

WORKSHOP MEETING OF THE
BOARD OF DIRECTORS WITH MET DIRECTORS
MUNICIPAL WATER DISTRICT OF ORANGE COUNTY
18700 Ward Street, Board Room, Fountain Valley, California
September 3, 2014, 8:30 a.m.

AGENDA

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. 1990)

PRESENTATION/DISCUSSION/INFORMATION ITEMS

1. MWD'S LOCAL RESOURCE PROGRAM PROPOSED REFINEMENTS

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

2. METROPOLITAN'S AND ORANGE COUNTY'S EFFORTS IN RESPONSE TO THE STATE WATER RESOURCE CONTROL BOARD'S EMERGENCY WATER CONSERVATION REGULATIONS

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

3. STATUS UPDATE REGARDING THE MET DIRECTOR APPOINTMENT PROCESS (Oral Update)

Recommendation: Receive and file report.

4. 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. Orange County Reliability Projects

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

5. OTHER INPUT OR QUESTIONS ON MET ISSUES FROM THE MEMBER AGENCIES

6. METROPOLITAN (MET) BOARD AND COMMITTEE AGENDA DISCUSSION ITEMS

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

Recommendation: Review, discuss and take action as appropriate.

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

September 3, 2014

TO: Board of Directors

FROM: Robert Hunter
General Manager

Staff Contact: Harvey De La Torre

SUBJECT: MWD's Local Resource Program Proposed Refinements

STAFF RECOMMENDATION

Staff recommends the Board of Directors review and discuss this information

REPORT

Last month, MWDOC held a roundtable discussion on Metropolitan's Local Resource Program (LRP) with its Board, Metropolitan (MWD) directors, and member agencies. MWDOC staff provided background on the program's purpose, its evolution in project eligibility and incentive structure over the years, and its importance as part of MWD meeting its Integrated Resource Program (IRP) and 20% by 2020 targets. The focus of the discussion centered on what types of program improvements as well as potential alternative programs can help accelerate local resource projects in the MWD service area. A number of ideas and suggestions were offered ranging from increasing the incentive rate to having MWD own, build and operate large local resource projects.

At MWD's August 18 Water Planning and Stewardship Committee, staff presented a status report on the LRP and offered a number of refinements for the Committee to consider in order to bring new projects on-line faster.

Although the LRP has been very successful in providing incentives to development local projects, such as recycled water and groundwater recovery projects, the LRP target, established in 2007, of 174,000 AF is still 63,000 AF short. In fact, currently MWD has not approved any new LRP applications in the last two years. Furthermore, MWD reported that recent consumption use of local supplies has been relatively flat and more local supplies are needed to help meet economic and demographic growth. As reported last month, Dr. David Sunding of the Battle Group concluded in his economic analysis that even with the implementation of the Bay-Delta Conservation Plan, MWD still needs to develop an additional 482,000 AF of local supplies to meet the urban water demands of 2050.

Budgeted (Y/N): n/a	Budgeted amount: n/a	Core <input checked="" type="checkbox"/> _	Choice <input type="checkbox"/> _
Action item amount: n/a	Line item:		
Fiscal Impact (explain if unbudgeted):			

Through meetings and discussions with the MWD member agencies and retail agencies, MWD has identified the key impediments associated with developing further local resource projects. The most predominant impediment is cost. According to MWD, most local projects that have not been developed yet cost more than the MWD rate because the lower cost/more affordable projects have already been developed. MWD also observed that in some cases further financial assistance is especially needed in the early years when the costs are usually at their highest. Therefore, an increase in the incentive level and structure can be a game changer in most cases. Now MWD has offered programs, such as the on-site retrofit pilot program to assist with some of the costs to increase production; however, additional refinements are needed to help bring on projects sooner, motivate increase production from existing projects, enhance storage, and improve groundwater management and sustainability.

Below are the proposed refinements MWD presented to the Committee on August 18:

1. Update incentive amount and payment structure

- Review Incentive amount (currently up to \$250/AF)
- Maintain current sliding scale approach
- Consider payments early in contract
 - Would help with high cost in early years
 - Need to ensure that Metropolitan gets value
- Consider a fixed incentive rate
 - Provides stable funding opportunity
 - Need to ensure Metropolitan is paying the appropriate amount

2. Consider recycled water on-site retrofit costs

- Include as LRP eligible costs

3. Review eligibility for other water resources

- Consider seawater desalination
- Conduct a study on stormwater regional benefits

4. Evaluate opportunities to provide reimbursable services

- Example services: design, construction, operation
- Member agencies reimburse Metropolitan
- To expedite project development by 2020
- Pursue Federal and State grants

MWD continues to seek input from the member agencies and the Board on these proposed refinements; and they plan to present an information item for review and discussion at their September Water Planning and Stewardship Committee. Within this Board information item will be a new proposed incentive level to the program. Based on the feedback received, MWD plans to seek Board action in October.

MWD's Local Resource Program (LRP) **Proposed Refinements**

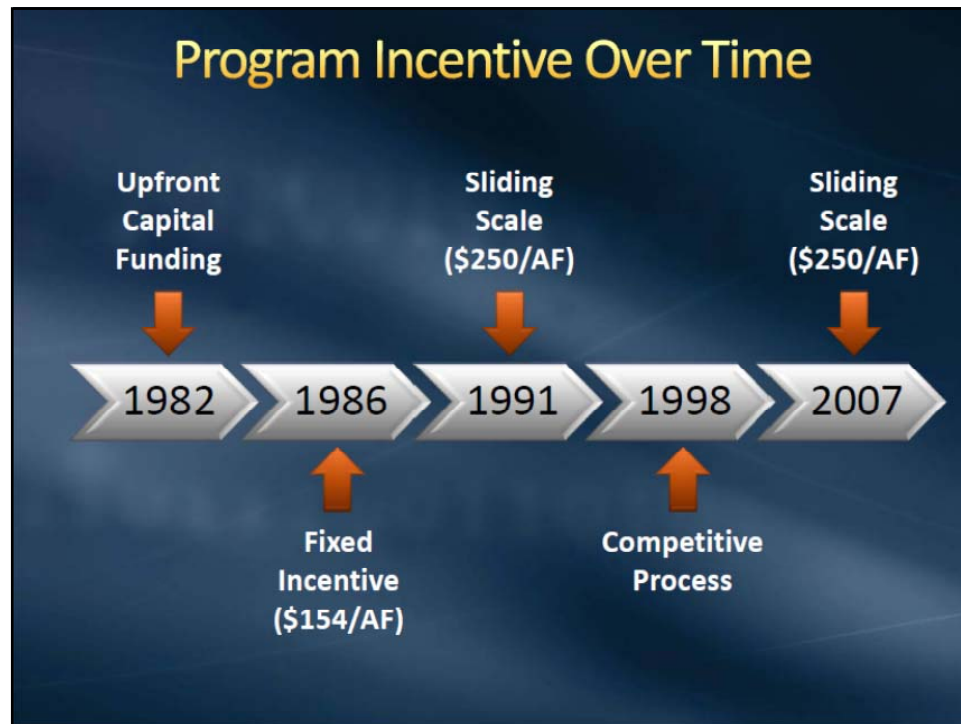
Municipal Water District of Orange County
Board Workshop on MET Issues
September 3, 2014



Purpose/Role of MWD's LRP

- **LRP is to provide financial incentives to local and member agencies to develop local resources**
 - **Recycled Water**
 - **Groundwater Recovery & Treatment**
- **\$250/AF incentive was calculated to offset MWD capital, energy, treatment, and the avoided cost of securing additional supplies**
- **Policy of "Pay for Performance"**

