

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

October 1, 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. SCWD Director Dick Dietmeier led the Pledge of Allegiance and Recording Secretary Meszaros called the roll.

MWDOC DIRECTORS

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

MWDOC STAFF

Robert Hunter, General Manager
Karl Seckel, Assistant General Manager
Russ Behrens, Legal Counsel
Pat Meszaros, Recording Secretary
Harvey De La Torre, Principal Water Res. Planner
Joe Berg, Water Use Efficiency Program Manager.
Darcy Burke, Director of Public Affairs
Heather Baez, Governmental Affairs Manager
Richard Bell, Principal Engineer
Kevin Hostert, Assoc. Water Resources Analyst

*Also MWDOC MET Directors

OTHER MWDOC MET DIRECTORS

Linda Ackerman

OTHERS PRESENT

William Kahn
Mike Grandy
Peer Swan
Paul Cook
Doug Reinhart
Paul Shoenberger
Larry McKenney
Joone Lopez
John Kennedy
Charles Gibson
Bob Moore
Rick Erkeneff
Dick Dietmeier
Andy Brunhart
Gary Melton
Ed Means
Liz Mendelson
Laer Pearce
Betsy Eglash

El Toro Water District
El Toro Water District
Irvine Ranch Water District
Irvine Ranch Water District
Irvine Ranch Water District
Mesa Water District
Moulton Niguel Water District
Moulton Niguel Water District
Orange County Water District
Santa Margarita Water District
South Coast Water District
South Coast Water District
South Coast Water District
South Coast Water District
South Coast Water District
Yorba Linda Water District
Means Consulting
San Diego County Water Authority
Laer Pearce & Associates
Brady & Associates

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.

No items were distributed.

PUBLIC PARTICIPATION/PUBLIC COMMENTS

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

PRESENTATION/DISCUSSION/INFORMATION ITEMS**UPDATE ON MET'S LOCAL RESOURCE PROGRAM REFINEMENTS**

Mr. Harvey De La Torre presented information regarding potential changes to MET's Local Resource Program (LRP). Since his presentation at September's meeting, MET has presented a detailed description of their proposed refinements, particularly the new maximum LRP incentive rate and alternative incentive payment structures. Mr. De La Torre advised that although MET periodically reviews and develops LRP program modifications and changes (with member agency assistance), the last significant change was in 2007. So, after looking at two key methodologies, 1) Consumer Price Index inflation since 2007 and 2) percent change in LRP project unit costs from 2007, MET staff is recommending an increase in the maximum LRP incentive amount to \$340/AF.

Mr. De La Torre highlighted the alternative payment structures to member agencies on a per project basis: Alternative 1 – sliding scale incentive up to \$340/AF over 25 years; Alternative 2 – sliding scale incentive up to \$475/AF over 15 years; and Alternative 3 – fixed incentive up to \$305/AF over 25 years. He advised that there is a caveat in that you're signing a 25 year agreement and that you must keep up production for 25 years.

Mr. De La Torre then discussed the other LRP refinements: recycled water on-site retrofits; other water resources (desalination and study of storm water looking to see if they provide regional benefits); and reimbursable services. Under the reimbursable services component, MET would offer a variety of technical and financial services to accelerate development of local projects. Currently, LADWP is taking advantage of the reimbursable services for a groundwater recovery project. The MET Board will consider these refinements at its October Board meeting.

President Dick inquired about the price of MET water in 2007 and the price of MET water today and what the percentage increase is between 2007 and today. Mr. Seckel responded that it is virtually a 100% increase between 2007 and today. Director Osborne asked for an example of a recycled retrofit project to which Mr. De La Torre responded that upon completion of a recycled water plant, there are costs associated with hooking up customers that were not previously considered under an LRP incentive calculation from MET and, under the changes being proposed, these now would be eligible costs. Mr. Berg stated that today, there is a pilot program to cover those costs of onsite retrofit and they calculate the incentive by quantifying the last five years of actual water use and that number of acre feet is multiplied by the MET incentive.

Discussion ensued on the goal of the Local Resources Program with Mr. De La Torre stating that the intent of this program is to encourage NEW projects. MET is looking to become more aggressive in developing local water resources throughout Southern California. The LRP aims to reduce the region's reliance on MET's imported deliveries from Northern California and the Colorado River and help improve the reliability of Southern California's future supplies.

ETWD's Director Kahn inquired about their LRP project which is already in progress and whether they'd get the increased rate to which Mr. Seckel responded that there are currently two LRP projects in progress, ETWD and San Clemente, and that MET states that they do not qualify for the \$340 rate. Director Kahn stated further that they pushed to get that project completed as soon as possible and it's unfortunate if they can't get the higher incentive.

