

**MEETING OF THE
BOARD OF DIRECTORS OF THE
MUNICIPAL WATER DISTRICT OF ORANGE COUNTY**
Jointly with the
ADMINISTRATION & FINANCE COMMITTEE
November 8, 2017, 8:30 a.m.
MWDOC Conference Room 101

Committee:

Director J. Thomas, Chairman
Director J. Finnegan
Director B. Barbre

Staff: R. Hunter, K. Seckel, C. Harris,
K. Davanaugh, H. Chumpitazi

Ex Officio Member: W. Osborne

MWDOC Committee meetings are noticed and held as joint meetings of the Committee and the entire Board of Directors and all members of the Board of Directors may attend and participate in the discussion. Each Committee has designated Committee members, and other members of the Board are designated alternate committee members. If less than a quorum of the full Board is in attendance, the Board meeting will be adjourned for lack of a quorum and the meeting will proceed as a meeting of the Committee with those Committee members and alternate members in attendance acting as the Committee.

PUBLIC COMMENTS - Public comments on agenda items and items under the jurisdiction of the Committee should be made at this time.

ITEMS RECEIVED TOO LATE TO BE AGENDIZED - Determine there is a need to take immediate action on item(s) and that the need for action came to the attention of the District subsequent to the posting of the Agenda. (Requires a unanimous vote of the Committee)

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>.

PROPOSED BOARD CONSENT CALENDAR ITEMS

1. TREASURER'S REPORT
 - a. Revenue/Cash Receipt Report – October 2017
 - b. Disbursement Approval Report for the month of November 2017
 - c. Disbursement Ratification Report for the month of October 2017
 - d. GM Approved Disbursement Report for the month of October 2017
 - e. Water Use Efficiency Projects Cash Flow – October 31, 2017
 - f. Consolidated Summary of Cash and Investment – September 2017
 - g. OPEB Trust Fund monthly statement
2. FINANCIAL REPORT
 - a. Combined Financial Statements and Budget Comparative for the Period ending September 30, 2017
 - b. Quarter ending September 2017 YTD Financials Actual versus Budget
 - c. Audit Report FY 2016/17

ACTION ITEM

3. OPTIONS FOR FUNDING CALPERS UNFUNDED LIABILITY
4. LONG TERM DISABILITY INSURANCE , LIFE INSURANCE AND EMPLOYEE ASSISTANCE PLANS
5. SELECTION OF CONSULTANT FOR ARCHITECTURAL, SPACE PLANNING, INTERIOR DESIGN AND CONSTRUCTION ADMINISTRATION SERVICES
6. AUTHORIZATION TO VOTE ON BEHALF OF MWDOC IN ACWA'S ELECTION OF PRESIDENT, VICE PRESIDENT AND BYLAW AMENDMENTS

INFORMATION ITEMS – (THE FOLLOWING ITEMS ARE FOR INFORMATIONAL PURPOSES ONLY – BACKGROUND INFORMATION IS INCLUDED IN THE PACKET. DISCUSSION IS NOT NECESSARY UNLESS REQUESTED BY A DIRECTOR.)

7. FY 2018-19 BUDGET SCHEDULE
8. DEPARTMENT ACTIVITIES REPORTS
 - a. Administration
 - b. Finance and Information Technology
9. MONTHLY WATER USAGE DATA, TIER 2 PROJECTION, AND WATER SUPPLY INFORMATION

OTHER ITEMS

10. REVIEW ISSUES REGARDING DISTRICT ORGANIZATION, PERSONNEL MATTERS, EMPLOYEE BENEFITS FINANCE AND INSURANCE

ADJOURNMENT

NOTE: At the discretion of the Committee, all items appearing on this agenda, whether or not expressly listed for action, may be deliberated, and may be subject to action by the Committee. On those items designated for Board action, the Committee reviews the items and makes a recommendation for final action to the full Board of Directors; final action will be taken by the Board of Directors. Agendas for Committee and Board meetings may be obtained from the District Secretary. Members of the public are advised that the Board consideration process includes consideration of each agenda item by one or more Committees indicated on the Board Action Sheet. Attendance at Committee meetings and the Board meeting considering an item consequently is advised.

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.

Municipal Water District of Orange County
REVENUE / CASH RECEIPT REPORT
October 2017

WATER REVENUES

Date	From	Description	Amount
10/02/17	City of La Palma	August 2017 Water deliveries	4,054.57
10/02/17	City of Newport Beach	August 2017 Water deliveries	366,977.34
10/03/17	Serrano Water District	August 2017 Water deliveries	9,486.94
10/04/17	City of Seal Beach	August 2017 Water deliveries	300,939.15
10/06/17	City of Garden Grove	August 2017 Water deliveries	1,012,159.58
10/06/17	City of San Clemente	August 2017 Water deliveries	619,647.62
10/10/17	City of Fountain Valley	August 2017 Water deliveries	560,831.50
10/10/17	City of Buena Park	August 2017 Water deliveries	370,214.75
10/10/17	Santa Margarita Water District	August 2017 Water deliveries	2,365,198.05
10/10/17	South Coast Water District	August 2017 Water deliveries	476,736.27
10/11/17	El Toro Water District	August 2017 Water deliveries	652,130.39
10/11/17	Laguna Beach County Water District	August 2017 Water deliveries	296,124.63
10/12/17	City of San Juan Capistrano	August 2017 Water deliveries	541,763.52
10/12/17	City of Westminster	August 2017 Water deliveries	427,118.57
10/12/17	City of Orange	August 2017 Water deliveries	1,248,311.18
10/13/17	Trabuco Canyon Water District	August 2017 Water deliveries	151,178.54
10/13/17	East Orange County Water District	August 2017 Water deliveries	1,014,018.16
10/13/17	Orange County Water District	August 2017 Water deliveries	4,707,284.60
10/13/17	Mesa Water	August 2017 Water deliveries	806,438.20
10/13/17	City of Huntington Beach	August 2017 Water deliveries	1,520,527.37
10/13/17	Moulton Niguel Water District	August 2017 Water deliveries	2,538,314.58
10/13/17	Yorba Linda Water District	August 2017 Water deliveries	1,249,042.52
10/13/17	Golden State Water Company	August 2017 Water deliveries	1,119,160.25
10/13/17	Irvine Ranch Water District	August 2017 Water deliveries	3,615,314.13
10/20/17	City of Buena Park	September 2017 Water deliveries	1,093,067.52
10/27/17	City of La Habra	September 2017 Water deliveries	4,862.01
10/27/17	City of Huntington Beach	September 2017 Water deliveries	810,994.21
10/27/17	City of Brea	September 2017 Water deliveries	198,236.59
10/30/17	Serrano Water District	September 2017 Water deliveries	6,492.54
10/30/17	Trabuco Canyon Water District	September 2017 Water deliveries	153,002.97

TOTAL REVENUES \$ 28,239,628.25

Municipal Water District of Orange County
REVENUE / CASH RECEIPT REPORT
October 2017

MISCELLANEOUS REVENUES

Date	From	Description	Amount
10/30/17	Trabuco Canyon Water District	8/30/17 Water Policy dinner	90.00
10/27/17	Paypal	ISDOC Registrations	596.72
10/13/17	Judy Pfister	Oct-Dec 2017 Retiree health insurance	119.43
10/24/17	Stan Sprague	November 2017 Retiree health insurance	234.00
10/31/17	Keith Lyon	November 2017 Retiree health insurance	259.60
10/10/17	Pat Meszaros	Movie tickets	48.00
10/13/17	Judy Pfister	Movie tickets	170.00
10/26/17	Trung Pham	Movie tickets	170.00
10/10/17	Robert Hunter	Airline ticket change fee	200.00
10/10/17	Santa Margarita Water District	July 2017 Smartimer rebate program	924.98
10/12/17	Irvine Ranch Water District	August 2017 Smartimer rebate program	150.00
10/05/17	City of Westminster	August 2017 Turf Removal rebate program	444.00
10/10/17	City of Fountain Valley	August 2017 Turf Removal rebate program	222.00
10/12/17	2 Checks	August 2017 Turf Removal rebate program	464.00
10/13/17	El Toro Water District	August 2017 Turf Removal rebate program	1,000.00
10/20/17	2 Checks	August 2017 Turf Removal rebate program	3,780.00
10/24/17	City of La Habra	August 2017 Turf Removal rebate program	111.00
10/25/17	Irvine Ranch Water District	August 2017 Turf Removal rebate program	25,953.15
10/23/17	Moulton Niguel Water District	August 2017 Smartimer, Rotating Nozzle and Turf Removal rebate program	14,538.51
10/04/17	Trabuco Canyon Water District	July 2017 So Cal Watersmart rebate program	400.00
10/02/17	Moulton Niguel Water District	July-August 2017 So Cal Watersmart rebate program	24,200.00
10/06/17	City of San Clemente	July-August 2017 So Cal Watersmart rebate program	2,375.00
10/12/17	Irvine Ranch Water District	July-August 2017 So Cal Watersmart rebate program	158,720.64
10/12/17	Laguna Beach County Water District	July-August 2017 So Cal Watersmart rebate program	90.00
10/12/17	Irvine Ranch Water District	Printing of Sunset Waterwise booklet	3,208.32
10/13/17	Department of Water Resources	Jan-Mar 2017 Comprehensive Landscape WUE	3,714.34
10/16/17	Department of Water Resources	Apr-Jun 2017 Comprehensive Landscape WUE	6,001.86
10/26/17	Orange County Water District	June 2017 SAWPA Drought Response program	32,475.75
10/30/17	County of Orange	Jan-Sep 2015 South OC Water Smart Landscape project	1,096,511.49
10/03/17	Serrano Water District	FY 17-18 Choice Programs Billing Invoice	6,256.08
10/04/17	Trabuco Canyon Water District	FY 17-18 Choice Programs Billing Invoice	3,371.60
10/05/17	City of Westminster	FY 17-18 Choice Programs Billing Invoice	13,503.64
10/10/17	Santa Margarita Water District	FY 17-18 Choice Programs Billing Invoice	68,400.54
10/12/17	City of Fountain Valley	FY 17-18 Choice Programs Billing Invoice	15,587.69
10/12/17	City of Garden Grove	FY 17-18 Choice Programs Billing Invoice	27,347.97
10/13/17	City of Brea	FY 17-18 Choice Programs Billing Invoice	43,959.38
10/13/17	Mesa Water	FY 17-18 Choice Programs Billing Invoice	30,477.43
10/16/17	City of Orange	FY 17-18 Choice Programs Billing Invoice	27,912.00
10/16/17	City of San Juan Capistrano	FY 17-18 Choice Programs Billing Invoice	17,981.55
10/17/17	Irvine Ranch Water District	FY 17-18 Choice Programs Billing Invoice	125,747.39
10/19/17	City of La Palma	FY 17-18 Choice Programs Billing Invoice	3,661.24
10/20/17	City of Buena Park	FY 17-18 Choice Programs Billing Invoice	23,219.81
10/20/17	City of Huntington Beach	FY 17-18 Choice Programs Billing Invoice	49,616.52
10/20/17	City of San Clemente	FY 17-18 Choice Programs Billing Invoice	38,683.09
10/20/17	City of Tustin	FY 17-18 Choice Programs Billing Invoice	34,804.64
10/24/17	City of La Habra	FY 17-18 Choice Programs Billing Invoice	14,240.57
10/27/17	City of Fullerton	FY 17-18 Choice Programs Billing Invoice	73.19
10/26/17	Yorba Linda Water District	FY 17-18 Choice Programs Billing Invoice	21,100.04
10/10/17	Mesa Water	Water Loss Control technical assistance - WSO, Inc	2,500.00

TOTAL MISCELLANEOUS REVENUES **\$ 1,945,617.16**

TOTAL REVENUES **\$ 30,185,245.41**

Robert J. Hunter, General Manager

Hilary Chumplitazi, Treasurer

**Municipal Water District of Orange County
Disbursement Approval Report
For the month of November 2017**

<i>Invoice#</i>	<i>Vendor / Description</i>	<i>Amount to Pay</i>
Core Expenditures:		
1152	Richard C. Ackerman October 2017 Consulting on legal and regulatory matters	1,525.00
	*** Total ***	1,525.00
2018-DUES	ACWA 2018 Membership renewal	17,765.00
	*** Total ***	17,765.00
517084188	ALTA FoodCraft 9/29/17 Coffee & tea supplies	344.93
517085871	10/20/17 Coffee & tea supplies	154.36
	*** Total ***	499.29
7001425852	American Water Works Assoc. 2018 Membership renewal	1,629.00
	*** Total ***	1,629.00
2018-DUES	Association of Metropolitan Water Agencies 2018 Membership renewal	18,527.00
	*** Total ***	18,527.00
17233	Awards & Trophies Company Name plates for S. Franco and C. Hernandez	24.49
	*** Total ***	24.49
55401-SEP17	Best Best and Krieger LLP September 2017 Legal services	14,630.52
806549	September 2017 State legislative advocacy services	8,769.19
	*** Total ***	23,399.71
100830	Business Comm. Solutions 9/28/17-9/27/18 Cisco Smartnet license and support for phone system	1,437.00
	*** Total ***	1,437.00
17-224	Carl Markham Signs & Graphics Re-letter 2 name plates for A. Winterswyk	54.00
	*** Total ***	54.00
90028247	CDM Smith 7/30/17-8/31/17 Engineering services for O.C. Water Reliability Investigation	4,170.00
	*** Total ***	4,170.00
KGNS866	CDW Government Zscaler Web security software annual renewal for 35 licenses	1,979.00
	*** Total ***	1,979.00

**Municipal Water District of Orange County
Disbursement Approval Report
For the month of November 2017**

<i>Invoice#</i>	<i>Vendor / Description</i>	<i>Amount to Pay</i>
	<i>GovConnection, Inc.</i>	
55249916	2 Licenses with 2 year maintenance for backup software	1,780.72
	*** Total ***	1,780.72
	<i>HashtagPinpoint Corporation</i>	
1127	October 2017 Social media consultation and services	9,500.00
	*** Total ***	9,500.00
	<i>Independent Special Dist of OC</i>	
10/26/17PAYPAL	September-October 2017 PayPal receipts for 10/26/17 ISDOC meeting	596.72
ISDOC-102617	10/26/17 Meeting registration for Directors Dick, Barbre, Osborne & Yoo Schneider	68.00
	*** Total ***	664.72
	<i>Immersiv Media, Inc.</i>	
MWDOC 2017-022	July-September 2017 MWDOC website hosting & maintenance	525.00
	*** Total ***	525.00
	<i>Irvine Window Cleaning</i>	
3118	Atrium windows cleaned	100.00
	*** Total ***	100.00
	<i>James C. Barker, P.C.</i>	
105-1017	October 2017 Federal legislative advocacy services	8,000.00
	*** Total ***	8,000.00
	<i>Karen's Detail Custom Frames</i>	
2956	Custom framing for MET Director R. Wunderlich's resolution	120.68
2960	Custom reframing for MET Director R. Wunderlich's resolution	26.94
	*** Total ***	147.62
	<i>Lawnscape Systems, Inc.</i>	
391107	October 2017 Gardening service for atrium	295.00
	*** Total ***	295.00
	<i>Phil Letrong</i>	
100517	July-August 2017 Retiree medical premium	268.00
	*** Total ***	268.00
	<i>Lewis Consulting Group, LLC</i>	
2017-162	October 2017 Consulting services	3,687.50
	*** Total ***	3,687.50
	<i>Edward G. Means III</i>	
MWDOC-1053	October 2017 MET issues and guidance to Engineering staff	2,157.10
	*** Total ***	2,157.10

**Municipal Water District of Orange County
Disbursement Approval Report
For the month of November 2017**

<i>Invoice#</i>	<i>Vendor / Description</i>	<i>Amount to Pay</i>
	Norco Delivery Services	
711344	10/13/17 Delivery charges for Board packets	116.85
	*** Total ***	116.85
	Office Solutions	
I-01211135	8/10/17 Office supplies	16.31
I-01249891	10/17/17 Office supplies	156.34
I-01251165	10/18/17 Office supplies	565.52
I-02155631	Office chair for H. Chumpitazi	491.34
	*** Total ***	1,229.51
	Orange County Water District	
18103	September 2017 50% share of WACO expense	216.25
2017-01	2017 Health & Wellness Expo sponsorship	150.00
18108	September 2017 Postage, shared office & maintenance expense	6,830.73
	*** Total ***	7,196.98
	Patricia Kennedy Inc.	
21544	November 2017 Plant maintenance	214.00
	*** Total ***	214.00
	Judy Pfister	
102017	July-September 2017 Retiree medical premium	321.00
	*** Total ***	321.00
	Staples Advantage	
8046894436	10/14/17 Office supplies	93.79
8047004419	10/21/17 Office supplies	58.76
	*** Total ***	152.55
	Top Hat Productions	
93373	10/19/17 Lunch for Managers' meeting	563.53
	*** Total ***	563.53
	U. S. HealthWorks Medical Group	
3199710-CA	9/25/17 Pre-employment exam	173.00
	*** Total ***	173.00
	USAFact Inc.	
7100717	9/26/17 Pre-employment background check	43.87
	*** Total ***	43.87
	Vasquez and Company LLC	
2170837-IN	August-October 2017 Services for FY 16-17 Financial audit	9,000.00
	*** Total ***	9,000.00

**Municipal Water District of Orange County
Disbursement Approval Report
For the month of November 2017**

<i>Invoice#</i>	<i>Vendor / Description</i>	<i>Amount to Pay</i>
1215	Water Systems Optimization, Inc. September 2017 Water Loss Control program *** Total ***	4,205.66 4,205.66
2017 GUNAWAN	White Nelson Diehl Evans LLP 11/30/17 2017 Government Tax Seminar registration for L. Gunawan *** Total ***	395.00 395.00
Total Core Expenditures		<hr/> 121,747.10

Choice Expenditures:

18108	Orange County Water District September 2017 Postage for Water Use Efficiency rebate programs *** Total ***	45.77 45.77
93326	Top Hat Productions 10/5/17 Lunch for Water Use Efficiency Workgroup meeting *** Total ***	420.82 420.82
819151	Widgix LLC Annual subscription for SurveyGizmo online application and database tool *** Total ***	300.00 300.00
Total Choice Expenditures		<hr/> 766.59

Other Funds Expenditures:

10/9/17-SOTO	CESA Oct. 9-12, 2017 Adventures in Emergency Management conference registration for F. Soto *** Total ***	725.00 725.00
986	EcoTech Services, Inc. 9/26/17-10/25/17 One-on-One design assistance for Landscape Design program *** Total ***	13,500.00 13,500.00
1017	Laguna Beach County Water District Accounts Receivable credit due from Turf Removal Rebate Program audit *** Total ***	13,676.40 13,676.40

**Municipal Water District of Orange County
Disbursement Approval Report
For the month of November 2017**

<i>Invoice#</i>	<i>Vendor / Description</i>	<i>Amount to Pay</i>
	<i>Michael Baker International</i>	
992582	September 2017 Orange County Regional Water & Wastewater Multijurisdictional Hazard Mitigation Plan update	3,441.42
	*** Total ***	3,441.42
	<i>Water Systems Optimization, Inc.</i>	
1215	September 2017 Water Loss Control program	17,155.00
1227	October 2017 Water Loss Control program	15,890.00
	*** Total ***	33,045.00
	<i>Total Other Funds Expenditures</i>	<u>64,387.82</u>
	<i>Total Expenditures</i>	<u><u>186,901.51</u></u>

**Municipal Water District of Orange County
Disbursement Ratification Report
For the month of October 2017**

Check #	Date	Vendor # Invoice/CM #	Name / Description	Net Amount
Core Disbursements:				
137302	10/4/17	SPECTB	Spectrum Business	
		0375210092017	October 2017 Telephone and internet expense	1,098.04
			***Total ***	1,098.04
137303	10/4/17	VERIZO	Verizon Wireless	
		9793318318	September 2017 4G Mobile broadband unlimited service	114.03
			***Total ***	114.03
137313	10/13/17	IRONMO	Iron Mountain	
		PHC3199	October 2017 Archived document storage fees	195.29
			***Total ***	195.29
137324	10/13/17	SPECTB	Spectrum Business	
		0343564100117	October 2017 Telephone expense for 3 analog fax lines	106.79
			***Total ***	106.79
ACH002812	10/13/17	BACATI	Tiffany Baca	
		090917	August-September 2017 Business expense	195.29
			***Total ***	195.29
ACH002813	10/13/17	BARBRE	Brett Barbre	
		093017	September 2017 Business expense	205.44
			***Total ***	205.44
		BAUMHA	Melissa Baum-Haley	
ACH002814	10/13/17	083117	August 2017 Business expense	373.68
ACH002815	10/13/17	093017	September 2017 Business expense	179.63
			***Total ***	553.31
ACH002816	10/13/17	BERGJO	Joseph Berg	
		092917	September 2017 Business expense	314.64
			***Total ***	314.64
ACH002819	10/13/17	CONWAY	Matthew Conway	
		093017	September 2017 Business expense	140.87
			***Total ***	140.87
ACH002821	10/13/17	MICALI	Damon Micalizzi	
		082517	August 2017 Business expense	69.02
			***Total ***	69.02
ACH002822	10/13/17	DICKEK	Larry Dick	
		093017	September 2017 Business expense	94.72
			***Total ***	94.72

**Municipal Water District of Orange County
Disbursement Ratification Report
For the month of October 2017**

Check #	Date	Vendor # Invoice/CM #	Name / Description	Net Amount
ACH002824	10/13/17	FINNEG 093017	Joan Finnegan September 2017 Business expense ***Total ***	 81.24 81.24
ACH002825	10/13/17	FRANCI 093017	Pari Francisco September 2017 Business expense ***Total ***	 50.29 50.29
ACH002828	10/13/17	HUNTER 081617	Robert J. Hunter August 2017 Business expense ***Total ***	 12.42 12.42
ACH002833	10/13/17	ROBERT 093017	Bryce Roberto September 2017 Business expense ***Total ***	 206.99 206.99
ACH002834	10/13/17	SCHNEI 083117	Megan Yoo Schneider August 2017 Business expense ***Total ***	 303.75 303.75
ACH002835	10/13/17	TAMARI 093017	Satoru Tamaribuchi September 2017 Business expense ***Total ***	 169.07 169.07
ACH002836	10/13/17	THOMAS 093017	Jeffery Thomas September 2017 Business expense ***Total ***	 127.33 127.33
EFT-171026	10/26/17	WAGEWO INV317539	Wageworks September 2017 Cafeteria plan administration ***Total ***	 181.25 181.25
137399	10/31/17	USBANK 4140/5443-SEP17	U.S. Bank 8/23/17-9/22/17 Cal Card charges ***Total ***	 10,412.54 10,412.54
ACH002839	10/31/17	ACKEEX 093017	Linda Ackerman September 2017 Business expense ***Total ***	 74.90 74.90
ACH002840	10/31/17	BAEZHE 093017	Heather Baez September 2017 Business expense ***Total ***	 112.24 112.24
ACH002841	10/31/17	CONWAY 103017	Matthew Conway October 2017 Business expense ***Total ***	 185.75 185.75

**Municipal Water District of Orange County
Disbursement Ratification Report
For the month of October 2017**

<i>Check #</i>	<i>Date</i>	<i>Vendor # Invoice/CM #</i>	<i>Name / Description</i>	<i>Net Amount</i>
ACH002842	10/31/17	DAVANK 093017	Kathryn Davanaugh September 2017 Business expense ***Total ***	 58.29 58.29
ACH002843	10/31/17	DECASA 093017	Michelle DeCasas September 2017 Business expense ***Total ***	 50.08 50.08
ACH002844	10/31/17	DINHPA 103117	Patrick Dinh October 2017 Business expense ***Total ***	 32.10 32.10
ACH002851	10/31/17	MICALI 092717	Damon Micalizzi September 2017 Business expense ***Total ***	 130.00 130.00
ACH002853	10/31/17	SCHNEI 093017	Megan Yoo Schneider September 2017 Business expense ***Total ***	 243.52 243.52
Total Core Disbursements				<hr/> 15,519.20
Choice Disbursements:				
ACH002816	10/13/17	BERGIO 092917	Joseph Berg September 2017 Business expense ***Total ***	 107.82 107.82
Total Choice Disbursements				<hr/> 107.82
Other Funds Disbursements:				
137300	10/4/17	ATTEOC 0532-SEP17	AT&T September 2017 WEROC N. EOC telephone expense ***Total ***	 69.37 69.37
137303	10/4/17	VERIZO 9793318318	Verizon Wireless September 2017 4G Mobile broadband unlimited service ***Total ***	 38.01 38.01
137306	10/13/17	ATTUVEOC 8599-OCT17	AT&T October 2017 U-verse internet service for WEROC N.EOC ***Total ***	 60.00 60.00