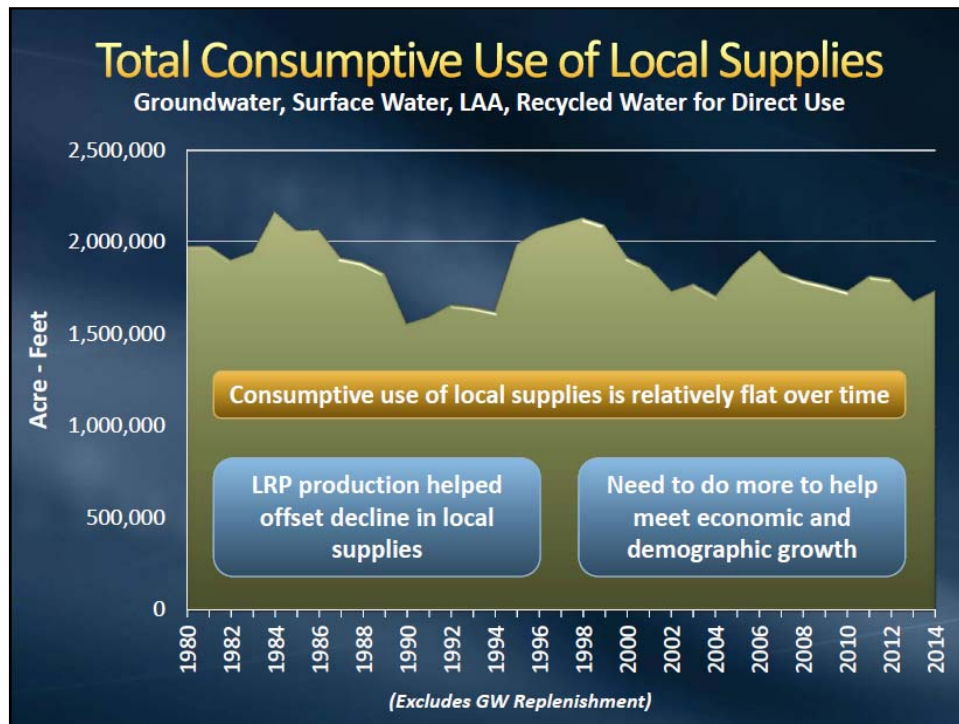




Why the need for Additional Local Resources

- **MWD 2010 Integrated Resource Plan (IRP) Target**
 - 20% x 2020 target = 580,000 AF
 - LRP per AF goal = 174,000 AF
- **Dr. Sunding's BDCP analysis**
- **Drought mitigation**
- **MWD has not approved a new LRP application in the last two year**





MWD Observations

- LRP production is not at capacity
- Cost remains a predominant constraint
 - Data shows most local projects cost more than MWD rate
 - Financial assistance needed, especially in early years



Time for LRP Refinement

- **Meet 20x2020 (recycled water)**
 - Bring new projects online faster
 - Motivate increased production from existing projects (faster ramp-up, expansions)
- **Meet IRP resource needs**
- **Enhance storage opportunities**
- **Improve groundwater management and sustainability**



Proposed LRP Refinements



Update the Incentive Amount & Payment Structure

- **Review Incentive amount (currently up to \$250/AF)**
- **Maintain current sliding scale approach**
- **Consider payments early in contract**
 - Would help with high cost in early years
 - Need to ensure that Metropolitan gets value
- **Consider a fixed incentive rate**
 - Provides stable funding opportunity
 - Need to ensure Metropolitan is paying the appropriate amount



Other LRP refinements

- **Recycled water on-site retrofits**
 - Include as LRP eligible costs
- **Other water resources**
 - Consider seawater desalination
 - Conduct a study on stormwater regional benefits
- **Reimbursable services**
 - Example services: design, construction, operation
 - Member agencies reimburse Metropolitan
 - To expedite project development by 2020
 - Pursue Federal and State grants



Next Steps

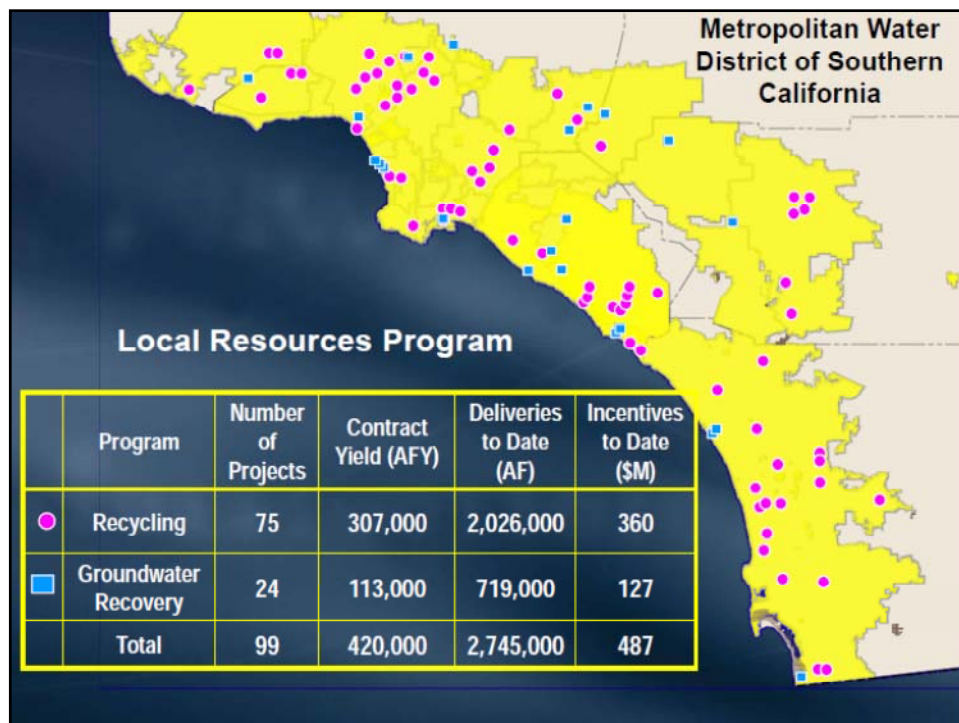
- MWD continues to seek input from the member agencies and Board
- MWD will provide an information item to this month's Water Planning and Stewardship Committee
- Potential Board consideration and action in October



Questions



Backup Slides



Dr. Sunding Analysis

- Dr. Sunding's recent Economic Evaluation of BDCP and Alternative supplies showed:
 - Urban water demand in California projected to grow 20% by 2050
 - Accounts for demand reductions from conservation programs
 - BDCP roughly maintains levels of SWP/CVP deliveries
 - Without BDCP, investment would need to grow to **825,000 AF** of alternative supplies to maintain levels of water supply reliability
 - With BDCP, So Cal to invest in **482,000 AF** of alternative supplies to meet growing demand
- Therefore, Dr. Sunding states need BDCP plus additional local supplies





DISCUSSION ITEM

September 3, 2014

TO: Board of Directors

FROM: Robert Hunter
General Manager

Staff Contact: Harvey De La Torre

SUBJECT: Metropolitan's and Orange County's Efforts in response to the State Water Resource Control Board's Emergency Water Conservation Regulations

STAFF RECOMMENDATION

Staff recommends the Board of Directors review and discuss this information

REPORT

On July 15, the State Water Resource Control Board (SWRCB) passed a number of emergency water conservation regulations for all retail water agencies in the state of California. This was in response to the Governor's state of emergency proclamation to address the record dry conditions throughout the state. During the SWRCB public hearing, Southern California was portrayed as one of two areas in the state not doing its part to achieve the requested water savings.

To address this misperception, Metropolitan (MWD) sent a letter on August 18 to the SWRCB Chair Felicia Marcus (see attached) highlighting all of MWD actions performed over the past 25 years, such as: reducing the service area's per capita (gpcd) potable demands by 24% since 1990; creating dry-year storage which has doubled its surface water storage capacity; and investing over \$1 billion in local resource development. In addition, in response to the Governor's Drought Proclamation, MWD called on local cities and water agencies to immediately implement extraordinary conservation measures and instituted local drought ordinances. MWD also doubled its conservation and outreach budget, from \$20 to \$40 million dollars, and in turn increased outdoor water efficiency incentives and launched an aggressive outreach campaign.

In Orange County, MWD has for the past 25 years been leaders in promoting water use efficiency. As illustrated in our water demands, which have remain relatively flat even as the County's population has increased 29% since 1991. Today, our Department of Water Resources Orange County Regional Alliance per capita water use consumption has declined 23% since 1991; and on track to meet our 20% by 2020 gpcd target. Similar to

Budgeted (Y/N): n/a	Budgeted amount: n/a	Core <input checked="" type="checkbox"/> _X_	Choice <input type="checkbox"/> __
Action item amount: n/a		Line item:	
Fiscal Impact (explain if unbudgeted):			

MWD, we have seen record levels of participation in our suite of water use efficiency programs. MWDOC's Turf Removal Program Application monthly rate has increased 10x fold since January, and Orange County's www.ocwatersmart.com website has surged in the number of hits this past quarter.

As this drought continues, MWDOC is committed in doing its part in promoting water use efficiency and meet the actions called upon by the Governor and the SWRCB.

To provide more detail on our efforts, MWDOC staff has attached a presentation that will briefly describe MWD's regional actions with a focus on Orange County's water use efficiency activities.



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Office of the General Manager

August 18, 2014

Ms. Felicia Marcus
Board Chair
State Water Resources Control Board
1001 I Street, 15th Floor
P.O. Box 100
Sacramento, CA 95814

Dear Ms. Marcus:

Emergency Water Conservation and Curtailment Regulations

The purpose of this letter is to express support for the emergency regulations passed by the State Water Resources Control Board (SWRCB) on July 15 and update the SWRCB on actions by The Metropolitan Water District of Southern California (Metropolitan) to respond to California's extreme drought conditions.

