

**MINUTES OF THE WORKSHOP BOARD MEETING
OF THE BOARD OF DIRECTORS OF
MUNICIPAL WATER DISTRICT OF ORANGE COUNTY (MWDOC)
WITH THE MWDOC MET DIRECTORS**
February 3, 2016

At 8:30 a.m. President Osborne 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. Director Barbre led the Pledge of Allegiance and Secretary Goldsby called the roll.

MWDOC DIRECTORS

Brett R. Barbre*
Larry Dick* (absent)
Joan Finnegan
Susan Hinman (absent)
Wayne Osborne
Sat Tamaribuchi (arr. at 8:35 am)
Jeffrey M. Thomas (absent)

MWDOC STAFF

Robert Hunter, General Manager
Karl Seckel, Assistant General Manager
Joe Byrne, Legal Counsel
Maribeth Goldsby, Board Secretary
Harvey De La Torre, Associate General Mgr.
Kevin Hostert, Water Resources Analyst
Jonathan Volzke, Public Affairs Manager
Melissa Baum-Haley, Sr. Water Resource Analyst

*Also MWDOC MET Directors

OTHER MWDOC MET DIRECTORS

Larry McKenney
Linda Ackerman

OTHERS PRESENT

Mark Monin
William Kahn
Mike Dunbar
Ken Vecchiarelli
Doug Reinhart
Peer Swan
Paul Weghorst
Paul Shoenberger
Drew Atwater
Dan Ferons
Dennis Erdman
Rick Erkeneff
Andy Brunhart
Mike Safranski
Gary Melton
Ed Means
Liz Mendelson-Goossens
Gary Breaux
Richard Eglash
Kelly Rowe

El Toro Water District
El Toro Water District
Emerald Bay Service District
Golden State Water Company
Irvine Ranch Water District
Irvine Ranch Water District
Irvine Ranch Water District
Mesa Water District
Moulton Niguel Water District
Santa Margarita Water District
South Coast Water District
South Coast Water District
South Coast Water District
Trabuco Canyon Water District
Yorba Linda Water District
Means Consulting
San Diego County Water Authority
Metropolitan Water District of S.C.
Brady & Associates
Water Resources Consultant

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 Osborne inquired as to whether there were any items distributed to the Board less than 72 hours prior to the meeting with General Manager Hunter responding no items were distributed.

PUBLIC PARTICIPATION/PUBLIC COMMENTS

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

No comments were received.

PRESENTATION/DISCUSSION/INFORMATION ITEMS

ORANGE COUNTY'S DROUGHT PERFORMANCE – NOVEMBER REPORT

Mr. Harvey De La Torre reported on Orange County's performance under the State Board's mandatory reduction, highlighting that Orange County retail water agencies reported an aggregated water savings of approximately 16% for the month of November 2015 (compared to November 2013 water usage), which falls short of the monthly conservation target of 22%. It was noted, however, that the cumulative savings for the six months into the State Board's mandatory regulations total 24.65%. Mr. De La Torre also provided information on MET's water storage levels, Orange County's water savings in November and December (along with historical water use information), precipitation levels, snowpack conditions, and the potential Table A State Water Project allocations for 2016 (currently at 15%).

Discussion ensued regarding water sales (and the impact conservation has had on MET's budget), snowpack levels, and the potential for penalties in the event conservation targets are not reached; Mr. De La Torre commented that Orange County agencies/cities would most likely avoid any MET penalties. Discussion also ensued regarding regulatory restrictions on the Delta and the amount of water being released to the ocean due to those restrictions. Mr. Peer Swan suggested MWDOC issue a press release outlining this fact.

The Board received and filed the report.

PRESENTATION BY METROPOLITAN WATER DISTRICT'S (MET) CHIEF FINANCE OFFICER GARY BREAUX ON MET'S PROPOSED BIENNIAL BUDGET AND RATES FOR FISCAL YEAR 2016/17 AND 2017/18

MET's Chief Financial Officer, Gary Breaux, presented information regarding MET's water supply, MET's proposed biennial budget and rates, and MET's ten-year financial forecast. Following a quick review of MET's water supplies, his presentation included information on the biennial budget and rates process and objectives, a summary of financial policies, a review of rate increases since 2007, important underlying assumptions (4% increases each year, water sales and exchanges, SWP allocations, CRA deliveries, Capital Improvement Projects, and PAYGO), full service costs and charges, and revenue and expenditure trends. Mr. Breaux concluded his presentation by providing information on MET's ten-year financial forecast, which includes projected rate increases and financial metrics, projected volumetric costs and revenue forecasts, expenditure forecasts, demand management, capital investment funding, and MET Debt Service. Mr. Breaux advised that the budget workshops would be held February 8, February 23, March 7, and March 22, with anticipated Board action on April 12, 2016.

Considerable discussion ensued, with specific emphasis on stranded assets (and the effect these may have on budgeting and rates), the untreated water rate increase (being driven by a combination of lower sales and increases in the State Water Project costs), the need to increase storage and not defer maintenance, and the Delta Water Fix and what monies are there for that effort, and how this may affect forecasting.

Following discussion, 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
- g. East Orange County Feeder No. 2

The Board received and filed the information as presented.

OTHER INPUT OR QUESTIONS ON MET ISSUES FROM MEMBER AGENCIES

No comments were received.

METROPOLITAN (MET) BOARD AND COMMITTEE AGENDA DISCUSSION ITEMS

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

No new information was presented.

ADJOURNMENT

There being no further business to come before the Board, the meeting adjourned at 9:40 a.m.

Maribeth Goldsby
Board Secretary