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

July 6, 2016

At 8:30 a.m. President Wayne 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. Karl Seckel led the Pledge of Allegiance and Pat Meszaros called the roll.

#### **MWDOC DIRECTORS**

Brett R. Barbre\* Larry Dick\* Joan Finnegan Susan Hinman Wayne Osborne Sat Tamaribuchi Jeffrey M. Thomas (absent)

\*Also MWDOC MET Directors

### OTHER MWDOC MET DIRECTORS

Larry McKenney Linda Ackerman

# **OTHERS PRESENT**

Mark Monin William Kahn Brian Ragland Doug Reinhart Steve LaMar Peer Swan Paul Cook Fiona Sanchez Paul Shoenberger Don Froelich **Drew Atwater** Joone Lopez John Kennedy Chuck Gibson Dan Ferons Dennis Erdman Rick Erkeneff Andy Brunhart Gary Melton

Liz Mendelson-Goossens

Richard Eglash Cathrene Glick Kelly Rowe

#### **MWDOC STAFF**

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

El Toro Water District El Toro Water District **Huntington Beach** 

Irvine Ranch Water District Mesa Water District

Moulton Niguel Water District Moulton Niguel Water District Moulton Niquel Water District **Orange County Water District** Santa Margarita Water District Santa Margarita Water District South Coast Water District South Coast Water District South Coast Water District Yorba Linda Water District

San Diego County Water Authority

**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 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.

Mr. Paul Shoenberger, General Manager, Mesa Water District, thanked MWDOC for its open and transparent process in solving problems and he stated that, conversely, IRWD has filed suit against OCWD without first holding an open discussion.

#### PRESENTATION/DISCUSSION/INFORMATION ITEMS

# INPUT OR QUESTIONS ON MET ISSUES FROM THE MEMBER AGENCIES/MET DIRECTOR REPORTS

President Osborne requested reports from the MET Directors and comments, questions, or input from the audience.

Mr. LaMar thanked the Board for having Mr. Hasencamp here to present on the Colorado River issues.

Director McKenney provided an update on the IRP Committee's discussions transitioning from the first phase, technical review of water supply projections and needs, to the second phase which covers policy issues. He stated that there was a fair amount of discussion at the Board Retreat on the IRP and the IRP Committee continues to meet to discuss goals and refining issues to discuss MET's business model, the way MET charges for water, and what is hoped to be achieved as far as local supply. He stated that the IRP Committee meeting provided vigorous discussion and raised a lot of questions, e.g. the recent budget process regarding changing the treatment surcharge methodology. He advised that in the upcoming week, the Legal and Claims Committee will be meeting regarding litigation including MET's appeal regarding the Delta islands purchase. Director McKenney announced that there will be a California water law refresher/primer for the Legal and Claims Committee at its next meeting which will be open to the public.

Director Barbre reported that the Fixed Treated Water Charge Workgroup with the member agencies' staff will be chaired by Gary Breaux, CFO. Mr. Breaux and Ms. Skillman will come back to the Finance and Insurance Committee with policy issues for review which they are hoping to get implemented by 2019.

Director Dick reported that he does look forward to continuing discussions on the IRP and, with regard to the treated water surcharge, losing that vote was disappointing. He also reported that back when MET was building the Inland Feeder, they bought a parcel for \$90,000 and this month, 3 of those acres will be declared surplus and will be bringing \$130,000 into MET's coffers. While the intent is to put it back into the Inland Feeder, he opined that it should be returned to the General Fund.

Director Ackerman traveled to Washington, DC in June with Chairman Record, Jeff Kightlinger, Dee Zinke and others and met with 13 legislative members. She stated they had a really good meeting with Senator Feinstein who is extremely frustrated with the Endangered Species Act. Addressing drought across the western states was the focus of discussion at their meetings. She, too, was disappointed with the treatment surcharge vote and looks forward to the Workgroup's recommendation.

With regard to legislation, Director Ackerman reported that MET continues to oppose (unless amended) SB 1298, Hertzberg's bill, as he has amended it but not sufficiently. Regarding AB 2348 (Levine) the backstop system for the PERS bill, they had a lengthy discussion at MET led by Director Barbre and ended up taking a watch position. Director Barbre added that his concern is if PERS wanted to get a better rate of return, taxpayers would have to make up the difference and, further, the bill does not define a reasonable rate of return or where the money will come from and, therefore, he concluded that it's bad policy.