Emergency Water Conservation

Although multi-year dry periods are a fact of life in California, the current drought is unprecedented in geographic scope and severity. On July 17, the National Weather Service (NWS) reported that 81 percent of California is in extreme drought or higher, up from 28 percent at the start of the calendar year. Over 36 percent of the state is in "exceptional drought" – the highest level – according to the NWS drought monitor. Virtually the entire state and its surrounding watersheds are affected by drought. The NWS also reported that the first six months of 2014 were 4.7 degrees hotter than average, setting a new record for California. The heat wave was more intense in Southern California, where the first six months were 5.7 degrees hotter than average, also a record. These conditions, preceded by two dry years, have adversely affected water supplies across the state. The State Water Project (SWP) record low five percent allocation in 2014 is but one example.

Managing the State's stressed water supplies is vital to the health and wellbeing of California's population, economy, agriculture and environment. Metropolitan appreciates the strong leadership demonstrated by the Governor, the SWRCB, and other state agencies. In January, the Governor issued a drought emergency proclamation calling for Californians to reduce their water use by 20 percent and for water agencies to implement water shortage plans. The outdoor water restrictions adopted by the SWRCB this month support the Governor's proclamation by targeting outdoor urban water use that would normally increase under the hot and dry conditions afflicting California. We applaud the Governor's and SWRCB's powerful message to Californians that now is the time to save water.

Metropolitan's Actions

Metropolitan's mission is to provide high quality, reliable supplies to our region in an economically and environmentally responsible way. As the steward of Southern California's water supply, Metropolitan and our member agency partners have spent the past 25 years preparing for drought by investing in a robust, diversified water resource portfolio. In the process, our utilities have become statewide leaders in water conservation, wastewater recycling and groundwater recovery. Metropolitan's cumulative investments in reliable local supplies exceed \$1 billion and include:

- \$333 million for conservation programs,
- \$331 million for recycled water projects,
- \$118 million for groundwater recovery projects, and
- \$373 million for groundwater storage programs.

Metropolitan has also supported stringent requirements for water efficient appliances and along with our member agencies, we have pushed the envelope for recycled water use. Since 1991, these efforts have generated a cumulative 16.7 million acre feet of reduced demands and new supplies.

Southern California's investment in conservation, recycling, and groundwater recovery has created a remarkable reduction in water demands and increased local supplies. In February of 2014, Metropolitan released its *Annual Report to the California State Legislature on Achievements in Conservation, Recycling, and Groundwater Recharge* for fiscal year 2012/13

http://www.mwdh2o.com/mwdh2o/pages/yourwater/SB60/archive/SB60_2013.pdf. The report shows that Southern California had annual savings due to conservation efforts of more than 900 thousand acre-feet. In addition to conservation savings, about 419 thousand acre-feet of water was produced through wastewater recycling and another 100 thousand acre-feet of contaminated groundwater was recovered. The annual water savings and new production from these investments is more than the water used by the cities of Los Angeles, San Francisco, and San Diego combined. In fact, it is more water than can be supplied through Metropolitan's Colorado River Aqueduct in a given year.

Potable retail demands in Metropolitan's service area reflect the investments shown above. In the late 1980's, Southern California's potable demands averaged 199 gallons per capita per day (gpcd). By comparison, the average potable demand from 2010 to 2013 was 151gpcd – a 24 percent reduction. Over the same period, Metropolitan has invested \$2.0 billion to build Diamond Valley Lake, doubling the region's surface water storage capacity, and has developed numerous storage, transfer and exchange programs along the SWP, our own Colorado River Aqueduct, and within our service area. Metropolitan is leveraging our region's investments in water use efficiency, local supplies and dry-year storage to manage and mitigate the drought's impacts on the region's 19 million residents and trillion dollar economy.

Conservation, local supplies and storage assets have all reduced Southern California's reliance on imported supplies during dry years. Water use efficiency is best measured as a trend over a period rather than at a single snapshot in time. There are many factors that impact water consumption including

precipitation, temperature, or demographic and economic conditions. These factors can distort short-term comparisons of demand and mask the long-term gains that have been made. In fiscal year 2006/07, the beginning of the last significant dry period, Metropolitan delivered 2.41 million acre-feet of imported supplies to our member agencies. By comparison, Metropolitan delivered 2.06 million acre-feet in fiscal year 2013/14. The 350,000 acre-feet drop amounts to a 15 percent reduction in imported supplies despite the current drought's record heat and over a half a million more people living in Southern California. Even with these significant reductions in demand, Southern California is committed to continued increases in water use efficiency, particularly in outdoor water use.

Response to the Governor's Drought Proclamation

After meeting with the Governor earlier this year, Metropolitan acted proactively to conserve water in Southern California. In February, Metropolitan called on local cities and water agencies to immediately implement extraordinary conservation measures and institute local drought ordinances. The call for local drought ordinances supports the SWRCB's water waste prohibitions and includes outdoor water use provisions that:

- Restrict hours of outdoor watering
- Prohibit landscape irrigation run-off
- Require water efficient landscaping
- Enable reporting of inefficient water use
- Implement tiered rate structures
- Restrict the use of potable water for street cleaning
- Maximize use of recycled water

These provisions will have the greatest impact on water demand during the summer and fall, when irrigation demands typically peak. Metropolitan also significantly expanded its water conservation programs to respond to the Governor's drought proclamation. This included:

- **Doubling our conservation budget:** Metropolitan doubled its annual regional conservation budget from \$20 million to \$40 million. The increase will be combined with local retail agency contributions and incentivize our customers to achieve additional water savings throughout the year.
- **Increasing outdoor water efficiency incentives:** In May, Metropolitan doubled incentives for replacing turf from \$1.00 to \$2.00 per square foot. Coupled with additional member agency contributions, many residents in our service area can receive up to \$3.00 per square foot. Over 21 million square feet of turf has been permanently removed under the program, the equivalent of about 480 football fields. Metropolitan also extended financial incentives for rain barrels and more than doubled recycled water retrofit incentives to large landscape irrigators to accelerate conversions from potable to recycled water.
- **Launching a major outreach campaign:** In July Metropolitan launched a \$5.5 million outreach campaign – the largest in Metropolitan's history. The goal of the campaign is to raise awareness of

the drought and urge residents and businesses to save water this year. The campaign features multiple media platforms, including radio and television, with enhanced outreach to the region's ethnic communities. Activity on Metropolitan's BeWaterWise website has quadrupled as a result of the campaign. Metropolitan's conservation incentive program is also seeing record breaking increases in applications for incentives as a result of these outreach efforts. It is clear that Southern California is responding to these calls for increased conservation efforts.

Thank you for your leadership during this critical drought, which is affecting all Californians. Droughts are unpredictable, and we share your concern over next year's troubling water supply outlook. Metropolitan is committed to doing our part in promoting water use efficiency and increasing local supplies while collaborating with the SWRCB and other stakeholders to protect critical reserves. We are open to and welcome future discussions with your staff on these issues. Please contact Deven Upadhyay on my staff at (213) 217-6686 or via e-mail at dupadhyay@mwdh2o.com if you have any questions.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Jeff Kightlinger', with a stylized, cursive script.

Jeffrey Kightlinger
General Manager

WAT:tt

Enclosure

cc: Chairman Randy Record
Board of Directors
Member Agency Managers

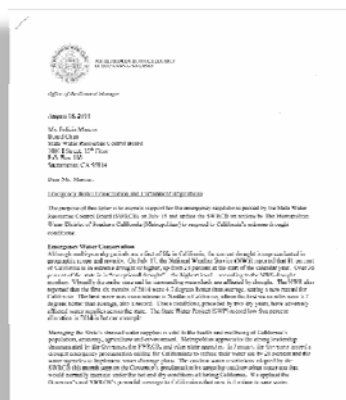
MWD's and Orange County's Efforts in Response to the State Water Resource Control Board's Emergency Water Conservation Regulations

