

## **REVISED**

**WORKSHOP MEETING OF THE  
BOARD OF DIRECTORS WITH MET DIRECTORS  
MUNICIPAL WATER DISTRICT OF ORANGE COUNTY  
18700 Ward Street, Board Room, Fountain Valley, California  
March 5, 2014, 8:30 a.m.**

## **AGENDA**

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### **PLEDGE OF ALLEGIANCE**

### **ROLL CALL**

### **PUBLIC PARTICIPATION/COMMENTS**

At this time members of the public will be given an opportunity to address the Board concerning items within the subject matter jurisdiction of the Board. Members of the public may also address the Board about a particular Agenda item at the time it is considered by the Board and before action is taken.

The Board requests, but does not require, that members of the public who want to address the Board complete a voluntary "Request to be Heard" form available from the Board Secretary prior to the meeting.

### **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.)

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

Pursuant to Government Code Section 54957.5, non-exempt public records that relate to open session agenda items and are distributed to a majority of the Board less than seventy-two (72) hours prior to the meeting will be available for public inspection in the lobby of the District's business office located at 18700 Ward Street, Fountain Valley, California 92708, during regular business hours. When practical, these public records will also be made available on the District's Internet Web site, accessible at <http://www.mwdoc.com>.

**(NEXT RESOLUTION NO. 1978)**

### **PRESENTATION/DISCUSSION/INFORMATION ITEMS**

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

*Recommendation: Review, discuss, and take action as appropriate.*

**2. WATER SUPPLY CONDITIONS FOR 2014**

*Recommendation: Review, discuss, and take action as appropriate.*

**3. MET ITEMS CRITICAL TO ORANGE COUNTY**

- a. MET's Water Supply Conditions
- b. Update on 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 and in the Huntington Beach Ocean Desalination Project (Poseidon Desalination Project)
- f. Second Lower Cross Feeder
- g. Orange County Reliability Projects

*Recommendation: Discuss and provide input on information relative to the MET items of critical interest to Orange County.*

**4. OTHER INPUT OR QUESTIONS ON MET ISSUES FROM THE MEMBER AGENCIES****5. METROPOLITAN (MET) BOARD AND COMMITTEE AGENDA DISCUSSION ITEMS**

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

*Recommendation: Review, discuss and take action as appropriate.*

**CLOSED SESSION ITEMS****6. 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.

**7. 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.

**ADJOURNMENT**

Note: Accommodations for the Disabled. Any person may make a request for a disability-related modification or accommodation needed for that person to be able to participate in the public meeting by telephoning Maribeth Goldsby, District Secretary, at (714) 963-3058, or

writing to Municipal Water District of Orange County at P.O. Box 20895, Fountain Valley, CA 92728. Requests must specify the nature of the disability and the type of accommodation requested. A telephone number or other contact information should be included so that District staff may discuss appropriate arrangements. Persons requesting a disability-related accommodation should make the request with adequate time before the meeting for the District to provide the requested accommodation.



## DISCUSSION ITEM

March 5, 2014

**TO:** Board of Directors

**FROM:** Robert Hunter  
General Manager

Staff Contact: Harvey De La Torre

**SUBJECT:** Update on MWD's Proposed Biennial Budget and Rates for Fiscal Years 2014/15 and 2015/16

### STAFF RECOMMENDATION

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Staff recommends the Board of Directors review and discuss this information

### Summary

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This board report will provide an overview of Metropolitan Water District's (MWD) proposed Biennial Budgets for FY 2014-15 and FY 2015-16 where we highlight the key budget assumptions, main cost drivers, recommended rates and charges, and MWD's 10-year water rate forecast. However, the main focus of this report will be on the recent February 25 MWD Board Budget Workshop where four rates alternatives were presented by MWD staff, along with a number of financial policy issues raised by the MWD Board.

### Report

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Metropolitan's proposed revenue requirements will total \$1.525 billion and \$1.519 billion for FY 2014/15 and FY 2015/16, respectively. As illustrated below, FY 2014/15 is estimated to be \$82.6 million more than last year mainly as the result of increases in Departmental Operations and Maintenance (O&M), Supply Programs, Demand Management, and Pay-As-You-Go (PAYGo) expenditures. The proposed revenue requirement for FY 2015/16 is expected to decrease \$6.5 million versus FY 2014/15 primary due to reductions in PAYGo and additional revenue offsets (ad valorem tax revenue, interest income, hydroelectric power sales, and miscellaneous income).

Below is a table summarizing the key expenditures:

Budgeted (Y/N): n/a	Budgeted amount: n/a	Core _X_	Choice __
Action item amount: n/a	Line item:		
Fiscal Impact (explain if unbudgeted):			

Millions of Dollars	2013/14 Adopted	2014/15 Proposed Budget	2015/16 Proposed Budget
O&M	\$ 390.2	\$ 422.8	\$ 427.2
State Water Contract	564.3	495.7	515.0
Supply Programs	37.0	69.3	64.6
Colorado River Power	24.9	29.2	36.5
Debt Service	343.4	325.8	324.7
Demand Management	53.6	62.2	61.7
PAYGO	125.0	245.4	221.0
Incr. in Req. Reserves	26.1	11.2	18.2
<b>Sub-total expenditures</b>	<b>1,564.5</b>	<b>1,661.5</b>	<b>1,668.9</b>
Revenue Offsets	121.2	135.7	149.6
<b>Total Revenue Requirement</b>	<b>1,443.2</b>	<b>1,525.8</b>	<b>1,519.3</b>

Below are the key assumptions for the Proposed Biennial Budgets:

Fiscal Year Ending	2015	2016
Overall increase January 2015 & 2016	1.5%	1.5%
Full Service Treated Tier 1 Cost	3.9%	2.3%
Total Water Sales and Exchanges	1.75 MAF	1.75 MAF
State Water Project Allocation	50%	50%
Colorado River Aqueduct Deliveries	0.88 MAF	0.88 MAF
Interest Income Rate	1.15%	2.0%
New Debt Interest Rate – Fixed	4.5%	4.5%
– Variable	0.20%	0.35%
Ad Valorem Tax Revenues	\$90.2 M	\$92.2 M
Capital Investment Plan Funding	100% PAYGO	100% PAYGO & R&R Fund

As shown above, total water sales and exchanges are budgeted at 1.75 million acre-feet (MAF) for both years. The 1.75 MAF represents an average hydrologic year based on projected demands and the implementation of local projects. It is also proposed that MWD will maintain the ad valorem tax rate at its current level of .0035 percent of assessed value. Lastly, PAYGo is proposed to cover 100% of MWD's Capital Investment Plan for FY 2014/15 and 100% with Repair and Replacement Fund for FY 2015/16.

The main cost drivers for the FY 2014/15 budget are:

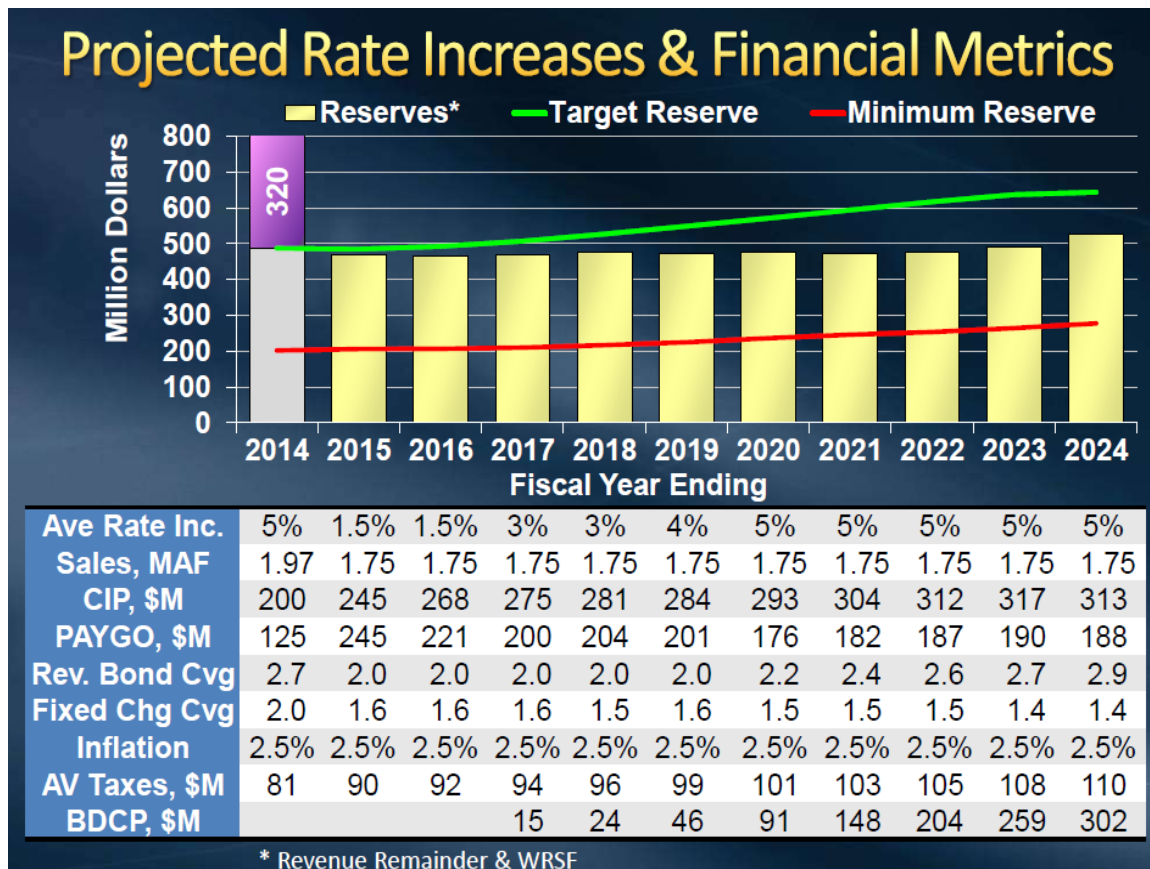
- **Departmental Operations and Maintenance (O&M)** expenditures are increasing \$32.3 million due to increases in employee benefit costs, including retirement-related benefits, merit increases for qualified employees, funding additional positions to assist with succession planning and additional support for Bay-Delta activities
- **State Water Contract** expenditures are decreasing \$68.6 million due to lower SWP power costs and the incorporation of rate management credits that result from a difference in DWR's estimate versus actual amounts paid for capital-related charges
- **Supply Programs** expenditures are increasing \$32.3 million due to increases in storage, conservation, and transfer programs along the Colorado River and Central Valley
- **Demand Management** expenditures are increasing \$8.6 million due to increases in the development of local water recycling and groundwater recovery projects through the Local Resource Program (LRP)
- **PAYGo** expenditures are increasing \$120.4 million to cover 100% of this year's capital investment program of \$245.4 million. This will allow MWD not to issue any new debt for the year; whereby reducing future debt service payments.

The main cost drivers for the FY 2015/16 budget are:

- **Departmental Operations and Maintenance (O&M)** expenditures are expected to increase \$4.4 million due to merit increases for qualified employees, increased employee benefit costs, retirement-related benefits and chemical and power cost increases at the five treatment plants
- **State Water Contract** expenditures are expected to increase \$19.3 million due to increases in the cost to pump 907 TAF
- **Colorado River Power** expenditures are expected to increase \$7.3 million as a result of the need to purchase supplemental energy

### **MWD's Ten-Year Financial Forecast**

Included in this Biennial Budget is a ten-year financial forecast that shows a gradual rate increase of 3% to 5% by the year 2024. Illustrated below, the ten-year forecast also includes: estimated water sales, annual capital investments, PAYGo amounts, revenue bond coverage, Ad Valorem tax revenue (assuming it is maintained at current level) and estimated Bay-Delta Conservation Plan costs to MWD.