**Municipal Water District of Orange County
Disbursement Ratification Report
For the month of October 2017**

Check #	Date	Vendor # Invoice/CM #	Name / Description	Net Amount
137325	10/13/17	DRIPPR	Spray to Drip Program	
		S2D1-R-MESA-10000	S. Rausch	525.00
			Total	525.00
ACH002816	10/13/17	BERGJO	Joseph Berg	
		092917	September 2017 Business expense	4.50
			Total	4.50
137329	10/23/17	GOLDEN	Golden State Water Company	
		063017GSWC	Reimbursement for 2 uncashed MET rebate checks (Re-issue)	80.00
			Total	80.00
		TURFRP	Turf Removal Program	
137330	10/24/17	TR10-R-IRWD-13470-13417	S. Ruiz (Re-issue)	260.00
			Total	260.00
		TURFRP	Turf Removal Program	
137331	10/26/17	TR10-R-MNT-4826-4745	H. Faridpak	1,542.00
137332	10/26/17	TR10-C-HB-4800-4800	B. Deboe	7,841.60
137333	10/26/17	TR10-R-HB-5212-5141	H. Umehira	339.00
137334	10/26/17	TR10-R-HB-7481-7446	B. Peppard	1,000.00
137335	10/26/17	TR10-C-BREA-7699-7658	City of Brea	33,714.00
137336	10/26/17	TR10-R-FV-7737-7694	C. Le	727.00
137337	10/26/17	TR10-R-MNT-12265-12218	W. Fellers	1,766.00
137338	10/26/17	TR10-R-O-13387-13338	B. Doan	1,000.00
137339	10/26/17	TR10-R-MNT-13403-13354	H. Rind	1,296.00
137340	10/26/17	TR11-R-HB-13413-13364	Y. MacLean	1,059.00
137341	10/26/17	TR10-R-IRWD-13476-13423	Z. Wang	717.24
137342	10/26/17	TR10-C-NWPT-13498-	Park Newport (Newport Beach)	8,448.70
137343	10/26/17	TR10-R-O-13524-13470	J. & R. Spence	479.00
137344	10/26/17	TR10-R-IRWD-13529-13474	L. Sun	238.86
137345	10/26/17	TR10-R-IRWD-16585-16529	S. Alitagtag	1,460.00
137346	10/26/17	TR10-R-MNT-16595-16542	D. Wolf	752.00
137347	10/26/17	TR10-R-MNT-17625-17573	D. Crandall	1,630.00
137348	10/26/17	TR10-R-SOCO-17666-17618	K. Binkle	259.00
137349	10/26/17	TR10-R-MNT-17682-17635	R. Reynolds	912.00
137350	10/26/17	TR10-R-IRWD-17683-17636	S. Reshad	1,260.00
137351	10/26/17	TR10-R-IRWD-17697-17649	D. Carsel	872.00
137352	10/26/17	TR10-R-IRWD-17716-17665	A. Tam	560.00
137353	10/26/17	TR11-R-SM-17720-17670	M. Reed	383.00
137354	10/26/17	TR11-R-MNT-17722-17672	R. Dettore	802.00
137355	10/26/17	TR11-R-SC-17723-17673	K. Fleming	802.00
137356	10/26/17	TR11-R-IRWD-17724-17674	K. Rosol	1,056.00
137357	10/26/17	TR10-R-SC-17725-17675	A. Blank	815.92
137358	10/26/17	TR11-R-WEST-17756-17704	C. Tran	791.00
137359	10/26/17	TR11-R-MNT-17771-17719	S. Schreiber	1,284.00
137360	10/26/17	TR11-R-MNT-17773-17721	A. Sanchez	840.00
137361	10/26/17	TR11-R-IRWD-17780-17726	Q. Ha	748.00

**Municipal Water District of Orange County
Disbursement Ratification Report
For the month of October 2017**

Check #	Date	Vendor # Invoice/CM #	Name / Description	Net Amount
137362	10/26/17	TR11-R-MNT-17836-17747	E. Tsai	500.00
137363	10/26/17	TR11-R-SC-17842-17753	C. Lee	2,064.00
137364	10/26/17	TR11-R-IRWD-17787-17756	R. Karasawa	444.00
137365	10/26/17	TR11-R-TUST-17854-17765	M. Miranda	1,430.00
137366	10/26/17	TR11-R-SM-17857-17768	G. Du	260.00
137367	10/26/17	TR11-R-SC-17869-17777	R. Stucken	1,312.00
137368	10/26/17	TR11-R-ETWD-17874-	V. Hutchins	1,627.90
137369	10/26/17	TR11-R-SM-17888-17800	C. MacKinnon	1,737.00
137370	10/26/17	TR11-R-MNT-17893-17806	J. Sherman	432.00
137371	10/26/17	TR11-R-IRWD-17894-17807	D. Barnes	1,124.00
137372	10/26/17	TR11-R-IRWD-17899-17814	H. Chian	1,072.00
137373	10/26/17	TR10-C-SOCO-13535-13482	South Coast Water District (Laguna Beach)	2,108.00
137374	10/26/17	TR11-R-MNT-18901-18817	J. Brawley	1,108.00
137375	10/26/17	TR11-R-IRWD-18915-18831	S. Berger	4,000.00
137376	10/26/17	TR11-R-TUST-20919-20837	A. Valdes	1,442.00
137377	10/26/17	TR11-R-SM-20931-20849	M. Cadwell	433.00
137378	10/26/17	TR11-R-SC-20929-20863	P. Schaus	802.00
137379	10/26/17	TR11-R-SM-20946-20865	P. Whinery	513.00
137380	10/26/17	TR11-R-IRWD-20960-20879	H. Dang	906.00
137381	10/26/17	TR11-R-IRWD-20961-20880	M. Williams	2,308.00
137382	10/26/17	TR11-R-IRWD-20968-20887	R. Planet	610.00
137383	10/26/17	TR11-R-IRWD-20969-20888	R. Henry	714.00
137384	10/26/17	TR11-R-SM-20976-20895	G. Worthington	327.00
137385	10/26/17	TR11-R-SOCO-20979-20899	K. Ashby	868.00
137386	10/26/17	TR11-R-BREA-20986-20901	M. Li	502.00
137387	10/26/17	TR11-R-SC-2008-20921	R. Mayer	3,472.00
137388	10/26/17	TR11-R-SM-21057-20970	H. Brownlee	750.00
137389	10/26/17	TR11-R-ETWD-21059-	S. Webb	1,026.00
137390	10/26/17	TR10-C-SM-13445-13395	St. John's Episcopal School (Rancho Santa Margarita)	25,000.00
137391	10/26/17	TR11-R-SM-17855-17766	S. DeWees	1,279.00
			***Total ***	135,566.22
137393	10/31/17	CATALI 0014812	Catalina Island Conservancy October 2017 WEROC radio repeater site lease	1,718.29
			***Total ***	1,718.29
137396	10/31/17	SANTI1 AUG2017	Santiago Aqueduct Commission August 2017 SAC Pipeline operation surcharge	3,480.12
			***Total ***	3,480.12
137397	10/31/17	SCHUNK 101717	Janine Schunk September-October 2017 Business expense	44.36
			***Total ***	44.36
137399	10/31/17	USBANK 4140-SEP17	U.S. Bank 8/23/17-9/22/17 Cal Card charges	6,121.38
			***Total ***	6,121.38

**Municipal Water District of Orange County
Disbursement Ratification Report
For the month of October 2017**

<i>Check #</i>	<i>Date</i>	<i>Vendor # Invoice/CM #</i>	<i>Name / Description</i>	<i>Net Amount</i>
ACH002854	10/31/17	SANTAM	Santa Margarita Water District	
		AUG2017	August 2017 SCP Pipeline operation surcharge	26,735.01
			Total	26,735.01
WIRE-171031	10/31/17	METWAT	Metropolitan Water District	
		9129	August 2017 Water deliveries	26,286,361.26
			Total	26,286,361.26
Total Other Funds Disbursements				<u>26,461,063.52</u>
Total Disbursements				<u><u>26,476,690.54</u></u>



Robert J. Hunter, General Manager



Hilary Chumpitazi, Treasurer

Cal Card Statement Detail
Statement Date: September 22, 2017
Payment Date: October 31, 2017

Date	Description	Amount
<u>K. Seckel Card</u>		
08/19/17	Urban Water Institute conference in San Diego, CA from Aug. 16-18, 2017 - Canceled accommodations deposit for R. Hunter refunded	\$ (246.81)
08/21/17	Legislative activities in Washington, DC from Sep. 20-22, 2017 - Airfare for Director Barbre	1,628.41 ^[1]
08/23/17	Amazon Prime membership canceled and refunded	(107.66)
08/24/17	Association of Metropolitan Water Agencies Executive Management conference in Saint Simons Island, GA from Oct. 15-18, 2017 - Registration for R. Hunter	795.00
08/24/17	ACWA Region 9 & 10 event in Corona, CA on Oct. 6, 2017 - Registration for H. Baez	65.00
08/24/17	7/25/17-8/24/17 Monthly web hosting service for new MWDOC website	15.65
08/26/17	Red Cross Disaster Preparedness Pre-Academy in Santa Ana, CA on Sep. 13, 2017 - Registration for F. Soto & J. Schunk	170.00
08/26/17	Red Cross Disaster Preparedness Academy in Anaheim, CA on Sep. 21, 2017 - Registration for J. Schunk	125.00
08/29/17	P-Touch labels	50.00
08/29/17	American Water Works Association North American Water Loss 2017 Preliminary program in San Diego, CA from Dec. 3-5, 2017 - Registration for J. Berg	325.00
08/31/17	Facebook advertising for 8/30/17 Water Policy Dinner	100.00
08/31/17	Lunch for Public Affairs Workgroup meeting	222.39
09/05/17	9/6/17-10/5/17 SurveyMonkey subscription	35.00
09/06/17	Stove hood for WEROC S. EOC portable kitchen	54.68
09/05/17	Legislative activities in Washington, DC on Nov. 15, 2017 - Airfare for Director Barbre	489.20 ^[2]
08/28/17	Lunch for records management meeting	75.12
09/06/17	Power cord kit for stove hood for WEROC S. EOC	18.00
09/06/17	Supplies for emergency water sample kits for WEROC training	48.80
09/05/17	California Water Efficiency Partnership meeting in Sacramento, CA from Sep. 13-14, 2017 - Airfare for J. Berg	423.97
09/06/17	Colorado River Water Users Association Annual conference in Las Vegas, NV from Dec. 13-15, 2017 - Registration and membership for Director Barbre	505.00
09/07/17	Legislative activities in Washington, DC on Sep. 20, 2017 - Airfare for H. Baez	193.58 ^[3]
09/07/17	Legislative activities in Sacramento, CA on Oct. 20, 2017 - Airfare for H. Baez	219.96

Cal Card Statement Detail
Statement Date: September 22, 2017
Payment Date: October 31, 2017

Date	Description	Amount
09/07/17	Legislative activities in Washington, DC on Sep. 26, 2017 - Airfare for H. Baez	352.72 4
09/07/17	Subscription for photo coloring software	50.00
09/11/17	UPS delivery charges for Board packets on Sep. 8, 2017	7.28
09/12/17	American Water Works Association Annual Fall conference in Reno, NV from Oct. 23-26, 2017 - Registration for J. Berg	495.00
09/12/17	3 Toner cartridges	172.03
09/12/17	Society for Human Resource Management annual membership renewal	179.00
09/13/17	American Water Works Association Annual Fall conference in Reno, NV from Oct. 23-26, 2017 - Accommodations deposit for J. Berg	157.07
09/12/17	American Water Works Association Annual Fall conference in Reno, NV from Oct. 23-26, 2017 - Airfare for J. Berg	303.46
09/14/17	Association of California Cities-Orange County Cyber Security Forum in Irvine, CA on Oct. 12, 2017 - Registration for Director Thomas	35.00
09/14/17	National Water Research Institute Clarke Prize Award Ceremony conference in Irvine, CA from Oct. 19-20, 2017 - Registration for K. Seckel	281.56
09/14/17	Lunch for Human Resource Workgroup meeting	341.31
09/14/17	2 Photo backdrops for community events	46.66
09/13/17	California Water Efficiency Partnership meeting in San Jose, CA on Sep. 20, 2017 - Airfare for J. Berg	334.96
09/15/17	Food for staff development meeting	27.88
09/15/17	Office supplies from Costco	311.87
09/18/17	UPS delivery charges for Board packets on Sep. 8, 2017	45.24
09/18/17	Supplies for emergency water sample kits for WEROC training	36.98
09/18/17	Battery kit for uninterruptible power supply at WEROC N. EOC	30.06
09/18/17	Drum unit set for printer at WEROC S. EOC	164.91
09/20/17	Touchscreen laptop for K. Hubbard	1,327.37
09/20/17	SSL Certificate for mwdoc.com web address refund for terminated service	(149.97)
09/21/17	5 Laptops for WEROC EOCs	4,103.07
09/20/17	Colorado River Water Users Association Annual conference in Las Vegas, NV from Dec. 13-15, 2017 - Registration and membership for H. De La Torre	505.00
09/20/17	Colorado River Water Users Association Annual conference in Las Vegas, NV from Dec. 13-15, 2017 - Accommodations deposit for Director Barbre	146.26
09/20/17	Colorado River Water Users Association Annual conference in Las Vegas, NV from Dec. 13-15, 2017 - Accommodations deposit for H. De La Torre	146.26

Cal Card Statement Detail
Statement Date: September 22, 2017
Payment Date: October 31, 2017

Date	Description	Amount
09/20/17	OneStop job postings for Water Use Efficiency and Engineering intern positions	220.00
09/21/17	Pressure washing of atrium area	400.00
Total		<u>\$ 15,276.27</u>

- 1 9/20/17 Flight canceled, funds are available for future flights
- 2 Director Barbre to reimburse MWDOC \$258.50
- 3 9/20/17 Flight canceled, funds too small to use for future flights (Below \$200.00 change fee)
- 4 9/26/17 Flight canceled, balance of funds available for future flights

R. Hunter Card

08/23/17-09/22/17	Meals for R. Hunter's meetings	\$ 290.05
09/07/17	Districts of Distinction application fee	250.00
09/11/17	Association of Metropolitan Water Agencies Executive Management conference in Saint Simons Island, GA from Oct. 15-18, 2017 - Airfare for R. Hunter	717.60
Total		<u>\$ 1,257.65</u>

Municipal Water District of Orange County
GM Approved Disbursement Report ⁽¹⁾
For the month of October 2017

<i>Check #</i>	<i>Date</i>	<i>Vendor # Invoice/CM #</i>	<i>Name / Description</i>	<i>Net Amount</i>
Core Disbursements:				
137301	10/4/17	ECSIMA 12496	ECS Imaging, Inc. 10/1/17-9/30/18 Annual support for Laserfiche software ***Total ***	3,763.00 3,763.00
137328	10/23/17	CEPRD 110217-TAMARIBUCHI 110217-HUNTER	Coalition for Environmental Protection, Water Roundtable in Long Beach, CA from Nov. 2-3, 2017 - Registration for Director Tamaribuchi Water Roundtable in Long Beach, CA from Nov. 2-3, 2017 - Registration for R. Hunter ***Total ***	250.00 250.00 500.00
Total Core Disbursements				4,263.00
Choice Disbursements:				
Total Choice Disbursements				-
Other Funds Disbursements:				
Total Other Funds Disbursements				-
Total Disbursements				4,263.00



Robert J. Hunter, General Manager



Hilary Chumpitazi, Treasurer

(1) For disbursements that did not make the cut-off of previous month's Disbursement Approval report.
Disbursements are approved by GM for payment and need A & F Committee ratification.

**Municipal Water District of Orange County
WATER USE EFFICIENCY PROJECTS
Cash Flow as of 10/31/17**

	Jul 2017	Aug 2017	Sep 2017	Oct 2017	Nov 2017	Dec 2017	Jan 2018	Feb 2018	Mar 2018	Apr 2018	May 2018	Jun 2018	TOTALS
Cash - Beginning Balance	\$ (72,844.08)	\$ (133,020.86)	\$ (151,184.71)	\$ (326,302.43)	\$ (295,572.84)	\$ (295,572.84)	\$ (295,572.84)	\$ (295,572.84)	\$ (295,572.84)	\$ (295,572.84)	\$ (295,572.84)	\$ (295,572.84)	
REVENUES:													
BUREC													\$ -
City of Brea													-
City of Buena Park		222.00		111.00									333.00
City of Fountain Valley	333.00	444.00	424.05	222.00									1,423.05
City of Fullerton													-
City of Garden Grove		888.00	222.00	444.00									1,554.00
City of Huntington Beach	264.00	379.00	427.19										1,070.19
City of La Habra		555.00		111.00									666.00
City of San Clemente	1,304.96	233.00	6,460.97	6,044.00									14,042.93
City of San Juan Capistrano													-
City of Tustin													-
City of Newport Beach	406.31	222.00											628.31
City of Orange	444.00	555.00	333.00										1,332.00
City of Westminster		888.00	333.00	444.00									1,665.00
Department of Water Resources		1,444.63	15,468.35	9,716.20									26,629.18
El Toro Water District	3,093.98	50.00	1,137.96	1,000.00									5,281.94
Golden State Water Company													-
Irvine Ranch Water District	38,717.96	129,174.28	12,348.45	184,823.79									365,064.48
Laguna Beach County Water District		90.00		110.00									200.00
Mesa Water District		500.00											500.00
Metropolitan Water District		25,735.53											25,735.53
Moulton Niguel Water District	37,634.08	3,800.00	14,408.25	38,738.51									94,580.84
Orange County Water District		5,510.86	776.06	32,475.75									38,762.67
Santa Margarita Water District	57.32	197.95		924.98									1,180.25
Serrano Water District													-
Trabuco Canyon Water District	201.00	39.00	219.99	400.00									859.99
Yorba Linda Water District													-
Miscellaneous Revenues	417.16												417.16
Interest Revenue													
Total Revenues	82,958.77	170,928.25	52,559.27	275,565.23	-	-	-	-	-	-	-	-	\$ 582,011.52
EXPENDITURES:													
Budget Based Tiered Rates, Ratefells		59,356.00		7,271.08									66,627.08
Delorenzo International		5,050.50											5,050.50
Ecotech	900.00	10,275.00	6,750.00	13,500.00									31,425.00
Golden State Water Company	80.00												80.00
Laguna Beach CWD	480.00												480.00
Metropolitan Water District	29,129.40		118,745.58	70,931.38									218,806.36
Mission RCD		17,627.75	33,812.14	17,041.96									68,481.85
Santa Margarita Water District	255.00												255.00
Sprio to Drip program			1,155.58	525.00									1,680.58
Turbine Removal	60,861.15	96,782.85	63,442.87	135,566.22									356,653.09
Village, Inc			500.00										500.00
Western National Property Management	51,300.00												51,300.00
Miscellaneous Expenses													-
Interest Expense													
Salary & Benefit	130.00		3,270.82										3,400.82
Total Expenditures	143,135.55	189,092.10	227,676.99	244,835.64	-	-	-	-	-	-	-	-	\$ 804,740.28
Cash - Ending Balance	\$ (133,020.86)	\$ (151,184.71)	\$ (326,302.43)	\$ (295,572.84)	\$ (295,572.84)	\$ (295,572.84)	\$ (295,572.84)	\$ (295,572.84)	\$ (295,572.84)	\$ (295,572.84)	\$ (295,572.84)	\$ (295,572.84)	



Item 1f

Municipal Water District of Orange County Consolidated Summary of Cash and Investment

September 30, 2017

Street Address:
18700 Ward Street
Fountain Valley, California 92708

Mailing Address:
P.O. Box 20895
Fountain Valley, CA 92728-0895

(714) 963-3058
Fax: (714) 964-9389
www.mwdoc.com

Wayne S. Osborne
President

Brett R. Barbre
Vice President

Larry D. Dick
Director

Joan C. Finnegan
Director

Megan Yoo Schneider
Director

Sat Tamaribuchi
Director

Jeffery M. Thomas
Director

Robert J. Hunter
General Manager

MEMBER AGENCIES

City of Brea
City of Buena Park
East Orange County Water District
El Toro Water District
Emerald Bay Service District
City of Fountain Valley
City of Garden Grove
Golden State Water Co.
City of Huntington Beach
Irvine Ranch Water District
Laguna Beach County Water District
City of La Habra
City of La Palma
Mesa Water District
Moulton Niguel Water District
City of Newport Beach
City of Orange
Orange County Water District
City of San Clemente
City of San Juan Capistrano
Santa Margarita Water District
City of Seal Beach
Serrano Water District
South Coast Water District
Trabuco Canyon Water District
City of Tustin
City of Westminster
Yorba Linda Water District

District investments and cash balances are held in various funds designated for certain purposes as follows:

Fund	Book Value	% of Portfolio
Designated Reserves		
General Operations	\$2,715,630	18.01%
Grant & Project Cash Flow	1,500,000	9.95%
Election Expense	475,000	3.15%
Building Repair	350,407	2.32%
OPEB	209,006	1.39%
Total Designated Reserves	5,250,043	34.82%
General Fund	8,470,662	56.17%
Water Fund	1,228,849	8.15%
Conservation Fund	(326,302)	(2.16%)
Desalination Feasibility Study Fund	(145,165)	(0.96%)
WEROC Fund	572,261	3.79%
Trustee Activities	28,397	0.19%
Total	\$15,078,745	100.00%

The funds are invested as follows:

Term of Investment	% of Portfolio	Book Value	Market Value
Cash	1.26%	\$190,700	\$190,700
Short-term investment			
• LAIF	52.22%	\$7,873,305	\$7,873,305
• OCIP	25.94%	3,910,632	3,910,632
Long-term investment			
• Corporate Bond	7.65%	1,154,108	1,150,818
• Certificates of Deposit	12.93%	1,950,000	1,954,696
Total	100.00%	\$15,078,745	\$15,080,151

The average number of days to maturity/call as of September 30, 2017 equaled 181 and the average yield to maturity is 1.300%. During the month, the District's average daily balance was \$29,069,389.26. Funds were invested in Federal Agency Issues, Certificates of Deposit, Negotiable CD's, Miscellaneous Securities, the Local Agency Investment Funds (LAIF) and the Orange County Investment Pool (OCIP) during the month of September 2017.

The \$1,406 difference between the book value and the market value on September 30, 2017 represents the exchange difference if all investments had been liquidated on that date. Since it is the District's practice to "buy and hold" investments until maturity, the market values are a point of reference, not an indication of actual loss or gain. There are no current plans or cash flow requirements identified in the near future that would require the sale of these securities prior to maturity.

Robert J. Hunter
General Manager

Hilary Chumpitazi
Treasurer



MUNICIPAL WATER DISTRICT OF ORANGE COUNTY

Portfolio Management - Portfolio Summary

September 30, 2017

9/30/2017	Par Value	Market Value	Book Value	% of Portfolio	Days to Mat/Call	YTM @ Cost
Negotiable Certificate Of Deposit	1,950,000.00	1,954,696.50	1,950,000.00	13.10	659	1.940
Corporate Bond	1,150,000.00	1,150,817.50	1,154,107.96	7.73	1,212	2.290
Local Agency Investment Funds	7,873,304.91	7,873,304.91	7,873,304.91	52.90	1	1.104
Orange County Investment Pool	3,910,632.34	3,910,632.34	3,910,632.34	26.27	1	1.086
Total Investments	14,883,937.25	14,889,451.25	14,888,045.21	100.00	181	1.300

Cash						
Cash	190,699.45	190,699.45	190,699.45		1	0.00
Total Cash and Investments	15,074,636.70	15,080,150.70	15,078,744.66		181	1.300

Total Earnings	Month Ending September	Fiscal Year to Date
Current Year	25,695.67	68,789.44
Average Daily Balance	29,069,389.26	
Effective Rate of Return	1.300%	

We certify that this report reflects the cash and investments of the Municipal Water District of Orange County and is in conformity with the Government Code requirements and the District Investment Policy and Guidelines in effect at the time of investment. The Investment Program herein shown provides sufficient cash flow liquidity to meet the next six month's estimated expenditure. The source for the market values are from Union Bank. Per Resolution 2059 there are no compliance exceptions to report.

