diego County Water Authority
Teacher, gardening classes

ITEMS RECEIVED TOO LATE TO BE AGENDIZED

Determine need and take action to agendize item(s), which arose subsequent to the posting of the Agenda. (ROLL CALL VOTE: Adoption of this recommendation requires a two-thirds vote)

of the Board members present or, if less than two-thirds of the Board members are present, a unanimous vote.)

No items were presented.

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

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

PUBLIC PARTICIPATION/PUBLIC COMMENTS

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

No public comments were received.

PRESENTATION/DISCUSSION/INFORMATION ITEMS

UPDATE ON MET'S PROPOSED BIENNIAL BUDGET AND RATES FOR FISCAL YEARS 2014/15 AND 2015/16

Principal Water Resources Planner Harvey De La Torre updated the Board on MET's proposed Biennial budget and rates for fiscal years 2014/15 and 2015/16. He provided the information on key budget assumptions, proposed budget revenue requirements for both fiscal years, reasons surrounding Operations & Maintenance (O&M) increases, an overview of the supply programs, and proposed bundled rates. He also provided information on a ten-year financial forecast, including projected rate increases and financial metrics, a 10 year expenditure trend, the State Water Contract (SWC) expenditures forecast

Mr. De La Torre also provided an overview of the four budget alternatives presented by MET staff. These proposals are (1) rate increases of 1.5% for both years, (2) zero rate increase for 2014/15 and 1.5% increase for 2015/16; (3) Rate increases of 3.5% for both years due to a decrease in ad valorem tax revenue by \$30 million in 2014/15 and \$35 million in 2015/16 due to decline in tax-funded debt service; and (4) ad valorem tax rates are not maintained, and rate increases are capped at 1.5% in 2014/15 and 2015/16. His presentation included information on the four scenarios presented by MET staff.

Mr. De La Torre advised that the MET staff preferred alternative is Option 1, or 1.5% rate increases for both fiscal years.

Considerable discussion ensued regarding each of the alternatives, with specific emphasis on water sales forecasts, debt service costs, continuation of freezing the ad valorem tax (it has been frozen for the last two years), and the need for regular, consistent rate increases (to offset single, larger increases in the future). Discussion was also held regarding Operation & Maintenance costs, and financial forecasts for replacement and refurbishment of MET facilities.

Mr. Hunter advised that a conservative sales assumption provides more financial flexibility.

The Board received and filed the report as presented.

WATER SUPPLY CONDITIONS FOR 2014

Associate Water Resources Analyst, Warren Greco, reported that California is currently experiencing an extremely dry year that has resulted in MET's current Table A State Water Project allocation remaining at 0% for 2014. Mr. Greco reviewed the Northern Sierra 8-Station Index, noting that rainfall is currently at 13% of normal. He reviewed the snow pack conditions, the statewide reservoir conditions, Lake Mead elevation, and MET's dry-year storage amounts.

The Board received and filed the report as presented.

MWD ITEMS CRITICAL TO ORANGE COUNTY

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

The Board received and filed the report as presented.

OTHER INPUT OR QUESTIONS ON MET ISSUES FROM MEMBER AGENCIES

No new information was presented.

METROPOLITAN (MET) BOARD AND COMMITTEE AGENDA DISCUSSION ITEMS

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

Director Ackerman commented that there are three competing Federal bills on storage and that Senator Feinstein met with members of the MET Board to discuss the bill she introduced (for four reservoirs). Discussion ensued regarding the bills, the differences/similarities between the bills, and the changes of any of the bills moving forward. The Board received and filed the reports as presented.

President Dick announced that OCWD would be hosting an event on Friday, March 7th featuring Representative John Garamendi discussing his perspective of a Bay-Delta fix and his opposition to the Bay Delta Conservation Plan including the tunnels and the 9,000 cfs alternative.

CLOSED SESSION

At 9:55 a.m., the President Dick announced that the Board would adjourn to closed session for a conference with legal counsel regarding the following items:

CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION

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

CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION

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

RECONVENE

The Board reconvened at 11:02 a.m., and President Dick announced that no reportable action was taken in closed session.

ADJOURNMENT

There being no further business to come before the Board, the meeting adjourned at 11:03 a.m.

Respectfully Submitted,

Maribeth Goldsby, Board Secretary