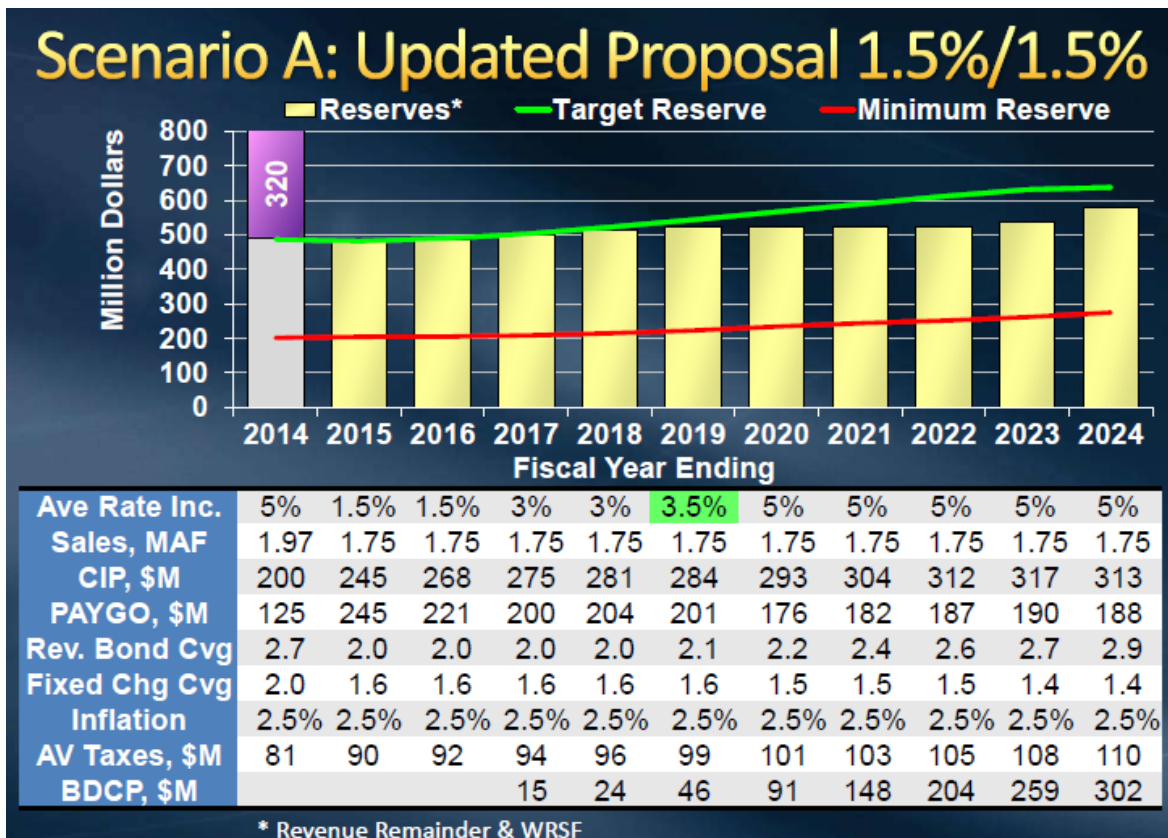


### **February 25 - MWD Budget Board Workshop**

MWD held its second Board Budget workshop on February 25, where staff presented four water rate scenarios based on the Board's feedback. Below is a brief description of these scenarios:

#### **Scenario A: Updated Proposal**

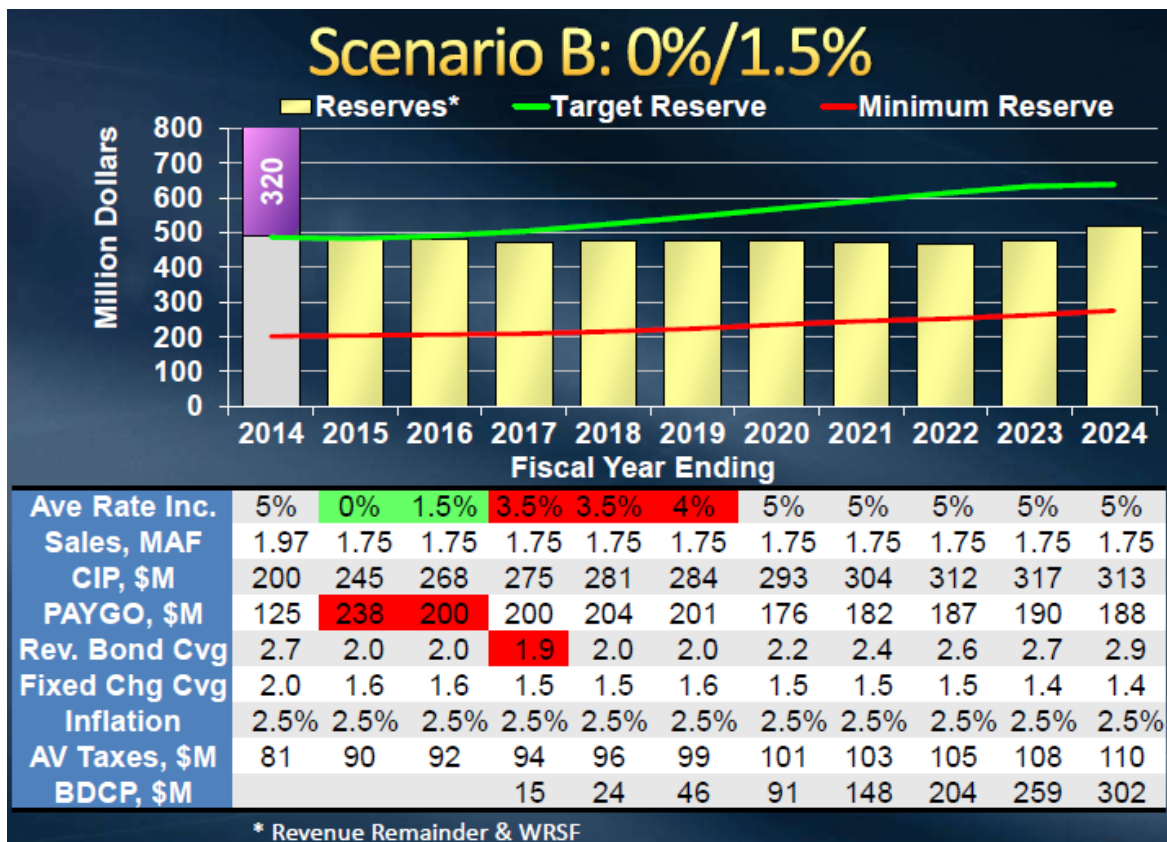
There are adjustments in the 2015 and 2016 rates due to smoothing out the supply program expenditures and lowering OPEB annual required contributions by \$10 million based on an updated actuarial report



### Scenario B: 0%/1.5%

Lowered revenue-funded capital (PAYGo)

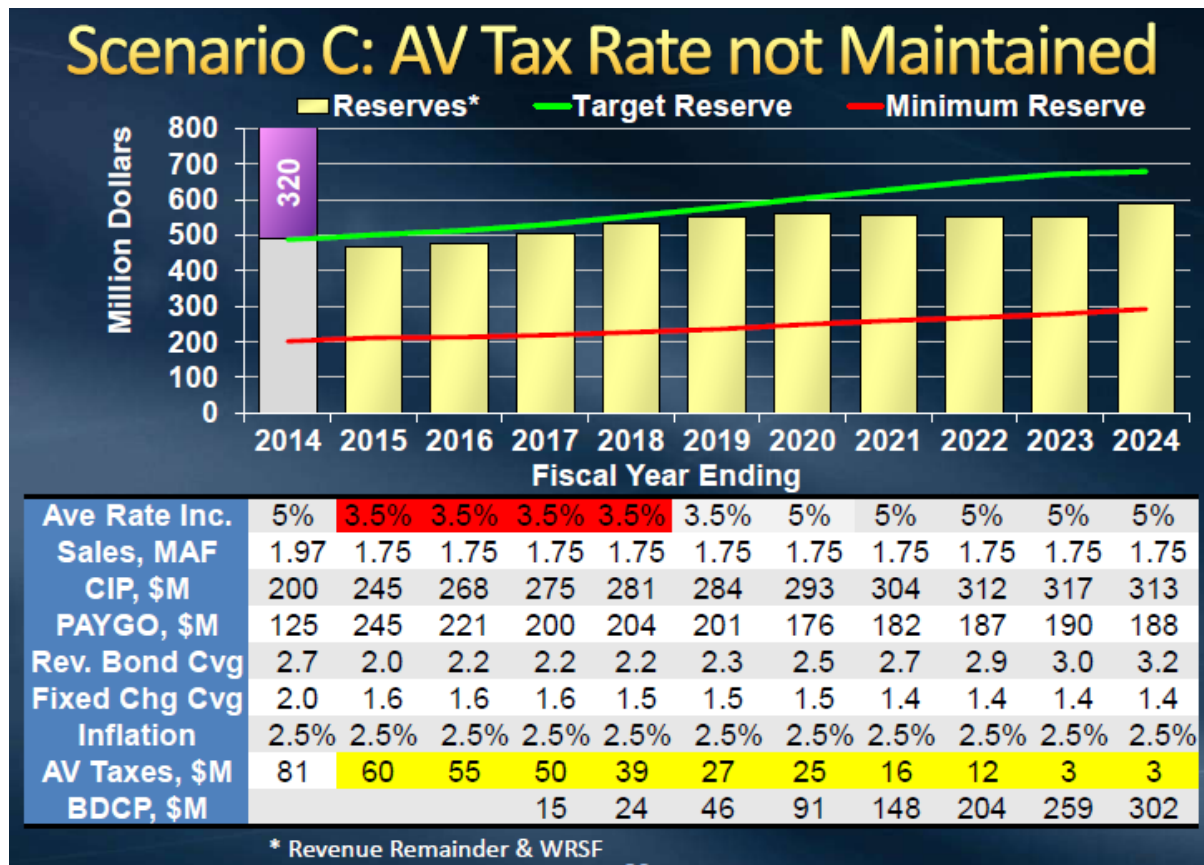
- \$7 million in FY 2014/15 to \$238 million
- \$21 million in FY 2015/16 to \$200 million





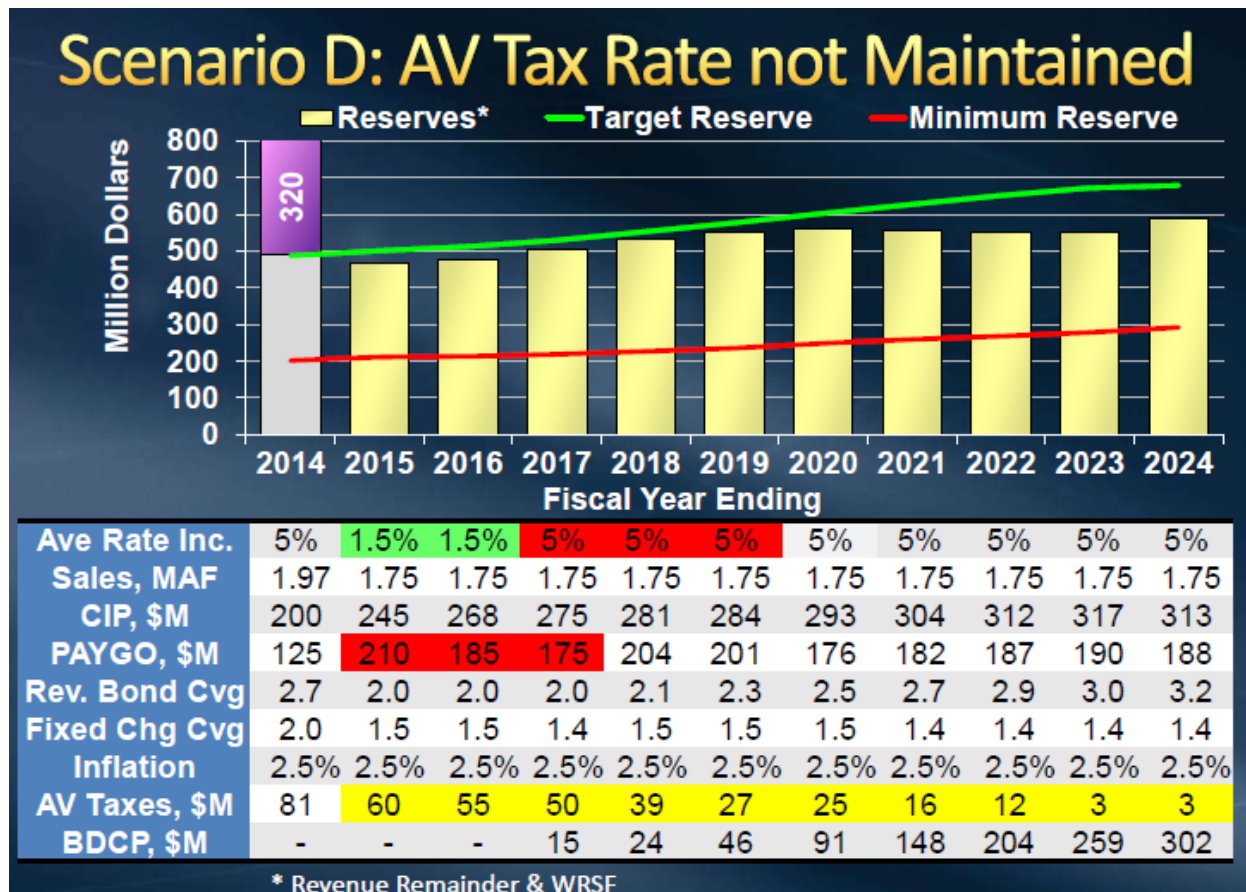
### **Scenario C: Ad Valorem tax rate not maintained**

- Decreases in Ad Valorem tax revenue by \$30 million in FY2014/15 and \$35 million in FY 2015/16 due to decline in tax-funded debt service
- Higher projected rate for FY 2014/2015 to FY 2017/2018
- Water rates have to increase or costs reduced by a like amount to meet cost of service.