11-1-17

Date

Robert J. Hunter, General Manager

11/1/2017

Date

Hilary Chumipitazi, Treasurer

MUNICIPAL WATER DISTRICT OF ORANGE COUNTY
Portfolio Management
Long-Term Portfolio Details - Investments
September 30, 2017

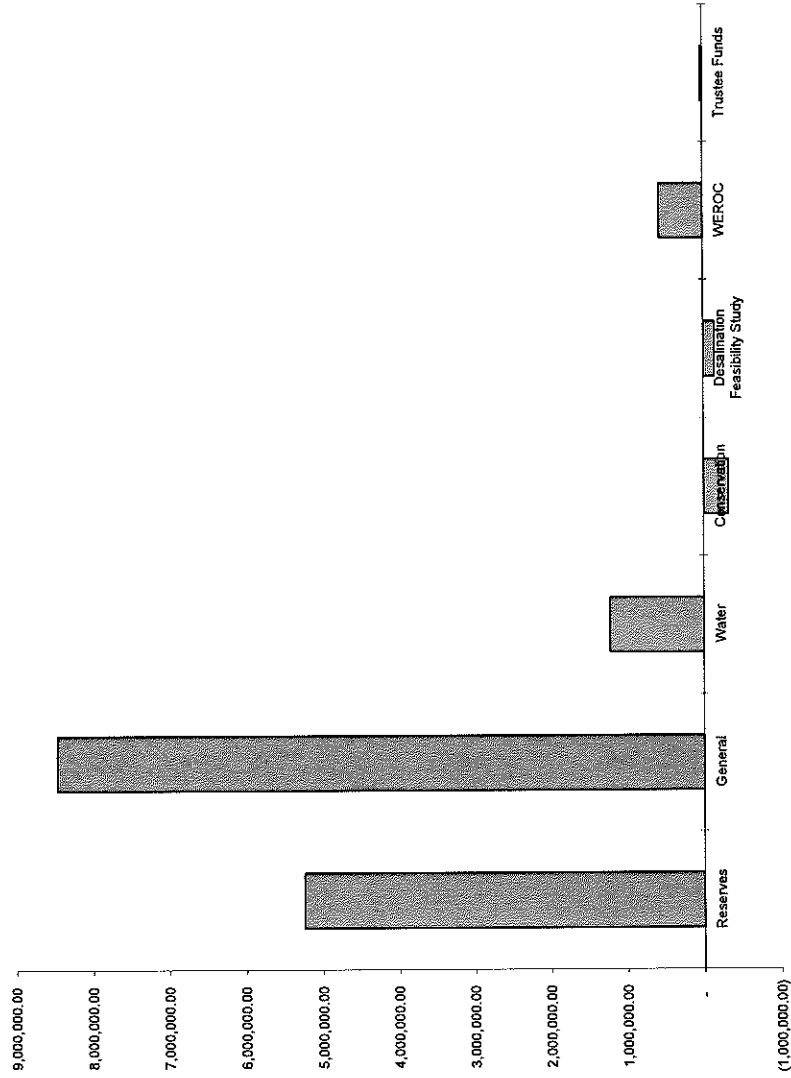
Issuer	CUSIP/Ticker	Settlement Date	Par Value	Market Value	Book Value	Coupon Rate	YTM @ Cost	Days To Call/Maturity	Maturity Date
Negotiable Certificate Of Deposit									
American Express Bank	02587CEA4	7/29/2015	250,000.00	250,237.50	250,000.00	1.450	1.450	121	1/29/2018
Bardays Bank	06740KKY2	9/27/2017	250,000.00	249,597.50	250,000.00	2.250	2.250	1,823	9/27/2022
Capital One Bank	14042E6C9	9/2/2015	250,000.00	251,862.50	250,000.00	1.950	1.950	703	9/3/2019
Capital One Natl Assn	140420TY6	8/5/2015	250,000.00	250,355.00	250,000.00	1.700	1.700	310	8/6/2018
Comenity Capital Bank	20033AUX2	7/25/2017	200,000.00	200,274.00	200,000.00	2.000	2.000	1,385	7/16/2021
Discover Bank	2546712Y5	7/23/2014	250,000.00	250,322.50	250,000.00	1.600	1.600	296	7/23/2018
HSBC Bank	40434AK65	1/21/2016	250,000.00	250,327.50	250,000.00	1.550	2.534	113	1/21/2021
Synchrony Bank	87164XBY1	7/25/2014	250,000.00	251,720.00	250,000.00	2.050	2.050	668	7/30/2019
Sub Total			1,950,000.00	1,954,696.50	1,950,000.00	1.814	1.940	659	
Corporate Bond									
JP Morgan Chase	46625HKA7	11/2/2015	500,000.00	502,690.00	501,076.10	2.250	2.152	814	1/23/2020
National Rural Util Coop	63743FE51	7/27/2017	200,000.00	195,346.00	200,000.00	2.500	2.500	1,749	7/15/2022
Wells Fargo	94874BGR5	1/13/2016	250,000.00	252,877.50	251,048.58	2.550	2.409	1,164	12/7/2020
Westpac Banking Corp	961214DQ3	7/25/2017	200,000.00	199,904.00	201,983.28	2.500	2.278	1,732	6/28/2022
Sub Total			1,150,000.00	1,150,817.50	1,154,107.96	2.402	2.290	1,212	
Total Investments			3,100,000.00	3,105,514.00	3,104,107.96	2.032	2.070	864	
Total Earnings									
Current Year		Month Ending September	4,968.56	Fiscal Year To Date					
				14,730.88					

MUNICIPAL WATER DISTRICT OF ORANGE COUNTY
Portfolio Management
Short-Term Portfolio Details - Cash and Investments
September 30, 2017

Investments	CUSIP/Ticker	Settlement Date	Par Value	Market Value	Book Value	Coupon Rate	YTM @ Cost	Days To Call/Maturity	Maturity Date
Local Agency Investment Funds									
LAIF LGIP	LAIF	6/30/2010	7,873,304.91	7,873,304.91	7,873,304.91	1.104	1.104	1	N/A
Sub Total			7,873,304.91	7,873,304.91	7,873,304.91	1.104	1.104	1	
Orange County Investment Pool									
County of Orange LGIP	OCIP	6/29/2005	3,910,632.34	3,910,632.34	3,910,632.34	1.086	1.086	1	N/A
Sub Total			3,910,632.34	3,910,632.34	3,910,632.34	1.086	1.086	1	
Total Investments			11,783,937.25	11,783,937.25	11,783,937.25	1.098	1.098		
Cash									
Bank of America Cash	CASH0547	7/1/2011	190,199.45	190,199.45	190,199.45	0.000	0.000	1	N/A
Petty Cash Cash	CASH	7/1/2011	500.00	500.00	500.00	0.000	0.000	1	N/A
Total Cash			190,699.45	190,699.45	190,699.45	0.000	0.000	1	
Total Cash and Investments			11,974,636.70	11,974,636.70	11,974,636.70	1.098	1.098	1	
Total Earnings									
Current Year		Month Ending September	20,727.11	Fiscal Year To Date	54,058.56				

**Municipal Water District of Orange County
Cash and Investments at September 30, 2017**

ALLOCATION	AMOUNT	%
MWDOC		
Designated Reserves		
General	\$ 2,715,630	18.01%
Grant & Project Cash Flow	1,500,000	9.95%
Election Expense	475,000	3.15%
Building Repair	350,407	2.32%
OPEB	209,006	1.39%
Total Designated Reserves	5,250,043	34.82%
General	8,470,662	56.17%
Water	1,228,849	8.15%
Conservation	(326,302)	-2.16%
Desalination Feasibility Study	(145,165)	-0.96%
WEROC	572,261	3.79%
TOTAL MWDOC	\$ 15,050,348	99.81%
TRUSTEE ACTIVITIES		
AMP Sales Admin	\$ 28,397	0.19%
TOTAL TRUSTEE ACTIVITIES	\$ 28,397	0.19%
TOTAL CASH & INVESTMENTS	\$ 15,078,745	100.00%



PARS DIVERSIFIED PORTFOLIOS MODERATE

Q3 2017

WHY THE PARS DIVERSIFIED MODERATE PORTFOLIO?

Comprehensive Investment Solution

HighMark® Capital Management, Inc.'s (HighMark) diversified investment portfolios are designed to balance return expectations with risk tolerance. Key features include: sophisticated asset allocation and optimization techniques, four layers of diversification (asset class, style, manager, and security), access to rigorously screened, top tier money managers, flexible investment options, and experienced investment management.

Rigorous Manager Due Diligence

Our manager review committee utilizes a rigorous screening process that searches for investment managers and styles that have not only produced above-average returns within acceptable risk parameters, but have the resources and commitment to continue to deliver these results. We have set high standards for our investment managers and funds. This is a highly specialized, time consuming approach dedicated to one goal: competitive and consistent performance.

Flexible Investment Options

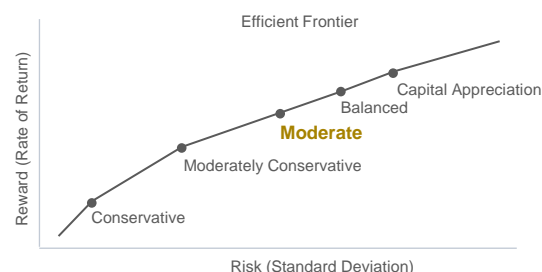
In order to meet the unique needs of our clients, we offer access to flexible implementation strategies: HighMark Plus utilizes actively managed mutual funds while Index Plus utilizes index-based securities, including exchange-traded funds. Both investment options leverage HighMark's active asset allocation approach.

Risk Management

The portfolio is constructed to control risk through four layers of diversification – asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers and securities. Disciplined mutual fund selection and monitoring process helps to drive return potential while reducing portfolio risk.

INVESTMENT OBJECTIVE

To provide growth of principal and income. It is expected that dividend and interest income will comprise a significant portion of total return, although growth through capital appreciation is equally important.



ASSET ALLOCATION — MODERATE PORTFOLIO

	Strategic Range	Policy	Tactical
Equity	40 - 60%	50%	50%
Fixed Income	40 - 60%	45%	47%
Cash	0 - 20%	5%	3%

ANNUALIZED TOTAL RETURNS (Gross of Investment Management Fees, but Net of Embedded Fund Fees)

HighMark Plus (Active)

Current Quarter*	3.07%
Blended Benchmark**	2.73%
Year To Date	9.92%
Blended Benchmark	8.45%
1 Year	10.14%
Blended Benchmark	9.15%
3 Year	6.00%
Blended Benchmark	6.15%
5 Year	7.03%
Blended Benchmark	7.27%
10 Year	5.07%
Blended Benchmark	5.21%

Index Plus (Passive)

Current Quarter*	2.73%
Blended Benchmark**	2.73%
Year To Date	8.48%
Blended Benchmark	8.45%
1 Year	8.95%
Blended Benchmark	9.15%
3 Year	5.72%
Blended Benchmark	6.15%
5 Year	6.88%
Blended Benchmark	7.27%
10 Year	5.08%
Blended Benchmark	5.21%

* Returns less than 1-year are not annualized. **Breakdown for Blended Benchmark: 26.5% S&P500, 5% Russell Mid Cap, 7.5% Russell 2000, 3.25% MSCI EM FREE, 6% MSCI EAFE, 33.50% BC US Agg, 10% ML 1-3 Yr US Corp/Gov't, 1.50% US High Yield Master II, 1.75% Wilshire REIT, and 5% Citi 1 Mth T-Bill. Prior to October 2012, the blended benchmarks were 43% S&P 500; 2% Russell 2000, 5% MSCI EAFE, 15% ML 1-3 Year Corp./Govt, 30% BC Agg, 5% Citi 1 Mth T-Bill. Prior to April 2007, the blended benchmarks were 50% S&P 500, 15% ML 1-3Yr Corp/Gov, 30% BC Agg, and 5% Citi 1 Mth T-Bill.

ANNUAL RETURNS

HighMark Plus (Active)

2008	-22.88%
2009	21.47%
2010	12.42%
2011	0.55%
2012	12.25%
2013	13.06%
2014	4.84%
2015	0.14%
2016	6.44%

Index Plus (Passive)

2008	-18.14%
2009	16.05%
2010	11.77%
2011	2.29%
2012	10.91%
2013	12.79%
2014	5.72%
2015	-0.52%
2016	7.23%

PORTFOLIO FACTS

HighMark Plus (Active)

Inception Data	10/2004
No of Funds in Portfolio	19

Index Plus (Passive)

Inception Data	05/2006
No of Funds in Portfolio	13

HOLDINGS

HighMark Plus (Active)

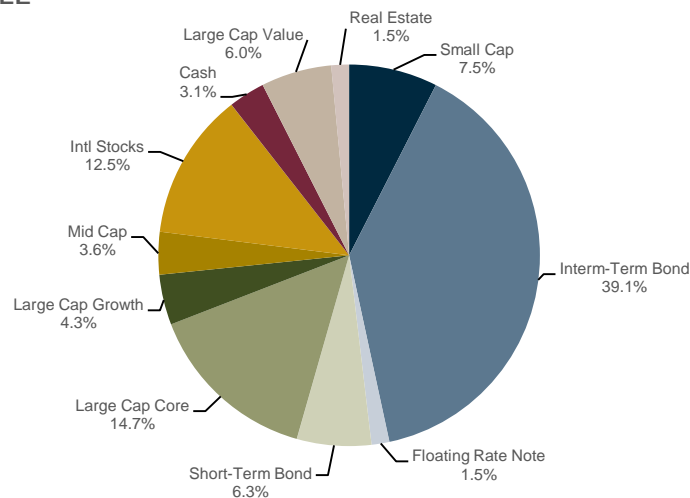
Columbia Contrarian Core Z
Vanguard Growth & Income Adm
Dodge & Cox Stock Fund
Harbor Capital Appreciation
T. Rowe Price Growth Stock
iShares Russell Mid-Cap ETF
Vanguard REIT ETF
Undiscovered Managers Behavioral Value
T. Rowe Price New Horizons
Nationwide Bailard International Equities
Dodge & Cox International Stock
MFS International Growth I
Hartford Schroders Emerging Markets Eq
Vanguard Short-Term Invest-Grade Adm
PIMCO Total Return
Prudential Total Return
Nationwide HighMark Bond
Eaton Vance Floating Rate & High Income
First American Government Obligations Z

Index Plus (Passive)

iShares Core S&P 500 ETF
iShares S&P 500/Value
iShares S&P 500/Growth
iShares Russell Mid-Cap ETF
Vanguard REIT ETF
iShares Russell 2000 Value
iShares Russell 2000 Growth
iShares MSCI EAFE
Vanguard FTSE Emerging Markets ETF
Vanguard Short-Term Invest-Grade Adm
iShares Core U.S. Aggregate
PowerShares Senior Loan
First American Government Obligations Z

Holdings are subject to change at the discretion of the investment manager.

STYLE



The performance records shown represent size-weighted composites of tax exempt accounts that meet the following criteria: Composites are managed by HighMark's HighMark Capital Advisors (HCA) with full investment authority according to the PARS Moderate active and passive objectives and do not have equity concentration of 25% or more in one common stock security.

The adviser to the PARS portfolios is US Bank, and HighMark serves as sub-adviser to US Bank to manage these portfolios. US Bank may charge clients as much as 0.60% annual management fee based on a sliding scale. As of September 30, 2017, the blended rate is 0.58%. US Bank pays HighMark 60% of the annual management fee for assets sub-advised by HighMark under its sub-advisory agreement with US Bank. The 36 basis points paid to HighMark, as well as other expenses that may be incurred in the management of the portfolio, will reduce the portfolio returns. Assuming an investment for five years, a 5% annual total return, and an annual sub-advisory fee rate of 0.36% deducted from the assets at market at the end of each year, a 10 million initial value would grow to \$12.54 million after fees (Net-of-Fees) and \$12.76 million before fees (Gross-of-Fees). Additional information regarding the firm's policies and procedures for calculating and reporting performance results is available upon request. In Q1 2010, the PARS Composite definition was changed from \$750,000 minimum to no minimum. Performance results are calculated and presented in U.S. dollars and do not reflect the deduction of investment advisory fees, custody fees, or taxes but do reflect the deduction of trading expenses. Returns are calculated based on trade-date accounting.

Blended benchmarks represent HighMark's strategic allocations between equity, fixed income, and cash and are rebalanced monthly. Benchmark returns do not reflect the deduction of advisory fees or other expenses of investing but assumes the reinvestment of dividends and other earnings. An investor cannot invest directly in an index. The unmanaged S&P 500 Index is representative of the performance of large companies in the U.S. stock market. The MSCI EAFE Index is a free float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Free Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The US High Yield Master II Index tracks the performance of below investment grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market. Wilshire REIT index measures U.S. publicly traded Real Estate Investment Trusts. The unmanaged Bloomberg Barclays Capital (BC) U.S. Aggregate Bond Index is generally representative of the U.S. taxable bond market as a whole. The Merrill Lynch (ML) 1-3 Year U.S. Corporate & Government Index tracks the bond performance of The ML U.S. Corporate & Government Index, with a remaining term to final maturity less than 3 years. The unmanaged Citigroup 1-Month Treasury Bill Index tracks the yield of the 1-month U.S. Treasury Bill.

HighMark Capital Management, Inc. (HighMark), an SEC-registered investment adviser, is a wholly owned subsidiary of MUFG Union Bank, N.A. (MUB). HighMark manages institutional separate account portfolios for a wide variety of for-profit and nonprofit organizations, public agencies, public and private retirement plans, and personal trusts of all sizes. It may also serve as sub-adviser for mutual funds, common trust funds, and collective investment funds. MUB, a subsidiary of MUFG Americas Holdings Corporation, provides certain services to HighMark and is compensated for these services. Past performance does not guarantee future results. Individual account management and construction will vary depending on each client's investment needs and objectives. **Investments employing HighMark strategies are NOT insured by the FDIC or by any other Federal Government Agency, are NOT Bank deposits, are NOT guaranteed by the Bank or any Bank affiliate, and MAY lose value, including possible loss of principal.**

HIGHMARK CAPITAL MANAGEMENT

350 California Street
Suite 1600
San Francisco, CA 94104
800-582-4734

www.highmarkcapital.com

ABOUT THE ADVISER

HighMark® Capital Management, Inc. (HighMark) has over 90 years (including predecessor organizations) of institutional money management experience with more than \$16.6 billion in assets under management. HighMark has a long term disciplined approach to money management and currently manages assets for a wide array of clients.

ABOUT THE PORTFOLIO MANAGEMENT TEAM

Andrew Brown, CFA®

Senior Portfolio Manager

Investment Experience: since 1994

HighMark Tenure: since 1997

Education: MBA, University of Southern California; BA, University of Southern California

Salvatore "Tory" Milazzo III, CFA®

Senior Portfolio Manager

Investment Experience: since 2004

HighMark Tenure: since 2014

Education: BA, Colgate University

J. Keith Stribling, CFA®

Senior Portfolio Manager

Investment Experience: since 1985

HighMark Tenure: since 1995

Education: BA, Stetson University

Christiane Tsuda

Senior Portfolio Manager

Investment Experience: since 1987

HighMark Tenure: since 2010

Education: BA, International Christian University, Tokyo

Anne Wimmer, CFA®

Senior Portfolio Manager

Investment Experience: since 1987

HighMark Tenure: since 2007

Education: BA, University of California, Santa Barbara

Randy Yurchak, CFA®

Senior Portfolio Manager

Investment Experience: since 2002

HighMark Tenure: since 2017

Education: MBA, Arizona State University; BS, University of Washington

Asset Allocation Committee

Number of Members: 16

Average Years of Experience: 26

Average Tenure (Years): 13

Manager Review Group

Number of Members: 7

Average Years of Experience: 20

Average Tenure (Years): 7

MUNICIPAL WATER DISTRICT OF ORANGE COUNTY
COMBINED FINANCIAL STATEMENTS
AND
BUDGET COMPARATIVE
JULY 1, 2017 THRU SEPTEMBER 30, 2017

**Municipal Water District of Orange County
Combined Balance Sheet
As of September 30, 2017**

<u>ASSETS</u>	Amount
Cash in Bank	190,699.45
Investments	14,888,045.21
Accounts Receivable	45,930,249.06
Accounts Receivable - Other	120,956.52
Accrued Interest Receivable	44,128.19
Prepays/Deposits	279,250.20
Leasehold Improvements	3,695,600.68
Furniture, Fixtures & Equipment	457,309.71
Less: Accum Depreciation	(2,791,690.13)
Net OPEB Asset	483,546.00
	<hr/>
TOTAL ASSETS	\$63,298,094.89
	<hr/>
<u>LIABILITIES AND FUND BALANCES</u>	
Liabilities	
Accounts Payable	43,954,897.49
Accounts Payable - Other	480.77
Accrued Salaries and Benefits Payable	350,664.91
Other Liabilities	178,841.76
Unearned Revenue	1,714,185.93
Total Liabilities	46,199,070.86
	<hr/>
Fund Balances	
Restricted Fund Balances	
Water Fund - T2C	973,481.11
Total Restricted Fund Balances	973,481.11
	<hr/>
Unrestricted Fund Balances	
Designated Reserves	
General Operations	3,199,175.74
Grant & Project Cash Flow	1,500,000.00
Election Expense	475,000.00
Building Repair	350,407.45
OPEB	209,006.00
Total Designated Reserves	5,733,589.19
	<hr/>
GENERAL FUND	2,680,939.65
WEROC Capital	281,657.00
WEROC	144,717.31
Total Unrestricted Fund Balances	8,840,903.15
	<hr/>
Excess Revenue over Expenditures	
Operating Fund	7,045,829.64
Other Funds	238,810.13
Total Fund Balance	17,099,024.03
	<hr/>
TOTAL LIABILITIES AND FUND BALANCES	\$63,298,094.89
	<hr/>

Municipal Water District of Orange County
Revenues and Expenditures Budget Comparative Report
General Fund
From July thru September 2017

	Month to Date	Year to Date	Annual Budget	% Used	Encumbrance	Budget Remaining
<u>REVENUES</u>						
Retail Connection Charge	0.00	7,435,834.00	7,435,834.00	100.00%	0.00	0.00
Ground Water Customer Charge	0.00	468,565.00	468,565.00	100.00%	0.00	0.00
Water rate revenues	0.00	7,904,399.00	7,904,399.00	100.00%	0.00	0.00
Interest Revenue	24,999.00	66,473.93	150,000.00	44.32%	0.00	83,526.07
Subtotal	24,999.00	7,970,872.93	8,054,399.00	98.96%	0.00	83,526.07
Choice Programs	0.00	1,094,256.07	1,176,618.00	93.00%	0.00	82,361.93
Miscellaneous Income	375.00	1,372.46	3,000.00	45.75%	0.00	1,627.54
School Contracts	0.00	0.00	70,000.00	0.00%	0.00	70,000.00
Transfer-In From Reserve	0.00	0.00	138,470.00	0.00%	0.00	138,470.00
Subtotal	375.00	1,095,628.53	1,388,088.00	78.93%	0.00	292,459.47
TOTAL REVENUES	25,374.00	9,066,501.46	9,442,487.00	96.02%	0.00	375,985.54

Municipal Water District of Orange County
Revenues and Expenditures Budget Comparative Report
General Fund
From July thru September 2017

	Month to Date	Year to Date	Annual Budget	% Used	Encumbrance	Budget Remaining
<u>EXPENSES</u>						
Salaries & Wages	273,081.39	841,308.69	3,571,210.00	23.56%	0.00	2,729,901.31
Salaries & Wages - Grant Recovery	(2,403.18)	(2,403.18)	(23,279.00)	10.32%	0.00	(20,875.82)
Salaries & Wages - Recovery	(327.60)	(436.80)	0.00	0.00%	0.00	436.80
Directors' Compensation	16,122.45	52,610.10	243,197.00	21.63%	0.00	190,586.90
MWD Representation	9,616.90	30,830.65	138,969.00	22.19%	0.00	108,138.35
Employee Benefits	77,145.83	245,425.76	1,056,766.00	23.22%	0.00	811,340.24
Employee Benefits - Grant Recovery	(477.64)	(477.64)	0.00	0.00%	0.00	477.64
Employee Benefits - Recovery	(62.40)	(83.20)	0.00	0.00%	0.00	83.20
Director's Benefits	6,899.04	20,236.14	81,728.00	24.76%	0.00	61,491.86
Health Ins \$'s for Retirees	4,287.76	12,704.80	59,554.00	21.33%	0.00	46,849.20
Training Expense	0.00	0.00	10,000.00	0.00%	0.00	10,000.00
Tuition Reimbursement	0.00	0.00	5,000.00	0.00%	0.00	5,000.00
Temporary Help Expense	0.00	4,775.18	5,000.00	95.50%	0.00	224.82
Personnel Expenses	383,882.55	1,204,490.50	5,148,145.00	23.40%	0.00	3,943,654.50
Engineering Expense	5,306.77	30,951.09	360,000.00	8.60%	106,587.43	222,461.48
Legal Expense	16,111.14	61,515.17	250,000.00	24.61%	188,484.83	0.00
Audit Expense	0.00	10,000.00	40,000.00	25.00%	9,000.00	21,000.00
Professional Services	48,312.02	128,059.82	1,539,809.00	8.32%	577,225.96	834,523.22
Professional Fees	69,729.93	230,526.08	2,189,809.00	10.53%	881,298.22	1,077,984.70
Conference-Staff	2,436.56	5,007.46	38,945.00	12.86%	0.00	33,937.54
Conference-Directors	510.00	3,433.00	23,700.00	14.49%	0.00	20,267.00
Travel & Accom.-Staff	2,870.65	8,858.40	95,600.00	9.27%	0.01	86,741.59
Travel & Accom.-Directors	376.96	3,242.96	49,850.00	6.51%	0.00	46,607.04
Travel & Conference	6,194.17	20,541.82	208,095.00	9.87%	0.01	187,553.17
Membership/Sponsorship	239.00	65,160.60	142,102.00	45.85%	0.00	76,941.40
CDR Support	10,950.64	10,950.64	48,803.00	22.44%	32,851.93	5,000.43
Dues & Memberships	11,189.64	76,111.24	190,905.00	39.87%	32,851.93	81,941.83
Business Expense	362.76	1,445.85	5,200.00	27.80%	0.00	3,754.15
Maintenance Office	5,410.27	22,383.08	123,500.00	18.12%	100,056.92	1,060.00
Building Repair & Maintenance	1,777.30	5,888.58	11,000.00	53.53%	4,511.42	600.00
Storage Rental & Equipment Lease	195.29	583.92	8,400.00	6.95%	4,416.08	3,400.00
Office Supplies	1,207.97	3,958.06	35,580.00	11.12%	3,198.67	28,423.27
Postage/Mail Delivery	524.81	1,768.20	10,500.00	16.84%	3,131.68	5,600.12
Subscriptions & Books	120.00	423.59	1,500.00	28.24%	0.00	1,076.41
Reproduction Expense	99.18	4,124.40	27,275.00	15.12%	2,734.88	20,415.72
Maintenance-Computers	0.00	878.08	10,000.00	8.78%	1,754.27	7,367.65
Software Purchase	1,829.03	5,646.29	44,260.00	12.76%	0.00	38,613.71
Software Support	8,099.80	17,766.41	48,894.00	36.34%	1,437.00	29,690.59
Computers and Equipment	0.00	8,706.36	33,050.00	26.34%	0.00	24,343.64
Automotive Expense	1,662.37	4,115.06	16,400.00	25.09%	0.00	12,284.94
Toll Road Charges	65.76	172.70	1,000.00	17.27%	0.00	827.30
Insurance Expense	8,852.34	26,572.73	110,250.00	24.10%	0.00	83,677.27
Utilities - Telephone	1,455.37	3,749.48	21,300.00	17.60%	0.00	17,550.52
Bank Fees	1,104.60	3,014.59	11,000.00	27.41%	0.00	7,985.41
Miscellaneous Expense	4,525.29	21,226.24	119,650.00	17.74%	0.00	98,423.76
MWDOC's Contrb. To WEROC	14,934.75	326,461.25	460,874.00	70.84%	0.00	134,412.75
Depreciation Expense	794.41	2,383.22	0.00	0.00%	0.00	(2,383.22)
Other Expenses	53,021.30	461,268.09	1,099,633.00	41.95%	121,240.92	517,123.99
MWDOC's Building Expense	14,827.00	14,827.00	356,400.00	4.16%	39,249.34	302,323.66
Capital Acquisition	12,907.09	12,907.09	249,500.00	5.17%	0.00	236,592.91
TOTAL EXPENSES	551,751.68	2,020,671.82	9,442,487.00	21.40%	1,074,640.42	6,347,174.76
NET INCOME (LOSS)	(526,377.68)	7,045,829.64	0.00			

