

**MINUTES OF THE WORKSHOP BOARD MEETING
OF THE BOARD OF DIRECTORS OF
MUNICIPAL WATER DISTRICT OF ORANGE COUNTY (MWDOC)
WITH THE MWDOC MET DIRECTORS**
September 6, 2017

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 Thomas led the Pledge of Allegiance and Secretary Goldsby called the roll.

MWDOC DIRECTORS

Brett R. Barbre*
Larry Dick*
Joan Finnegan
Wayne Osborne
Megan Yoo Schneider
Sat Tamaribuchi
Jeffery M. Thomas

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.
Melissa Baum-Haley, Sr. Water Resource Analyst
Kevin Hostert, Water Resources Analyst
Charles Busslinger, Principal Engineer
Joe Berg, Director of Water Use Efficiency
Damon Micalizzi, Dir. Of Public Affairs
Jonathan Volzke, Public Affairs Manager
Chris Lingad, Water Resources Analyst
Bryce Roberto, Public Affairs Assistant
Heather Baez, Governmental Affairs Mgr.

*Also MWDOC MET Directors

OTHER MWDOC MET DIRECTORS

Larry McKenney
Linda Ackerman

OTHERS PRESENT

Gary Breaux
Mark Monin
Jose Vergara
Mike Dunbar
Ken Vecchiarelli
Steve LaMar
Doug Reinhart
Peer Swan
Paul Cook
Don Froelich
John Kennedy
Adam Hutchinson
Dan Ferons
Dennis Erdman
Rick Erkeneff
Andy Brunhart
Brooke Jones

Metropolitan Water District of Southern Cal.
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
Irvine Ranch Water District
Irvine Ranch Water District
Moulton Niguel Water District
Orange County Water District
Orange County Water District
Santa Margarita Water District
South Coast Water District
South Coast Water District
South Coast Water District
Yorba Linda Water District

Ed Means
Kelly Rowe
Fred O'Callaghan

Means Consulting
Water Resources Consultant
CalTech

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.

Not items were distributed.

PUBLIC PARTICIPATION/PUBLIC COMMENTS

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

PRESENTATION/DISCUSSION/INFORMATION ITEMS

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

Mr. Steve LaMar (Irvine Ranch Water District) referenced a discussion from the September 5, 2017 Planning & Operations Committee meeting wherein the Committee expressed support for AB 1668 and SB 606 (long term conservation bills). He expressed concern with a support position on these bills (which, in his opinion, will have huge impacts on retail agencies) and he urged MWDOC to oppose the legislation. Dr. Andy Brunhart (South Coast Water District) and Mr. Dan Ferons (Santa Margarita Water District) agreed with Mr. LaMar, advising that an "oppose unless amended" position would be optimal.

Members of the Board explained that although MWDOC originally expressed opposition to AB 1668 (as it conflicted with MWDOC's Board adopted Policy Principles), there were many changes to the legislation and, in late August, both bills were amended to include language specifically requested by MWDOC (which more closely aligned with MWDOC's Policy Principles). As a result the Planning & Operations Committee expressed support for the legislation. President Osborne stated he understood the retail agencies' concerns and suggested additional discussion may be prudent.

Director Ackerman reported that the main topic at MET continues to be the CA WaterFix, but that other topics include: MET's Assessed Valuation (resulting in no additional Directors, it remains at 38), the Colorado River minute language between the United States and Mexico, and Palo Verde Irrigation District Following Program, noting that under the terms of the program, following was reduced. She also provided an update on MET's Communications and Legislation Committee activities.

Director Barbre provided an overview of his activities on MET's Finance & Insurance Committee, highlighting Mr. Breaux's presentation on the WaterFix later on the agenda.

Director Dick referenced issues with MET's Ethics Officer.

Director McKenney commented that the Finance & Insurance Committee will be reviewing its mid-cycle biennial budget.

The Board received and filed the reports.

SERIES OF DISCUSSIONS ON THE CALIFORNIA WATERFIX – PRESENTATION BY METROPOLITAN CHIEF FINANCIAL OFFICER GARY BREAUX

MET Chief Financial Officer Gary Breaux provided information on the California WaterFix finance plan and cost allocation forecasts. He provided an overview of MET's Board review process (white papers and workshops), current focus (cost allocations, financing plan, impacts to costs and water rates), and the cost allocation principles and assumptions. Mr. Breaux outlined the current State Water Project financing approach (revenue bonds), the Validation Action filed by the Department of Water Resources (DWR) which is common place, project financing alternatives, as well as how the costs would impact rates (with projected interest scenarios from 4%-8%) and households (estimates range from \$1.90 to \$3.10 per household per month). He summarized by stating the WaterFix is consistent with Board principles (that costs follow water and beneficiaries pay), the finance plan utilizes the existing State Water Contract structure and includes a finance Joint Powers Authority, that the cost impact is already factored into the existing MET 10-year financial forecast of 4.5% per year, and that the WaterFix compares favorably to the costs of other alternative supply projects.

A question/answer period followed the presentation with specific emphasis on how the WaterFix would fit into MET's Integrated Resources Plan (IRP), associated risks (if any), the need to underscore the importance of local projects (in addition to the WaterFix), relatively low household impacts, how the payoff of Diamond Valley Lake (DVL) could impact/help MET's proposed financing plan, the farming community's stance on the WaterFix, whether this could affect the Local Resources Program funding, and common misconceptions in comparing the WaterFix with the Peripheral Canal.

The Board thanked Mr. Breaux for his presentation and 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 Barbre highlighted the Central Pool Augmentation Project (under OC Reliability Projects), and requested staff provide an overview/update on the Central Pool Augmentation Project (CPAP) showing the history of the CPAP, and how the project was proposed.

IRWD Director Swan requested an update on the Conjunctive Use Program at an upcoming meeting, with staff responding that an update will be made at the October 2, 2017 Planning & Operations Committee meeting.

The Board received and filed the information as presented.

METROPOLITAN (MET) BOARD AND COMMITTEE AGENDA DISCUSSION ITEMS

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

No new information was presented; the information was received and filed.

CLOSED SESSION

At 10:00 a.m., Legal Counsel Byrne announced that the Board would adjourn to closed session for a conference with legal counsel pursuant to Government Code Section 54956.9(2)(d) (one case), anticipated litigation.

RECONVENE

The Board reconvened at 10:37 a.m., and Legal Counsel Byrne 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 10:38 a.m.

Maribeth Goldsby
Board Secretary