Lastly, Director Ackerman reported on an innovative conservation program that MET is conducting. MET has ½ million dollars in total funding and has received over 100 applications which will be condensed down to 15 or 16 really good programs that come out of this and she will provide updates as they occur.

# PRESENTATION BY BILL HASENCAMP (METROPOLITAN) REGARDING COLORADO RIVER ISSUES AND LOWER BASIN STATES DISCUSSIONS

Mr. Hasencamp reported that Metropolitan is in negotiations this year which will change the way the Colorado River is operated. He proceeded to give background information on the River and discussed the health of its two reservoirs, Lake Powell (Upper Basin) and Lake Mead (Lower Basin). In April, Lake Mead reached the lowest level (150 feet down from a full reservoir) it's ever been. However, Mr. Hasencamp stated that the Colorado River Basin is not in a drought and Lake Mead has not been suffering from the drought. Snowpack was pretty good this year and reservoirs in the Upper Basin are all full. Denver has stopped taking water out of the Colorado. So then, why is Lake Powell full but Lake Mead at record low and continuing to go down?

Mr. Hasencamp provided historical information on the Compact of 1922. When settlers came to Imperial Valley they realized what great farmland they had but the River needed a dam and the Bureau of Reclamation chose to build a dam in Black Canyon. The other six states were concerned that California would claim a lion's share of the river and In order for other states to agree, they wanted a compact. In 1922, they got together to decide how to divide up the Colorado River going forward: 7 ½ million acre feet for Upper Basin; 7 ½ million plus a million acre feet for the Lower Basin and 1.5 million acre feet to Mexico. The Compact paved the way for Hoover Dam to be built.

Mr. Hasencamp then discussed some of the disputes that have arisen over the years between the states: California and Arizona with regard to the Central Arizona Project; because Arizona and Nevada have junior priority status, evaporation loss comes out of their supplies and they believe all states should share in evaporation losses; and the Upper Basin is only using 4 million acre feet, much less than their Compact amount, and they feel like they got a raw deal but they are living with it. Further, the Lower Basin has not seen the impacts of reduced releases because the Upper Basin is not using all their water. Only California is not subject to cutbacks and the other states are not happy. He stated that these situations are kind of how MET got into these negotiations.

Mr. Hasencamp reiterated that Lake Mead will drop 5 feet next year and every year after that because of the way water is allocated—it's a strange delivery process. There is an imbalance of 1.2 million acre feet based on the Compact which is why Lake Mead goes down every year. It's not really the drought, it's the system imbalance.

Mr. Hasencamp reported that the draft proposal, which involves proportionate sharing, is still evolving. If agreement is reached, the proposal would go to the MET Board in the Fall of 2016. The current administration in DC wants to get this done by Election Day because, after that, we'd lose a year or two with changes in the Administration, appointments and staffing.

President Osborne thanked Mr. Hasencamp for the informative presentation.

The Board received and filed the report.

# ORANGE COUNTY'S WATER SUPPLY AND PERFORMANCE REPORT FOR APRIL 2016

Water Resources Analyst, Kevin Hostert, reported on Orange County's water supply conditions and performance report for April 2016. Local precipitation for the 2015-2016 fiscal year was 8.14 inches, this is 4.76 inches below normal and 0.73 inches below last year's precipitation total. Orange County has now experienced five consecutive years of below average precipitation. 2015-16 was the second warmest year on record in Orange County, the warmest year on record was 2014-15 with an average daily high temperature of 79.51 degrees.

Mr. Hostert reported that to continue the significant water savings achieved by Orange County over the past 12 months, and to be cautious for the upcoming water year, MWDOC's Board also called for a countywide water saving goal of approximately 10% from the average annual demands of calendar years 2013 and 2014.

In April, Orange County's savings totaled 23.06% compared to historical average of April 2014 and 2013.

The Board received and filed the report.

#### 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
- h. South County Projects

Director Hinman referred to page 30, water recycling projects in South County, and suggested it go to the P&O Committee meeting for discussion on when those projects might be on line. She commented that they are promising projects but she would like to know what the timeframe is.

The Board received and filed the information as presented.

### METROPOLITAN (MET) BOARD AND COMMITTEE AGENDA DISCUSSION ITEMS

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

No new information was presented.

#### **ADJOURNMENT**

There a.m.	being	no fur	rther	business	to	come	before	the	Board,	the	meeting	adjourned	at	10:20
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