**Municipal Water District of Orange County
Board Workshop on MET Issues
September 3, 2014**



Metropolitan's Aug 18 Letter to SWRCB

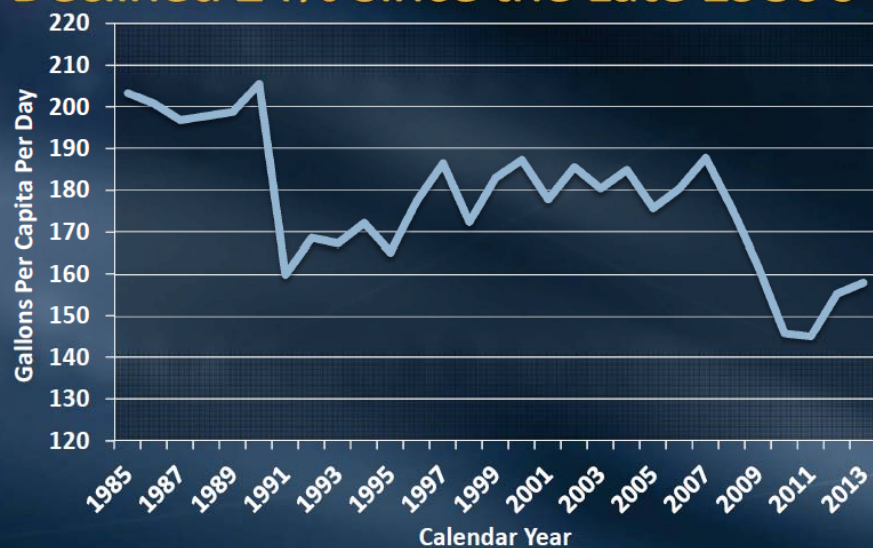
- **MWD actions these past 25 years**
 - 24% reduction in service area's per capita (gpcd) potable demands
 - Cumulative investments in reliable local supplies exceeding \$1 billion
 - Doubled its surface water storage capacity



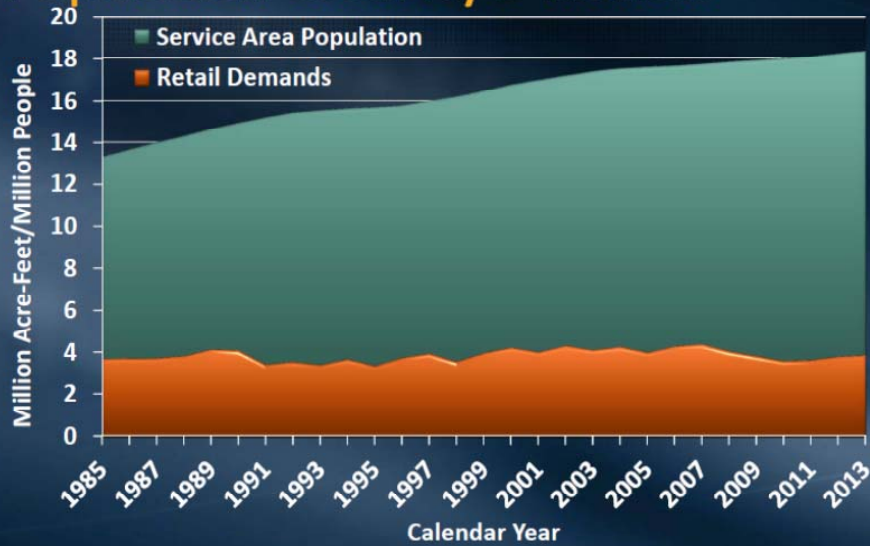
Southern California Has Experienced Record Hot/Dry Conditions in 2014

- Statewide temperatures were 4.7 degrees hotter than average for the first six months of 2014
 - Southern California was even hotter at 5.7 degrees above average
- Southern California has also been exceptionally dry over the last 12 months
- Trends hold true throughout MWD's service area
 - Los Angeles, San Diego, and Riverside

Potable Per Capita Water Use Has Declined 24% Since the Late 1980's

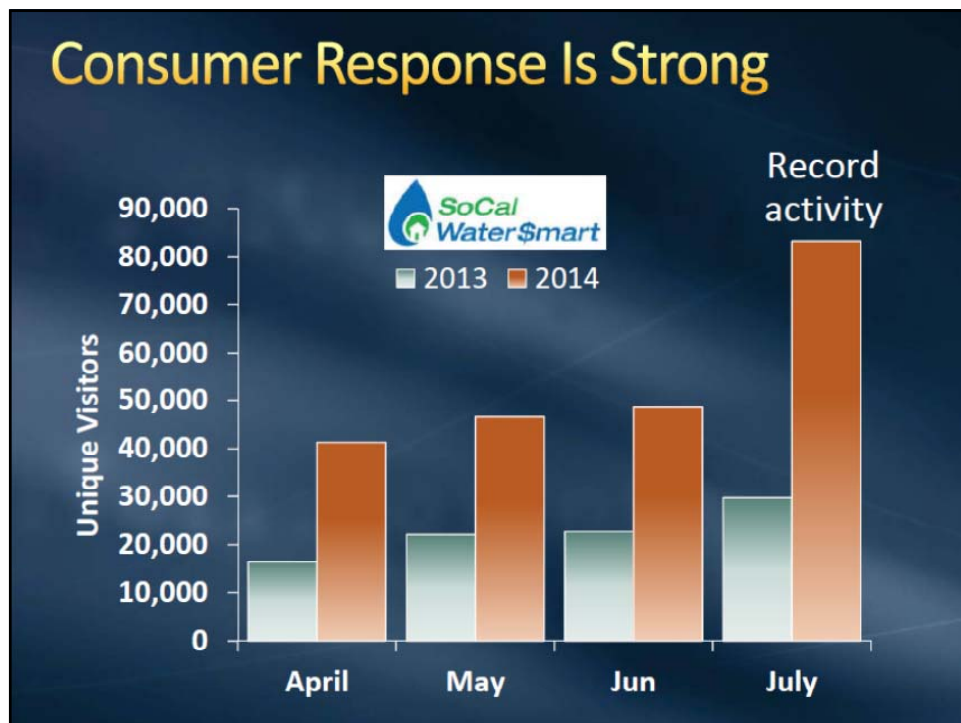
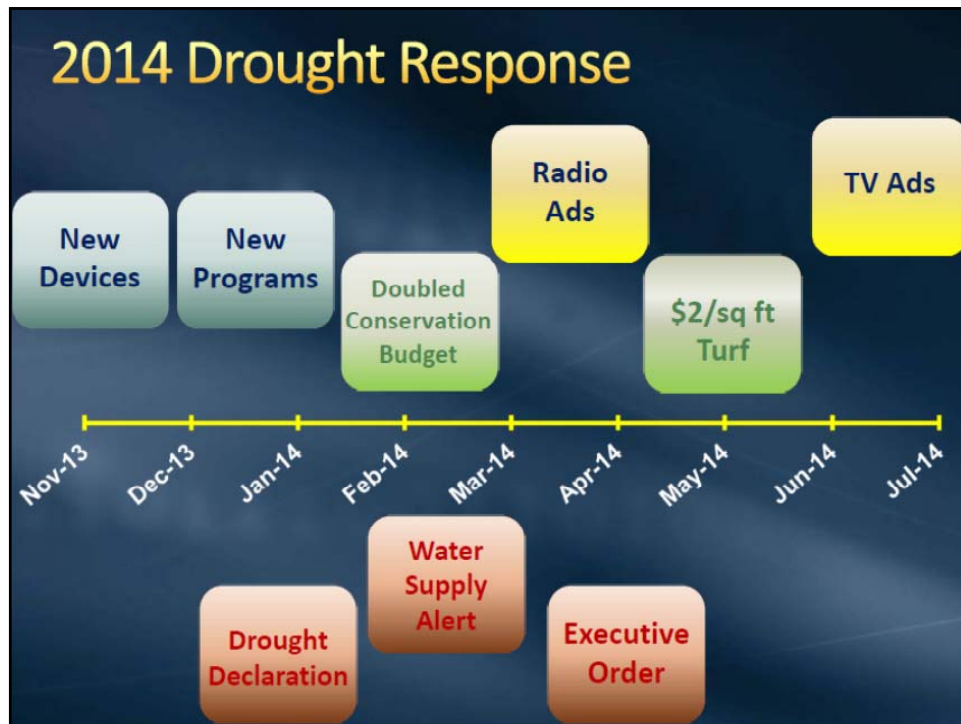


Demands Remain Flat Even As Population Grew By 5 Million



Demands on MWD Are Much Lower Than Recent Drought Conditions





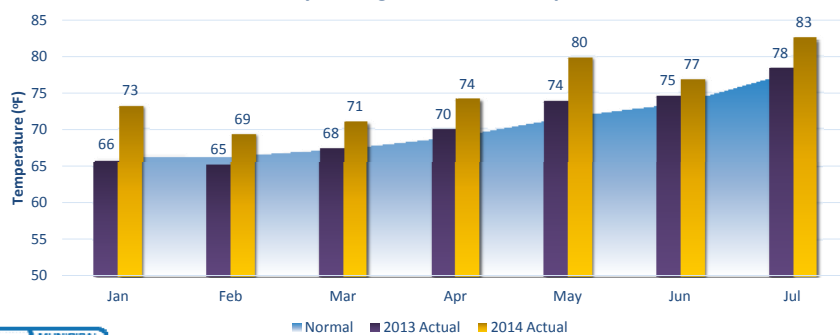
Orange County's Current Conditions and Efforts