### **Scenario D: Ad Valorem (AV) tax rate not maintained, rate increase capped at 1.5% for FY 2014/15 and FY 2015/16**

- Decreases AV tax revenue by \$30 million in FY 2014/15 and \$35 million in FY 2015/16 due to decline in tax-funded debt service
- By FY 2023/24, AV tax revenues will decline to \$3 million
- Lowered revenue-funded capital (PAYGo) to meet cost of service results in issuing bonds for the CIP beginning in FY 2016/17
- Higher projected rate increases through the remaining 8 years of the 10-year forecast at 5%



### **Board Comments**

During the presentation, the Board asked the following questions for staff to investigate for the next budget workshop:

- Review the proposed policy that sets the PAYGo funding target of 60% of MWD's annual capital investment program
- Start looking at a treatment peaking charge to reduce the upward trend in the treatment surcharge rate and to properly address the equity issue of agencies swing "on and off" MWD's treatment plants
- Discuss the pros and cons of having a biennial budget versus an annual budget
- Determine whether the Board wants to continue to freeze the Ad Valorem tax rate for an additional two more years; and discuss whether the Ad Valorem property tax is best suited to collect fixed revenue

There was no consensus on any of the rate scenarios, the Board requested an additional Budget Workshop in March.

### **Next Steps**

Below are the proposed budget and rate schedule:

**March 10: Committee Meeting**

- Address Board issues and questions raised at prior workshop and committee presentations

**March 10: Public Hearing**

- Water Rates & Charges and suspension of the tax limit (Ad Valorem tax)

**March 25: Additional Workshop, if needed**

- Address Board issues and questions raised at prior workshop and committee presentations, if needed

**April 9 & 10: Committee and Board Meetings**

- Consideration and action on proposed biennial budget & rates

## Update on Metropolitan's Proposed Budget and Water Rates & Charges for FY 2014/15 and FY 2015/16

**Municipal Water District of Orange County  
Board Workshop on MET Issues**

**March 5, 2014**



### Key Budget Assumptions

Fiscal Year Ending	2015	2016
Overall increase January 2015 & 2016	1.5%	1.5%
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Ad Valorem Tax Revenues	\$90.2 M	\$92.2 M
Capital Investment Plan Funding	100% PAYGO	100% PAYGO & R&R Fund



**Proposed Budget Revenue Requirement**  
**for FY 2014/15 & FY 2015/16**

Millions of Dollars	2013/14 Adopted	2014/15 Proposed Budget	2015/16 Proposed Budget
O&M	\$ 390.2	\$ 422.8	\$ 427.2
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Incr. in Req. Reserves	26.1	11.2	18.2
<b>Sub-total expenditures</b>	<b>1,564.5</b>	<b>1,661.5</b>	<b>1,668.9</b>
Revenue Offsets	121.2	135.7	149.6
<b>Total Revenue Requirement</b>	<b>1,443.2</b>	<b>1,525.8</b>	<b>1,519.3</b>

\*Totals may not foot due to rounding



**Reasons for O&M Increases**  
**for FY 2014/15**

• Salaries: Merit, MOUs, Succession	\$6.7 M
• OPEB planned increase	\$5.0 M
• OPEB full ARC	\$4.9 M
• PERS retirement	\$5.9 M
• Medical insurance	\$3.0 M
• Other benefits	\$0.9 M
• Overtime for shutdown support	\$0.8 M
• Maintenance outside services	\$2.2 M
• Treatment Chemicals & Power	\$1.1 M
• Other	<u>\$1.8 M</u>
<b>Total</b>	<b>\$32.3 M</b>



### Reasons for O&M Increases for FY 2015/16

• Salaries: Merits & COLA	\$3.7 M
• PERS retirement	\$4.5 M
• Medical insurance	\$1.5 M
• OPEB credit	(\$6.5 M)
• Treatment Chemicals & Power	\$1.1 M
• Other	<u>\$0.1 M</u>
<b>Total</b>	<b>\$4.4 M</b>



### Supply Programs

- **FY 2014/15 Budget of \$69.3 million includes:**
  - \$12.2 M for operating and maintaining IID/MWD Conservation agreement
  - \$27.2 M for Colorado Program
  - \$18 M for Central Valley Programs
  - \$8.6 M for PVID Land Management Programs
  - \$1.9 M For State Water Project Transfer Programs
  - \$1.3 M for In-Basin Programs



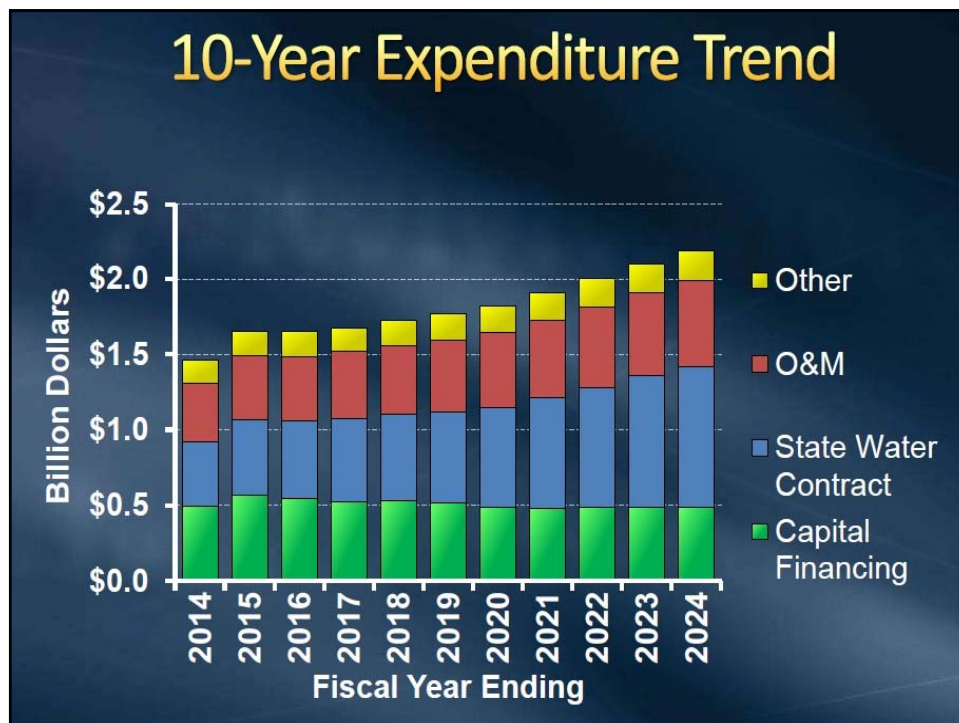
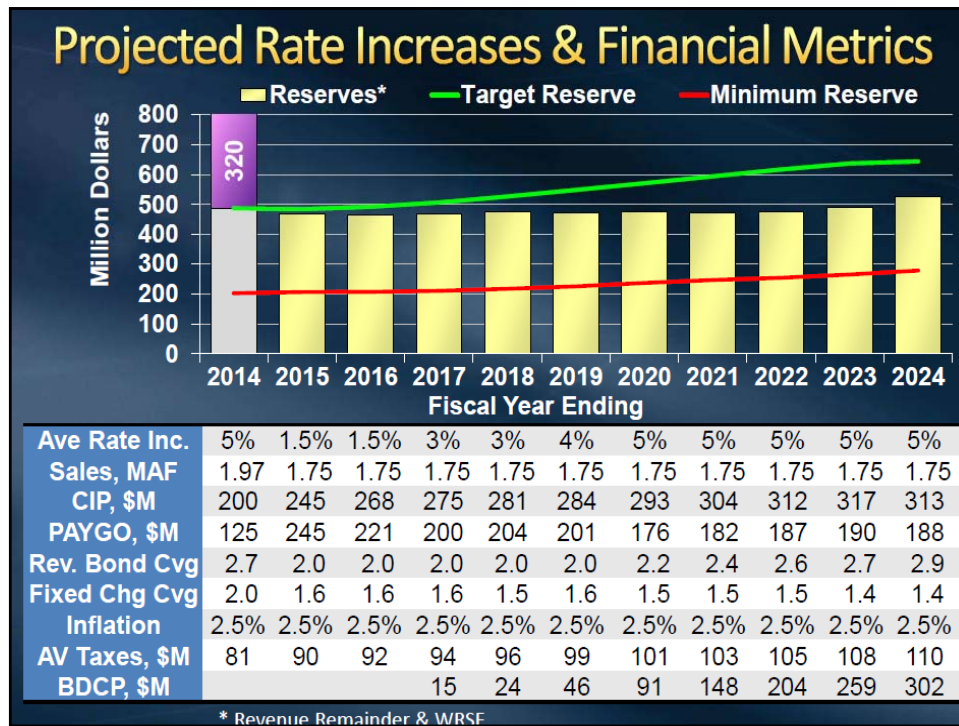
## Proposed Bundled Rates

Rate Type	2014 Approved	2015 Proposed	% Increase (Decrease)	2016 Proposed	% Increase (Decrease)
<b>Full Service Untreated Volumetric Cost (\$/AF)</b>					
Tier 1	\$593	\$582	(1.9%)	\$594	2.1%
Tier 2	\$735	\$712	(3.1%)	\$729	2.4%
<b>Full Service Treated Volumetric Cost (\$/AF)</b>					
Tier 1	\$890	\$925	3.9%	\$946	2.3%
Tier 2	\$1,032	\$1,055	2.2%	\$1,081	2.5%
<b>Full Service Untreated Exchange Cost (\$/AF)</b>	\$445	\$422	(5.2%)	\$439	4.0%
<b>RTS Charge (\$M)</b>	\$166	\$158	(4.8%)	\$152	(3.8%)
<b>Capacity Charge (\$/cfs)</b>	\$8,600	\$10,700	24.4%	\$10,300	(3.7%)

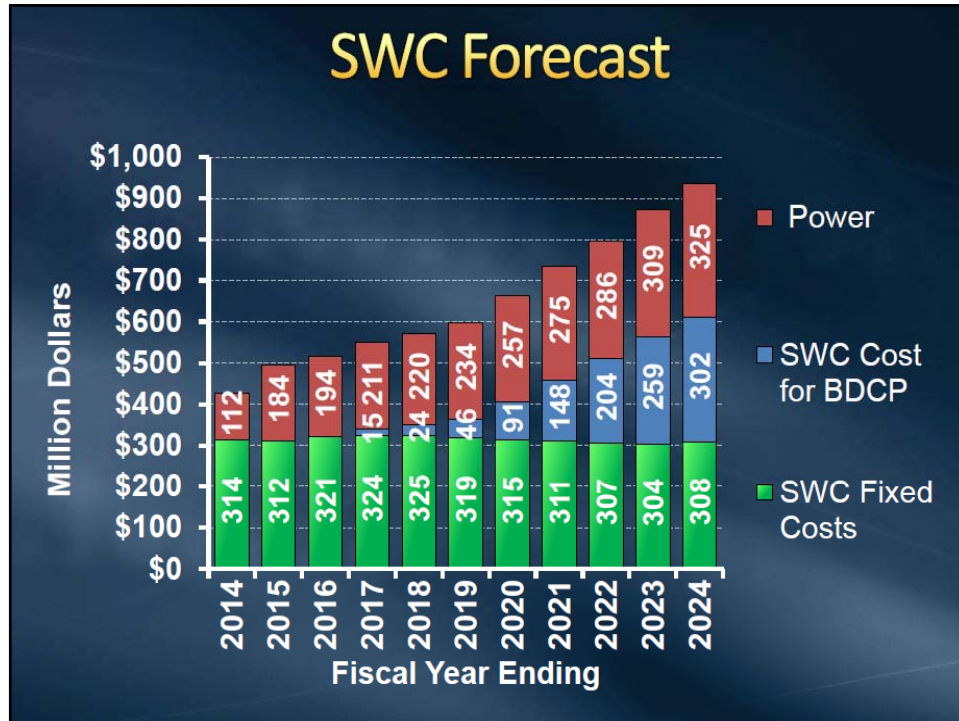


## Ten Year Financial Forecast









## February 25

## MWD Board Budget Workshop

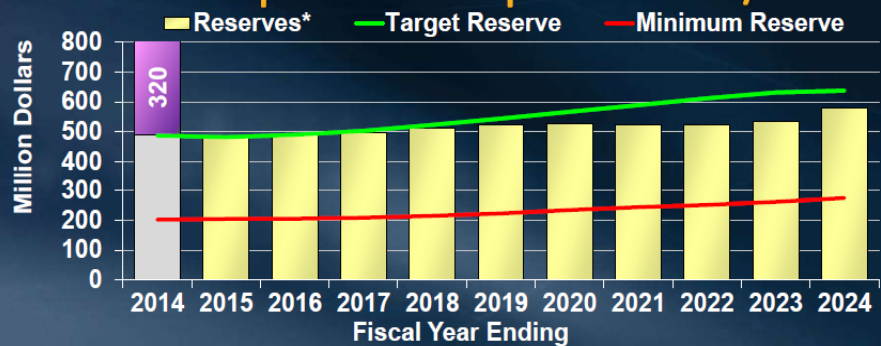


## Rate Scenarios

- **Scenario A: Updated Proposal: 1.5% / 1.5%**
  - Smoothed supply program expenditures
  - Lowered OPEB annual required contribution by \$10 million based on updated actuarial report