Municipal Water District of Orange County
Revenues and Expenditures Budget Comparative Report
Water Fund
From July thru September 2017

	Month to Date	Year to Date	Annual Budget	% Used	Budget Remaining
<u>WATER REVENUES</u>					
Water Sales	15,703,087.50	62,904,283.60	154,733,881.00	40.65%	91,829,597.40
Readiness to Serve Charge	863,419.18	2,590,257.54	10,397,278.00	24.91%	7,807,020.46
Capacity Charge CCF	295,400.00	886,200.00	3,544,800.00	25.00%	2,658,600.00
SCP/SAC Pipeline Surcharge	31,378.74	96,346.02	423,000.00	22.78%	326,653.98
Interest	795.52	2,534.79	9,400.00	26.97%	6,865.21
TOTAL WATER REVENUES	16,894,080.94	66,479,621.95	169,108,359.00	39.31%	102,628,737.05
<u>WATER PURCHASES</u>					
Water Sales	15,703,087.50	62,904,283.60	154,733,881.00	40.65%	91,829,597.40
Readiness to Serve Charge	863,419.18	2,590,257.54	10,397,278.00	24.91%	7,807,020.46
Capacity Charge CCF	295,400.00	886,200.00	3,544,800.00	25.00%	2,658,600.00
SCP/SAC Pipeline Surcharge	31,378.74	96,346.02	423,000.00	22.78%	326,653.98
TOTAL WATER PURCHASES	16,893,285.42	66,477,087.16	169,098,959.00	39.31%	102,621,871.84
EXCESS OF REVENUE OVER EXPENDITURES	795.52	2,534.79	9,400.00		

Municipal Water District of Orange County
WUE Revenues and Expenditures (Actuals vs Budget)
From July thru September 2017

	Year to Date Actual	Annual Budget	% Used
Spray To Drip Conversion			
Revenues	16,666.37	257,371.00	6.48%
Expenses	16,739.04	257,371.00	6.50%
Excess of Revenues over Expenditures	(72.67)	0.00	
Member Agency Administered Passthru			
Revenues	0.00	7,200.00	0.00%
Expenses	0.00	7,200.00	0.00%
Excess of Revenues over Expenditures	0.00	0.00	
ULFT Rebate Program			
Revenues	8,250.64	95,000.00	8.68%
Expenses	9,450.64	95,000.00	9.95%
Excess of Revenues over Expenditures	(1,200.00)	0.00	
HECW Rebate Program			
Revenues	68,435.00	340,000.00	20.13%
Expenses	86,175.39	340,000.00	25.35%
Excess of Revenues over Expenditures	(17,740.39)	0.00	
CII Rebate Program			
Revenues	109,230.00	345,000.00	31.66%
Expenses	109,230.00	345,000.00	31.66%
Excess of Revenues over Expenditures	0.00	0.00	
Turf Removal Program			
Revenues	149,525.11	2,552,302.00	5.86%
Expenses	219,293.75	2,552,302.00	8.59%
Excess of Revenues over Expenditures	(69,768.64)	0.00	
Comprehensive Landscape (CLWUE)			
Revenues	44,823.80	520,000.00	8.62%
Expenses	49,841.43	520,000.00	9.58%
Excess of Revenues over Expenditures	(5,017.63)	0.00	
CII, Large Landscape, Performance (OWOW)			
Revenues	0.00	62,722.00	0.00%
Expenses	2,147.00	62,722.00	3.42%
Excess of Revenues over Expenditures	(2,147.00)	0.00	
WUE Projects			
Revenues	396,930.92	4,179,595.00	9.50%
Expenses	492,877.25	4,179,595.00	11.79%
Excess of Revenues over Expenditures	(95,946.33)	0.00	
WEROC			
Revenues	505,677.25	640,933.00	78.90%
Expenses	102,829.80	640,933.00	16.04%
Excess of Revenues over Expenditures	402,847.45	0.00	



Memorandum

DATE: November 08, 2017

TO: Administrative & Finance Committee
(Directors Thomas, Barbre, Finnegan)

FROM: Robert Hunter

SUBJECT: Quarter ending September 2017 YTD Financials Actual versus Budget

The following reports are attached:

- Revenues and Expenditures Actual versus Budget for the General Fund
- Revenues and Expenditures Actual versus Budget Detailed Comparative Report for the General Fund
- Revenues and Expenditures Actual versus Budget for Water Funds
- Revenues and Expenditures Actual versus Budget for Other Funds
- Revenues and Expenditures Actual versus Budget for the Water Use Efficiency Projects

MUNICIPAL WATER DISTRICT OF ORANGE COUNTY
Revenues and Expenditures Actual versus Budget Summary Report
Fiscal Year to Date ending September 2017 (Unaudited)
(\$000 Omitted)
General Fund and Reserve Fund

GENERAL FUND

	<u>YTD Actual</u>	<u>Annual Budget</u>	<u>% Used</u>
<u>REVENUES</u>			
Water Rate revenues:			
Retail Connection Charge	7,436	7,436	100.0%
Ground Water Customer Charge	469	469	100.0%
Subtotal	7,904	7,904	100.0%
Other Revenues:			
Interest income ⁽¹⁾	66	150	44.3%
Choice Programs ⁽²⁾	1,094	1,177	93.0%
School Contracts ⁽³⁾	0	70	0.0%
Other income	1	3	45.7%
Transfer in from Reserve ⁽⁴⁾	0	138	0.0%
Subtotal	1,162	1,538	75.6%
TOTAL REVENUES	9,067	9,443	96.0%
<u>EXPENSES</u>			
Personal Expenses (incl. Dir.)	1,204	5,148	23.4%
Professional services ⁽⁵⁾	138	1,580	8.7%
Outside engineering ⁽⁶⁾	31	360	8.6%
Legal expense	62	250	24.6%
Travel & Conference ⁽⁷⁾	21	208	9.9%
Dues and memberships ⁽⁸⁾	76	191	39.9%
General & Admin expense ⁽⁹⁾	461	1,100	41.9%
Building repair & expense ⁽¹⁰⁾	15	356	4.2%
Capital acquisition (not including building repairs) ⁽¹¹⁾	13	250	5.2%
TOTAL EXPENSES	2,021	9,442	21.4%
EXCESS OF REVENUES OVER EXPENSES	7,046		

RESERVE FUND

Beginning Balance	4,690
Nov 2016 - excess from FY 15-16 General Fund	560
Net OPEB Asset	484
TOTAL RESERVE FUND	5,734

(1) Interest Income higher due to raising yields and temporary fee reduction at OCIP.

(2) Choice programs billed in September.

(3) School Contracts invoiced after September.

(4) Transfer in from Reserves to cover budgeted expenses for FY 2017-18.

(5) Professional Services - Projects in process.

(6) Engineering projects in process.

(7) Travel & Conference scheduled throughout the fiscal year.

(8) Dues and memberships are primarily paid in the beginning of the year.

(9) General & Admin expense higher due to capital contribution to WEROC.

(10) Building repair & expense scheduled throughout the fiscal year.

(11) Capital acquisition being performed throughout the fiscal year.

Municipal Water District of Orange County
Revenues and Expenditures Actual vs Budget Line Item Report
Fiscal Year to Date ending September 2017 (Unaudited)
General Fund

	YTD ACTUAL	ANNUAL BUDGET	% Used
REVENUES			
Retail Connection Charge	7,435,834	7,435,834	100.00%
Ground Water Customer Charge	468,565	468,565	100.00%
Water Rate Revenues	7,904,399	7,904,399	100.00%
Choice Programs	1,094,256	1,176,618	93.00%
Interest Revenue	66,474	150,000	44.32%
Miscellaneous Income	1,372	3,000	45.75%
School Contracts	0	70,000	0.00%
Transfer in from Reserve	0	138,470	0.00%
Other Revenues	1,162,102	1,538,088	75.56%
TOTAL REVENUES	9,066,501	9,442,487	96.02%

OPERATING EXPENSES			
Salaries & Wages	841,309	3,571,210	23.56%
less Recovery's	(2,840)	(23,279)	12.20%
Directors' Compensation	52,610	243,197	21.63%
MWD Representation	30,831	138,969	22.19%
Employee Benefits	245,426	1,056,766	23.22%
less Recovery's	(561)	0	0.00%
Directors Benefits	20,236	81,728	24.76%
Health Insurances for Retirees	12,705	59,554	21.33%
Training Expense	0	10,000	0.00%
Tuition Reimbursement	0	5,000	0.00%
Temporary Help Expense	4,775	5,000	0.00%
Personnel Expenses	1,204,490	5,148,145	23.40%
Engineering Expense	30,951	360,000	8.60%
Legal Expense	61,515	250,000	24.61%
Audit Expense	10,000	40,000	25.00%
Professional Services	128,060	1,539,809	8.32%
Professional Fees	230,526	2,189,809	10.53%
Conference-Staff	5,007	38,945	12.86%
Conference-Directors	3,433	23,700	14.49%
Travel & Accom.-Staff	8,858	95,600	9.27%
Travel & Accom.-Directors	3,243	49,850	6.51%
Travel & Conference	20,542	208,095	9.87%
Membership/Sponsorship	65,161	142,102	45.85%
CDR Support	10,951	48,803	22.44%
Dues & Memberships	76,111	190,905	39.87%

Municipal Water District of Orange County
Revenues and Expenditures Actual vs Budget Line Item Report
Fiscal Year to Date ending September 2017 (Unaudited)
General Fund

	YTD ACTUAL	ANNUAL BUDGET	% Used
Business Expense	1,446	5,200	27.80%
Maintenance Office	22,383	123,500	18.12%
Building Repair & Maintenance	5,889	11,000	53.53%
Storage Rental & Equipment Lease	584	8,400	6.95%
Office Supplies	3,958	35,580	11.12%
Postage/Mail Delivery	1,768	10,500	16.84%
Subscriptions & Books	424	1,500	28.24%
Reproduction Expense	4,124	27,275	15.12%
Maintenance-Computers	878	10,000	8.78%
Software Purchase	5,646	44,260	12.76%
Software Support	17,766	48,894	36.34%
Computers and Equipment	8,706	33,050	26.34%
Automotive Expense	4,115	16,400	25.09%
Toll Road Charges	173	1,000	17.27%
Insurance Expense	26,573	110,250	24.10%
Utilities - Telephone	3,749	21,300	17.60%
Bank Fees	3,015	11,000	27.41%
Miscellaneous Expense	21,226	119,650	17.74%
MWDOC's Contribution To WEROC	326,461	460,874	70.84%
Depreciation Expense	2,383	0	0.00%
MWDOC Building Expense	14,827	356,400	4.16%
Capital Acquisition	12,907	249,500	5.17%
Other Expenses	489,002	1,705,533	28.67%
TOTAL EXPENSES	2,020,672	9,442,487	21.40%
EXCESS OF REVENUES OVER EXPENSES	7,045,830	0	

MUNICIPAL WATER DISTRICT OF ORANGE COUNTY
Statement of Revenues and Expenditures
Fiscal Year to Date ending September 2017 (Unaudited)
Water Funds

	<u>YTD Actual</u>	<u>Annual Budget</u>	<u>Balance</u>
<u>Water Revenues</u>			
Water Sales	62,904,284	154,733,881	(91,829,597)
Ready to Serve Charge	2,590,258	10,397,278	(7,807,020)
Capacity Charge Flat Rate	886,200	3,544,800	(2,658,600)
SCP/SAC Pipeline Surcharge	96,346	423,000	(326,654)
Interest	<u>2,535</u>	<u>9,400</u>	<u>(6,865)</u>
Total Water Revenues	<u>66,479,622</u>	<u>169,108,359</u>	<u>(102,628,737)</u>
<u>Water Purchases</u>			
Water Sales	62,904,284	154,733,881	(91,829,597)
Ready to Serve Charge	2,590,258	10,397,278	(7,807,020)
Capacity Charge	886,200	3,544,800	(2,658,600)
SCP/SAC Pipeline Surcharge	<u>96,346</u>	<u>423,000</u>	<u>(326,654)</u>
Total Water Purchases	<u>66,477,087</u>	<u>169,098,959</u>	<u>(102,621,872)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>2,535</u>	<u>9,400</u>	<u>(6,865)</u>

MUNICIPAL WATER DISTRICT OF ORANGE COUNTY
Revenues and Expenditures Actual versus Budget
Fiscal Year to Date ending September 2017 (Unaudited)
Other Funds

	<u>YTD Actual</u>	<u>Annual Budget</u>	<u>Balance</u>
<u>WEROC</u>			
Revenues	505,677	640,933	(135,256)
Expenditures	102,830	640,933	(538,103)
Excess of Revenues over Expenditures	402,847	0	402,847

WUE Projects (details on next page)

Revenues	396,931	4,179,595	(3,782,664)
Expenditures	492,877	4,179,595	(3,686,718)
Excess of Revenues over Expenditures	(95,946)	0	(95,946)

Footnote:

- 1) The excess of expense over revenue is waiting for reimbursement.
- 2) USBR (Federal) Grant is billed in October and April with funds being received one month later.
- 3) DWR is billed quarterly to county and takes a few months to a year to receive funds.

MUNICIPAL WATER DISTRICT OF ORANGE COUNTY
Revenues and Expenditures Actual versus Budget
Fiscal Year to Date ending September 2017 (Unaudited)
Water Use Efficiency Projects

	<u>Actual</u>	<u>Variance</u> <u>%</u>	<u>Fiscal Year</u> <u>Budget</u>	<u>% of</u> <u>Budget</u>	<u>Projected</u> <u>Final</u> <u>FY Budget</u>
<u>Spray to Drip Conversion</u>					
Revenues	16,666		257,371	6.48%	257,371
Expenditures	16,739		257,371	6.50%	257,371
Excess of Revenues over Expenditures	(73)	0%	0		

Actual Variance:

Budget Variance: Actual numbers and percentages (%) represent 3 months of a 12 month program. As of now, on target.

Member Agency Administered Pass thru

Revenues	0		7,200	0.00%	7,200
Expenditures	0		7,200	0.00%	7,200
Excess of Revenues over Expenditures	0	0%	0		

Actual Variance:

Budget Variance: Agency's due to start their programs later next year.

ULFT Rebate Program

Revenues	8,251		95,000	8.68%	95,000
Expenditures	9,451		95,000	9.95%	95,000
Excess of Revenues over Expenditures	(1,200)	-15%	0		

Actual Variance: This tracks agency toilet programs, agencies slow to implement.

Budget Variance: Actual numbers and percentages (%) represent 3 months of a 12 month program. As of now, on target.

HECW Rebate Program

Revenues	68,435		340,000	20.13%	340,000
Expenditures	86,175		340,000	25.35%	340,000
Excess of Revenues over Expenditures	(17,740)	-26%	0		

Actual Variance: Payment to Agencies out ahead of Metropolitan reimbursements

Budget Variance: Actual numbers and percentages (%) represent 3 months of a 12 month program. As of now, on target.

Notes:

[1] Variance from Revenues to Expenses. When greater than 5%, an explanation is provided.

[2] Fiscal year budget versus Actual

[3] With each quarterly report the projected fiscal year end budget may be re-adjusted.

MUNICIPAL WATER DISTRICT OF ORANGE COUNTY
Revenues and Expenditures Actual versus Budget
Fiscal Year to Date ending September 2017 (Unaudited)
Water Use Efficiency Projects

	<u>Actual</u>	<u>Variance</u> <u>%</u>	<u>Fiscal Year</u> <u>Budget</u>	<u>% of</u> <u>Budget</u>	<u>Projected</u> <u>Final</u> <u>FY Budget</u>
<u>CII Rebate Program</u>					
Revenues	109,230		345,000	31.66%	345,000
Expenditures	109,230		345,000	31.66%	345,000
Excess of Revenues over Expenditures	<u>0</u>	0%	<u>0</u>		<u></u>

Actual Variance:

Budget Variance: Actual numbers and percentages (%) represent 3 months of a 12 month program. As of now, on target.

Turf Removal Program

Revenues	149,525		2,552,302	5.86%	2,552,302
Expenditures	219,294		2,552,302	8.59%	2,552,302
Excess of Revenues over Expenditures	<u>(69,769)</u>	-47%	<u>0</u>		<u></u>

Actual Variance: Payment to Program Participants ahead of Grant and Metropolitan reimbursements

Budget Variance: Actual numbers and percentages (%) represent 3 months of a 12 month program. As of now, on target.

Comprehensive Landscape (CLWUE)

Revenues	44,824		520,000	8.62%	520,000
Expenditures	49,841		520,000	9.58%	520,000
Excess of Revenues over Expenditures	<u>(5,018)</u>	-11%	<u>0</u>		<u></u>

Actual Variance: Revenues slightly behind expenses due to lag in payment from submitted reports.

Budget Variance: Actual numbers and percentages (%) represent 3 months of a 12 month program. As of now, on target.

CII, Large Landscape, Performance (OWOW)

Revenues	0		62,722	0.00%	62,722
Expenditures	2,147		62,722	3.42%	62,722
Excess of Revenues over Expenditures	<u>(2,147)</u>	0%	<u>0</u>		<u></u>

Actual Variance: Expenses are monthly, Grant reimbursement is quarterly. Grant reprot submitted on time.

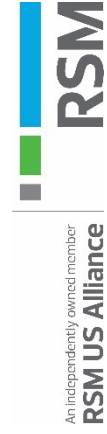
Budget Variance: Actual numbers and percentages (%) represent 3 months of a 12 month program. As of now, on target.

Notes:

[1] Variance from Revenues to Expenses. When greater than 5%, an explanation is provided.

[2] Fiscal year budget versus Actual

[3] With each quarterly report the projected fiscal year end budget may be re-adjusted.



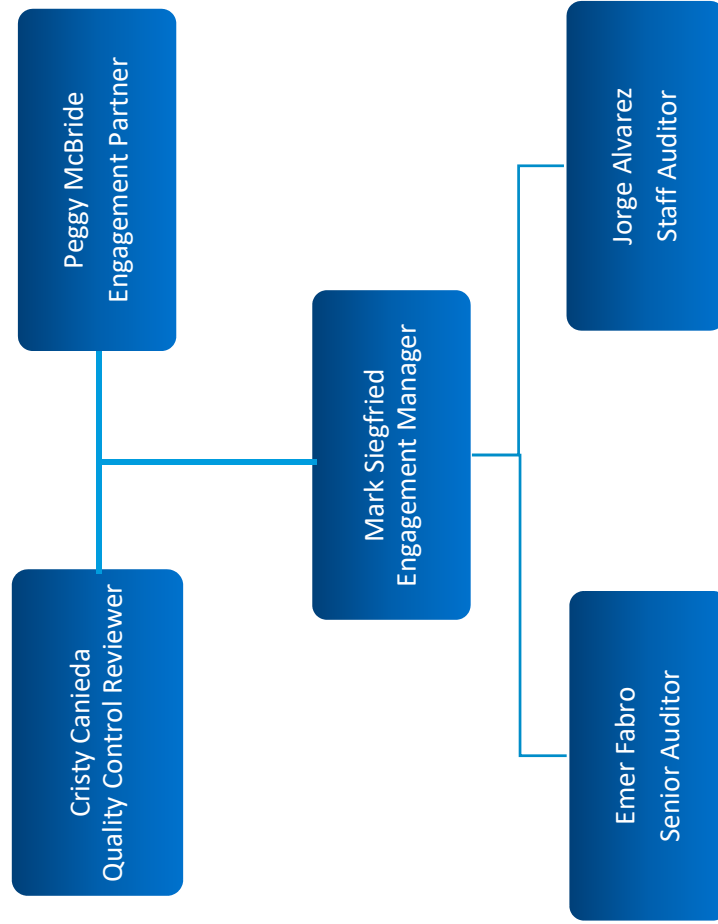
Members AICPA Division of Firms ♦ Center for Public Company Audit Firms ♦ Registered with Public Company Accounting Oversight Board
801 S. Grand Avenue, Suite 400, Los Angeles, CA 90017-4646 ♦ Member of the Government Finance Officers Association
Tel No. (213) 873-1700 ♦ Fax (213) 873-1777 ♦ www.vasquezcpa.com
Contact: Peggy McBride, CPA ♦ Dated: November 8, 2017

Agenda

- The Audit Team
- Audit Strategy
- Results of the Audit
 - Financial Audit
 - Uniform Guidance
 - SAS 114 Communication
 - SAS 115
- New Accounting Pronouncements
- Plans for Next Year

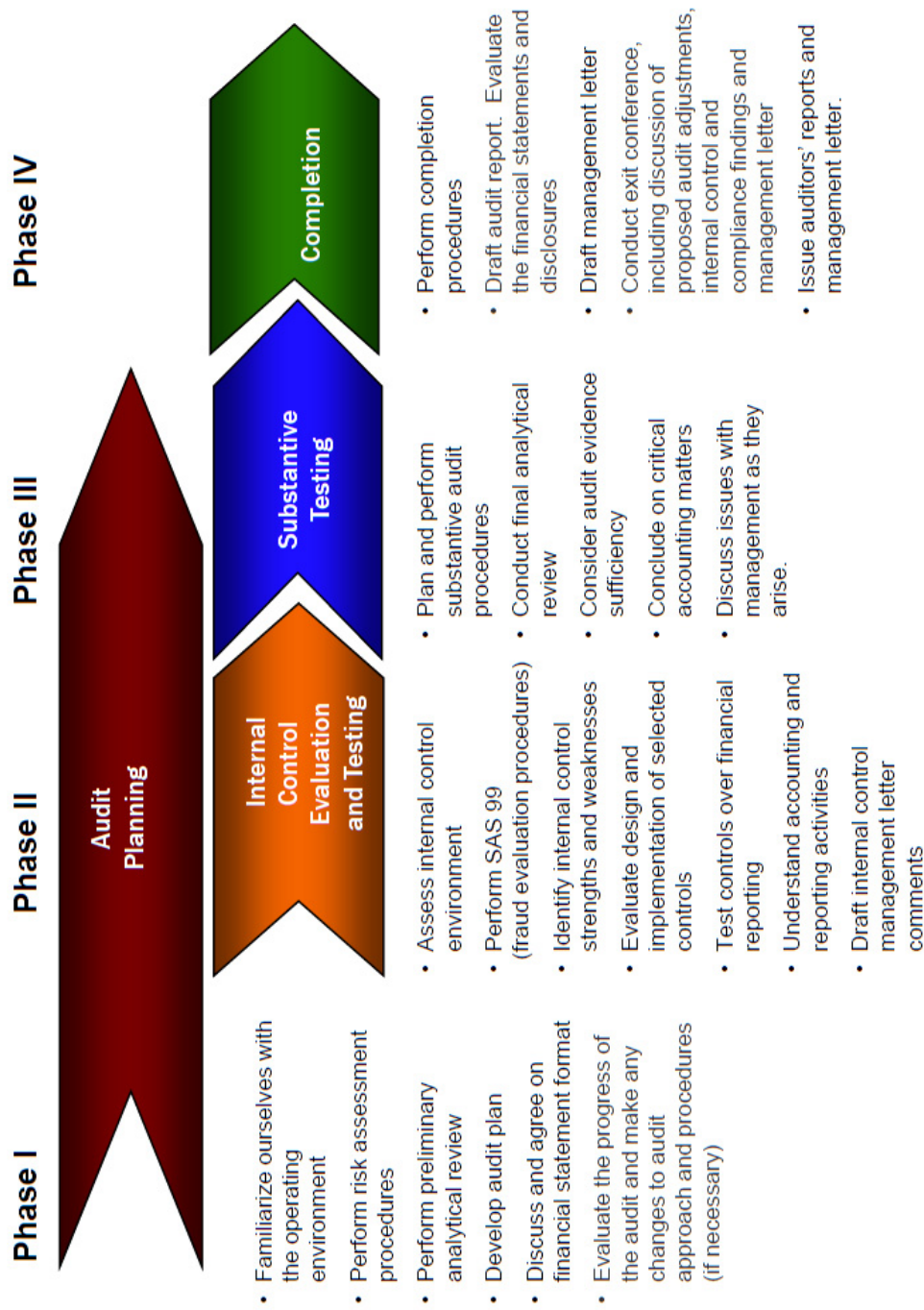
THE AUDIT TEAM

Engagement Team



AUDIT STRATEGY

Audit Strategy



Audit Area

Focus

Cash and Investments

The fair values reported in the statements of net position are fairly stated with no inaccurate, incomplete, or missing disclosures related to investment securities.