2014 vs. 2013 Temperatures

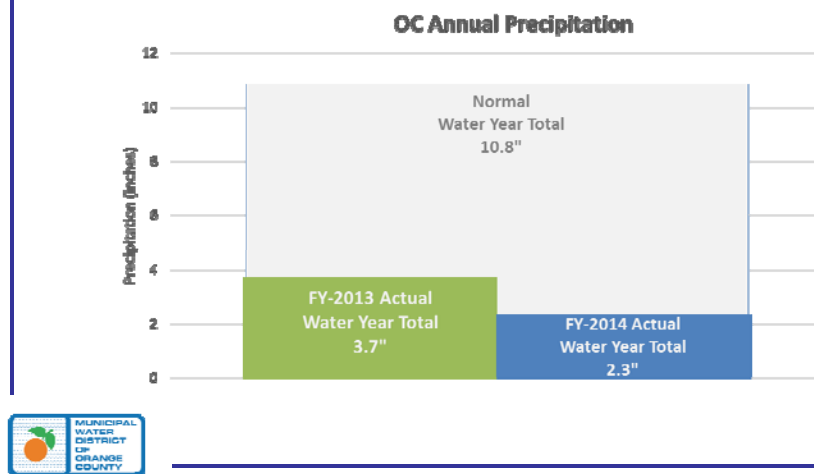
- During the first six months of 2014, temperatures have been **hotter** than average
 - California: 4.7 degrees above average
 - Southern California: 5.7 degrees above average
 - Orange County: 5.1 degrees above average