## Scenario A: Updated Proposal 1.5%/1.5%



	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Ave Rate Inc.	5%	1.5%	1.5%	3%	3%	3.5%	5%	5%	5%	5%	5%
Sales, MAF	1.97	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
CIP, \$M	200	245	268	275	281	284	293	304	312	317	313
PAYGO, \$M	125	245	221	200	204	201	176	182	187	190	188
Rev. Bond Cvg	2.7	2.0	2.0	2.0	2.0	2.1	2.2	2.4	2.6	2.7	2.9
Fixed Chg Cvg	2.0	1.6	1.6	1.6	1.6	1.6	1.5	1.5	1.5	1.4	1.4
Inflation	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
AV Taxes, \$M	81	90	92	94	96	99	101	103	105	108	110
BDCP, \$M				15	24	46	91	148	204	259	302

\* Revenue Remainder & WRSF

### Scenario A: Updated Proposed Full Service Rates

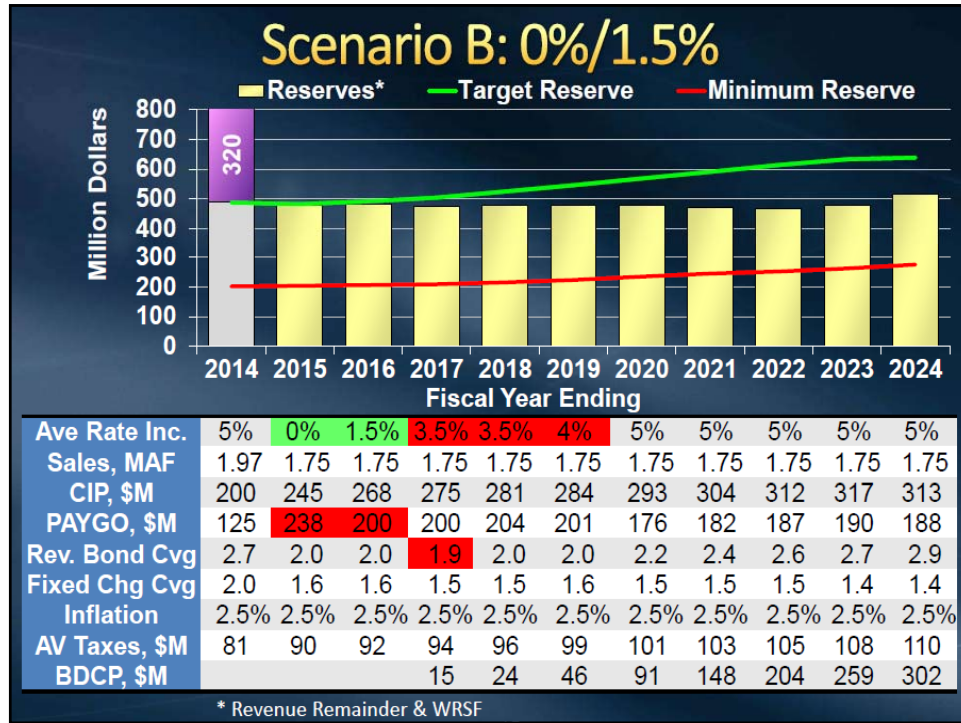
Rate Type	2014 Approved	2015 Proposed	% Increase (Decrease)	2016 Proposed	% Increase (Decrease)
<b>Full Service Untreated Volumetric Cost (\$/AF)</b>					
Tier 1	\$593	\$582	(1.9%)	\$594	2.1%
Tier 2	\$735	\$714 <b>+2</b>	<b>(2.9%)</b>	\$728 <b>(-1)</b>	<b>2.0%</b>
<b>Full Service Treated Volumetric Cost (\$/AF)</b>					
Tier 1	\$890	\$923 <b>(-2)</b>	<b>3.7%</b>	\$942 <b>(-4)</b>	<b>2.1%</b>
Tier 2	\$1,032	\$1,055	2.2%	\$1,076 <b>(-5)</b>	<b>2.0%</b>
<b>Full Service Untreated Exchange Cost (\$/AF)</b>	\$445	\$424 <b>+2</b>	<b>(4.7%)</b>	\$438 <b>(-1)</b>	<b>3.3%</b>
<b>RTS Charge (\$M)</b>	\$166	\$158	(4.8%)	\$153 <b>+1</b>	<b>(3.2%)</b>
<b>Capacity Charge (\$/cfs)</b>	\$8,600	\$11,100 <b>+400</b>	<b>29.1%</b>	\$10,900 <b>+600</b>	<b>(1.8%)</b>



### Rate Scenarios (cont'd)

- **Scenario B: 0% / 1.5%**
  - **Lowered revenue funded capital (PAYGo)**
    - **\$7 million in FY 2014/15 to \$238 million**
    - **\$21 million in FY 2015/16 to \$200 million**
  - **Increased draw on R&R fund by same amount**





### Scenario B: 0%/1.5%

#### Full Service Rates

Rate Type	2014 Approved	2015 Proposed	% Increase (Decrease)	2016 Proposed	% Increase (Decrease)
<b>Full Service Untreated Volumetric Cost (\$/AF)</b>					
Tier 1	\$593	\$574	(3.2%)	\$589	2.6%
Tier 2	\$735	\$709	(3.5%)	\$725	2.3%
<b>Full Service Treated Volumetric Cost (\$/AF)</b>					
Tier 1	\$890	\$909	2.1%	\$928	2.1%
Tier 2	\$1,032	\$1,044	1.2%	\$1,064	1.9%
<b>Full Service Untreated Exchange Cost (\$/AF)</b>	\$445	\$419	(5.8%)	\$435	3.8%
<b>RTS Charge (\$M)</b>	\$166	\$155	(6.6%)	\$148	(4.5%)
<b>Capacity Charge (\$/cfs)</b>	\$8,600	\$10,900	26.7%	\$10,500	(3.7%)

ORANGE COUNTY

## Rate Scenarios (cont'd)

- Scenario C: Ad valorem tax rate not maintained
  - Decreases AV tax revenue by \$30 million in FY 2014/15 and \$35 million in FY 2015/16 due to decline in tax-funded debt service
  - Water rates have to be increased or costs reduced by a like amount to meet cost of service
  - By FY 2023/24, AV tax revenues will decline to \$3 million and water rates will be 5% to 6% higher

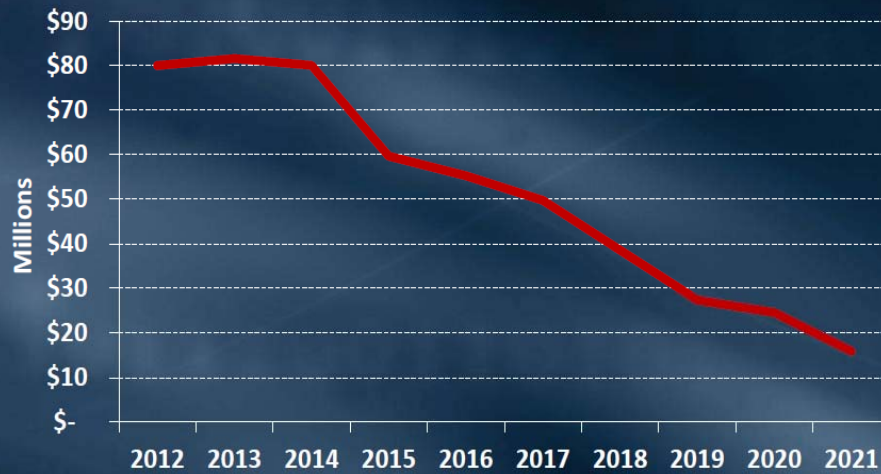
### Scenario C: AV Tax Rate not Maintained



	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Ave Rate Inc.	5%	3.5%	3.5%	3.5%	3.5%	3.5%	5%	5%	5%	5%	5%
Sales, MAF	1.97	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
CIP, \$M	200	245	268	275	281	284	293	304	312	317	313
PAYGO, \$M	125	245	221	200	204	201	176	182	187	190	188
Rev. Bond Cvg	2.7	2.0	2.2	2.2	2.2	2.3	2.5	2.7	2.9	3.0	3.2
Fixed Chg Cvg	2.0	1.6	1.6	1.6	1.5	1.5	1.5	1.4	1.4	1.4	1.4
Inflation	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
AV Taxes, \$M	81	60	55	50	39	27	25	16	12	3	3
BDCP, \$M				15	24	46	91	148	204	259	302

\* Revenue Remainder & WRSF

## Ad Valorem Tax Rate Projection



### Scenario C: AV Tax Rate not Maintained Full Service Rates

Rate Type	2014 Approved	2015 Proposed	% Increase (Decrease)	2016 Proposed	% Increase (Decrease)
<b>Full Service Untreated Volumetric Cost (\$/AF)</b>					
Tier 1	\$593	\$592	(0.2%)	\$617	4.2%
Tier 2	\$735	\$721	(1.9%)	\$745	3.3%
<b>Full Service Treated Volumetric Cost (\$/AF)</b>					
Tier 1	\$890	\$932	4.7%	\$969	4.0%
Tier 2	\$1,032	\$1,061	2.8%	\$1,097	3.4%
<b>Full Service Untreated Exchange Cost (\$/AF)</b>	\$445	\$431	(3.1%)	\$455	5.6%
<b>RTS Charge (\$M)</b>	\$166	\$171	3.0%	\$170	(0.6%)
<b>Capacity Charge (\$/cfs)</b>	\$8,600	\$11,200	30.2%	\$11,100	(0.9%)





## Rate Scenarios (cont'd)

- Scenario D: Ad valorem tax rate not maintained, rate increase capped at 1.5% in FY 2014/15 and FY 2015/16
  - Decreases AV tax revenue by \$30 million in FY 2014/15 and \$35 million in FY 2015/16 due to decline in tax-funded debt service
  - By FY 2023/24, AV tax revenues will decline to \$3 million
  - Lowered revenue-funded capital (PAYGO) to meet cost of service; must issue bonds for the CIP beginning in FY 2016/17
  - Higher projected rate increases through the remaining 8 years of the 10-year forecast

### Scenario D: AV Tax Rate not Maintained



	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Ave Rate Inc.	5%	1.5%	1.5%	5%	5%	5%	5%	5%	5%	5%	5%
Sales, MAF	1.97	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
CIP, \$M	200	245	268	275	281	284	293	304	312	317	313
PAYGO, \$M	125	210	185	175	204	201	176	182	187	190	188
Rev. Bond Cvg	2.7	2.0	2.0	2.0	2.1	2.3	2.5	2.7	2.9	3.0	3.2
Fixed Chg Cvg	2.0	1.5	1.5	1.4	1.5	1.5	1.5	1.4	1.4	1.4	1.4
Inflation	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
AV Taxes, \$M	81	60	55	50	39	27	25	16	12	3	3
BDCP, \$M	-	-	-	15	24	46	91	148	204	259	302