Receivables and related allowance for doubtful accounts

Receivables are recorded correctly and are properly valued as to collectability.

Capital Assets

Capital assets, capital expenditures and related depreciation are monitored and fairly stated in the financial statements.

Pension and OPEB liabilities

Pension and OPEB liabilities are properly valued and disclosed in the financial statements.

Revenues

Ensured that billings to agency participants are reasonably stated and confirmed directly with various agencies on a sample basis

Expenditures/Payroll

Expenditures are incurred in compliance with budgetary constraints and procurement policies. Payroll costs are correctly allocated and are supported by documentation of hours and rates.



Audit Risks

- Revenue Recognition
 - Tested through analytic procedures, confirmations and through testing of the cutoff of the year-end receivables balance
- Related Party Transactions
 - Tested through review of the Form 700s as well as payments to vendors during the year through IDEA testing
- Bidding Procedures not in accordance with District policies
 - Tested a sample of contracts entered into during the year and compared to stated District policies
- Investments not in accordance with District and State of California policies
 - Tested a sample of quarterly reports during the year
- Fraudulent or improper journal entries were posted during the year
 - Tested through use of IDEA to ensure that entries were not posted on weekends, there were no gaps in sequence and that entries with round numbers were proper and had support validating the entry.
- Disclosure of net pension liability and OPEB obligations
 - Agreed to reports provided by third party actuaries and underlying data provided by MWDOC

IDEA Analysis

- We performed data analytics to test disbursements and general ledger transactions for unusual events, such as:
 - Gaps in check sequence
 - Transactions posting outside of business hours
 - Transactions/payments with even dollar amounts
 - Unusually large dollar payments
- All potential issues were investigated and resolved satisfactorily

RESULTS OF THE AUDIT

Report of Independent Auditors

UNMODIFIED OPINION

- Audit performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*
- The financial statements fairly present, in all material respects, Municipal Water District of Orange County's:
 - Financial position
 - Results of operations
 - Changes in net assets
 - Cash flows
- Report on Internal Control over Financial Reporting and on Compliance - No material weaknesses, significant deficiencies, and noncompliance noted

SAS 114 – AUDITORS’ REQUIRED COMMUNICATION TO THOSE CHARGED WITH GOVERNANCE

Required Communications

- Management has primary responsibility for the accounting principles used, including their consistency, application, clarity and completeness.
- We are not aware of any consultations by management with other accountants about accounting or auditing matters.
- We did not encounter any difficulties with management while performing our audit procedures that require the attention of the Administration and Finance Committee and the Board.
- We encountered no disagreements with management on financial accounting and reporting matters as it relates to the current year financial statements.
- MWDOC's significant accounting policies are appropriate and management has applied its policies consistently with prior periods in all material respects.
- No significant or unusual transactions or accounting policies in controversial or emerging areas for which there is lack of authoritative guidance or consensus were identified.

Required Communications

- There were no material audit adjustments made during the year.
- No significant issues were discussed, or subject to correspondence, with management prior to retention.
- No significant deficiencies or material weaknesses in internal controls were identified.
- No irregularities, fraud or illegal acts or that would cause a material misstatement of the financial statements, came to our attention as a result of our audit procedures.
- MWDOC will provide us with a signed copy of the management representation letter at the end of the audit and prior to our issuance of the financial statements.

Independence

There are no relationships between any of our representatives and MWDOC that in our professional judgment may reasonably be thought to bear on independence.

We confirm that we are independent of MWDOC within the meaning of the independence, integrity and objectivity rules, regulations, interpretations, and rulings of the AICPA, Government Accounting Standards Board, the State of California Board of Accountancy, and other regulatory agencies.

Noted Best Practices

Required Vacation

- MWDOC should require that accounting personnel take vacation of five consecutive days and/or during key transaction cycle periods, such as distribution of accounts payable and payroll checks, so as to ensure that MWDOC has proper backup and training of personnel as well as to prevent possible fraud.

NEW ACCOUNTING PRONOUNCEMENTS

New Accounting Pronouncements – Effective This Year

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2017, that have effective dates that impact current financial presentations. Implementation of the following had no impact on the financial statements of the District.

GASB 73 – Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68

GASB 74 – Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans

GASB 77 – Tax Abatement Disclosures

GASB 78 – Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans

GASB 79 – Certain External Investment Pools and Pool Participants

GASB 80 – Blending Requirements for Certain Component Units - An Amendment of GASB 14

GASB 82 – Pension Issues - An Amendment of GASB 67, 68 and 73

New Accounting Pronouncements – Effective in Future Years

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2017, that have effective dates that impact future financial presentations. Management has not yet determined any impact the implementation of the following statements may have on the financial statements of the District.

GASB 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Effective for periods beginning after June 15, 2017

GASB 81 – Irrevocable Split-Interest Agreements. Effective for periods beginning after December 15, 2016.

GASB 83 – Certain Asset Retirement Obligations. Effective for periods beginning after June 15, 2018.

GASB 84 – Fiduciary Activities. Effective for periods beginning after December 15, 2018.

GASB 85 – Omnibus 2017. Effective for periods beginning after June 15, 2017.

GASB 86 – Certain Debt Extinguishment Issues. Effective for periods beginning after June 15, 2017.

GASB 87 – Leases. Effective for periods beginning after December 15, 2019.

PLANS FOR NEXT YEAR

Plans for Next Year

- Keep the audit fresh by adding unpredictability to our procedures.
- Continue with substantially the same audit team.
- Maintain high quality auditing standards.
- Identify areas of improvement and review our comments to management in order to determine and document whether they have been implemented.
- Provide updates on recent developments affecting your organization as well as provide assistance in implementing GASB pronouncements as needed. Help with implementation of GASB 75.
- Work with management on timing of audit of financial statements, as well as the Single Audit, if needed.

QUESTIONS

THANK YOU FOR
YOUR TIME AND
ATTENTION

Contact Information

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October 26, 2017

**Honorable Members of the Board of Directors
Municipal Water District of Orange County**

We are pleased to present this report related to our audit of the financial statements of Municipal Water District of Orange County (the District) as of and for the year ended June 30, 2017. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the District's financial reporting process.

This report is intended solely for the information and use of the Board of Directors, the Administration and Finance Committee and management, and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to the District.

Very truly yours,

Vasquez & Company LLP



Margaret McBride
Partner



Required Communications

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Area	Comments
Our Responsibilities With Regard to the Financial Statement Audit	Our responsibilities under auditing standards generally accepted in the United States of America and <i>Government Auditing Standards</i> issued by the Comptroller General of the United States have been described to you in our arrangement letter dated May 2, 2017. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.
Overview of the Planned Scope and Timing of the Financial Statement Audit	We have issued a separate communication dated May 9, 2017 regarding the planned scope and timing of our audit and have discussed with you our identification of, and planned audit response to, significant risks of material misstatement.
Accounting Policies and Practices	Management has the ultimate responsibility for the appropriateness of the accounting policies used by the District. The District did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period.
Significant or Unusual Transactions	We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.
Going Concern	The financial statements were prepared on the assumption that the District will continue as a going concern.
Audit Adjustments	There were no audit adjustments proposed by us and recorded by the District during the audit.
Uncorrected Misstatements	We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.
Disagreements With Management	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.
Significant Issues Discussed With Management	No significant issues arising from the audit were discussed or the subject of correspondence with management.



Area	Comments
Significant Difficulties Encountered in Performing the Audit	We did not encounter any significant difficulties in dealing with management during the audit.
Significant Written Communications Between Management and Our Firm	Copies of material written communications between our firm and the management of the District, including the representation letter provided to us by management, are attached.



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Director

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Director

Robert J. Hunter
General Manager

MEMBER AGENCIES

City of Brea

City of Buena Park

East Orange County Water District

El Toro Water District

Emerald Bay Service District

City of Fountain Valley

City of Garden Grove

Golden State Water Co.

City of Huntington Beach

Irvine Ranch Water District

Laguna Beach County Water District

City of La Habra

City of La Palma

Mesa Water District

Moulton Niguel Water District

City of Newport Beach

City of Orange

Orange County Water District

City of San Clemente

City of San Juan Capistrano

Santa Margarita Water District

City of Seal Beach

Serrano Water District

South Coast Water District

Trabuco Canyon Water District

City of Tustin

City of Westminster

Yorba Linda Water District

October 26, 2017

Vasquez & Company LLP
801 South Grand Avenue, Suite 400
Los Angeles, California 90017-4646

This representation letter is provided in connection with your audit of the basic financial statements of Municipal Water District of Orange County as of and for the year ended June 30, 2017 for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

We confirm, to the best of our knowledge and belief, that as of October 26, 2017:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated May 2, 2017, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events, and our assumptions about conditions we expect to exist and courses of action we expect to take.
5. Related-party transactions, including long-term loans, leasing arrangements, and guarantees, have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
6. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
8. We have no direct or indirect, legal or moral obligation for any debt of any organization, public or private, or to special assessment bond holders that is not disclosed in the financial statement.
9. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance. In connection therewith, we specifically represent that we are responsible for determining that we are not subject to the requirements of the Single Audit Act because we have not received, expended or otherwise been the beneficiary of the required amount of federal awards during the period of this audit.

10. We have no knowledge of any uncorrected misstatements in the financial statements.

Information Provided

11. We have provided you with:

- a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters;
- b. Additional information that you have requested from us for the purpose of the audit;
- c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence; and
- d. Minutes of the meetings of the governing boards and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.

12. All transactions have been recorded in the accounting records and are reflected in the financial statements.

13. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.

14. We have no knowledge of allegations of fraud or suspected fraud, affecting the entity's financial statements involving:

- a. Management.
- b. Employees who have significant roles in the internal control.
- c. Others where the fraud could have a material effect on the financial statements.

15. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements received in communications from employees, former employees, analysts, regulators, short sellers, or others.

16. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects were considered when preparing financial statements.

17. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

18. We have disclosed to you the identity of the entity's related parties and all the related-party relationships and transactions of which we are aware.

19. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the entity's ability to record, process, summarize, and report financial data.

20. We are aware of no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

21. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

Supplementary Information

22. With respect to supplementary information presented in relation to the financial statements as a whole:

- a. We acknowledge our responsibility for the presentation of such information.
- b. We believe such information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America.

- c. The methods of measurement or presentation have not changed from those used in the prior period.
 - d. When supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.
23. With respect to the required supplementary information presented as required by accounting principles generally accepted in the United States of America to supplement the basic financial statements:
- a. We acknowledge our responsibility for the presentation of such required supplementary information.
 - b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by accounting principles generally accepted in the United States of America.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.

Compliance Considerations

In connection with your audit, conducted in accordance with *Government Auditing Standards*, we confirm that management:

- 1. Is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.
- 2. Is responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the auditee.
- 3. Has identified and disclosed to the auditor all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 4. Has identified and disclosed to the auditor all instances that have occurred, or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that have a material effect on the determination of financial statement amounts.
- 5. Has identified and disclosed to the auditor all instances that have occurred, or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements.
- 6. Is responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 7. Acknowledges its responsibility for the design, implementation and maintenance of internal controls to prevent and detect fraud.
- 8. Has taken timely and appropriate steps to remedy fraud; noncompliance with provisions of laws, regulations, contracts, and grant agreements; or abuse that the auditor reports.
- 9. Has a process to track the status of audit findings and recommendations.
- 10. Has identified for the auditor previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 11. Has provided views on the auditor's reported findings, conclusions, and recommendations, as well as management's planned corrective actions, for the report.
- 12. Acknowledges its responsibilities as it relates to nonaudit services performed by the auditor, including a statement that it assumes all management responsibilities; that it oversees the services by

designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; that it evaluates the adequacy and results of the services performed; and that it accepts responsibility for the results of the services.



Robert Hunter



Hilary Chumpitazi

General Manager

Accounting Manager/Treasurer

FINANCIAL REPORT



FOR THE YEAR ENDED
JUNE 30, 2017



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A close-up photograph of a rocky beach. In the upper left, white foam from a crashing wave is visible, partially obscuring the text. Below the foam, several smooth, light-colored (beige and tan) rocks of various sizes are scattered on a bed of small, dark, pebbly sand. The lighting is bright, creating highlights on the wet surfaces of the rocks and the foam.

INDEPENDENT AUDITORS' REPORT

Report of Independent Auditors

The Honorable Members of the Board of Directors Municipal Water District of Orange County

Report on the Financial Statements

We have audited the accompanying financial statements of the Municipal Water District of Orange County (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2017, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Funding Progress for the Other Post-Employment Benefit Plan, Schedule of the District's Proportionate Share of the Net Pension Liability and Schedule of Contributions for the Cost Sharing Retirement Plan on pages 3 through 9 and 33 through 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Prior Year Comparative Information

The financial statements of the District, as of and for the year ended June 30, 2016, were audited by other auditors, whose report, dated November 2, 2016, expressed an unmodified opinion on those statements. The financial statements include summarized prior year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2016, from which such summarized information was derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Vasquez + Company LLP

**Los Angeles, California
October 26, 2017**

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)



**MUNICIPAL WATER DISTRICT OF ORANGE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
JUNE 30, 2017**

The following is a brief discussion of the Municipal Water District of Orange County's (District) activities and financial performance for the year ended June 30, 2017. Please read in conjunction with the District's basic financial statements and accompanying notes which follow this section.

FINANCIAL HIGHLIGHTS

- The District's revenues were \$163.4 million in FY 2016-17, compared to \$183.6 million in the prior fiscal year, an 11.0% decrease.
- The District's expenses were \$162.3 million in FY 2016-17, compared to \$181.7 million in the prior fiscal year, a 10.7% decrease.
- The District's assets at June 30, 2017 were \$46.7 million, a 7.3% decrease compared to total assets of \$50.4 million at June 30, 2016.
- The District's liabilities at June 30, 2017 were \$38.7 million, a 10.0% decrease compared to total liabilities of \$43.0 million at June 30, 2016.
- The District's net position at June 30, 2017 was \$8.6 million, a 15.0% increase compared to net position of \$7.5 million at June 30, 2016.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied. The accompanying financial statements are reported using the economic resources measurement focus, and the accrual basis of accounting.

Under the economic resources measurement focus all assets, deferred inflows and outflows of resources, and liabilities (whether current or noncurrent) associated with these activities are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The District's financial statements, prepared in accordance with generally accepted accounting principles (GAAP), offer key, high-level financial information about District activities during the reporting period. The financial statements of the District consist of three interrelated statements designed to provide the reader with relevant information on the District's financial condition and operating results. These statements offer short-term and long-term financial information about the District's activities utilizing the full accrual basis of accounting.

The *Statement of Net Position* includes all of the District's assets and deferred outflows of resources, less liabilities and deferred inflows of resources, with the difference being reported as Net Position. It also provides the basis for computing rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District.

**MUNICIPAL WATER DISTRICT OF ORANGE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
(CONTINUED)
JUNE 30, 2017**

All of the current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses, and Changes in Net Position*. This statement measures the District's operations over the past year and can be used to determine whether the District has successfully recovered all its projected costs through its rates and other service related charges.

The final required financial statement is the *Statement of Cash Flows* which presents information about the District's cash receipts and cash payments during the reporting period classified as cash receipts, cash payments, and net changes in cash resulting from operations, and investing, non-capital financing, and capital and related financing activities. This statement also provides comparative information on the sources and uses of the District's cash during the reporting period.

FINANCIAL ANALYSIS OF THE DISTRICT

One of the most important questions asked about the District's finances is: "Is the District, as a whole, financially better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District's activities in a way that will help answer this question. These two statements report the net position of the District and changes in them. You can think of the District's net position (the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources) as one way to measure financial health or financial position. Over time, increases or decreases in the District's Net Position are one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other non-financial factors, such as changes in economic conditions, population growth, changes in rates and charges and new or changed government legislation or accounting standards.

**MUNICIPAL WATER DISTRICT OF ORANGE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
(CONTINUED)
JUNE 30, 2017**

STATEMENT OF NET POSITION

Net position is the difference between assets plus deferred outflows of resources, and liabilities plus deferred inflows of resources, and may serve over time as a useful indicator of a government's financial position. The following is a summary of the District's Statement of Net Position.

**Table 1
Condensed Statements of Net Position
(In thousands of dollars)
June 30:**

	<u>2017</u>	<u>2016</u>	<u>Variance</u>	<u>Total Percent Change</u>
Current Restricted Assets	\$ 3,160	\$ 4,783	\$ (1,623)	(33.9%)
Current Unrestricted Assets	41,664	44,264	(2,600)	(5.9%)
Capital Assets	1,364	1,209	155	12.8%
Other Assets	<u>483</u>	<u>117</u>	<u>366</u>	<u>312.8%</u>
Total Assets	<u>46,671</u>	<u>50,373</u>	<u>(3,702)</u>	<u>(7.3%)</u>
Deferred Outflows of Resources	<u>890</u>	<u>454</u>	<u>436</u>	<u>96.0%</u>
Liabilities Payable from Restricted Current Assets	2,046	3,719	(1,673)	(45.0%)
Liabilities Payable from Unrestricted Current Assets	34,814	37,935	(3,121)	(8.2%)
Noncurrent Unrestricted Liabilities	<u>1,871</u>	<u>1,377</u>	<u>494</u>	<u>35.9%</u>
Total Liabilities	<u>38,731</u>	<u>43,031</u>	<u>(4,300)</u>	<u>(10.0%)</u>
Deferred Inflows of Resources	<u>231</u>	<u>320</u>	<u>(89)</u>	<u>(27.8%)</u>
Net Position:				
Net Investment in Capital Assets	1,364	1,209	155	12.8%
Restricted for Trustee Activities	1,114	1,064	50	4.7%
Unrestricted	<u>6,121</u>	<u>5,202</u>	<u>919</u>	<u>17.7%</u>
Total Net Position	<u>\$ 8,599</u>	<u>\$ 7,475</u>	<u>\$ 1,124</u>	<u>15.0%</u>

The decreases in Restricted Assets and Liabilities were caused by the following:

- Both Current Restricted and Unrestricted Assets and Liabilities Payable from Restricted and Unrestricted Current Assets are lower due to the Turf Removal Program having lower costs due to lower number of rebates this fiscal year.

**MUNICIPAL WATER DISTRICT OF ORANGE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
(CONTINUED)
JUNE 30, 2017**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

While the Statement of Net Position shows the financial position at year-end, the Statement of Revenues, Expenses, and Changes in Fund Net Position provides information as to the nature and source of these changes in Net Position. The District reported an increase in net position of \$1,124 thousand for the year ended June 30, 2017, as compared to an increase of \$1,872 thousand for the year ended June 30, 2016. The following is a summary of the change in the District's net position.

**TABLE 2
Condensed Statements of Revenues
Expenses, and Changes in Net Assets
(In thousands of dollars)**

	FY 2017	FY 2016	Variance	Total Percent Change
Operating Revenues	\$ 159,287	\$ 154,568	\$ 4,719	3.1%
Special Projects Revenue	3,927	28,674	\$ (24,747)	(86.3%)
Nonoperating Revenues	199	341	(142)	(41.6%)
Total Revenues	163,413	183,583	(20,170)	(11.0%)
Operating Expense	158,214	152,903	5,311	3.5%
Special Projects Expense	3,927	28,674	(24,747)	(86.3%)
Depreciation Expense	148	134	14	10.4%
Total Expenses	162,289	181,711	(19,422)	(10.7%)
Change in Net Position	1,124	1,872	(748)	(40.0%)
Beginning Net Position	7,475	5,603	1,872	33.4%
Ending Net Position	\$ 8,599	\$ 7,475	\$ 1,124	15.0%

The primary change in revenue and expense accounts was caused by the lower level of rebates paid and reimbursed through the Turf Removal Program.

**MUNICIPAL WATER DISTRICT OF ORANGE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
(CONTINUED)
JUNE 30, 2017**

CAPITAL ASSETS

The following is a summary of the District's capital assets at June 30, 2017 and June 30, 2016.

**Table 3
Capital Assets
(In thousands of dollars)
June 30:**

	<u>2017</u>	<u>2016</u>	<u>Variance</u>	<u>Total Percent Change</u>
Leasehold Improvements	\$ 3,696	\$ 3,415	\$ 281	8.2%
Furniture & Fixtures	457	448	9	2.0%
Subtotal	4,153	3,863	290	7.5%
Less Accumulated Depreciation	(2,789)	(2,653)	(136)	5.1%
Net Capital Assets	\$ 1,364	\$ 1,210	\$ 154	12.7%

The District refurbished five offices, remodeled a hallway, purchased carpet, designed entryway displays and contributed to an upgrade and remodel of the HVAC and the entry way remodel of the common area shared with Orange County Water District. Additional information regarding capital assets can be found in Notes 1 and 4 of the notes to financial statements.

DEBT ADMINISTRATION

The District had no debt outstanding as of June 30, 2017. No new long-term debt was incurred in the year ended June 30, 2017, and the District does not plan to issue new debt in the year ending June 30, 2018.

**MUNICIPAL WATER DISTRICT OF ORANGE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
(CONTINUED)
JUNE 30, 2017**

BUDGETARY HIGHLIGHTS

The District is governed by a Board of Directors consisting of seven elected members. The Board adopts an annual appropriated budget prior to the start of the fiscal year. The Budget may be revised by Board action during the fiscal year. All amendments to the budget, or transfers of operating budget appropriations to or from reserve accounts, require Board notification. The General Manager is authorized to transfer budget amounts within programs. The legal level of budgetary control is at the total fund level. An actual vs. budget comparison statement for FY 2016-17 is presented in Table 4 to demonstrate compliance with the adopted budget.

**TABLE 4
FY 2017 Actual vs FY 2017 Budget
(In thousands of dollars)**

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>Total Percent Change</u>
Revenues:				
From Operations	\$ 163,214	\$ 152,973	\$ 10,241	6.7%
Nonoperating Revenues	199	131	68	51.9%
Total Revenues	163,413	153,104	10,309	6.7%
Expenses:				
From Operations				
Cost of Water	150,877	139,751	(11,126)	(8.0%)
Other Operating	11,264	13,877	2,613	18.8%
Depreciation	148	135	(13)	(9.6%)
Total Expenses	162,289	153,763	(8,526)	(5.5%)
Change In Net Assets	\$ 1,124	\$ (659)	\$ 1,783	(270.6%)

The variances on the budget to actual are as follows:

- Revenues from Operations were \$10.2 million more than budget due to an increase in water sales.
- Expenses from Cost of Water purchased were \$11.1 million higher than budget due to increase in water sales.
- Other Operating expenses were \$2.6 million lower due to projects taking longer which reduced engineering expense by \$300 thousand, professional services by \$1.5 million, and building expense by \$210 thousand. In addition two open positions were staffed halfway through the year which reduced salaries and benefits by \$313 thousand. Also, our anticipated legal expenses were less by \$164 thousand and miscellaneous expense by \$111 thousand.

**MUNICIPAL WATER DISTRICT OF ORANGE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
(CONTINUED)
JUNE 30, 2017**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The District's Board of Directors and management considered many factors during preparation and approval of the annual budget for FY 2017-18. The budgeted operating expenses total \$178.5 million and operating and non-operating revenues total \$178.4 million.

Historically, the District has recouped the cost of water purchased from the resale of imported water to the District's 28 water agencies located in Orange County. In addition MWDOC has charged both a per acre-foot surcharge and a per retail meter charge to cover its operating budget. In past history, the District's operating revenue has been approximately 65% from per retail connection charges, and 35% from per acre-foot charges. Beginning in 2011-12, MWDOC began transitioning from the two-component rate structure to one involving only a single component. Over a five year period, ending in 2015-16, MWDOC had been transitioning from a water rate structure involving a per acre-foot charge and a fixed per retail meter charge to a 100% on the per retail meter charge. Beginning FY 2016-17 MWDOC has established two classes of customers, a retail meter and a groundwater customer. The District's budget is now allocated between retail meter customer and groundwater customer. In addition MWDOC's agencies will also pay for the resale cost of imported water.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is intended to provide the Board of Directors, customers, taxpayers, creditors, and other interested parties with a general overview of the District's financial operations and condition at the year ended June 30, 2017, and to demonstrate the District's accountability for the funds it receives. If you have questions about this report or need additional information, you may contact the Municipal Water District of Orange County, Finance Dept., at 18700 Ward Street, Fountain Valley, CA 92708, (714) 963-3058, www.mwdoc.com.