OC Monthly Average Maximum Temperatures

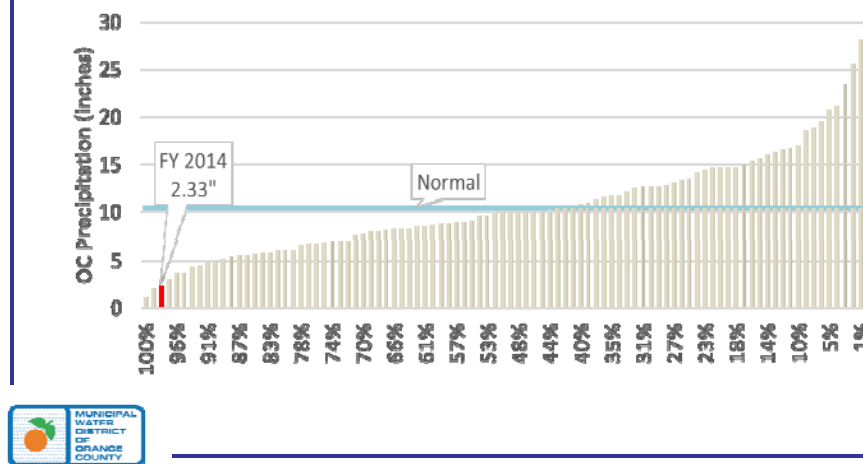


2013 vs. 2014 Precipitation

- During the last 12 months, precipitation has been **lower** than average

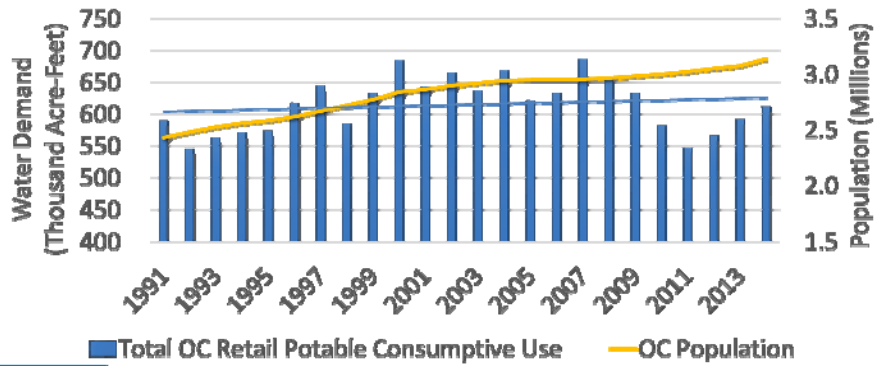


The Water Year 2013-14 was the 3rd driest on record in Orange County

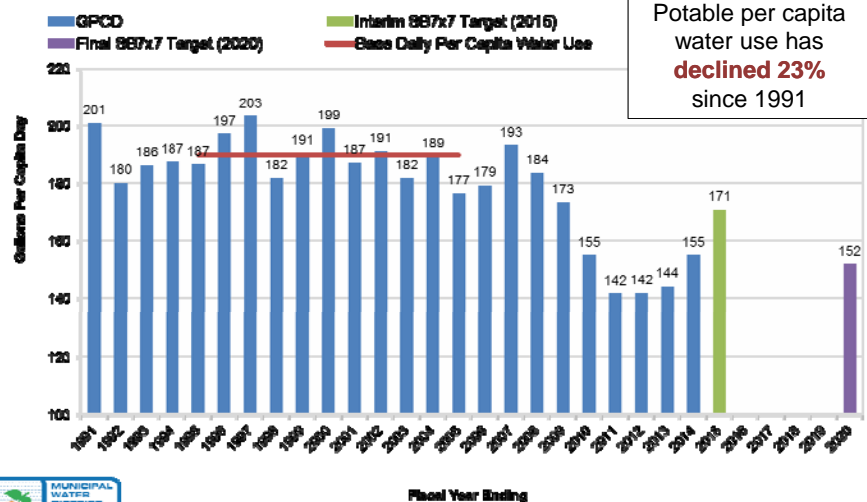


OC Water Use Trends

- Demands remain flat even as population has **increased 29%** since 1991



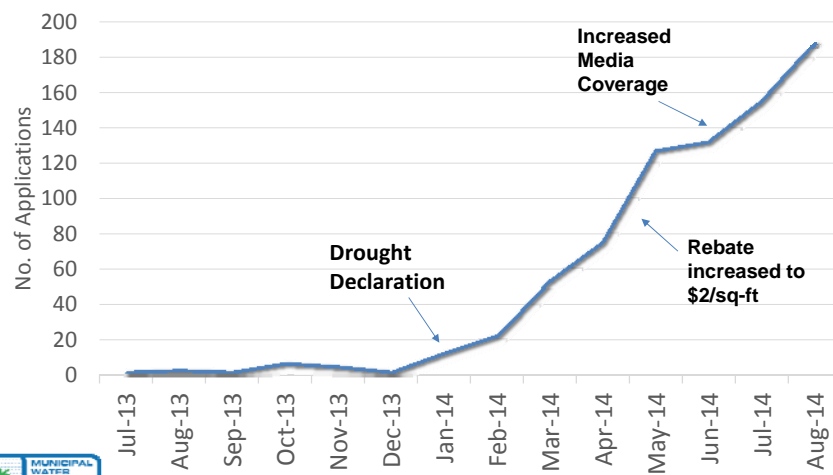
Urban Water Use and SBx7-7 Targets

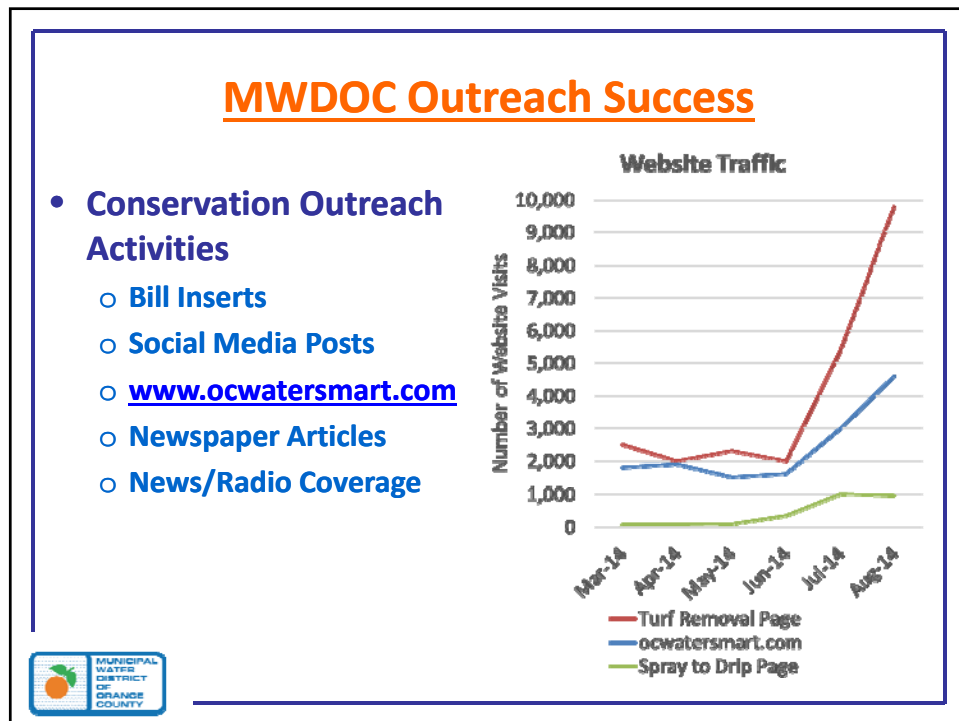
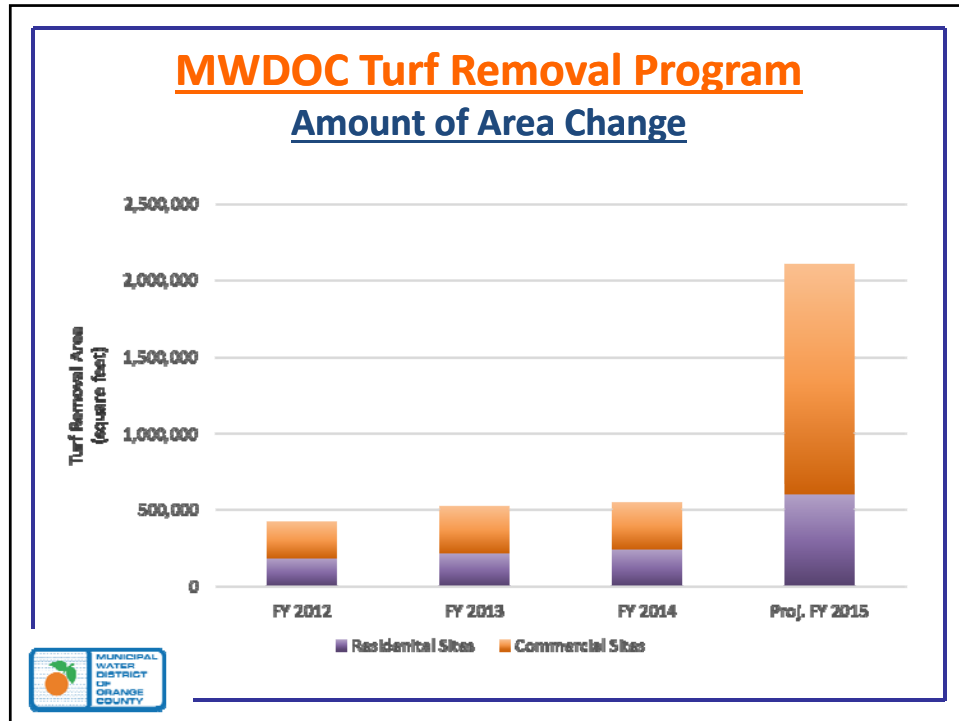


Orange County's Conservation Activities



MWDOC Turf Removal Program Application Rate Increase





What's Next

- More Community Events
- Public Drought Updates
- Drought Specific
 - Commercial Irrigation Trainings
 - H2O for HOAs
- Allocation Discussions with MWD
- Starting Aug 1, the Retail Agencies regulations went into effect
 - 75% of the City/Water Agencies have been in mandatory water restrictions since 2009
- Starting Aug 15, the Retail Agencies began submitting water use reporting to SWRCB



Questions

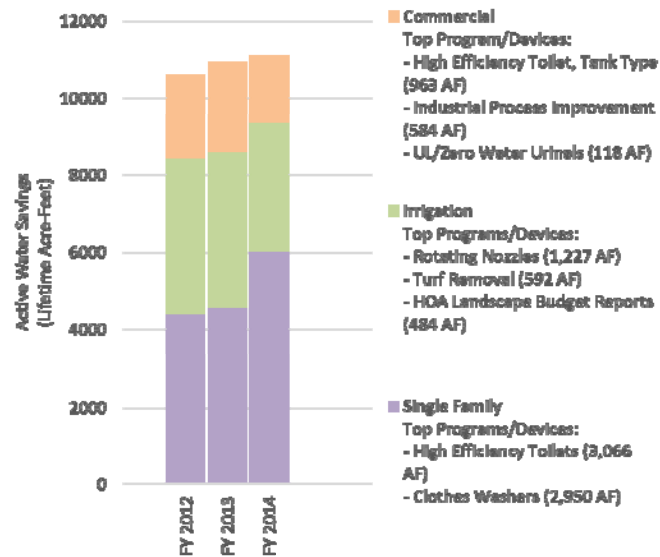


Backup Slides



Active Water Savings

- Total Orange County
- All Sectors and all devices
- Active water saving from devices installed during FY 2012 through FY 2014 consistently grew 2% per year.





Item No. 4

DISCUSSION ITEM

September 3, 2014

TO: Board of Directors & MWD Directors

FROM: Robert J. Hunter
General Manager

Staff Contact: Harvey De La Torre

SUBJECT: MWD Items Critical To Orange County

STAFF RECOMMENDATION

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

SUMMARY

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) Orange County Reliability Projects

ISSUE BRIEF # A

SUBJECT: MWD's Water Supply Conditions

RECENT ACTIVITY

Updating MWD's Water Supply Allocation Plan

With MWD expected to draw over a million acre-feet from its dry-year storage accounts to meet estimated demands this calendar year, MWD and the member agencies are currently in the process of reviewing and updating MWD's Water Supply Allocation Plan (WSAP). The purpose of the review is to prepare the WSAP for possible implementation in mid-2015, if conditions continue to be dry.

The workgroup of MWD and member agency staffs are focusing on three key areas in updating the WSAP: 1) resetting the baselines 2) reviewing the formulas; and 3) evaluating the enforcement provisions in the plan. Currently, we are reviewing different alternatives in resetting the baseline, and plan to start reviewing the formulas later this month. MWD staff plans to present the workgroup's recommended changes to the WSAP for the MWD Board review and consideration by the end of the year.

ISSUE BRIEF # B

SUBJECT: MWD's Finance and Rate Issues

RECENT ACTIVITY

Approval of the MWD Ad Valorem Tax Rate

Last month the MWD Board approved freezing the Ad Valorem (AV) tax rate for fiscal year 2014/15. This action maintains a share of MWD's fix revenue (5%), which is collected on the property tax. The projected revenue from the AV will result in \$90 million for FY 2014/2015 and \$92 million for FY 2015/16 to cover a portion of MWD's largest expenditure - State Water Project (SWP) costs. The benefit of maintaining this fixed revenue from the AV is its application towards fixed SWP infrastructure cost, current and future SWP debt financing, and future Bay-Delta Conservation Plan (BDCP) funding. All of which are expected to increase in the coming years.

Renewal of the MWD Purchase Order

In the coming months, MWD and the member agencies will be deciding whether the Purchase Orders will be renewed, restructured, or discontinued. The Purchase Orders are a financial contract between MWD and a number of member agencies, who voluntarily committed to purchase a set amount of imported water from MWD over a 10 year period. In return for those member agencies that signed a purchase order, they are able to purchase imported water at the lower Tier 1 supply rate up to 90% of their base (Agency's Base is their highest annual purchase of MWD water since 1990). Any purchases above the 90% base amount will be at the Tier 2 supply rate. Those agencies that chose not to sign a purchase order can purchase Tier 1 supplies up to 60% of their base.

The Purchase Orders were extended for a two year period in 2012; they are set to expire at the end of 2014. If MWD and the member agencies chose to renew or restructure the terms of the purchase orders, this would need to be completed and approved by the MWD board before the end of the year. Currently, MWDOC has a Tier 1 annual limit of 280,592 AF.

ISSUE BRIEF # C

SUBJECT: Colorado River Issues

RECENT ACTIVITY

Lake Mead Water Levels

Lake Mead continues to decline. On July 31, the Lake's elevation reached 1,080 feet, a new low since the reservoir was initially filled in the 1930s. At 38% of capacity, Lake Mead's water levels are just 5 feet above the shortage trigger level of 1,075 ft. This would impact delivery to both Arizona and Nevada. The Lake has dropped at a record pace. In just six months, levels have dropped 28 feet. However, the U.S. Bureau of Reclamation projects that for the remainder of the year Lake Mead should stabilize and slightly increase during the fall. Next year's levels will largely depend on the amount of snow that falls in the Upper Colorado River Basin.