President Dick asked for clarification on where we stand today—that it is his understanding that MET has a 63,000 acre foot target. Mr. De La Torre stated that in 2007, the LRP Program started with 174,000 af of local resources and has developed 111,000, leaving the gap at 63,000 af. This incentive will be offered until the 63,000 af gap is met and at that point, MET will reconsider whether it should continue. Also, changes may be made to the LRP following the IRP update in 2015.

UPDATE ON MET'S WATER SUPPLY ALLOCATION PLAN

Mr. De La Torre presented information on MET's Water Supply Allocation Plan (WSAP) and the potential water supply scenarios that could initiate the implementation of allocations in mid-2015. He began by stating that the objectives of updating MET's WSAP are minimizing the impacts of water shortages on the region's retail consumers and economy during periods of shortage; providing flexibility and equity among the member agencies; and ensuring that local investments always result in improved reliability. He discussed the general support to update the base period in the 2015 WSAP which resulted in a baseline of about 2 MAF. He then discussed the triggers for needed allocations in 2015. 40% SWP allocation is needed to meet estimated baseline demands without additional actions. Lower than 40% SWP allocation may require additional storage takes, transfers, or Water Supply Allocation, or a combination.

Discussion ensued on basin agencies with Director Osborne inquiring about agencies over the groundwater basin and whether they could work with OCWD and draw more water to which Mr. De La Torre responded that that could be an option. MWDOC's allocation plan is similar to MET's in that our goal is the same as MET's, to minimize the effects and because some of our agencies are over the groundwater basin, we try to provide equity among our agencies.

Enforcements were then discussed. Mr. Hunter reported that currently, if you exceed your allocation limit, your penalty would be 2 times the Tier 2 rate. There are 10 stages in WSAP with each stage corresponding to a 7 ½% reduction in your amount. It is a severe financial incentive. The State is asking for a 20% reduction, however, we've been reducing our usage by 20% for quite a while. Mr. De La Torre reported that in 2007, our demand was 15% higher than today so we've already reduced our usage.

Director Hinman inquired about the status of the Foundational Action Programs to which Mr. Seckel responded that the Foundational Action Programs, San Juan Basin and Doheny Desal, are both moving forward and have a 2 year horizon. They were initiated in January 2014 so they are due by 2016. Director Hinman also inquired about extra funds SCWD has added for the study. Mr. Seckel deferred that question to Mr. Andy Brunhart who reported that SCWD Board has budgeted \$1.5 M for the next three steps, preliminary engineering for the EIR, brine discharge modeling, and baseline monitoring for CEQA and their goal is to have those three done by 2016.

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 Doheny Desalination Project
- f. Orange County Reliability Projects

Discussion ensued regarding the drought, as well as MET's Water Supply Allocation Plan so that all receive an equitable share of water during shortage situations.

The Board received and filed the reports 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 September MET Board Meeting
- b. Review Items of significance for the Upcoming MET Board and Committee Agendas

Mr. Hunter introduced MWDOC's newest employee, Kevin Hostert, Associate Water Resources Analyst, who comes to us from Suburban Water Systems where he was a water production supervisor; not only adept in the analysis and operation of multiple water sources and utilities but also a masters grad from CSU Fullerton in Environmental Planning and Policy where his thesis was on Reliability and a Sustainable Orange County Water Supply portfolio.

The Board received and filed the report as presented.

CLOSED SESSION

At 9:54 a.m., Legal Counsel Behrens announced that the Board would adjourn for a closed session item pursuant to paragraph (2) of subdivision (d) of Section 54956.9 regarding the MWDOC Settlement Agreement with its Member Agencies on Budget, Activities, Charges, and Other Issues, effective June 1, 2011. .

**RECONVENE INTO OPEN SESSION
APPOINTMENT OF METROPOLITAN DIRECTOR**

The Board reconvened at 10:20 and President Dick announced that Director Barbre, Chair of MWDOC's Ad Hoc Committee (MET Director Linda Ackerman, Director Jeff Thomas and Director Brett Barbre) who were charged with determining the qualifications of Mr. Larry McKenney, would report to the Board. Director Barbre reported that they had a very robust committee process and did a thorough, exhaustive investigation; sent vetting letters to SAWPA and its 3 agencies; and interviewed the candidate. They found that Mr. McKenney was eminently qualified to be appointed MWDOC's Metropolitan Director.

Upon MOTION by President Dick, seconded by Director Barbre, and carried (6-0), the Board ratified Resolution No. 1995, the appointment of Mr. Larry McKenney as MWDOC/Metropolitan Director. This item was approved as follows:

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

President Dick congratulated Mr. McKenney and requested that Ms. Joone Lopez extend the Board's thanks to the MNWD Board.

ADJOURNMENT

There being no further business to come before the Board, the meeting adjourned at 10:30 a.m.

Respectfully Submitted,

Maribeth Goldsby
Board Secretary