BASIC FINANCIAL STATEMENTS

Statement of Net Position

Statement of Revenues,
Expenses and Changes in Net Position

Statement of Cash Flows

MUNICIPAL WATER DISTRICT OF ORANGE COUNTY

Statement of Net Position

June 30, 2017

(with comparative data as of June 30, 2016)

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Current Assets:		
Restricted Assets:		
Cash and Cash Equivalents (Note 2)	\$ 901,769	\$ 2,949,837
Accounts Receivable Other	2,254,756	1,830,906
Accrued Interest Receivable	3,038	1,887
Total Restricted Assets	<u>3,159,563</u>	<u>4,782,630</u>
Unrestricted Assets:		
Cash and Cash Equivalents (Note 2)	5,936,806	5,169,438
Investments (Note 2)	3,012,987	3,144,608
Accounts Receivable:		
Water Sales	32,368,203	31,613,865
Other	138,348	4,159,609
Accrued Interest Receivable	31,259	36,428
Deposits and Prepaid Expenses	176,431	139,782
Total Unrestricted Assets	<u>41,664,034</u>	<u>44,263,730</u>
Total Current Assets	<u>44,823,597</u>	<u>49,046,360</u>
Noncurrent Assets:		
Unrestricted Assets:		
Capital Assets, Net (Note 4)	1,363,604	1,209,464
Net Other Post Employment Benefits		
(OPEB) Asset (Note 6)	483,546	117,085
Total Noncurrent Assets	<u>1,847,150</u>	<u>1,326,549</u>
TOTAL ASSETS	<u>46,670,747</u>	<u>50,372,909</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred Amount Related to Pensions (Note 8)	890,291	453,547
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>890,291</u>	<u>453,547</u>

MUNICIPAL WATER DISTRICT OF ORANGE COUNTY

Statement of Net Position (Continued)

June 30, 2017

(with the comparative data as of June 30, 2016)

	<u>2017</u>	<u>2016</u>
<u>LIABILITIES</u>		
Current Liabilities:		
Payable from Restricted Assets		
Accrued Liabilities	331,323	1,637,376
Advances from Participants	1,714,186	1,967,473
Unearned Revenue	-	109,305
Due to Participants	-	4,823
Total Payable from Restricted Assets	<u>2,045,509</u>	<u>3,718,977</u>
Unrestricted Liabilities:		
Accounts Payable, Metropolitan Water District of Southern California	33,029,534	35,825,894
Accrued Liabilities	<u>1,784,818</u>	<u>2,109,579</u>
Total Unrestricted Liabilities	<u>34,814,352</u>	<u>37,935,473</u>
Total Current Liabilities	<u>36,859,861</u>	<u>41,654,450</u>
Noncurrent Liabilities:		
Unrestricted Liabilities:		
Net Pension Liability (Note 8)	<u>1,871,472</u>	<u>1,376,955</u>
Total Noncurrent Liabilities	<u>1,871,472</u>	<u>1,376,955</u>
TOTAL LIABILITIES	<u>38,731,333</u>	<u>43,031,405</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred Amount Related to Pensions (Note 8)	<u>231,079</u>	<u>319,906</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>231,079</u>	<u>319,906</u>
 <u>NET POSITION</u>		
Net Investment in Capital Assets	1,363,604	1,209,464
Restricted	1,114,054	1,063,653
Unrestricted	<u>6,120,968</u>	<u>5,202,028</u>
TOTAL NET POSITION	<u>\$ 8,598,626</u>	<u>\$ 7,475,145</u>

MUNICIPAL WATER DISTRICT OF ORANGE COUNTY
Statement of Revenues, Expenses and
Changes in Net Position
For the Fiscal Year Ended June 30, 2017
(with comparative data for the Year Ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
Operating Revenues:		
Water Sales	\$ 159,287,030	\$ 154,567,913
Special Projects Revenue	3,093,169	26,801,114
Federal Grant Revenue	450,748	556,037
State Grant Revenue	382,823	1,317,104
Total Operating Revenues	<u>163,213,770</u>	<u>183,242,168</u>
Operating Expenses:		
Cost of Water Sold	150,877,118	146,210,635
Salaries and Employee Benefits	4,256,280	3,861,895
General and Administrative	3,080,916	2,830,610
Special Project Expenses	3,926,740	28,674,255
Depreciation	148,020	133,911
Total Operating Expenses	<u>162,289,074</u>	<u>181,711,306</u>
Operating Income	<u>924,696</u>	<u>1,530,862</u>
Nonoperating Revenues:		
Investment Income	147,183	179,964
Other Income	51,602	161,396
Total Nonoperating Revenues	<u>198,785</u>	<u>341,360</u>
Change in Net Position	<u>1,123,481</u>	<u>1,872,222</u>
NET POSITION - BEGINNING OF YEAR	<u>7,475,145</u>	<u>5,602,923</u>
NET POSITION - END OF YEAR	<u><u>\$ 8,598,626</u></u>	<u><u>\$ 7,475,145</u></u>

MUNICIPAL WATER DISTRICT OF ORANGE COUNTY

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2017

(with comparative data for the Year Ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Cash Received from Member Agencies-Water Deliveries	\$ 158,532,692	\$ 149,363,866
Cash Payments to Metropolitan Water District of Southern California	(153,673,478)	(139,705,039)
Cash Payments for Salaries and Employee Benefits	(4,653,795)	(4,181,548)
Cash Payments for General and Administrative Expenses	(3,442,326)	(351,108)
Cash Received from Special projects	6,108,793	28,292,093
Cash Payments for Special Projects	(4,180,027)	(27,829,947)
Other income	51,602	161,396
	<hr/>	<hr/>
Net Cash (Used) Provided by Operating Activities	(1,256,539)	5,749,714
	<hr/>	<hr/>
Cash Flows from Non-capital and Related Financing Activities:		
(Proceeds from)/Payments to Revised Percentage of Investment Participants	(4,823)	77
	<hr/>	<hr/>
Net Cash Provided by Non-capital and Related Financing Activities	(4,823)	77
	<hr/>	<hr/>
Cash Flows from Capital and Related Financing Activities:		
Acquisition of Capital Assets	(302,160)	(414,132)
	<hr/>	<hr/>
Net Cash used by Capital and Related Financing Activities	(302,160)	(414,132)
	<hr/>	<hr/>
Cash Flows from Investment Activities:		
Investment Income	147,183	179,964
Investments Matured/(Purchased)	135,639	(36,112)
	<hr/>	<hr/>
Net Cash Provided by Investment Activities	282,822	143,852
	<hr/>	<hr/>
Net Increase/(Decrease) in Cash and Cash Equivalents	(1,280,700)	5,479,511
Cash and Cash Equivalents at Beginning of Year	8,119,275	2,639,764
	<hr/>	<hr/>
Cash and Cash Equivalents at End of Year	\$ 6,838,575	\$ 8,119,275
	<hr/>	<hr/>
Financial Statement Presentation:		
Cash and Cash Equivalents (Restricted)	\$ 901,769	\$ 2,949,837
Cash and Cash Equivalents (Unrestricted)	5,936,806	5,169,438
	<hr/>	<hr/>
Totals	\$ 6,838,575	\$ 8,119,275
	<hr/>	<hr/>

MUNICIPAL WATER DISTRICT OF ORANGE COUNTY

Statement of Cash Flows (Continued)

For the Fiscal Year Ended June 30, 2017

(with comparative data for the Year Ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
Reconciliation of Operating Income to Net Cash Provided (Used) for Operating Activities		
Operating Income	\$ 924,696	\$ 1,530,862
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) for Operating Activities:		
Depreciation	148,020	133,911
Pension Expense	-	(74,857)
Other Income	51,602	161,396
Change in Assets and Liabilities:		
(Increase) in accounts receivable - water sales	(754,338)	(5,204,047)
Decrease in accounts receivable - other	4,021,261	1,463,245
(Increase)/Decrease in deposits and prepaid expenses	(36,649)	16,619
(Increase) in OPEB asset	(366,461)	(24,279)
(Increase) in accounts receivable - special projects	(423,850)	(430,534)
(Increase) in deferred outflows - pension related	(436,744)	(220,517)
Increase/(Decrease) in accrued and other liabilities	(324,761)	999,639
Increase/(Decrease) in restricted accrued liabilities	(1,306,053)	1,118,163
Increase/(Decrease) in advances from participants	(253,287)	844,307
(Decrease) in unearned revenue for special projects	(109,305)	(1,069,790)
Increase/(Decrease) in accounts payable to Metropolitan Water District of Southern California	(2,796,360)	6,505,597
Increase in net pension liability	494,517	-
(Decrease) in deferred inflows - pension related	(88,827)	-
Total Adjustments	<u>(2,181,235)</u>	<u>4,218,852</u>
Net Cash Provided (Used) for Operating Activities	<u>\$ (1,256,539)</u>	<u>\$ 5,749,714</u>
Noncash investing activities:		
Unrealized gain (loss) on investments	\$ (44,012)	\$ 32,281
Total noncash investing activities	<u>\$ (44,012)</u>	<u>\$ 32,281</u>

NOTES TO BASIC FINANCIAL STATEMENTS



Municipal Water District of Orange County

Notes to Basic Financial Statements
For the Year Ended June 30, 2017

(1) Organization and Summary of Significant Accounting Policies

Reporting Entity

The Municipal Water District of Orange County (the District) was formed as a municipal water district on January 11, 1951 under the Municipal Water District Act of 1911. The District is a wholesale water supplier and resource planning agency that serves all of Orange County through 28 cities and water agencies (except the Cities of Anaheim, Fullerton, and Santa Ana which are independent member agencies of Metropolitan Water District of Southern California (Metropolitan). As a public agency member of Metropolitan, the District purchases imported water from Metropolitan and provides water to the District's 28 member agencies, which provide retail or wholesale water services to approximately 2.3 million residents within the District's service area of approximately 600 square miles. The District's primary sources of water from Metropolitan are the California State Water Project (SWP) and the Colorado River Aqueduct.

The District is an independent special district of the State of California governed by an elected seven-member board. On January 2001, the District merged with the Coastal Municipal Water District (Coastal) under the recommendation of the Local Agency Formation Commission of Orange County (LAFCO) as part of an effort to streamline local government. The consolidation of the two agencies allows the new district to more efficiently provide wholesale water services for the benefit of residents living throughout the service area.

The District's reporting entity includes the accounts of the District and the Municipal Water District of Orange County Water Facilities Corporation (WFC). Formed as a separate California nonprofit corporation on April 20, 1978 to assist in the financing of the Allen-McColloch Pipeline (AMP) and the Flow Augmentation Project (FAP), the WFC has no employees. The WFC is governed by a seven-member board comprised of the District's board members. The WFC had no activity or balances for the year ended June 30, 2017 and is kept active for potential future financing arrangements. WFC is a blended component unit of the District and the District has operational responsibility for WFC.

Basic Financial Statements

The District's basic financial statements consist of the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, the Statement of Cash Flows, and the Notes to the Basic Financial Statements.

Basis of Presentation

The District accounts for its activities as an enterprise fund. An enterprise fund is a proprietary type fund used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The District's basic financial statements have been prepared on the accrual basis of accounting, and are presented on an economic measurement focus reporting all economic resources and obligations for the year ended June 30, 2017.

Municipal Water District of Orange County

Notes to Basic Financial Statements
For the Year Ended June 30, 2017

Net Position

In the Statement of Net Position, net position is classified in the following categories:

- Net investment in capital assets – This amount consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets as applicable.
- Restricted net position – This amount consists of restricted assets reduced by liabilities. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported or a resource subject to constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position – This amount is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of investment in capital assets or the restricted component of net position.

When both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first and then unrestricted resources as they are needed.

Operating and Nonoperating Revenues and Expenses

The District's primary purpose is to provide a dependable wholesale supply of imported water for its 28 member agencies. Accordingly, operating revenues such as water sales, result from exchange transactions associated with the principal activity of the District, which is the purchase and resale of imported water to the District's member agencies.

Revenues from federal and state grants, reimbursements from participants and special projects, as well as special project expenses are defined as operating revenues and expenses, respectively. Nonoperating revenues consist of investment income and other miscellaneous income.

Water Sales and Cost of Water Sold

Historically, the District's primary source of revenue has been from the resale of imported water to the District's 28 member agencies located in Orange County. Based on Metropolitan's cost of water, each year Metropolitan's Board of Directors approves water rates comprised of a capacity charge, readiness to serve charge and a per acre-foot charge. Metropolitan's rates are based on cost of service studies performed on a biennial basis. Water rates are not subject to regulation by the California Public Utilities Commission or by any other local, state, or federal agency. Revenue from sales of water is recognized on the accrual basis as water is delivered.

The District's revenue is from a per retail meter connection charge and a groundwater customer charge. Choice services are charged directly to the agencies as a "fee for service" on a subscription basis. The member agencies also pay for the resale of imported water in addition to the other charges noted.

Municipal Water District of Orange County

Notes to Basic Financial Statements
For the Year Ended June 30, 2017

Investments

Fair Value Measurements

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District's investment policy and delegation of investment authority, is reviewed and approved each year by the Board of Directors. The investment policy authorizes the Treasurer to invest, reinvest, sell or exchange permitted fixed income securities in accordance with the California Government Code. Investment income from restricted assets remains restricted.

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash and short-term, highly liquid investments (i.e., Local Agency Investment Fund and Orange County Investment Pool) which are readily convertible to cash and mature within ninety (90) days of original purchase.

Accounts Receivable

The District extends credit to customers in the normal course of operations. Management believes all accounts receivable are collectible. In the event any accounts receivable are determined they are uncollectible, an allowance is recorded.

Capital Assets

Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and a useful life greater than one (1) year. Upon retirement, sale or other disposition of capital assets, the cost and related accumulated depreciation are removed from their respective accounts and any gains or losses are recognized. Depreciation is computed using the straight-line method over the estimated useful life of the asset, which range from 3 to 10 years for furniture, fixtures, and equipment, and up to 30 years for leasehold improvements.

Deposits and Prepaid Expenses

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as Deposits and Prepaid Expenses in the basic financial statements.

Deferred Outflows and Inflows of Resources

The District reported deferred outflows and inflows of resources related to pensions. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources represents an acquisition of net position by the district that is applicable to a future period. Refer to Note 8 for items identified as deferred inflows and outflows as of June 30, 2017.

Municipal Water District of Orange County

Notes to Basic Financial Statements
For the Year Ended June 30, 2017

Compensated Absences

As vacation leave is a vested employee benefit, the District is obligated to compensate employees for all earned but unused vacation days. Employee vacation days are accrued each pay period and reported as accrued liabilities. Depending on the length of employment, employees earn a minimum of 10 up to a maximum of 21 vacation days per year. Accumulated vacation days may not exceed 2 times the number of days earned per year without prior approval of the General Manager. Sick leave time is a non-vested employee benefit (i.e. accumulated sick leave is not payable in the event of employee termination) and is considered a contingent liability and is not reflected in the accompanying financial statements.

Unearned Revenue

Unearned revenue represents grant revenues received in advance of the recognition of the related expense.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees Retirement System (CalPERS) plan and additions to and deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that could affect certain reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates. Also, the preparation of the financial statements inherently requires rounding of amounts and estimates. Management believes that any differences due to rounding are not material

(2) Cash and Investments

Cash and investments at June 30, 2017, are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and cash equivalents (restricted)	\$ 901,769
Cash and cash equivalents (unrestricted)	5,936,806
Investments (unrestricted)	<u>3,012,987</u>
Total Cash and Investments	<u><u>\$ 9,851,562</u></u>

Municipal Water District of Orange County

Notes to Basic Financial Statements
For the Year Ended June 30, 2017

Cash and investments as of June 30, 2017 consist of the following:

Cash on hand	\$ 500
Deposits with financial institutions	350,313
Investments	<u>9,500,749</u>
Total Cash and Investments	<u>\$ 9,851,562</u>

Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk and concentration of credit risk. The District's investment policy allows for funds to be divided into two categories. The Operating and Fiduciary Funds authorized investments are below:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One
U.S. Treasuries	5 years	100%	100%
U.S. Government Agencies	5 years	100%	50%
Corporate Securities	5 years	30%	5%
Commercial Paper	270 days	25%	5%
Negotiable Certificates of Deposit	5 years	30%	5%
Bankers' Acceptances	180 days	40%	5%
Repurchase Agreements	1 year	20%	10%
Money Market Mutual Funds	N/A	20%	20%
Collective Investment Pool	N/A	20%	10%
County Investment Pool	N/A	100%	100%
State Investment Pool	N/A	100%	100%

Municipal Water District of Orange County

Notes to Basic Financial Statements
For the Year Ended June 30, 2017

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair market value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. Information about the sensitivity of the fair market values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

Investment Type		Remaining Maturity (in Months)		
		12 Months or Less	13 to 24 Months	25-60 Months
Negotiable Certificate of Deposits	\$ 2,258,570	\$ 750,407	\$ 501,088	\$1,007,075
Corporate Securities	754,418	-	-	754,418
Orange County Investment Pool	5,629,766	5,629,766	-	-
State Investment Pool	857,995	857,995	-	-
	<u>\$ 9,500,749</u>	<u>\$7,238,168</u>	<u>\$ 501,088</u>	<u>\$1,761,493</u>

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code or District's investment policy, or debt agreements, and the actual rating by Standard and Poor's (S&P) as of the year end of each investment type. The District purchases all investments at the minimum rating but some investments' ratings may downgrade during its life but it is the District's policy to hold investments until their maturity.

Investment Type		Minimum Legal Rating	Ratings as of Year End			
			AAAm	A	A-	Not Rated
Negotiable Certificate of Deposits	\$ 2,258,570	N/A	\$ -	\$ -	\$ -	\$2,258,570
Corporate Securities	754,418	A	-	252,868	501,550	-
Orange County Investment Pool	5,629,766	N/A	5,629,766	-	-	-
State Investment Pool	857,995	N/A	-	-	-	857,995
	<u>\$ 9,500,749</u>		<u>\$5,629,766</u>	<u>\$252,868</u>	<u>\$ 501,550</u>	<u>\$3,116,565</u>

** Investments conformed to District's investment Policy at time of acquisition

Municipal Water District of Orange County

Notes to Basic Financial Statements
For the Year Ended June 30, 2017

Disclosures Relating to Fair Value Measurement and Application

Fair value measurements are categorized based on the valuation inputs used to measure fair value: Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments categorized as Level 2 are valued using a market approach using quoted market prices. Values are determined using pricing models and discounted cash flow models and includes management judgement and estimation. Uncategorized investments include investments in a non 2a-7 like pool, such as the Local Agency Investment Fund (LAIF) and the Orange County Investment Pool (OCIP). These investments do not have a legally binding guarantee for their share price. The fair value of the investments can be calculated by multiplying LAIF's and OCIP's fair value per share factor times the District's pool balance. LAIF and OCIP value participant shares on an amortized cost basis during the year and adjust to fair value at year-end.

The District had the following recurring fair value measurements as of June 30, 2017:

Investment Type		Fair Value Application			
		1	2	3	Uncategorized
Negotiable Certificate of Deposits	\$ 2,258,570	\$ -	\$ 2,258,570	\$ -	\$ -
Corporate Securities	754,418	-	754,418	-	-
Orange County Investment Pool	5,629,766	-	-	-	5,629,766
State Investment Pool	857,995	-	-	-	857,995
	<u>\$ 9,500,749</u>	<u>\$ -</u>	<u>\$ 3,012,988</u>	<u>\$ -</u>	<u>\$ 6,487,761</u>

Investments in LAIF and OCIP are uncategorized as deposits and withdrawals are made on the basis of \$1 and not fair value. Accordingly, under the fair value hierarchy, these investments are uncategorized.

Concentration of Credit Risk

The District's investment policy contains limitations on the amount that can be invested in any one issuer as stipulated by the California Government Code. At June 30, 2017 the District did not have investments in more than one issuer (other than U.S. Treasury securities, mutual funds, external investment pools) that represented 5% or more of total District investments.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits:

Municipal Water District of Orange County

Notes to Basic Financial Statements
For the Year Ended June 30, 2017

The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. The Government Code also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2017 the District's deposits with financial institutions are covered by the Federal Deposit Insurance Corporation up to \$250,000, the remaining amounts of \$381,292 were collateralized as described above.

Investment in State and County Investment Pool

The District is a voluntary participant in LAIF that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California, and in the OCIP under the oversight of the Orange County Treasurer. The fair market value of the District's investment in these pools are reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair market value provided by LAIF and OCIP for the entire LAIF and OCIP portfolios (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF and OCIP, which are recorded on an amortized cost basis.

LAIF is a governmental investment pool managed and directed by the California State Treasurer and is not registered with the Securities and Exchange Commission. An oversight committee comprised of California State officials and various participants provides oversight to the management of the fund. The daily operations and responsibilities of LAIF fall under the auspices of the State Treasurer's office.

The Agency is a participant in the OCIP. The OCIP is an external investment pool, and is not registered with the Securities Exchange Commission (SEC). The County Treasury Oversight Committee conducts OCIP oversight. The OCIP values participant shares on an amortized cost basis during the year and adjusts to fair value at year-end. For further information regarding the OCIP, refer to the County of Orange Comprehensive Annual Financial Report.

(3) Restricted Assets

Restricted assets are monies held in restricted funds or accounts by the District for the benefit of member agencies, including a rate stabilization fund. As of June 30, 2017, \$3,159,563 was reported as restricted assets related to trustee and member agency activities.

Municipal Water District of Orange County

Notes to Basic Financial Statements
For the Year Ended June 30, 2017

(4) Capital Assets

The following is a summary of capital assets at June 30, 2017 with changes therein:

	2016	Additions	Deletions	2017
Furniture, Fixtures and Equipmen	\$ 447,720	\$ 22,143	\$ (12,553)	\$ 457,310
Leasehold Improvements	3,415,059	280,541	-	3,695,600
	<u>3,862,779</u>	<u>302,684</u>	<u>(12,553)</u>	<u>4,152,910</u>
Less accumulated depreciation:				
Furniture, Fixtures and Equipmen	(421,469)	(5,833)	12,553	\$ (414,749)
Leasehold Improvements	(2,231,846)	(142,711)	-	(2,374,557)
	<u>(2,653,315)</u>	<u>(148,544)</u>	<u>12,553</u>	<u>(2,789,306)</u>
Net Capital Assets	<u>\$ 1,209,464</u>	<u>\$ 154,140</u>	<u>\$ -</u>	<u>\$ 1,363,604</u>

(5) Pension Plan

The District sponsors a Money Purchase Pension Plan (the Pension Plan), a defined contribution plan, under Internal Revenue Code Section 401(a) for the benefit of its Board of Directors. The Directors contribute 7.5 percent of their covered compensation to the Pension Plan. The Directors' contributions to the Pension Plan totaled \$25,101 for the year ended June 30, 2017. Participants become vested in the Pension Plan at a rate of 20% per year of service until they are fully vested after five (5) years.

District employees were previously part of the Pension Plan until March 2013 when they became members of the CalPERS plan. See Note 8.

(6) Retiree Medical Plan – Other-Post-Employment Benefits (OPEB)

(a) Plan Description:

Effective October 1, 2011, the District established a Post-Retirement Healthcare Plan (Health Plan), and has contributed to a Section 115 Irrevocable Exclusive Benefit Trust for the pre-funding of post-employment health care costs and these monies are not included in the financial statements. Currently, the District provides health insurance for its retired employees and their dependent spouses (if married and covered on the District's plan at time of retirement), or survivors in accordance with Board resolutions. Medical coverage is provided for retired employees who are age 55 or over and who have a minimum of 10 consecutive years of full-time service with the District. The District pays 100% of the premium for the lowest cost single retiree plan plus 90% of the difference to the plan actually selected. Plus 80% of the combined retiree and spouse's medical premium until age 65. If a retiree in receipt of these benefits dies before reaching age 65, the surviving spouse will continue to receive coverage that the retiree would have been entitled to until age 65 only. When a retiree reaches age 65 and/or is eligible for Medicare, the District reimburses the retiree up to \$1,800 per calendar year for the cost of Supplemental Medical Insurance and Medicare Prescription Drug (Part D) Insurance for the lifetime of the retiree only. Retirees who complete at least 25 consecutive years of full-time service receive District-paid dental and vision benefits along with the above-mentioned medical coverage and post-age 65 coverage includes Medicare Part B premium reimbursements until the time of the retiree and spouse's death. Employees hired on or after July 1, 2012 are ineligible for District-paid retiree health benefits.

Municipal Water District of Orange County

Notes to Basic Financial Statements
For the Year Ended June 30, 2017

Plan benefits and contribution requirements of Health Plan members and the District are established, and may be amended, by the District's Board of Directors.

The following parties are responsible for administration of the Health Plan:

- Public Agency Retirement Services (PARS) serves as Trust Administrator and Consultant
- US Bank serves as Trustee, and
- HighMark Capital Management (HighMark) serves as Investment Manager

PARS issues monthly account reports to the District and HighMark publishes quarterly performance reports.

(b) Funding Policy:

The contribution requirements of Health Plan members and the District are established, and may be amended, by the District's Board of Directors. Currently, contributions are not required from Health Plan members. The District has fully funded the OPEB obligation with the addition of an OPEB Designated Reserve account. For the year ended June 30, 2017, the District made a total contribution of \$436,769 of which \$36,769 were for actual health care costs for its retirees and their covered dependents.