Fallowing Call with MWD's Palo Verde Valley Farmer's program

Beginning this fiscal year, MWD has called on Palo Verde Valley Farmers participating in MWD's fallowing and crop rotation program to maximum their fallowing call this year. Starting August 1, 2014, farmers will increase their fallowing to 17.5 percent of their enrolled lands in the program, which will total approximately 65,000 AF of water conserved during the 2014/15 contract year. MWD staff continues to work with the Palo Verde Irrigation District to allow the opportunities for those farmers willing to increase their fallowing call beyond the 17.5 percent in advance of next year's contractual date.

ISSUE BRIEF # D

SUBJECT: Bay Delta/State Water Project Issues

RECENT ACTIVITY

State Water Resources Control Board

The Governor proclaimed a State of Emergency in January 2014 to address the record dry conditions around the state. In response to this proclamation, the State Water Resources Control Board (SWRCB) issued a statewide notice of water shortages and potential for future curtailment of water right diversions. Metropolitan staff monitored this workshop, collaborated with the Department of Water Resources (DWR) and other water contractors, and provided input to the SWRCB. Notices of curtailment were issued in May 2014 to all post-1914 water right holders in the Delta and Sacramento and San Joaquin River watersheds, instructing them to cease diversions. Due to limited response to the curtailment notice, emergency regulations were instituted in July 2014 to curtail post-1914 water right holders. The emergency regulations also allow for curtailment of senior water right holders on a case-by-case basis. On July 23, DWR and the U.S. Bureau of Reclamation submitted a letter to the SWRCB requesting that it use its statutory authority to obtain information from certain Delta water users to support their assumed right to water or require curtailment as unauthorized diversions.

Activities in the Delta

DWR continues to develop emergency rock stockpile sites in the Delta, with the goal of doubling rock stockpiles at their Stockton and Rio Vista storage sites. At Stockton, DWR will complete site development, build at least two permanent water-land access load-out facilities, and add a warehouse for a total of three major warehouses by 2015. This will allow stockpiling of fabric lined wire cages and plastic muscle wall (similar in appearance to freeway k-rails), filled with soil and water respectively in actual emergencies, along with sand bags and plastic sheeting to rapidly restore levee freeboard. In West Sacramento, the U.S. Army Corps of Engineers (USACE) has stockpiled fabric lined wire cages, large super sacks, and rapid deployment flood walls for closure of breaches and restoration of freeboard. A DWR contract will be issued to purchase large sheet pile as a redundant construction measure for rock in order to close deep levee breaches. Combined, these stockpiles could close several deep breaches and restore several miles of levee slumping from a major earthquake, to facilitate development of an emergency freshwater pathway.

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

1. Doheny Desalination Project

Staff members from the Doheny Desal Participants group met to discuss the current status of events. The meeting provided an opportunity for South Coast Water District to discuss their planned work activities; Andy Brunhart passed out a schedule of work over the next several years that would result in completion of CEQA and permitting for a 5 mgd facility that could ultimately be expanded to a 15 mgd facility. Andy expressed the desire to explore concepts for the formation of a JPA that would include provisions for other agencies coming in at a later time, say after completion of the Foundational Action Program work. The other Participants expressed an interest in the concept. Questions were raised on the need for a JPA versus proceeding under a Contractual Arrangement similar to the way the Baker Project was developed. The group agreed to meet again in several weeks to continue the discussions, including how to address the Lease with the State Parks.

Work continued on providing input and comments on the SWRCB Ocean Plan Amendment process. MWDOC provided comments and worked with CalDesal on additional comments.

2. Huntington Beach Ocean Desalination Project (Poseidon Project)

OCWD is continuing to work with David Moore from Clean Energy Capital to analyze the cost and financing options for the Poseidon Huntington Beach Ocean Desalination Project. The work by Clean Energy Capital is scheduled for presentation to the OCWD Board in September.

ISSUE BRIEF # F

SUBJECT: Orange County Reliability Projects

RECENT ACTIVITY

1. Central Pool Augmentation Program

There are no updates to report.

2. MWD Investigations of System Reliability

There are no updates to report.

**Summary Report for
The Metropolitan Water District of Southern California
Board Meetings
August 19, 2014**

COMMITTEE ASSIGNMENTS

Director Dear was appointed as Vice Chair of the Audit and Ethics Committee. Director Lefevre was appointed as Vice Chair of the Agriculture and Business Outreach Committee. Director Hawkins was appointed to the Legal and Claims Committee and the Organization, Personnel and Technology Committee. Director Peterson was appointed to the Real Property and Asset Management Committee. **(Agenda Item 5G)**

FINANCE AND INSURANCE COMMITTEE

Tax Levy for fiscal year 2014/15. **(Agenda Item 5J)**

Reported on list of certified assessed valuations for fiscal year 2014/15 and tabulation of assessed valuations, percentage participation, and vote entitlement of member public agencies as of August 15, 2014. **(Agenda Item 5J-1)**

Adopted (1) the resolution finding that continuing an ad valorem tax rate up to the rate levied for fiscal year 2013/14 is essential to Metropolitan's fiscal integrity; and (2) the resolution establishing the tax rate for fiscal year 2014/15. **(Agenda Item 5J-2)**

Authorized agreement with the Municipal Water District of Orange County for credit in the amount of \$8,145,566.18 due to overcharges on deliveries through Service Connection OC-88. **(Agenda Item 8-1)**

ENGINEERING AND OPERATIONS COMMITTEE

Appropriated \$13.6 million; authorized design of pipeline and access improvements throughout Metropolitan's distribution system; authorized permitting and right-of-way planning within the Los Angeles and Riverside/San Diego County operating regions; authorized increase of \$2.1 million to the existing agreement with Carollo Engineers, Inc., for a new not-to-exceed total of \$2.5 million; authorized increase of \$2.1 million to the existing agreement with CH2M Hill, Inc., for a new not-to-exceed total of \$2.35 million; authorized increase of \$2.4 million to the existing agreement with Dudek, Inc., for a new not-to-exceed total of \$3,375,000; and authorized increase of \$290,000 to the existing agreement with Riggs and Riggs, Inc., for a new not-to-exceed total of \$390,000. **(Agenda Item 8-2)**

Appropriated \$9.4 million; awarded \$4,082,555 contract to J. F. Shea Construction, Inc. to install liner pipe within the Bernasconi Tunnel; and awarded \$552,982.84 valve procurement contract to Bray International for the Lakeview Pipeline/Inland Feeder Intertie. (Approps 15480 and 15488) **(Agenda Item 8-3)**

In other action, the Board:

Appropriated \$680,000; and awarded \$428,280 contract to Kaveh Engineering & Construction, Inc. for the solids handling area improvements at the Robert A. Skinner Water Treatment Plant. (Approp. 15365) **(Agenda Item 7-1)**

Appropriated \$980,000; authorized final design of an operations and maintenance service center for the Orange County region; and authorized an agreement with La Cañada Design Group in an amount not to exceed \$347,000 for architectural design services. (Approp. 15480) **(Agenda Item 7-2)**

Appropriated \$1.6 million; and awarded \$858,000 contract to Kiewit Infrastructure West Co. to rehabilitate Service Connection G-01 on the Santa Monica Feeder. (Approp. 15441) **(Agenda Item 7-3)**

Appropriated \$1.68 million; and authorized three rehabilitation projects at the Joseph Jensen Water Treatment Plant. (Approps. 15486 and 15442) **(Agenda Item 7-4)**

Authorized granting a 1,440-square-foot permanent easement to Southern California Edison on Metropolitan-owned property located in Orange County. **(Agenda Item 7-5)**

Authorized granting a 3.42-acre permanent easement to the city of Fontana on Metropolitan-owned property located in San Bernardino County. **(Agenda Item 7-6)**

Authorized granting a 2,477-square-foot permanent easement to Southern California Edison on Metropolitan owned property at the Chemical Unloading Facility in the city of Perris, Riverside County. **(Agenda Item 7-7)**

OTHER MATTERS

Director Kristine Murray, representing city of Anaheim, received a 5-year service pin. **(Agenda Item 5C)**

Presentation of Commendatory Resolution for past Director Aaron Grunfeld, representing city of Los Angeles. **(Agenda Item 5D)**

Approved Commendatory Resolutions for past Directors Jennifer Fitzgerald and Leticia Vazquez. **(Agenda Item 5E)**

Approved naming of Metropolitan Courtyard to Colonel John V. “Jack” Foley Memorial Courtyard. **(Agenda Item 5F)**

Approved 30-day leaves of absence for Director Friedman commencing August 8, 2014 and Director Dick commencing August 15, 2014. **(Agenda Item 5K)**

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

Board letters related to the items in this summary are generally posted in the Board Letter Archive approximately one week after the board meeting. In order to view them and their attachments, please copy and paste the following into your browser <http://edmsidm.mwdh2o.com/idmweb/home.asp>.