\* Revenue Remainder & WRSF

### Scenario D: AV Tax Rate not Maintained & Cap 1.5% for both years

Rate Type	2014 Approved	2015 Proposed	% Increase (Decrease)	2016 Proposed	% Increase (Decrease)
<b>Full Service Untreated Volumetric Cost (\$/AF)</b>					
Tier 1	\$593	\$587	(1.0%)	\$600	2.2%
Tier 2	\$735	\$718	(2.3%)	\$733	2.1%
<b>Full Service Treated Volumetric Cost (\$/AF)</b>					
Tier 1	\$890	\$916	2.9%	\$933	1.9%
Tier 2	\$1,032	\$1,047	1.5%	\$1,066	1.8%
<b>Full Service Untreated Exchange Cost (\$/AF)</b>	\$445	\$428	(3.8%)	\$443	3.5%
<b>RTS Charge (\$M)</b>	\$166	\$162	(2.4%)	\$159	(1.9%)
<b>Capacity Charge (\$/cfs)</b>	\$8,600	\$10,500	22.1%	\$10,200	(2.9%)



### Rate Scenario Comparison for 2015

Rate Type	2014 Approved	Scenario A	Scenario B	Scenario C	Scenario D
<b>Full Service Untreated Volumetric Cost (\$/AF)</b>					
Tier 1	\$593	(1.9%)	(3.2%)	(0.2%)	(1.0%)
Tier 2	\$735	(2.9%)	(3.5%)	(1.9%)	(2.3%)
<b>Full Service Treated Volumetric Cost (\$/AF)</b>					
Tier 1	\$890	3.7%	2.1%	4.7%	2.9%
Tier 2	\$1,032	2.2%	1.2%	2.8%	1.5%
<b>Full Service Untreated Exchange Cost (\$/AF)</b>	\$445	(4.7%)	(5.8%)	(3.1%)	(3.8%)
<b>RTS Charge (\$M)</b>	\$166	(4.8%)	(6.6%)	3.0%	(2.4%)
<b>Capacity Charge (\$/cfs)</b>	\$8,600	29.1%	26.7%	30.2%	22.1%





### **Board Comments at the Workshop**

- **Review proposed PAYGo policy**
  - Funding target of 60% of MWD's Annual CIP
- **Treatment peaking charge**
  - Reduce the upward trend in the treatment surcharge rate
  - Address the equity issue of agencies swing "on and off" MWD's treatment plants
- **Biennial budget vs. Annual budget**
- **Determined whether to freeze the Ad Valorem tax rate for an additional two more years**
  - Discuss different options of fixed revenue



### **MWD Board Budget Review Schedule**

- ✓ **February 11, 2014 Board Action, set public hearings**
- ✓ **February 25, 2014 Budget Workshop**
- **March 10, 2014 Budget Workshop #3**
- **March 11, 2014 Public Hearings**
- **March 25, 2014 Additional Workshop, if needed**
- **April 7, 2014 F&I Committee, Approve Biennial Budget and Water Rates and Charges**
- **April 8, 2014 Board, Approve Biennial Budget and Water Rates and Charges**



## Questions



## Backup Slides



## Ad Valorem Tax Background

- MWD Act authorizes property taxes
- By Proposition 13, voters set limits for ad valorem property taxes
- Proposition 13 included an exception to allow agencies to repay certain indebtedness
- Metropolitan's share of SWP costs are within the exception for indebtedness
- Metropolitan's general obligation bonds are within the exception for indebtedness

## Provisions of Metropolitan Water District Act Section 124.5

- Restricts ad valorem taxes to the amount necessary to cover debt service for Metropolitan's General Obligation bonds and the Burns-Porter bonds
- Authorizes suspension of rate restriction if the Board finds that doing so is "essential to the fiscal integrity of the district"
  - Must hold a public hearing
  - Must notify the Speaker of the Assembly and the President pro Tempore of the Senate at least 10 days prior to the date of the hearing

## Benefits of Maintaining the Ad Valorem Tax Rate

- Metropolitan ensures a reliable supplemental water supply to a broad service area; the region and its economy benefit from the availability of water
- Ad valorem taxes are a unique tool to ensure that the cost of Metropolitan's services are shared by all residences and businesses

## Use of Reserves to Reduce Debt vs. OPEB Liability

- Deposit of \$100 million to R&R Fund reduces future annual debt costs by \$4 to \$6 million
  - Range reflects use of variable vs. fixed rate debt at a rate of 1% to 4.5% and 30 year amortization
  - Decreases future percentage of capital budget funded with debt
- Deposit of \$100 million to OPEB Trust reduces future annual contributions by \$6.5 million
  - Improves funded percentage from 13% to 43%
  - Pays down liability for benefits earned in prior years
  - Increases future percentage of capital budget funded with debt

## Policy for Revenue-Funded Capital

- Background:

- Historical actual revenue-funded capital has approximated 22% of capital expenditures
- The Administrative Code specifies \$95 million (~40%) in revenue-funded capital
- The current year budget specifies \$125 million in revenue-funded capital, or approximately 60% of CIP

- Fitch Rating Agency 2014 Medians

- Overall median for revenue funded CIP is 68%
- For AA rated entities median is 60% of CIP

- Large CA water utilities use 10% to 60%



## DISCUSSION ITEM

March 5, 2014

**TO:** Board of Directors

**FROM:** Robert Hunter  
General Manager

Staff Contact: Harvey De La Torre/  
Warren Greco

**SUBJECT:** Update on Water Supply Conditions

### STAFF RECOMMENDATION

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Staff recommends the Board of Directors review and discuss this information

### REPORT

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#### State Water Project Deliveries

On January 30, the California Department of Water Resources (DWR) announced a projected "Table A" allocation of zero percent for water deliveries to State Water Project (SWP). This marks the first time in the 54-year history of the SWP that contractors may get none of their contracted supplies from Northern California. This stems from DWR's January snow survey that measured the snowpack water equivalent in the Sierras at only 12 percent of normal, by far the lowest ever recorded in what should be mid-winter conditions.

In mid February, a powerful tropical system delivered the first significant storm that California had experienced in over a year. The storm lasted five days and brought deep snow and above average conditions for February; however, the Northern Sierra 8 Station index still only measured precipitation at 38% for the water year to date. According to DWR, the Sierras would need to experience heavy rain or snowfall every other day until May in order to achieve average water supply conditions for the year. On average, only 15 percent of the annual water year precipitation in the Northern Sierras occurs after March 1. Additional storms are anticipated around the end of February, but the rainfall and snowpack are not expected to be significant. Delta forecasting modelers are predicting with 99% confidence that drought conditions will continue through the end of the year.

<b>Budgeted (Y/N):</b> n/a	Budgeted amount: n/a	Core <b>_X_</b>	Choice <b>__</b>
<b>Action item amount:</b> n/a	Line item:		
<b>Fiscal Impact (explain if unbudgeted):</b>			



**State Water Project Hydrology**  
As of February 25, 2014

Hydrologic Indicator	Current Total	% of Normal	% of Annual
<b>Precipitation</b> DWR 8-Station Index	<b>12.9 Inches</b> Water Equivalent	<b>38% of</b> 34 Inches	<b>26% of</b> 50 Inches
<b>Snowpack Conditions</b> CA Cooperative Surveys	<b>3 Inches</b> Water Equivalent	<b>13% of</b> 23 Inches	<b>11% of</b> April 1 Avg.

**State Water Project Reservoir Storage**  
As of February 25, 2014

Storage Reservoir	Current Total	% of Normal	% of Capacity
<b>Lake Oroville</b> DWR	<b>1.4 MAF</b>	<b>57% of</b> 2.4 MAF	<b>39% of</b> 3.5 MAF
<b>San Luis Reservoir</b> DWR	<b>0.68 MAF</b>	<b>39% of</b> 1.2 MAF	<b>33% of</b> 1.7 MAF

**Colorado River Deliveries**

Conditions on the Colorado River have remained around normal since the start of the water year. Projections made by the U.S. Bureau of Reclamation (Reclamation) in their two-year outlook of reservoir elevations have continued to improve since projecting shortage conditions by 2015 over the summer months. In February, Reclamation's updated two year outlook projects Lake Mead to be 1,081 feet by the end of calendar year 2015. That would leave Lake Mead just six feet above the trigger for a potential shortage in 2016.

**Upper Colorado River Hydrology**  
As of February 25, 2014

Hydrologic Indicator	Current Total	% of Normal	% of Annual
<b>Precipitation</b> NRCS SNOTEL Sites	<b>14.4 Inches</b> Water Equivalent	<b>102% of</b> 14 Inches	<b>45% of</b> 32 Inches
<b>Snowpack Conditions</b> NRCS SNOTEL Sites	<b>15.4 Inches</b> Water Equivalent	<b>104% of</b> 15 Inches	<b>74% of</b> Medium Peak

**Upper Colorado River Reservoir Storage**  
As of February 25, 2014

Storage Reservoir	Current Total	Elevation	% of Capacity
<b>Lake Powell</b> US Bureau of Reclamation	<b>9.6 MAF</b>	<b>3,576 Feet</b>	<b>39% of</b> 24 MAF
<b>Lake Mead</b> US Bureau of Reclamation	<b>12.5 MAF</b>	<b>1,108 Feet</b>	<b>48% of</b> 26 MAF

**Metropolitan Supply and Demand**

Metropolitan began CY 2014 with 2.37 MAF in “dry year storage” (this does not include the approximately 650,000 AF of emergency storage). Based on a current SWP “Table A” allocation of zero percent, and an estimated demand for imported water of 2.0 MAF, the estimated draw on dry year storage would be approximately 1.2 MAF. Winter storms may improve the final SWP Allocation and reduce the need to pull from storage, and increased water use efficiency efforts will also prevent the depletion of storage levels. The estimated single year take capacity for Metropolitan in CY 2014 is 1.44 MAF. Metropolitan is projecting to be able to meet all demands for imported water in 2014.



## Update on Water Supply Conditions

Municipal Water District of Orange County

March 5, 2014

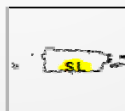
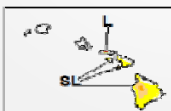
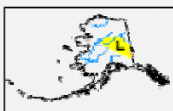
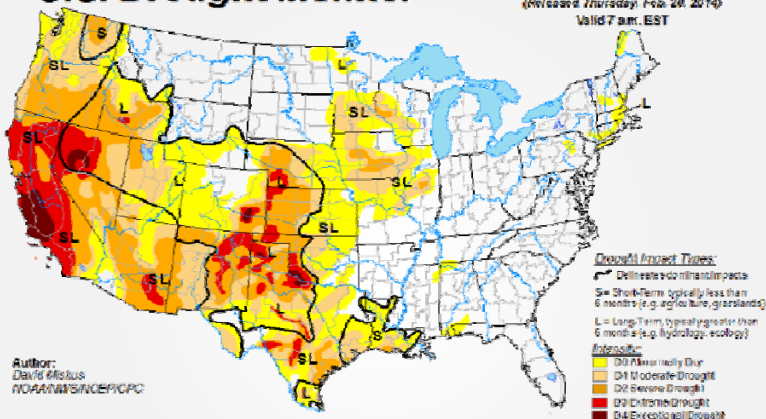


## U.S. Drought Monitor

February 18, 2014

(Released Thursday, Feb. 20, 2014)