(c) Annual OPEB Cost and Net OPEB Obligation:

The District's annual OPEB cost (expense) is calculated based on the Annual Required Contribution of the employer (ARC), an amount actuarially determined in accordance with Governmental Accounting Standard Board (GASB) Statement 45. The most recent GASB Statement 45 actuarial valuation is dated July 1, 2016. The ARC represents a level of funding that, if paid on an on-going basis, is projected to cover normal costs each year and to amortize any unfunded liabilities of the Plan over a period not-to-exceed 30 years.

The following table shows the components of the District's annual OPEB costs for the year ended June 30, 2017, the amount actually contributed to the Health Plan and changes in the District's net OPEB Asset.

Annual Required Contributions (ARC)	\$	71,249
Interest on Net OPEB Obligation (Asset)		(7,025)
Adjustment to ARC		6,084
Annual OPEB Cost		<u>70,308</u>
Contribution made		<u>(436,769)</u>
(Increase)/Decrease in Net OPEB Obligation (Asset)		<u>(366,461)</u>
Net OPEB (Asset) at June 30, 2016		<u>(117,085)</u>
Net OPEB (Asset) at June 30, 2017	\$	<u><u>(483,546)</u></u>

Municipal Water District of Orange County

Notes to Basic Financial Statements
For the Year Ended June 30, 2017

(d) Three-Year Trend Information:

For fiscal year 2017, the District's annual OPEB cost (expense) of \$70,308 was equal to the ARC including adjustments. Information on the annual OPEB cost, Percentage of Annual OPEB Cost Contributed, and Net OPEB Obligation (Asset) are presented below:

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution (Net of Adjustments)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2015	\$ 130,586	\$ 186,351	142.70%	\$ (92,806)
6/30/2016	131,291	155,570	118.49%	(117,085)
6/30/2017	70,308	436,769	621.22%	(483,546)

(e) Funded Status and Funding Progress:

As of July 1, 2016, the most recent actuarial valuation date, the Health Plan was 69.59% percent funded. The actuarial accrued liability for benefits was \$2,002,333, and the actuarial value of assets was \$1,393,327, resulting in an Unfunded Actuarial Accrued Liability (UAAL) of \$609,006. The covered payroll (annual payroll of active employees covered by the Health Plan) was \$2,006,692 and the ratio of the UAAL to the covered payroll was 30.35%.

Actuarial valuations of an on-going plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the Health Plan and the annual required contributions of the District are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

(f) Actuarial Methods and Assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets consistent with the long-term perspective of the calculations.

In the July 1, 2016 actuarial valuation report, the entry age, level percent of pay cost method was used. The actuarial assumptions included a 6.00% investment rate of return (net of administrative expenses), a trend rate for healthcare costs increased to 8%, and an inflation rate of 6.00%. The District's unfunded actuarial accrued liability was paid to 89.6% fully funded in September 2016 with the difference being set aside in a designated reserve account in the amount of \$209,006.

Municipal Water District of Orange County

Notes to Basic Financial Statements
For the Year Ended June 30, 2017

(7) Risk Management

The District is a member of the Association of California Water Agencies Joint Powers Insurance Authority (JPJA) (Insurance Authority). The Insurance Authority is a risk-pooling self-insurance authority, created under provisions of California Government Code Sections 6500 et. seq. The purpose of the Insurance Authority is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage for participating member agencies.

The Insurance Authority bills the District a deposit premium at the beginning of each year, which is placed in a reserve fund to cover the self-insurance portion of any claim. Settlements and/or expenses related to claims during the year are then charged to the reserve. If the balance of the reserve at the end of the year is deemed too low in relation to the amount of outstanding claims, the District is billed for additional premiums. When the claims are fully settled, any amounts remaining in the reserve are refunded to the District.

At June 30, 2017, the District participated in the self-insurance programs as follows:

Property Loss - The Insurance Authority has pooled self-insurance up to \$100,000 per occurrence and has purchased excess insurance coverage up to \$150 million. The District has a \$1,000 deductible for buildings, personal property and fixed equipment.

General, Auto and Public Officials Liability - The Insurance Authority has pooled self-insurance up to \$5 million per occurrence, and has purchased excess insurance coverage up to \$60 million.

Crime Policy/Fidelity Bond - The Insurance Authority has pooled self-insurance up to \$100,000 per occurrence and has purchased excess insurance coverage up to \$2 million. The District has a \$1,000 deductible.

The District pays annual premiums to the Insurance Authority for all coverages. There were no instances in the past three years when a settlement exceeded the District's coverage.

Workers' Compensation – This Plan is administered through the Special District Risk Management Authority (SDRMA). The SDRMA is self-insured up to the statutory limit per occurrence.

Employer's liability is insured up to a \$5 million limit per occurrence. SDRMA maintains a Self-Insured Retention that is periodically adjusted based on market conditions.

The District pays annual premiums for all coverages. There were no instances in the past three years when a settlement exceeded the District's coverage and the District did not file any claims against any of the policies.

Municipal Water District of Orange County

Notes to Basic Financial Statements
For the Year Ended June 30, 2017

(8) Cost-Sharing Defined Benefit Plan

(a) General Information about the Pension Plan

Plan Descriptions – Effective March 1, 2013, all qualified regular full-time employees working over 1,000 hours in a fiscal year are eligible to participate in the District's employee pension plan, a cost-sharing multiple employer defined benefit pension plan administered by CalPERS. The CalPERS Plans (the Plans) consists of a miscellaneous pool and a safety pool (referred to as "risk pools"), which are comprised of individual employer miscellaneous and safety rate plans, respectively. The risk pools are included within the Public Employees' Retirement Funds C (PERF C). Benefit provisions under the Plans are established and may be amended by State statute and the District's resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions, membership information, and related financial information can be found on the CalPERS website at: <http://www.calpers.ca.gov>.

Benefits Provided – CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1959 Survivor Benefit or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2017, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire Date		
Formula	2.0% @55	2.0% @62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50-63	52-67
Monthly benefits, as a % of annual salary	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7%	6.250%
Required employer contribution rates	10.880%	6.555%
Pensionable Compensation Cap*	No Cap	\$140,424

* Will increase to reflect changes in the Consumer Price Index

Contributions – Section 20814(c) of the California Public Employees' Retirement law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in rate. Funding contributions for Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rates of employees.

Municipal Water District of Orange County

Notes to Basic Financial Statements
For the Year Ended June 30, 2017

Contributions recognized by the Plans from the employer for the year ended June 30, 2017 were \$252,815. The District also contributed 2% of the Classic Plan employee's contribution, or \$40,886, on behalf of employees during the year. The District is phasing out contributions paid on behalf of employees by 1% per year, until completely eliminated by July 2018.

(b) Pension Liabilities, Pension Expenses and Deferred Outflows / Inflows of Resources Related to Pensions

As of June 30, 2017, the District's reported net pension liabilities for its proportionate share of the net pension liability of the Plan is as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	<u>\$ 1,871,472</u>

The District's net pension liability was measured as the proportionate share of the net pension liability of the collective cost-sharing plan. The District's net pension liability was measured as of June 30, 2016, and the total pension liability for the Plan was used to calculate the net pension liability determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2015 and 2016 were as follows:

	Miscellaneous
Proportion - June 30, 2015	0.05019%
Proportion - June 30, 2016	<u>0.05387%</u>
Change - Increase (Decrease)	0.00368%

At the year ended June 30, 2017, the District's recognized pension expense/(credit) of \$221,761. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Municipal Water District of Orange County

Notes to Basic Financial Statements
For the Year Ended June 30, 2017

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 14,196	\$ 2,217
Changes of Assumptions	-	134,310
Differences between Projected and Actual Investment Earnings	468,324	-
Change in Employer's Proportion	118,276	61,722
Differences between District Contributions and Proportionate Share of Contributions	36,680	32,830
Pension Contributions Made Subsequent to Measurement Date	252,815	-
Total	<u>\$ 890,291</u>	<u>\$ 231,079</u>

The amount of \$252,815 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year ended June 30,	
2018	\$ 22,029
2019	23,080
2020	237,908
2021	123,381
	<u>\$ 406,398</u>

Municipal Water District of Orange County

Notes to Basic Financial Statements

For the Year Ended June 30, 2017

Actuarial Assumptions – The total pension liabilities in the June 30, 2015 actuarial valuation were determined using the following actuarial assumptions.

	<u>Miscellaneous</u>
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table ⁽¹⁾	Derived using CalPERS' Membership Data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report may be accessed on the CalPERS website at www.calpers.ca.gov under Forms and Publications.

Discount Rate – The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees' Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

Municipal Water District of Orange County

Notes to Basic Financial Statements

For the Year Ended June 30, 2017

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2015.

Asset Class	Target Allocation	Long-term Expected Real Rate of Return Years 1-10 ¹	Long-term Expected Real Rate of Return Years 11 + ²
Global Equity	51%	5.25%	5.71%
Global Fixed Income	20%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	10%	6.83%	6.95%
Real Estate	10%	4.50%	5.13%
Infrastructure and Forestland	2%	4.50%	5.09%
Liquidity	1%	(0.55%)	(1.05%)
Total	<u>100%</u>		

¹ An expected inflation of 2.5% used for this period

² An expected inflation of 3.0% used for this period

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District's proportionate share of the net pension liability, calculated using the discount rate, as well as what the District's proportionate share of net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate.

	1% Decrease (6.65%)	Discount Rate (7.65%)	1% Increase (8.65%)
District's Net Pension Liability/(Asset)	\$ 3,083,318	\$ 1,871,472	\$ 869,942

Municipal Water District of Orange County

Notes to Basic Financial Statements
For the Year Ended June 30, 2017

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Amortization of Deferred Outflows and Deferred Inflows of Resources

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Net Difference between projected and actual earnings on pension plan investments	5 year straight-line amortization
All other amounts	Straight-line amortization over the expected average remaining service lifetime (EARS�) of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period

(9) Commitments and Contingencies

The District is involved in various litigation from time to time arising from the normal course of business. In the opinion of management and legal counsel, the District is not involved in any litigation that is expected to have a material adverse effect on the overall financial position of the District at June 30, 2017.

(10) Subsequent Events

The District has evaluated events or transactions through October 26, 2017, the date on which the financial statements were available to be issued, for potential recognition or disclosure in the financial statements and determined no other subsequent matters require disclosure or adjustment to the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

(Unaudited)



Municipal Water District of Orange County
Required Supplementary Information (Unaudited)
For the Year Ended June 30, 2017

Other Post-Employment Benefit Plan
Schedule of Funding Progress

Retiree Healthcare Plan

Actuarial Valuation Date (1)	Actuarial Accrued Liability (a)	Actuarial Value of Plan Assets (AVA) (b)	Unfunded Actuarial Accrued Liability (UAAL) (a)-(b)	Funded Ratio ((b)/(a))	Annual Covered Payroll (C)	UAAL as a % of Payroll Percentage of Covered Payroll [(a)-(b)/(c)]
7/1/2011	\$ 1,610,754	\$ -	\$ 1,610,754	0.00%	\$ 2,634,657 ¹	61.14%
7/1/2014	1,740,686	1,116,390	624,296	64.14%	2,214,598 ¹	28.19%
7/1/2016	2,002,333	1,393,327	609,006	69.59%	2,006,692	30.35%

¹ Restated Annual Covered Payroll

Municipal Water District of Orange County
Required Supplementary Information (Unaudited)
For the Year Ended June 30, 2017

Cost Sharing Retirement Plan
Schedule of the District's Proportionate Share of the Net Pension Liability
Last Ten Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability	0.05387%	0.05019%	0.02186%
Proportionate share of the net pension liability	\$ 1,871,472	\$ 1,376,955	\$ 1,360,017
Covered Payroll	\$ 3,022,872	\$ 2,748,796	\$ 2,640,576
Proportionate Share of the net pension liability as a percentage of covered payroll	61.91%	50.09%	51.50%
Plan fiduciary net position as a percentage of the total pension liability	75.87%	78.40%	79.82%

* Fiscal year 2015 was the first year of implementation, therefore only three years are shown.

Changes in assumptions. The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

Notes to Schedule

Fiscal Year End:	6/30/2017	6/30/2016	6/30/2015
Valuation Date:	6/30/2014	6/30/2013	6/30/2012

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Asset Valuation Method	Market Value	Market Value	Market Value
Discount Rate	7.65%	7.65%	7.50%
Projected Salary Increase	3.30% to 14.20% depending on Age, Service, and type of employment	3.30% to 14.20% depending on Age, Service, and type of employment	3.30% to 14.20% depending on Age, Service, and type of employment
Inflation	2.75%	2.75%	2.75%
Payroll Growth	3.00%	3.00%	3.00%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%.	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%.	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%.

Municipal Water District of Orange County
Required Supplementary Information (Unaudited)
For the Year Ended June 30, 2017

**Cost Sharing Retirement Plan
Schedule of Contributions
Last Ten Years***

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contributions	\$ 252,815	\$ 220,517	\$ 288,065
Contributions in relation to the actuarially determined contribution	<u>(252,815)</u>	<u>(220,517)</u>	<u>(288,065)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Covered Payroll	 \$ 3,022,872	 \$ 2,748,796 ¹	 \$ 2,640,576 ¹
Contributions as a percentage of covered-employee payroll	8.36%	8.02%	10.91%

* Fiscal year 2015 was the first year of implementation, therefore only three years are shown.

¹ Restated Covered Payroll



ACTION ITEM
November 15, 2017

TO: Board of Directors

FROM: **Administration & Finance Committee**
(Directors Thomas, Barbre, Finnegan)

Robert J. Hunter, General Manager

Staff Contacts: Hilary Chumpitazi, Accounting Manager

SUBJECT: Options for Funding CalPERS Unfunded Liability

STAFF RECOMMENDATION

It is recommended that the Board of Directors: Review options and direct staff on how to fund the CalPERS unfunded liability.

COMMITTEE RECOMMENDATION

Committee recommends (To be determined at Committee Meeting)

DETAILED REPORT

As previously reported MWDOC's unfunded liability for CalPERS Classic Members is \$2,193,187 as of June 30, 2016. At the October A&F Committee meeting, staff was requested to evaluate options in prefunding the PERS liability and to return with information. Below are two options along with the pros and cons to prefund this liability.

1. Public Agency Retirement Services (PARS) offers a 115 Trust through their Pension Rate Stabilization Program (PRSP).

Budgeted (Y/N): NA	Budgeted amount: NA	Core ____	Choice ____
Action item amount: NA		Line item:	
Fiscal Impact (explain if unbudgeted):			

Pros:

- Access funds at any time to be used for pension only
- Earn higher yields through active management
- Balances are aggregated for our OPEB and Pension assets for fees on a tiered schedule
- No setup costs or termination fees

Cons:

- Restricted to using funds for only pension related costs

2. MWDOC contracts with a third party to manage these separately held funds.

Pros:

- Access funds at any time to be used for anything the Board deems appropriate
- Earn higher yields through active management
- Choose how we want the funds invested

Cons:

- To be determined

Both options would require a separate Investment Policy statement.

I requested information from other agencies on what they are doing and here are their responses:

Agency	Response
Irvine Ranch Water District	Set up its own separately managed 115 Trust in 2013. Hired an outside advisor to manage the investment portfolio. Currently 90-95% funded with a target to remain over 90%.
Three Valleys MWD	Using the PARS trust and budgeted an additional \$50,000 annually. Also contracted with GovInvest.
City of Newport Beach	Reamortized payment schedule to CalPERS to shorten the period and increased the mandatory minimum payment. Payments made monthly to CalPERS.

Eastern MWD advised that under present GASB standards we cannot count the balance in a 115 Trust in our net pension liability/asset calculation.

Please see the following report from Demsey, Filliger & Associates showing accelerated payment options to fully fund our liability in five and ten year plans, per the Committee's request at the October A&F Meeting.

Miscellaneous Plan of the Municipal Water District of Orange County
Pension Stabilization Trust Projections

11/2/2017

Discount Rate¹

<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>	<u>2020-2021</u>	<u>2021-2022</u>	<u>2022-2023</u>	<u>2023-2024</u>	<u>2024-2025</u>	<u>2025-2026</u>	<u>2026-2027</u>	<u>2027-2028</u>
7.375%	7.250%	7.000%	7.000%	7.000%	7.000%	7.000%	7.000%	7.000%	7.000%	7.000%	7.000%

CalPERS Trust

Estimated Unfunded Liability under CalPERS - beginning of fiscal year^{2,3}

Estimated minimum CalPERS contribution for fiscal year

Normal Cost ⁴	\$193,000	\$204,000	\$223,000	\$245,000	\$280,000	\$293,000	\$306,000	\$320,000	\$334,000	\$349,000	\$382,000
Amortization of unfunded liability ⁵	64,000	83,000	113,000	147,000	175,000	210,000	241,000	261,000	278,000	286,000	304,000
Minimum required contribution	257,000	287,000	336,000	392,000	455,000	503,000	547,000	581,000	612,000	635,000	686,000

\$2,193,000

\$2,440,000

\$2,880,000

\$2,965,000

\$3,020,000

\$3,051,000

\$3,047,000

\$3,011,000

\$2,952,000

\$2,871,000

\$2,776,000

\$2,665,000

Pension Stabilization Trust

Five-year Payment Plan

Accumulated Funds - beginning of fiscal year⁶

Annual Contributions - middle of year

Assumed Investment Return = 7.25% for 2017-2018; 7.0% thereafter

	\$0	\$530,000	\$1,097,000	\$1,704,000	\$2,353,000	\$3,047,000
	512,000	512,000	512,000	512,000	512,000	

10-year Payment Plan

Accumulated Funds - beginning of fiscal year⁶

Annual Contributions - middle of year

	\$0	\$193,000	\$400,000	\$620,000	\$857,000	\$1,110,000	\$1,380,000	\$1,670,000	\$1,979,000	\$2,311,000	\$2,665,000
	186,000	186,000	186,000	186,000	186,000	186,000	186,000	186,000	186,000	186,000	186,000

Pension Stabilization Trust

Five-year Payment Plan

Accumulated Funds - beginning of fiscal year⁶

Annual Contributions - middle of year

Assumed Investment Return = 5.00%

	\$0	\$551,000	\$1,131,000	\$1,739,000	\$2,377,000	\$3,047,000
	538,000	538,000	538,000	538,000	538,000	

10-year Payment Plan

Accumulated Funds - beginning of fiscal year⁶

Annual Contributions - middle of year

	\$0	\$212,000	\$434,000	\$668,000	\$913,000	\$1,171,000	\$1,441,000	\$1,725,000	\$2,024,000	\$2,337,000	\$2,665,000
	207,000	207,000	207,000	207,000	207,000	207,000	207,000	207,000	207,000	207,000	207,000

Notes:

1. See Page 6 of the Actuarial Valuation Report as of June 30, 2016 for the Miscellaneous Plan of the Municipal Water District of Orange County ("Report") - prepared by CalPERS and dated August 2017.
2. Report Page 5. Does not reflect gain/losses due to census updates or additional changes in assumptions (set by CalPERS).
3. ~~Assumed~~ assumed investment return for CalPERS trust equal to discount rate.
4. ~~Projected~~ projected payroll multiplied by normal cost rates calculated by CalPERS; Report Pages 4, 5, 12, & 18.
5. ~~Report~~ Report Pages 5 & 12.
6. Based on assumed investment return. Does not reflect potential market volatility.

Disclaimer

Future actuarial measurements may differ significantly from the measurements presented due to factors such as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; changes in actuarial policies; and changes in plan provisions or applicable law. The measurements and information presented may not be applicable for other purposes. The District should contact Demsey Filliger before disseminating any portion of this presentation for any reason that is not explicitly described above.





ACTION ITEM
November 15, 2017

TO: Board of Directors

FROM: **Administration & Finance Committee**
(Directors Thomas, Barbre, Finnegan)

Robert J. Hunter, General Manager

Staff Contacts: Cathy Harris, Administrative Services Manager
Katie Davanaugh, Sr. Executive Assistant

Subject: **Long-term Disability Insurance, Life Insurance and Employee Assistance Plans**

STAFF RECOMMENDATION

It is recommended that the Board of Directors:

- 1) Approve the recommended change in insurers for life insurance from Lincoln Financial to Sun Life and the proposed change to the life insurance age reduction formula, as presented.
- 2) Determine whether Directors will be covered for life insurance benefits.

COMMITTEE RECOMMENDATION

Committee recommends (To be determined at Committee Meeting)

SUMMARY INFORMATION

Staff solicited quotes from WSP Benefits and Alliant Employee Benefits for Long Term Disability and Life Insurance and received responses from both agents. Based on benefit and cost comparison of each plan, staff recommends moving the life insurance to Sun Life, and renew the long-term disability insurance policy with Sun Life through Alliant. Both benefits would be provided by Alliant Insurance Services as the broker, for ease in administering invoicing and potential claims processing.

Budgeted (Y/N): Y	Budgeted amount: \$28,288	Core X	Choice __
Action item amount: NA	Line item:		
Fiscal Impact (explain if unbudgeted):			

The District currently offers to all full-time employees Long-Term Disability Insurance through Lincoln Financial; and Life Insurance and Employee Assistance Program through Sun Life. The contracts for these policies expires December 31, 2017.

Short-Term Disability Insurance

The District currently participates in the State of California Disability Insurance program for short-term benefits for eligible employees who are unable to work due to a non-work-related illness or injury, or due to pregnancy. A weekly benefit is calculated based on an employee's highest quarter of earnings in a base period. An employee becomes eligible to receive benefits following a seven day waiting period of being unable to work. Employees may coordinate this benefit with use of their sick and vacation pay in order to receive a full paycheck however, they cannot exceed their regular earnings.

Long-Term Disability Insurance

This insurance serves as partial income replacement should an employee become seriously injured or disabled and unable to work due to a non-work related injury or illness. The insurance becomes available after a waiting period of 60 days and provides 60% of an employee's salary up to a maximum monthly benefit of \$7,500. Part-time employees and Directors are not eligible for long term disability insurance, per Sun Life Insurance policy guidelines.

Life Insurance

The District currently provides a Life/ADD (Accidental Death & Dismemberment) benefit of two times annual salary to a maximum of \$250,000. Supplemental coverage is offered at employees' expense upon completion and acceptance of an application for this additional insurance. Currently, the life insurance benefits are reduced to 65% of the original benefits at age 65 and 50% of the original benefit at age 70. Full-time employees are currently eligible to participate in this benefit.

Directors may be included for a \$25,000 life insurance policy without the option to purchase supplemental life insurance. If approved, all Directors would be required to participate and self-payment is not permitted.

Long-Term Disability, Life Insurance and EAP premiums are currently paid for by the District. Short-term Disability is paid for by both the employee and employer.

Changes to the life insurance policy include increasing the age reduction formula, as follows:

From age 65 to 75 with a 35% reduction
From age 70 to 80 with a 50% reduction

Employee Assistance Program

Current coverage is provided by ComPsych® The Guidance Resources Company for the Employee Assistance Program and work-life services. No changes are recommended at this time and the renewal rate remains unchanged at \$1.05 per employee, per month

Policy Rates for 2018:

Basic Life and AD&D Effective Date: 1/1/2018					
Basic Life and AD&D Benefits		Sun Life Current / Renewal		Option 2 Revised Sun Life Option 2 Revised*	
Eligibility:		All Full-Time Employees with a minimum 32 hours per week		Class 1: All Full-Time Employees with a minimum 32 hours per week	
				Class 2: All active Board of Director members	
Eligible Employees		2x annual earnings to \$250,000 max		Class 1: 2x annual earnings to \$250,000 max	
				Class 2: \$25,000	
Benefit Reduction Formula		Age	% of Original Benefit	Age	% of Original Benefit
		65	65%	75	65%
		70	50%	80	50%
Accelerated Death Benefit		Included up to 75% Maximum		Included up to 75% Maximum	
Waiver of Premium		Included		Included	
Rate Guarantee Rates		2 Year (Through 12/31/2019)		2 Year (Through 12/31/2019)	
Insurance Volume		Current	Renewal	Option 2 Revised*	
		\$5,975,437		\$6,116,687	
Basic Life Rate per \$1,000		\$0.130	\$0.140	\$0.147	
AD&D		\$0.020	\$0.020	\$0.020	
Combined Rate		\$0.150	\$0.160	\$0.167	
MONTHLY PREMIUM		\$896	\$956	\$1,021	
ANNUAL PREMIUM		\$10,756	\$11,473	\$12,258	

Long Term Disability			
	Lincoln Current	Lincoln Renewal	Sun Life
Elimination Period	60 days	60 days	60 days
Monthly benefit %	60	60	60
Maximum Monthly Benefit	\$7,500	\$7,500	\$7,500
Rate Guarantee	n/a	12 months	24 months
Rate per \$100/volume	0.330	0.360	0.308
Monthly Premium	\$867	\$946	\$810



ACTION ITEM
November 15, 2017

TO: Board of Directors

FROM: **Administration & Finance Committee**
(Directors Thomas, Barbre, Finnegan)

Robert J. Hunter, General Manager

Staff Contacts: Cathy Harris, Administrative Services Manager

**SUBJECT: SELECTION OF CONSULTANT FOR ARCHITECTURAL, SPACE
PLANNING, INTERIOR DESIGN AND CONSTRUCTION
ADMINISTRATION SERVICES**

STAFF RECOMMENDATION

It is recommended that the Board of Directors authorize the General Manager to enter into a contract with IDS Group for architectural, space planning, interior design and construction administration services in the amount of \$29,236; and approve a contingency amount of \$15,000 for city permit fees, possible ADA compliance costs that may arise and interior design services that may be required as the project moves forward, for a total Board authorization of \$44,236.