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

MWD MEETING AGENDA

Tuesday, September 9, 2014 Meeting Schedule		
7:00-8:00 a.m.	Rm. 2-413	Dirs. Computer Training
8:00 a.m.	Rm. 2-145	L&C
9:30 a.m.	Board Room	Executive
12:00 p.m.	Board Room	Board Meeting

Regular Board Meeting

September 9, 2014

12:00 p.m. -- Board Room

MWD Headquarters Building

• 700 N. Alameda Street •

Los Angeles, CA 90012

1. Call to Order

- (a) Invocation: Sr. Angela Faustina, CSJ, Major Superior, Los Angeles Province
- (b) Pledge of Allegiance: Director Peter Beard

2. Roll Call

3. Determination of a Quorum

4. Opportunity for members of the public to address the Board on matters within the Board's jurisdiction. (As required by Gov. Code § 54954.3(a))

5. OTHER MATTERS

- A. Approval of the Minutes of the Meetings for August 12 and 19, 2014.
(Copies have been mailed to each Director)
Any additions, corrections, or omissions

- B. Report on Directors' events attended at Metropolitan expense for month of August
- C. Approve Memorial Resolution for late Director Edward "Ed" Little
- D. Approve Commendatory Resolutions for Directors Vincent Mudd and Kristine Murray
- E. Approve 30-day leave of absence for Director Linda Ackerman, commencing September 9, 2014
- F. Approve committee assignments
- G. Chairman's Monthly Activity Report

6. DEPARTMENT HEADS' REPORTS

- A. General Manager's summary of Metropolitan's activities for the month of August
- B. General Counsel's summary of Legal Department activities for the month of August
- C. General Auditor's summary of activities for the month of August
- D. Ethics Officer's summary of activities for the month of August

7. CONSENT CALENDAR ITEMS — ACTION

- 7-1** Award \$345,892.79 procurement contract to Patterson Pump Company for cooling water pumps at the Robert A. Skinner Water Treatment Plant. (Approp. 15388). (E&O)

Recommendation:

Option #1:

Adopt the CEQA determination that this action has been previously addressed in the certified 2003 Final Program Environmental Impact Report and related documents, the adopted 2004 Mitigated Negative Declaration and 2006 Addendum No. 1 to the Mitigated Negative Declaration, and the adopted 2004 Negative Declaration; and award \$345,892.79 procurement contract to Patterson Pump Company for cooling water pumps at the Skinner plant.

- 7-2** Appropriate \$1.69 million; and authorize design of solar generation facilities at the F. E. Weymouth and Joseph Jensen Water Treatment Plants (Approp. 15391). (E&O)

Recommendation:

Option #2:

Adopt the CEQA determination that this action is categorically exempt from CEQA, and

- a. Appropriate \$1.69 million;**
- b. Authorize design of a 3-MW solar facility at the Weymouth plant; and**
- c. Authorize design of a 1-MW solar facility at the Jensen plant.**

- 7-3** Appropriate \$1.33 million; and authorize: (1) design of a Project Control and Reporting System for management of the Capital Investment Plan; and (2) professional services agreement with CH2M Hill, Inc. (Approp. 15490). (E&O)

Recommendation:

Option #1:

Adopt the CEQA determination that this action is not defined as a project and is not subject to CEQA, and

- a. Appropriate \$1.33 million;**
- b. Authorize design of a Project Control and Reporting System for management of the Capital Investment Plan; and**
- c. Authorize a professional services agreement with CH2M Hill, Inc. in an amount not to exceed \$880,000.**

- 7-4** Appropriate \$1.08 million; and award \$780,024 procurement contract to Whipps, Inc. for finished water reservoir gates at the F. E. Weymouth Water Treatment Plant (Approp. 15440). (E&O)

Recommendation:

Option #1:

Adopt the CEQA determination that this action is categorically exempt, and

- a. Appropriate \$1.08 million; and**
- b. Award \$780,024 contract to Whipps, Inc. to furnish gates for the Weymouth finished water reservoir.**

- 7-5** Appropriate \$800,000; and authorize: (1) design of seismic upgrades to five structures at the F. E. Weymouth Water Treatment Plant; and (2) amendment to agreement with IDS Group, Inc. (Approps. 15440 and 15477). (E&O)

Recommendation:

Option #1:

Adopt the CEQA determination that this action is categorically exempt, and

- a. Appropriate \$800,000;**
- b. Authorize design of seismic upgrades to five structures at the Weymouth plant; and**
- c. Authorize increase of \$171,000 to the agreement with IDS Group, Inc., for a new not-to-exceed total of \$252,000.**

- 7-6** Appropriate \$1.62 million; and authorize piping modifications on San Diego Pipeline No. 3 (Approp. 15480). (E&O)

Recommendation:

Option #1:

Adopt the CEQA determination that this action is categorically exempt, and

- a. Appropriate \$1.62 million; and**
- b. Authorize modifications to discharge piping on San Diego Pipeline No. 3.**

- 7-7** Authorize granting a 0.34-acre (14,810 square feet) permanent easement to the county of Riverside on Metropolitan-owned property near Lake Skinner in Riverside County. (RP&AM)

Recommendation:

Option #1:

Review and consider the MND prepared by the county of Riverside as the Lead Agency, adopt the Lead Agency's findings, and authorize the General Manager to grant a permanent easement to the county of Riverside for public road and utility service.

- 7-8** Authorize granting a 0.103-acre (4,487 square feet) permanent easement to Cucamonga Valley Water District on Metropolitan-owned property in the city of Rancho Cucamonga in San Bernardino County. (RP&AM)

Recommendation:

Option #1:

Review and consider the information provided in the adopted 2012 MND and MMRP, adopt the Lead Agency's findings, and authorize the General Manager to grant a permanent easement to Cucamonga Valley Water District.

(END OF CONSENT CALENDAR)

8. OTHER BOARD ITEMS — ACTION

- 8-1 Authorize an improvement of the return capacity of the Semitropic Groundwater Storage Program. (WP&S) **(To be mailed separately)**
- 8-2 Authorize a five-year reimbursable agreement with the Los Angeles Department of Water and Power for Groundwater Recovery Projects in an amount not to exceed \$20 million. (WP&S) **(To be mailed separately)**
- 8-3 Express support for Proposition 1, The Water Quality Supply and Infrastructure Improvement Act of 2014. (C&L) **(To be mailed separately)**
- 8-4 Report on Shimmick-Obayashi Joint Venture construction claim regarding Diemer Oxidation Retrofit Program; and authorize increase of maximum amount payable under contract with Pacific Construction Consultants, Inc. for consulting services by \$150,000 to an amount not to exceed \$250,000. (L&C)
[Conference with legal counsel—anticipated litigation; to be heard in closed session pursuant to Gov. Code Section 54956.9(d)(2)]

9. BOARD INFORMATION ITEMS

- 9-1 Report on Local Resources Program Refinements. (WP&S) **(To be mailed separately)**
- 9-2 Report on AB 1739 (Dickinson, D-Sacramento) and SB 1168 (Pavley, D-Agoura Hills) – Groundwater Management. (C&L)

10. OTHER MATTERS (Contd.)

- 10-1 Department Heads' Evaluation Action Plans Follow-up Presentations.
[Public employees' performance evaluation; to be heard in closed session pursuant to Gov. Code Section 54957]
- 10-2 Approve compensation recommendation for General Manager, General Counsel, General Auditor, and Ethics Officer. **(To be distributed at meeting)**

11. FUTURE AGENDA ITEMS

12. ADJOURNMENT

NOTE: At the discretion of the Board, all items appearing on this agenda and all committee agendas, whether or not expressly listed for action, may be deliberated and may be subject to action by the Board.

Each agenda item with a committee designation will be considered and a recommendation may be made by one or more committees prior to consideration and final action by the full Board of Directors. The committee designation appears in parentheses at the end of the description of the agenda item e.g. (E&O, F&I). Committee agendas may be obtained from the Board Executive Secretary.

Writings relating to open session agenda items distributed to Directors less than 72 hours prior to a regular meeting are available for public inspection at Metropolitan's Headquarters Building and on Metropolitan's Web site <http://www.mwdh2o.com>.

Requests for a disability related modification or accommodation, including auxiliary aids or services, in order to attend or participate in a meeting should be made to the Board Executive Secretary in advance of the meeting to ensure availability of the requested service or accommodation.