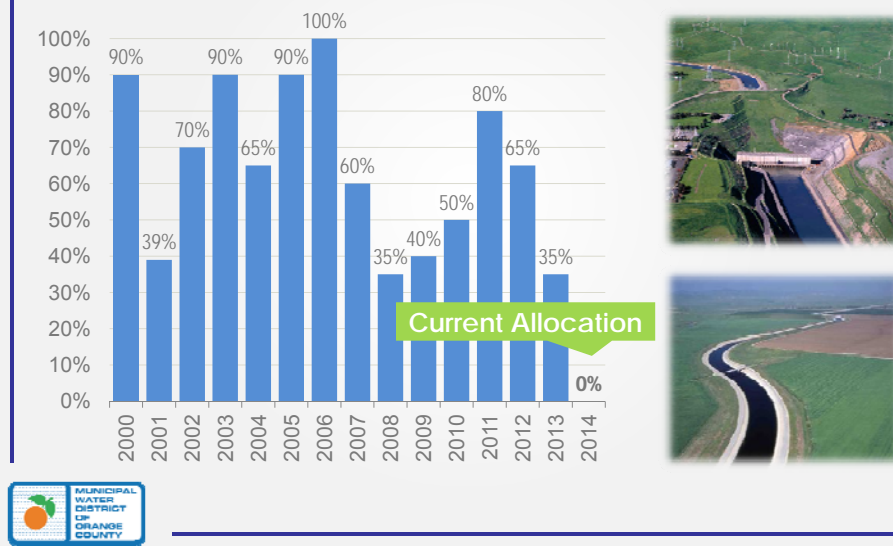
Valid 7 a.m. EST



<http://droughtmonitor.unl.edu/>

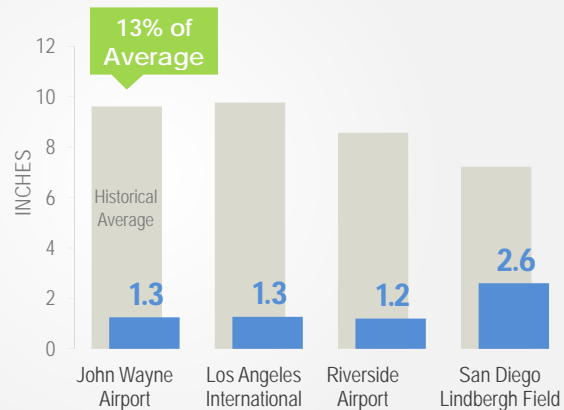


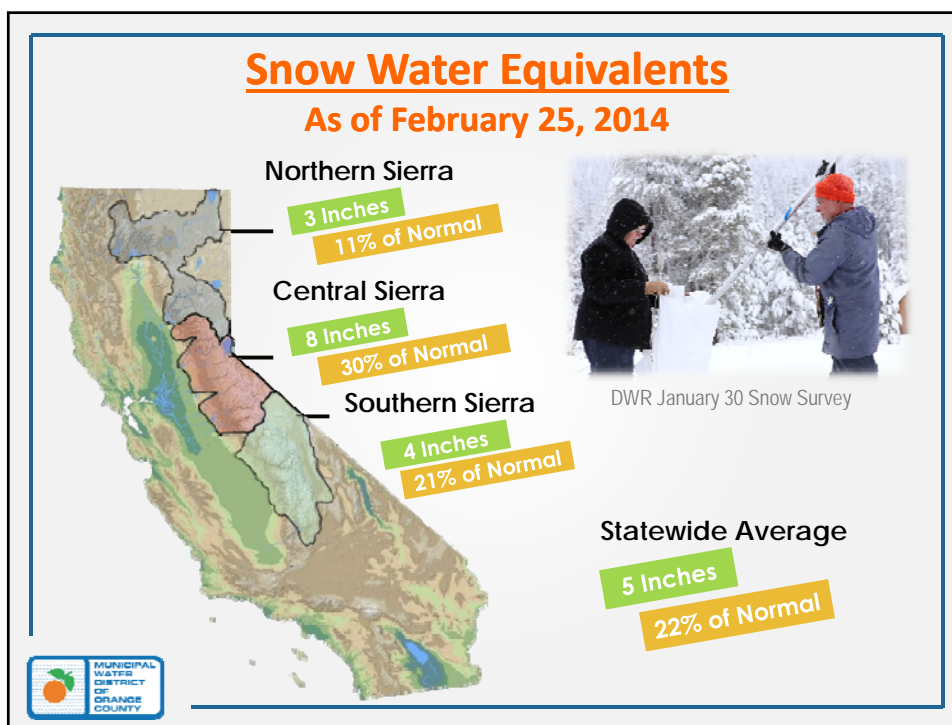
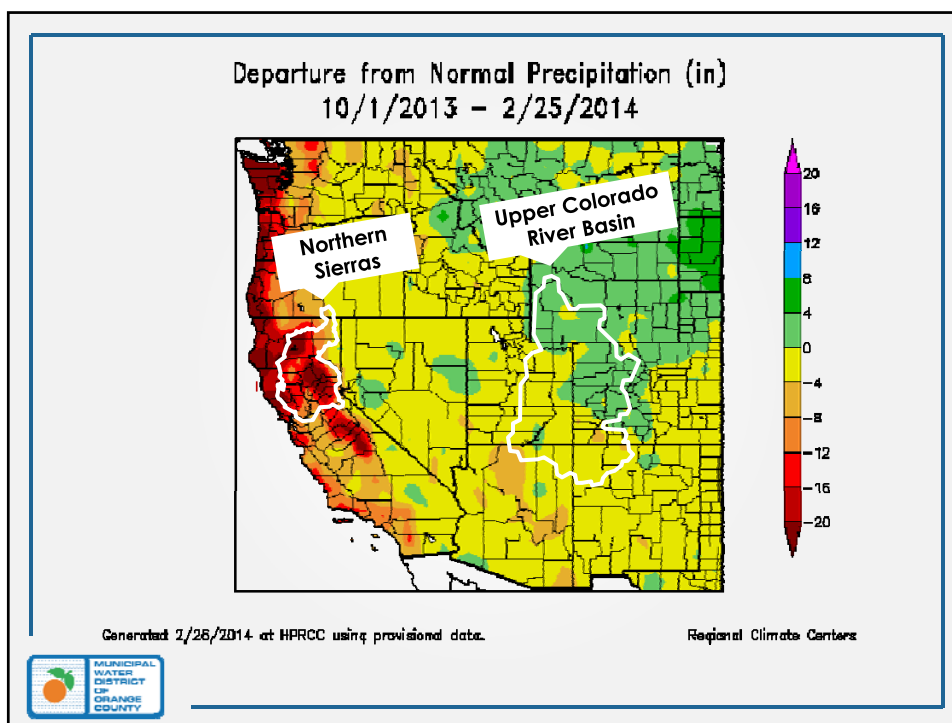
## California State Water Project "Table A" Allocation

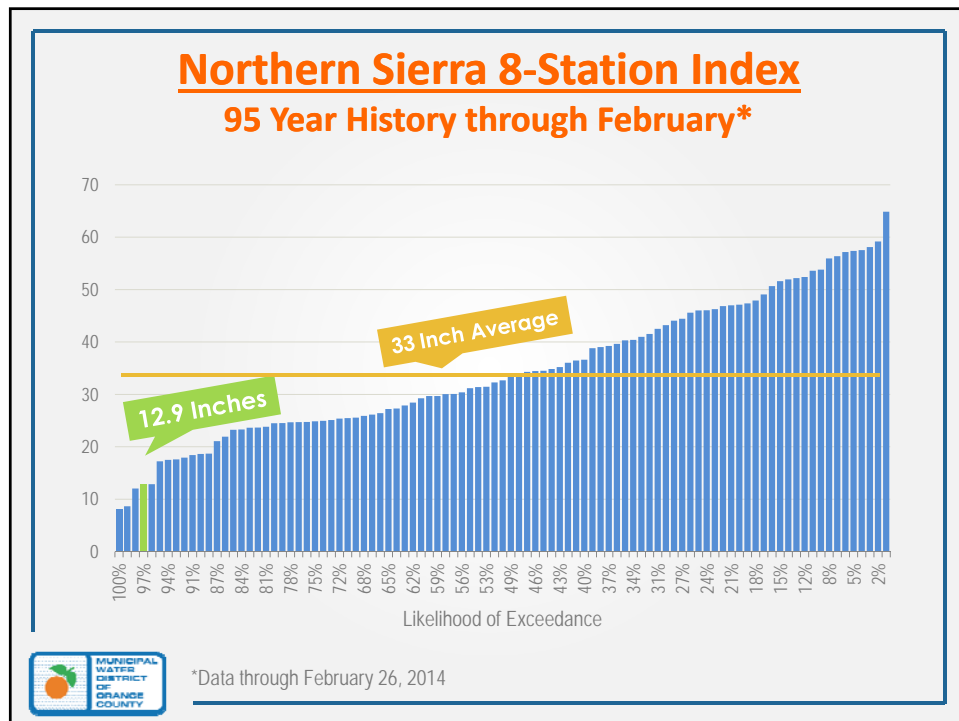
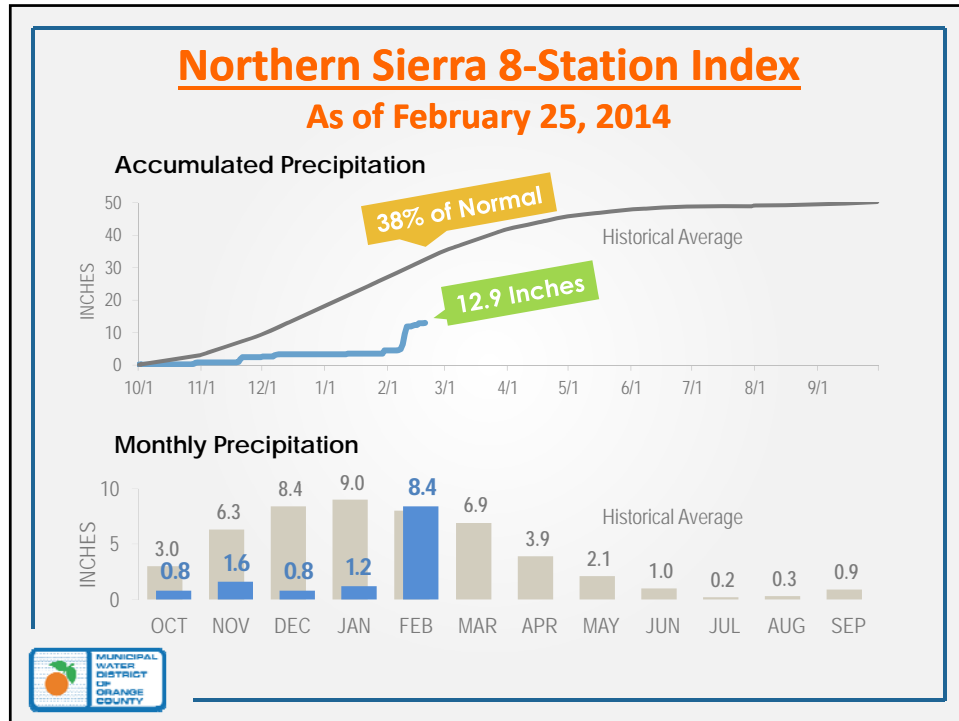


## Rainfall in MWD Service Area As of February 25, 2014

- 9 inch deficit in Orange County for current water year
- 20 inch deficit over three years of drought



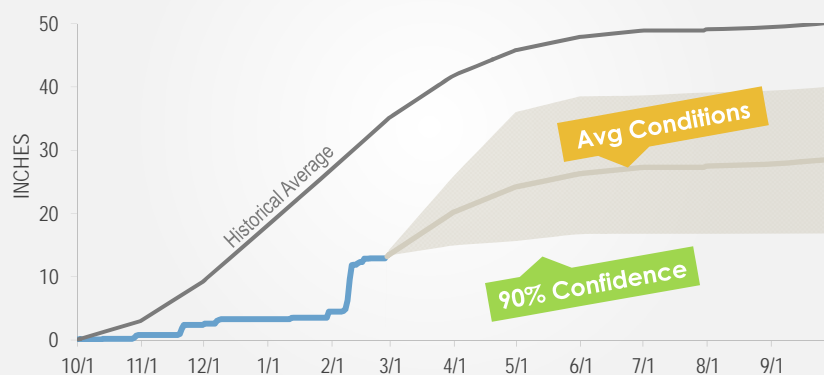




## Northern Sierra Precipitation Projections

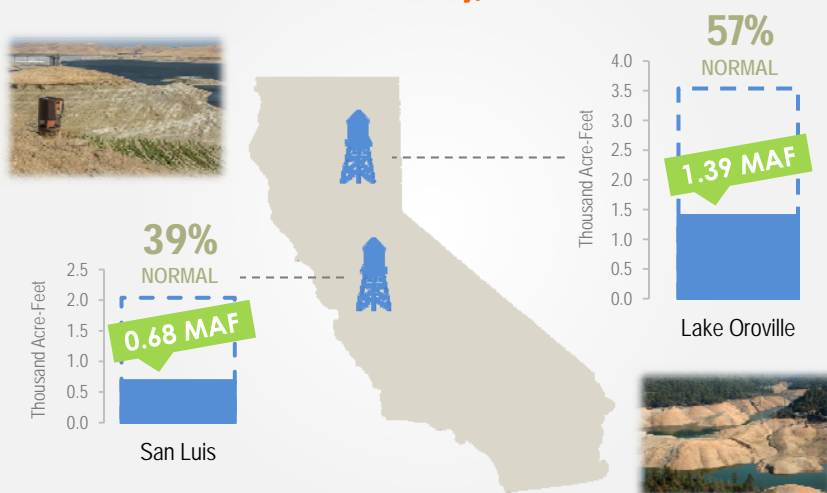
February 25, 2014

8-Station Index Accumulated Precipitation



## Statewide Reservoir Conditions

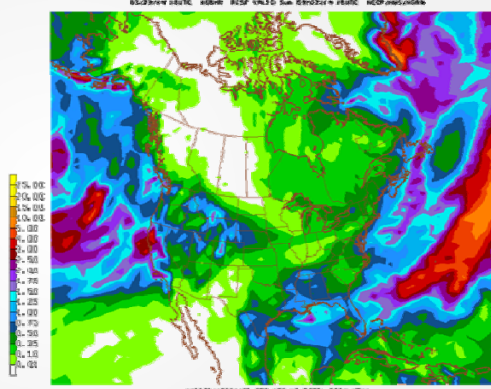
As of February, 25 2014



## Weekend Precipitation Forecast

February 25, 2014

- Pair of Pacific storms will bring beneficial rain and mountain snow to all of California
- Some locations may receive more than five inches of precipitation
- One to two feet of snow anticipated in the Sierras



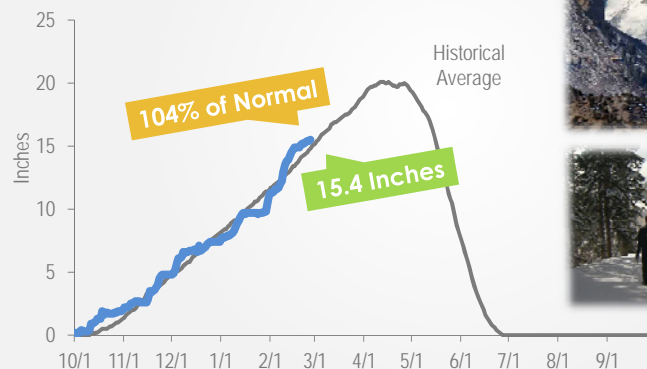
Projected total precipitation for this weekend's storms. (NOAA/NCEP)

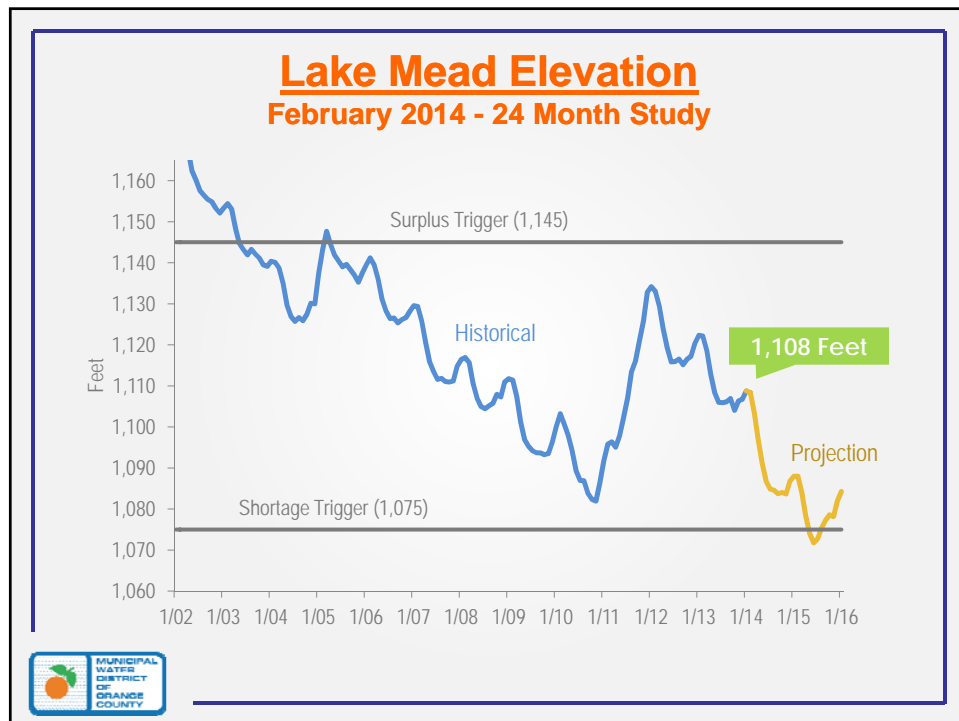
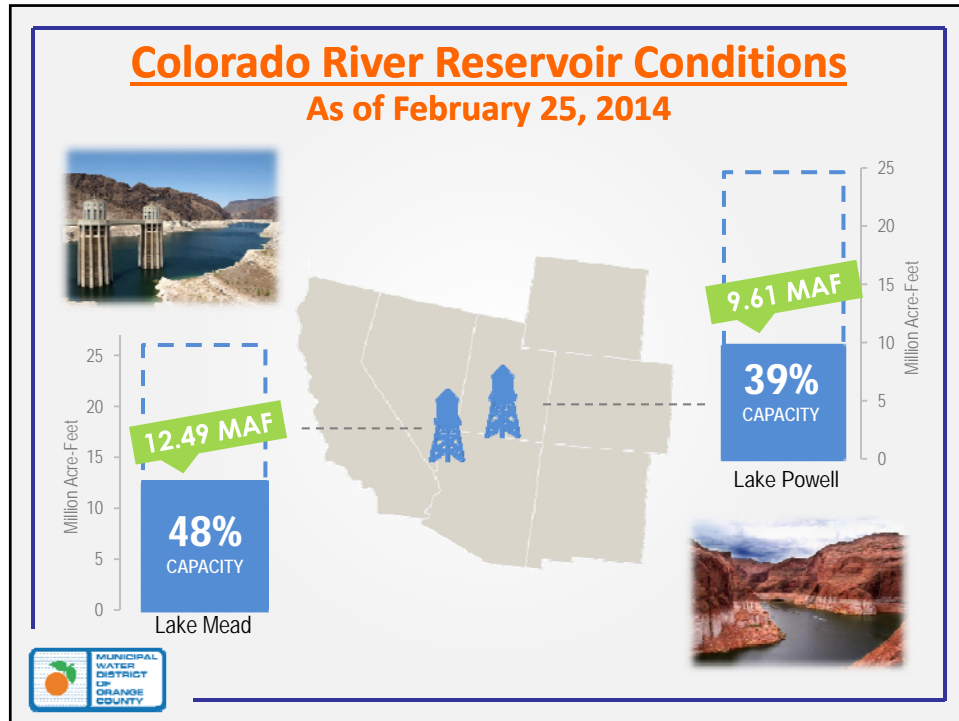


## Upper Colorado River Snowpack

February 25, 2014

Snowpack Water Equivalent



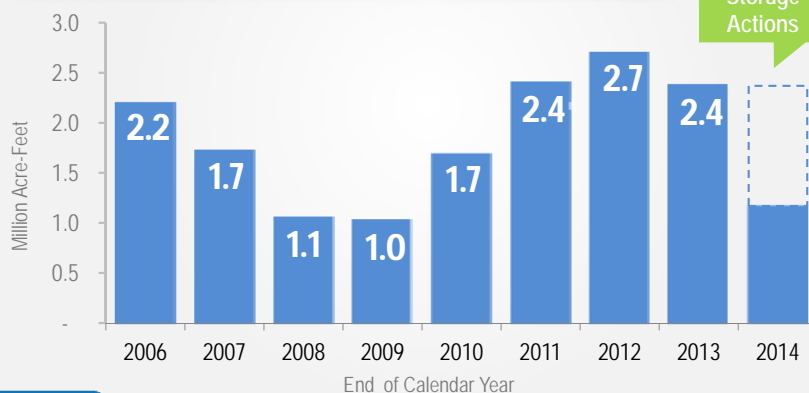


## MWD 2014 Available Supplies

- **State Water Project (600 TAF)**
  - “Table A” Allocation = 0
  - Storage & Program = 600 TAF
- **Colorado River Aqueduct (1.2 MAF)**
  - Priority 4 = 550 TAF
  - Colorado System Storage & Programs = 650 TAF
- **In Region Storage (200 TAF)**
  - Diamond Valley Lake
  - Conjunctive Use Projects



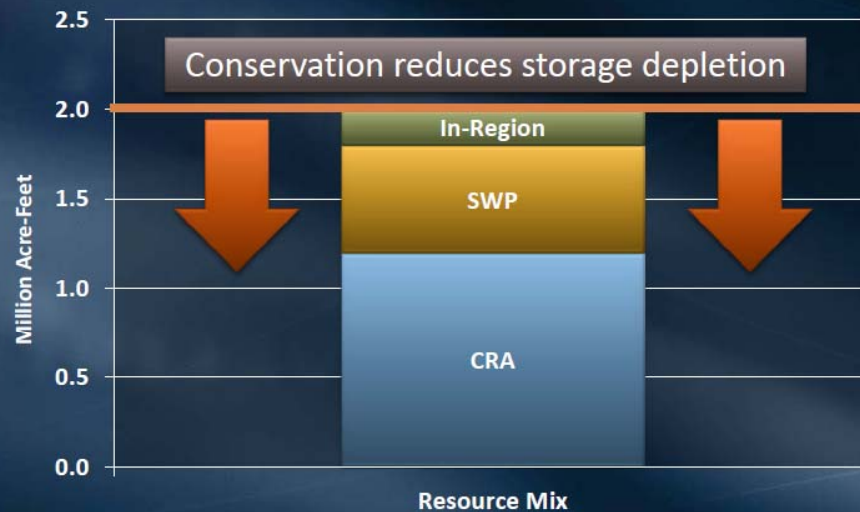
## Metropolitan Dry Year Storage



\* Does not include 636 TAF of Metropolitan Emergency Storage.



## 2014 Supply and Demand Balance



### MWDOC Enhanced Water Use Efficiency Resolution

- MWDOC Board approved February 19, 2014
- Calling for enhanced water use efficiency efforts by residents and businesses
- Coordinate to develop a unified regional message among local agencies
- Assist and support local agencies that seek to implement local drought ordinances



Questions?





## Item No. 3

### DISCUSSION ITEM

March 5, 2014

**TO:** Board of Directors & MWD Directors

**FROM:** Robert J. Hunter  
General Manager

Staff Contact: Harvey De La Torre/  
Warren Greco

**SUBJECT: MWD Items Critical To Orange County**

### STAFF RECOMMENDATION

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Staff recommends the Board of Directors to review and discuss this information.

### SUMMARY

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This report provides a brief update on the current status of the following key MWD issues that may affect Orange County:

- a) MWD's Water Supply Conditions
- b) MWD's Finance and Rate Issues
- c) Colorado River Issues
- d) Bay Delta/State Water Project Issues
- e) MWD's Ocean Desalination Policy and Potential Participation by MWD in the Doheny Desalination Project and in the Huntington Beach Ocean Desalination Project (Poseidon Desalination Project)
- f) Second Lower Cross Feeder Project
- g) Orange County Reliability Projects

## **ISSUE BRIEF # A**

**SUBJECT: MWD's Water Supply Conditions**

### **RECENT ACTIVITY**

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#### **State Water Project Deliveries**

On January 30, the California Department of Water Resources (DWR) announced a projected "Table A" allocation of zero percent for water deliveries to State Water Project (SWP). This marks the first time in the 54-year history of the SWP that contractors may get none of their contracted supplies from Northern California. This stems from DWR's January snow survey that measured the snowpack water equivalent in the Sierras at only 12 percent of normal, by far the lowest ever recorded in what should be mid-winter conditions.

In mid February, a powerful tropical system delivered the first significant storm that California had experienced in over a year. The storm lasted five days and brought deep snow and above average conditions for February; however, the Northern Sierra 8 Station index still only measured precipitation at 38% for the water year to date. According to DWR, the Sierras would need to experience heavy rain or snowfall every other day until May in order to achieve average water supply conditions for the year. On average, only 15 percent of the annual water year precipitation in the Northern Sierras occurs after March 1. Additional storms are anticipated around the end of February, but the rainfall and snowpack are not expected to be significant. Delta forecasting modelers are predicting with 99% confidence that drought conditions will continue through the end of the year.

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As of February 25, 2014

Hydrologic Indicator	Current Total	% of Normal	% of Annual
Precipitation DWR 8-Station Index	12.9 Inches Water Equivalent	38% of 34 Inches	26% of 50 Inches
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### **Upper Colorado River Hydrology**

As of February 25, 2014

Hydrologic Indicator	Current Total	% of Normal	% of Annual
Precipitation NRCS SNOTEL Sites	14.4 Inches Water Equivalent	102% of 14 Inches	45% of 32 Inches
Snowpack Conditions NRCS SNOTEL Sites	15.4 Inches Water Equivalent	104% of 15 Inches	74% of Medium Peak

### **Upper Colorado River Reservoir Storage**

As of February 25, 2014

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### **Metropolitan Supply and Demand**

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## **ISSUE BRIEF # B**

**SUBJECT: MWD's Finance and Rate Issues**

### **RECENT ACTIVITY**

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On February 5, MWD's CFO Gary Breaux presented to the MWDOC Board on the proposed Biennial Budget for Fiscal Years 2014/15 and 2015/16. Mr. Breaux highlighted the key budget assumptions such as: water sales, revenues, expenditures, PAYGo, reserves, rates and charges, including a 10-year water rate forecast. He also discussed the recommendation to use the anticipated \$320 million of additional revenue above the maximum financial reserve target for FY 2013/14 towards: (1) Refurbishment and Replacement (R&R) Fund - \$100 million; (2) OPEB trust - \$100 million; and (3) A newly established water management fund - \$120 million. Such recommendations will reduce liabilities and lower the need for future rate increases.

At this month Board Workshop on MWD issues, MWDOC staff will walk through the four water rate scenarios presented at the MWD Board Budget Workshop on February 25, including some financial policies raised such as determining the proper PAYGo funding level, benefits of a biennial budget versus an annual budget, creation of a treated peaking charge, whether to continue to freeze the Ad Valorem tax rate.

## **ISSUE BRIEF # C**

**SUBJECT: Colorado River Issues**

### **RECENT ACTIVITY**

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#### **Pat Mulroy Retires and Sandra Fabritz-Whitney Resigns**

Two of the Lower Basin Colorado River Basin Principals stepped down in February. Pat Mulroy, long-time General Manager of the Southern Nevada Water Authority, retired effective February 6, 2014. John Entsminger has been named as Ms. Mulroy's successor. Sandra Fabritz-Whitney, who had been the Director of the Arizona Department of Water Resources (Department) for the last three years, resigned effective January 24. Michael Lacey has been named as Interim Director for the Department.



## **ISSUE BRIEF # D**

**SUBJECT: Bay Delta/State Water Project Issues**

### **RECENT ACTIVITY**

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#### **Bay Delta Conservation Plan**

The Draft Bay Delta Conservation Plan (BDCP) and its corresponding Draft Environmental Impact Report/Environmental Impact Statement (EIR/EIS) were released on December 13, 2013 for a 120-day public review period. In February, state and federal officials extended the comment period by 60 days, allowing the public until June 13 to provide comments.

#### **Bay Delta Salinity Impacts**

The release of fresh water from Lake Oroville, Shasta and Folsom help reduce salinity levels in the Delta, and ensure better quality of drinking water to Bay Delta water users, including the State Water Project contractors. Unfortunately, drought conditions have increased salinity levels for delta exports to a current total dissolved solids (TDS) of around 540 mg/l; which is very similar to Colorado River Aqueduct supplies at 566 mg/l.

Under continued drought conditions, salinity levels could increase over the summer months to a peak of 1,000 mg/l. Stakeholders in the Delta system are currently discussing options to mitigate increases in salinity levels, including the use of gates and additional releases. Higher salinity levels could take several years to be flushed from the south delta.

#### **Drought Impacts on California Farmers**

On February 21, the U.S. Bureau of Reclamation announced an allocation of zero percent for agricultural water contractors on the Central Valley Project (CVP). The zero percent allocation forecast for agricultural users is a first for the CVP project, and below the record-setting drought of 1977. According to Mike Wade, executive director of the California Farm Water Coalition, "more than 500,000 acres of farmland will be idled this year due to water supply shortages."

On February 14, President Obama made a visit to California's Central Valley, visiting Fresno, Los Banos, and Firebaugh to meet with San Joaquin Valley farmers. The President was joined by Governor Brown, Agriculture Secretary Tom Vilsack, U.S. Bureau of Reclamation Commissioner Michael Connor, Senator's Feinstein and Boxer, and Congressman Jim Costa. The President and Secretary Vilsack announced assistance to farmers through the U.S. Department of Agriculture.

## **ISSUE BRIEF # E**

**SUBJECT: MWD's Ocean Desalination Policy and Potential Participation by MWD in the Doheny Desal Project (formerly South Orange Coastal Ocean Desalination Project) and in the Huntington Beach Ocean Desalination Project (Poseidon Desalination Project)**

### **RECENT ACTIVITY**

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#### **1. Doheny Desalination Project**

The Phase 3 work has been completed; other work underway includes:

- Foundational Action Funding Studies (both Doheny Desal and San Juan Basin Authority) have been started to provide NEW information)
- Continue to Look for Funding Options
- Continue to Work with CALDESAL on the SWRCB Ocean Plan Amendments
- Most recently, South Coast Water District and Laguna Beach County Water District staff noted their intention to start on the development of a demonstration project at the site with details to be developed. They believe in the current drought environment that environmental processing and funding can be expedited to begin moving the project forward. A smaller demonstration size project can help to pave the way for a larger project. They have invited the other three Participants to join them.

#### **2. Huntington Beach Ocean Desalination Project (Poseidon Project)**

MWDOC, OCWD and Poseidon staff met with MWD water resources group staff to review and respond to MWD's questions and request for additional information related to MWDOC's LRP application to MWD for the Huntington Beach Ocean Desalination Project. Follow up actions from the meeting are being worked on, including that Poseidon will provide all CEQA related work to MWD for review.

In February, the OCWD's Board heard presentations by three consultants that were used by SDCWA about the process of analyzing information and developing agreements for the Poseidon Ocean Desalination project in Carlsbad, which included ideas for a potential process that could be utilized for the Huntington Beach Ocean Desalination Project. Also, members of OCWD's Board toured the Poseidon Ocean Desalination construction site in Carlsbad.

There were no meetings of the Huntington Beach Ocean Desalination Workgroup in the month of February.

## **ISSUE BRIEF # F**

**SUBJECT: Second Lower Cross Feeder Project**

### **RECENT ACTIVITY**

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Based on the past discussions and MWD's recent correspondence, MWDOC's staff recommendations for this project are as follows:

1. Incorporate additional Conjunctive Use Storage, for emergency purposes, into the existing Emergency Services Program (ESP). MWDOC has been involved in these discussions for many years and was part of the group that put together the 2006 Emergency Services Program for exchanging up to 50 cfs of groundwater production with imported water and conveying this through the IRWD system. Currently, about 30 to 35 cfs of emergency supplies can be delivered under the concept, but it diminishes over time. The ESP limitation was 50 cfs. Thus, an additional 15 to 20 cfs can be added under the existing agreement provisions. A review of the IRWD system to convey the additional capacity needs to be undertaken in conjunction with IRWD.
2. Examine NEW opportunities, for a conjunctive use wellfield of up to 50 cfs. The wellfield could be used in normal times for production of groundwater by basin agencies and under emergency situations, would be used for emergency supplies by the South County area. The project would be structured in a manner to provide benefits both to the basin and to the non-basin areas, with concomitant cost sharing of the project costs. This will require close work with OCWD, the groundwater producers and the South County agencies.
3. The discussions should also involve MWD to ascertain options involving the existing MWD Conjunctive Use Storage Account and options for backfeeding into the MWD system to serve portions of LA County.

## **ISSUE BRIEF # G**

**SUBJECT: Orange County Reliability Projects**

### **RECENT ACTIVITY**

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#### **1. Central Pool Augmentation Project**

There are no updates to report. MWD staff will continue to monitor the activities along the alignment and will report any updates or changes to the Board when they occur.

#### **2. MWD Investigations of System Reliability**

MWD staff has indicated they continue to work on reviewing the impacts to delivering water to various portions of their system in the event of an earthquake or other disaster.

**Summary Report for  
The Metropolitan Water District of Southern California  
Board Meetings  
February 11, 2014**

**INDUCTION OF NEW DIRECTOR**

Director Jennifer Fitzgerald was inducted to the Board of Directors representing the City of Fullerton. **(Agenda Item 5C)**

**COMMITTEE ASSIGNMENTS**

Director Paul Koretz was assigned to the Water Planning and Stewardship Committee and the Agriculture and Business Outreach Committee. **(Agenda Item 5F)**

**FINANCE AND INSURANCE COMMITTEE AND BUDGET AND RATE WORKSHOP #1**

Reviewed proposed biennial budget and revenue requirements for fiscal years 2014/15 and 2015/16; and proposed water rates and charges for calendar years 2015 and 2016; and set public hearings. **(Agenda Item 8-1)**

**WATER PLANNING AND STEWARDSHIP COMMITTEE**

Authorized \$3 million for an On-site Retrofit Pilot Program for converting sites to receive recycled water. **(Agenda Item 8-2)**

Adopted the proposed Water Supply Alert Resolution. **(Agenda Item 8-3)**

Authorized an increase of \$20 million for additional conservation activities and enhanced public outreach. **(Agenda Item 8-7)**

**LEGAL AND CLAIMS COMMITTEE**

Authorized increase in maximum amount payable under contract with Morrison & Foerster LLP for legal services by \$500,000 to a maximum of \$7,425,000; and reported on Consolidated Delta Smelt Cases, USDC Case No. 1:09-CV-407 LJO-DLB, and Consolidated Salmonid Cases, USDC Case No. 1:09-CV-1053 LJO-DLB. **(Agenda Item 8-4 heard in closed session)**

Reported on existing litigation, Oscar Renda Contracting, Inc. v. Metropolitan Water District of Southern California, Riverside County Superior Court Case No. RIC 1213525; and authorized increase in maximum amount payable under contract with Atkinson, Andelson, Loya, Ruud & Romo PC for legal services by \$500,000 to an amount not to exceed \$600,000. **(Agenda Item 8-5 heard in closed session)**

Authorized the General Manager to accept the city of Monterey Park's proposed terms for removal of operational restrictions on the Garvey Reservoir as set forth in an existing settlement agreement and to enter into an amendment to the settlement agreement to incorporate the new terms. **(Agenda Item 8-6 heard in closed session)**

## **CONSENT CALENDAR**

In other action, the Board:

Granted conditional approval for Annexation No. 99 concurrently to Calleguas and Metropolitan, conditioned upon receipt in full of annexation fee of \$9,992.78 to Metropolitan if completed by December 31, 2014, or if completed later, the current annexation charge applies; approved Calleguas' Water Use Efficiency Compliance Statement with the current Water Use Efficiency Guidelines in Attachment 2 of the Board letter; and adopted resolution of intention to impose water standby charge at a rate of \$9.58 per acre, or per parcel of less than one acre, within the proposed annexation area in Attachment 3 of the Board letter. **(Agenda Item 7-1)**

Appropriated \$1 million; and awarded \$671,853 contract to Environmental Construction, Inc. to install cathodic protection on the Sepulveda Feeder. (Approp. 15441) **(Agenda Item 7-2)**

Appropriated \$1.95 million; and authorized construction to relocate a portion of the Orange County Feeder. (Approp. 15441) **(Agenda Item 7-3)**

Appropriated \$380,000; and authorized final design to replace the fish screens on the Inlet/Outlet Tower at Diamond Valley Lake. (Approp. 15441) **(Agenda Item 7-4)**

Appropriated \$1.94 million; authorized preliminary design to replace discharge valves and repair the Lake Mathews forebay; and authorized final design to repair the Lake Mathews hydroelectric plant building. (Approp. 15441) **(Agenda Item 7-5)**

Adopted resolutions to support 2014 WaterSMART grant applications; authorized the General Manager to accept potential grant funding of up to \$1 million; delegated authority to the General Manager to enter into grant contract(s) with the U.S. Bureau of Reclamation, subject to the approval of the General Counsel, if awarded; agreed to fulfill the grant contract(s), including provision of matching funds up to \$1 million through existing Metropolitan programs; and stated that Metropolitan, if awarded a grant, will work with Reclamation to meet established deadlines upon entering into a cooperative agreement. **(Agenda Item 7-6)**

## **THIS INFORMATION SHOULD NOT BE CONSIDERED THE OFFICIAL MINUTES OF THE MEETING.**

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