COMMITTEE RECOMMENDATION

Committee recommends (To be determined at Committee Meeting)

Budgeted (Y/N): Y	Budgeted amount: \$100,000	Core _x_	Choice __
Action item amount: \$44,236		Line item: 2000-19-8811	
Fiscal Impact (explain if unbudgeted):			

DETAILED REPORT

MWDOC's office building was built in 1973 and is approximately 44 years old. The building was remodeled in 1992 when the District moved from Santa Ana to Fountain Valley. Since 1992, there have been the following remodels:

- 1996
 - Seismic retrofit of roof
- 2003
 - Remodel of Finance Department area
 - Conference room 102 and surrounding area/offices in that vicinity were remodeled
- 2007
 - Intern area was renovated and an additional office was created
- 2013
 - HVAC Replacement
 - Carpet was replaced in main hallways and conference room 101
- 2016
 - MWDOC lobby area was updated
- 2017
 - Back hallway carpet was replaced due to leak
 - Atrium landscape and renovation

With the successful implementation of the Records Management Program to digitize the District's archives, the former archival space (library) is now available for other uses. Combined with some existing space inefficiencies, this provides an opportunity to reevaluate the efficient use of existing space, and refresh some of the office interior. Staff is recommending a consultant be hired to conduct a space planning analysis to improve efficiency, update and relocate conference rooms, relocate and maximize storage, and determine the most favorable balance between shared work areas, private workstations and private offices that allow for collaboration and enhance work flow processes. Staff is proposing to redesign approximately 3,000 square feet of its existing 12,800 square foot building and issued a Request for Proposal seeking architectural, engineering, space planning, interior design and construction administration services. This work is also being coordinated with the seismic review of the office building.

In past remodels, a professional assessment to evaluate workflow, storage and noise was not completed. With the digital archival of documents and changing storage needs, a thorough evaluation of the various space and use factors should be evaluated by a professional architect.

Staff included funds in the 2017-18 Budget for this effort. This project will be coordinated with the EOC Assessment study to ensure that the use of the conference rooms can be used as an EOC Operations site in the event of an emergency. The key areas to be evaluated are:

- Conference Room 101
- Library (to be converted to a new conference room)
- Copy Room
- MWDOC Reception area

- Existing open office space area and adjacent offices along the north side of the atrium
- Conference Room 102 (use of office space to be determined)
- Evaluate options for space and design consideration for providing back-up power to the facility during power grid outage
- Acoustic assessment of areas to be renovated for noise control

Staff is requesting the consultant provide:

- Assessment and space needs analysis
- Interior design services
- Develop architectural construction plans, specifications and bid solicitation package necessary for remodel space
- Oversee and assist with construction and furniture installation activities

In accordance with the District Administrative Code, staff issued an RFP for architectural, space planning, interior design and construction administration services. The RFP was posted on the District website and sent to seven vendors. A mandatory pre-proposal meeting was held on October 16th at which time five vendors attended. The proposals were due by October 30th and three proposals were received, as follows:

Project Phase	Casco Contractors, Irvine	IDS Group, Irvine	Rosenberg+Associates, Los Angeles
Phase 1 -Facility Assessment and Space Needs Analysis	\$10,320	\$6,268	\$43,420
Interior Design Services	\$17,690	\$1,790	Did not provide
Preconstruction Phase – Develop architectural drawings, plans and specifications	\$35,620	\$17,156	Did not provide
Construction Phase – Oversee all construction and furniture installation activities	\$34,070	\$4,022	Did not provide
Reimbursable estimates	\$2,000		
ADA Accessibility	\$41,165	Included in above costs	Included in the above cost
Total Cost	\$140,865	\$29,236	\$43,420

The District required specific proposal content requirements consisting of the following:

- Vendor information
- List of subcontractors
- Methodology to providing services
- Cost for each phase, hourly rates number of hours etc.
- Related experience

If the proposals did not meet the content requirements they were disqualified. Based on the initial criteria two of the three vendors met the criteria.

A staff committee of three reviewed the proposals based on the following criteria:

- Related organizational experience
- Qualifications and experience of contractor and staff to be assigned to project

- Cost of services
- Demonstrated ability to successfully manage projects of similar scale
- Clarity and succinctness of proposal
- Quality of approach and methodology

Based on its review of the proposals and the criteria, the committee is recommending the IDS Group be selected for this project. The IDS group provided a detailed approach and methodology, have familiarity in working with public agencies and the cost of services and hours were very reasonable.

Staff budgeted a total of \$100,000 in FY 2017-18 for architectural design, space planning, interior design services and project management fees. This amount is within the amount budgeted. Staff is recommending the Board authorize the General Manager to enter into a contract with IDS Group, for architectural, space planning, interior design and construction services in the amount of \$29,236. In addition staff is requesting the Board approve a contingency amount of \$15,000 for city permit fees, possible ADA compliance costs that may arise as a result of the findings and additional interior design services that may be required as the project moves forward, for a total Board authorization of \$44,236.

Please be advised the IDS Group is currently under contract with the District for the South EOC and MWDOC office seismic review.

Staff will return to the Board prior to awarding any construction related services.



ACTION ITEM
November 15, 2017

TO: Administration and Finance Committee
(Directors Thomas, Finnegan, Barbre)

FROM: Robert Hunter, General Manager

Staff Contact: Heather Baez

**SUBJECT: AUTHORIZATION TO VOTE ON BEHALF OF MWDOC IN ACWA'S
ELECTION OF PRESIDENT, VICE PRESIDENT AND BYLAW
AMENDMENTS**

STAFF RECOMMENDATION

Staff recommends that the Committee review the candidates and proposed bylaw amendments, and authorize MWDOC Board President Wayne Osborne or his designee to cast the District's ballot for the ACWA President, Vice President and bylaws update at ACWA's Fall Conference on November 29, 2017.

COMMITTEE RECOMMENDATION

Committee recommends (To be determined at Committee Meeting)

SUMMARY

On November 29, during ACWA's Fall Conference, there will be a General Membership meeting in the Platinum Ballroom 1-6, Marriott Anaheim, at 1:20 p.m. The purpose of the meeting is to formally nominate and elect ACWA's President and Vice President for the 2018-2019 term and to conduct a vote by the membership on proposed amendments to ACWA's Bylaws as recommended by the Board of Directors at its meeting on September 29, 2017.

Nomination and Election of ACWA President and Vice President

Budgeted (Y/N): N/A	Budgeted amount: N/A	Core ____	Choice ____
Action item amount: None	Line item:		
Fiscal Impact (explain if unbudgeted):			

The ACWA Nominating Committee has announced a 2018-2019 slate that recommends current Vice President **Brent Hastey** (Director, Yuba County Water Agency) **for ACWA President** and current Federal Affairs Committee Chair **Steven LaMar** (Director, Irvine Ranch Water District) **for ACWA Vice President**. As provided by ACWA's Bylaws nominations from the floor will be accepted prior to the vote. Such nominations and seconds must be supported by a resolution of the governing body of the member agency making and seconding such nomination.

Proposed Amendments to ACWA's Bylaws

As part of the ongoing efforts to ensure ACWA's Bylaws are current and reflect consistency with other governance documents and daily operations, the Board of Directors is recommending several amendments to the bylaws for consideration by the membership.

Below is *brief* description of each recommended change along with ACWA staff recommendation. The proposed bylaws have also been reviewed by the Legal Affairs Committee working group. The full amendments and language can be found in the attachments: General Session Notification Memo and in the redlined version of ACWA's bylaws.

Article 7 – Standing Committees

Each limited standing committee shall have a membership composition that is comprised of members in the quantity and with qualifications as defined by the provisions of these bylaws.

Staff is recommending this amendment to the bylaws to allow the President flexibility in appointing members to limited standing committees and to provide an odd number committee composition total.

Committee Composition Terms in Sections 5 through 17.

The use of the term "individual" versus "representative" (and one instance of "member") was inconsistent throughout the committee composition description for each of the standing committees in Article 7.

Staff revised the terms in the committee section descriptions (Sections 5 through 17) to "member" for consistency and the surrounding language where needed in response to the LAC Workgroup's analysis. (See attached bylaws for proposed amendments to these sections.)

Section 5. Agriculture Committee

There shall be an Agriculture Committee whose duty it shall be to recommend Association policy, positions and programs to the Board of Directors, State Legislative Committee, Federal Affairs Committee or other committees, as appropriate, regarding agricultural issues affecting the interests of ACWA and its members. The committee shall consist of at least one member from each region.

This would be a new committee. The proposal is supported by staff and the ACWA Board.

Section 12. Legal Affairs Committee

The committee shall be composed of between 34 and 44 attorneys, each of whom shall be a member of the California Bar and shall be, or act as, counsel for a member of the agency, representing diverse interests within the Association, including but not limited to, different geographical areas throughout the state, large and small agencies, agricultural and urban agencies, agencies created under the various enabling statutes, etc. The committee shall consist of a least one member from each region.

Rationale: Change the committee composition range so there is a resulting odd number total when the chair is added.

Article 9 – Meeting of Members, Section 8. Amendments, Revisions, and Resolutions.

Current bylaws require that before any amendments or revisions to the bylaws, or resolutions, may be considered at any meeting of the Association, any such amendment, revision, or resolution shall be submitted to the executive director/secretary at least 30 days prior to the first day of such meeting.

Rationale: Staff recommended that the deadline for submitting requests for amendments, revisions, and resolutions be changed from 30 to 120 days prior to any membership meeting to provide the Legal Affairs Committee sufficient time to review and develop the required analysis and for staff to provide adequate notice to the members as set forth in Article 9, Sections 3 and 4 of the bylaws. Note: Staff typically notifies ACWA members at least 45 days prior to a given membership meeting to allow the member agency boards adequate time to designate their authorized voting representative.

The Board of Directors recommends adoption of the proposed amendments to ACWA's Bylaws through a vote of the membership.

Attachments: General Session Membership Meeting Notification Memo
General Session/Election Procedures
Proposed ACWA Bylaws Amendments – Redline Version
Proxy Designation Form
Request for Support, Steve LaMar

TO: ACWA Members: General Managers and Board Presidents

CC: ACWA Board of Directors

FROM: Timothy Quinn, ACWA Executive Director

DATE: October 11, 2017

SUBJECT: General Session Membership Meeting at ACWA 2017 Fall Conference

There will be a General Session Membership Meeting at the 2017 Fall Conference in Anaheim, California, on Wednesday, November 29. The meeting will be held in the Platinum Ballroom 1-6, Marriott Anaheim, at 1:20 p.m. The purpose of the meeting is to formally nominate and elect ACWA's President and Vice President for the 2018-2019 term and to conduct a vote by the membership on proposed amendments to ACWA's Bylaws as recommended by the Board of Directors at its meeting on September 29, 2017.

Election of President/Vice President

The ACWA Nominating Committee has announced a 2018-2019 slate that recommends current **Vice President Brent Hastey for ACWA President** and current **Federal Affairs Committee Chair Steven LaMar for ACWA Vice President**. As provided by ACWA's Bylaws (Article 9, Section 9) nominations from the floor will be accepted prior to the vote. Such nominations and seconds must be supported by a resolution of the governing body of the member agency making and seconding such nomination. **(See attached for General Session/Election Procedures.)**

Proposed Amendments to ACWA's Bylaws

As part of the ongoing efforts to ensure ACWA's Bylaws are current and reflect consistency with other governance documents and daily operations, the Board of Directors is recommending several amendments to the bylaws for consideration by the membership. A Legal Affairs Committee (LAC) Workgroup reviewed the proposed amendments and provided an analysis pursuant to ACWA's Bylaws (Article 9, Section 8).

Following is a list of the proposed amendments to the bylaws along with the rationale for the change and the LAC Workgroup's analysis.

Article 7 – Standing Committees

1. **Section 4. Committee Composition.** Each limited standing committee shall have a membership composition that is comprised of members in the quantity and with qualifications as defined by the provisions of these bylaws. The committee chair position shall not be included in the maximum count for determining the committee composition total of any given limited committee. The committee chair shall, however, be a voting member of their respective committee subject to the rules and procedures of each committee.

Rationale: Staff is recommending this amendment to the bylaws to allow the President flexibility in appointing members to limited standing committees and to provide an odd number committee composition total.

LAC Workgroup Analysis: The proposed revision is clear and meets its intended purpose.

2. **Committee Composition Terms in Sections 5 through 17.**

Rationale. Staff noted that the use of the term “individual” versus “representative” (and one instance of “member”) was inconsistent throughout the committee composition description for each of the standing committees in Article 7. Staff asked the LAC Workgroup to review Section 1, Qualifications, as well as each of the committee descriptions to make a determination as to which term best applies for all of the committees for purposes of consistency throughout Article 7.

LAC Workgroup Analysis: Reading of the various ACWA committee sections suggests that “Member” would be the most appropriate word for consistency throughout the bylaws. However, the use of a single term, may require some minor revisions to surrounding text for clarity (for an example see Section 15 (State Legislative Committee) where “member” is separately used to denote a “member agency” and so would need to state “member-agency” consistently to accommodate the more general use of “member” throughout the bylaws).

Staff Response: Staff revised the terms in the committee section descriptions (Sections 5 through 17) to “member” for consistency and the surrounding language where needed in response to the LAC Workgroup’s analysis. **(See attached bylaws for proposed amendments to these sections.)**

3. **Section 5. Agriculture Committee.** There shall be an Agriculture Committee whose duty it shall be to recommend Association policy, positions and programs to the Board of Directors, State Legislative Committee, Federal Affairs Committee or other committees, as appropriate, regarding agricultural issues affecting the interests of ACWA and its members. The committee shall consist of at least one member from each region.

Rationale: The 2016-2017 Business and Strategic Plan initiative to increase involvement and engagement from ACWA's agricultural members has successfully generated momentum amongst ACWA's agricultural members and a renewed attention to and involvement in key policy issues that uniquely affect agricultural water suppliers. Amidst this success, a concern has arisen that the momentum could be lost once the Board of Directors finishes its current term and the initiative sunsets. This concern has sparked the suggestion that ACWA should consider creating an Agriculture Committee as the thirteenth standing committee of the Association to continue the objectives of the Ag Initiative long-term.

LAC Workgroup Analysis: The proposed revision is clean and meets its intended purpose.

4. **Section 12. Legal Affairs Committee.** There shall be a Legal Affairs Committee whose duty it shall be to support the mission of the Association, and more particularly to deal with requests for assistance involving legal matters of significance to members of the Association agencies, including but not limited to state and federal court litigation, water rights matters, selected regulatory and resources agency matters, proposed bylaw revisions, review of legislation as requested by the State Legislative Committee, etc. The committee shall consider matters and issues submitted to it in order to determine which ones are of major significance to the members of the Association agencies and, assuming a finding of major significance, recommend to the Board of Directors the position(s) which the committee believes the Association should take with respect thereto. The committee shall be composed of between ~~35~~ 34 and ~~45~~ 44 attorneys, each of whom shall be a member of the California Bar and shall be, or act as, counsel for a member of the Association agency, representing diverse interests within the Association, including but not limited to, different geographical areas throughout the state, large and small agencies, agricultural and urban agencies, agencies created under the various enabling statutes, etc. ~~Further, there shall be at least one representative from each region on the committee.~~ The committee shall consist of a least one member from each region.

Rationale: Change the committee composition range so there is a resulting odd number total when the chair is added.

LAC Workgroup Analysis: Considered together with the general change in Section 4, Committee Composition, above, this change accomplishes its purposes and maintains the current overall LAC membership numbers.

Article 9 – Meeting of Members

5. **Section 8. Amendments, Revisions, and Resolutions.** Before any amendments or revisions to the bylaws, or resolutions, may be considered at any meeting of the Association, any such amendment, revision, or resolution shall be submitted to the executive director/secretary at least ~~30~~ 90 days prior to the first day of such meeting. The executive director/secretary shall promptly distribute any

proposed amendments or revisions to the Legal Affairs Committee for the Legal Affairs Committee to develop an unbiased analysis of the amendments or revisions. Following development of an analysis for the proposed amendments or revisions, the executive director/secretary shall distribute copies of any resolutions, amendments or revisions, including any applicable analyses, to all members of the Association ~~at least five~~ not less than 10 days or more than 90 days prior to presentation at such meeting. The written notice of the membership meeting shall be given to each voting member of the Association consistent with the provisions defined in Section 3. The ~~30~~ 90-day rule may be suspended at any meeting of the Association by consent of three-fourths of the members present. Voting on resolutions, amendments, or revisions shall proceed as provided by Sections ~~3~~ 5 and ~~4~~ 6 of this Article.

Rationale: Staff recommended that the deadline for submitting requests for amendments, revisions, and resolutions be changed from 30 to 120 days prior to any membership meeting to provide the Legal Affairs Committee sufficient time to review and develop the required analysis and for staff to provide adequate notice to the members as set forth in Article 9, Sections 3 and 4 of the bylaws. **Note: Staff typically notifies ACWA members at least 45 days prior to a given membership meeting to allow the member agency boards adequate time to designate their authorized voting representative.**

LAC Workgroup Analysis: This proposed revision is clear and meets its intended purpose. However, workgroup members did express some concern that the 120-day submission requirement may unduly limit the Association's ability to quickly respond to state or federal legislative or administrative acts appropriately. A supermajority of the Association may vote to suspend the requirement, however, it may be advisable to require only 90-days for submission while retaining the general Association distribution timing of no later than 10-days and no earlier than 90-days prior to presentation at an Association meeting.

Staff Response: Staff revised the proposed amendment to state 90 days instead of 120 days in response to the LAC Workgroup's analysis.

The Board of Directors recommends adoption of the proposed amendments to ACWA's Bylaws through a vote of the membership.

Webinar on Proposed Amendments to Bylaws

ACWA staff is hosting a webinar on **Tuesday, November 7, at 10:00 a.m.** in advance of the membership meeting to answer any questions members may have pertaining to the proposed amendments to the bylaws. Please register for the webinar at the link listed below:

Please register for Bylaws Webinar on Nov 07, 2017 10:00 AM PST at:

<https://attendee.gotowebinar.com/register/18153322847132675>

After registering, you will receive a confirmation email containing information about joining the webinar.

Membership Voting Process

ACWA will issue each member agency **present** one proxy card for voting purposes based on the designated voting representative identified by the member agency on the proxy designation form. The designated voting representative is required to register and sign as the proxy holder to receive the proxy card. Proxy cards will **only** be available for pick-up on **Wednesday, November 29**, between **9:00 a.m. and 12:00 p.m.** at the **ACWA General Session Desk** in the main foyer outside of the **Marquis Ballroom Center, Marriott Anaheim**. The luncheon and General Session Membership Meeting will be held in the Platinum Ballroom 1-6.

To expedite the sign-in process at the **ACWA General Session Desk**, please indicate your voting delegate on the enclosed proxy designation form and return it by email (**donnap@acwa.com**) or fax (**916-325-4857**) at your earliest convenience prior to conference. If there is a last minute change of delegate, please let us know before the meeting date by contacting ACWA's Clerk of the Board, Donna Pangborn, at 916-441-4545 or donnap@acwa.com.

If you have any questions regarding this process, please contact Clerk of the Board Donna Pangborn at the ACWA office at 916-441-4545 or donnap@acwa.com.

dgp

Enclosures:

1. General Session/Election Procedures
2. Proposed ACWA Bylaws Amendments – Redline Version
3. Proxy Designation Form



BYLAWS of the Association of California Water Agencies

Proposed Amendments – redline version: September 29, 2017

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(As amended by the Members on December 2, 2015)

ARTICLE 1 – GENERAL

Section 1. Name. The name of this California nonprofit corporation shall be the Association of California Water Agencies (hereinafter referred to as the Association).

Section 2. Principal Office. The principal office for the transaction of business of the Association is located at 910 K Street, Suite 100, Sacramento, California; provided, however, that the Board of Directors may change the location of the principal office by resolution and without amendment of these bylaws.

Section 3. Purposes. The purposes of the Association shall be to work together with its members and others for the best interests of California and its citizens and landowners who use, need and depend upon water; to encourage the orderly development of the waters of the state; to seek means of obtaining and making available to all of California a dependable water supply of the best possible quality at the lowest possible cost, giving due consideration to environmental factors involved therein; to provide inspiration and leadership in meeting and solving the water supply problems of this state; to propose and advocate such policies and measures—local, state and federal—that serve the best interests of the Association, opposing those of contrary nature; to assist in promoting the health, safety and welfare of the employees of its members; and to do all other things that are in the best interests of its members.

ARTICLE 2 – MEMBERSHIP AND DUES

Section 1. Membership.

- A. **Members.** Only a public district, public agency, or public organization created and operated for the purpose of controlling, treating, developing, acquiring, using or supplying water for any purpose for inhabitants or lands within the state of California, or for the protection, drainage or reclamation of lands within the state of California, may become a member of the Association. Such an entity will become a member upon written application, approval by the Board of Directors, and the payment of the required dues. Acceptance to membership shall authorize full participation in Association activities. Except as otherwise provided in subsection (B) below, in no case may an organization other than a state, a political subdivision (as defined in § 1.103-1(b) of the Income Tax Regulations) of a state or an entity the income of which is excluded from gross income under § 115 of the Internal Revenue Code be a member of the Association.
- B. **Honorary Life Members.** Any person who has rendered conspicuous service in furthering the purposes of the Association may, by vote of the Board of Directors, be granted an honorary life membership in the Association without payment of dues or assessments. All past presidents of the Association shall automatically be honorary life members without vote of the Board of Directors. Honorary life members shall not be entitled to a vote or to hold office automatically because of their status as honorary life members.
- C. **Termination of Members.** Membership shall cease upon the failure of any member to pay the dues provided for in Section 2 of this Article. The membership of any member may be terminated at any time by such member sending written notification of its intention to withdraw to the Association's principal office. The Board of Directors may terminate the membership of any member upon 30 days' written notice by first-class mail when it is determined at any regular Board meeting or at any special Board meeting called for that purpose that continuance of such membership would not be in the best interests of the Association. Withdrawal or termination of membership ends any participation in Association activities and shall terminate a member's interest in the Association's assets.

Section 2. Dues. The annual dues of each member of the Association shall be established by the Board of Directors; provided, however, that any member may apply for a change in its dues because of conditions that differentiate such applicant from other members.

Section 3. Liability of Members. No member shall be liable for any obligation incurred by the Association with the following exception: (1) the payment of the annual dues while it remains a member; and (2) the payment of emergency assessments, which shall not exceed 10 percent of current annual dues for each member in any calendar year while it remains a member. No emergency assessment may be levied against any member during its first two years of membership in the Association.

ARTICLE 3 – OFFICERS

Section 1. President and Vice President.

- A. **General.** The president and vice president of the Association shall be the elected officers of the Association. At the time of their election the president and vice president shall each be an elected or appointed member of the governing body or commission (as appropriate) of a member agency of the Association. The president and vice president shall be elected by the members of the Association at its fall conference in each odd-numbered year, shall take office on January 1 of the calendar year following election, and shall hold office until such time as their successors take office or are appointed. An elected president shall not be permitted to succeed himself/herself to that office. Except as provided in this Article, should vacancies occur in either office of the president or vice president, the Board of Directors shall appoint persons to fill such offices for the unexpired terms thereof.
- B. **President.** The president shall preside at all meetings of the Board of Directors, the Executive Committee, and the general membership; shall appoint members of all committees, including the chair and vice chair of each, upon recommendation from members and regions (as communicated by the region chairs), with each such committee chair and vice chair ratified by the Board of Directors; and shall perform all other duties necessary to carry out the functions of the office. The president shall be a non-voting *ex officio* member of each committee, but shall not be an *ex officio* member of the Nominating Committee or the region boards.

The president may be expelled from office with or without cause, upon the satisfaction of the following two events: (1) a two-thirds vote of the Board of Directors; and (2) a subsequent simple majority vote of the members of the Association during a meeting of the membership.

- C. **Vice President.** The vice president shall, in the absence of the president, assume all of the duties of that office and, if a vacancy occurs, succeed thereto for the unexpired term. The vice president shall sit as a member of the Executive Committee of the ACWA Joint Powers Insurance Authority and shall perform such other duties as assigned by the president.

Section 2. Executive Director/Secretary and Controller/Treasurer.

- A. **General.** The executive director/secretary and controller/treasurer of the Association shall also be officers of the Association. The executive director/secretary shall be appointed by and hold office at the pleasure of the Board of Directors of the Association.
- B. **Executive Director/Secretary.** The executive director/secretary shall: (1) advise and assist the Board of Directors, all committees, the boards of each region, and the workgroups of each region; (2) be responsible for administering the total operations of the Association; (3) employ, direct, and release all employed staff in accordance with the policies adopted by the Board of Directors and consistent with the budget adopted by the Board of Directors; (4) provide relevant

information to the Board of Directors needed by the Board to take actions; (5) give members notice and record minutes of all meetings of the membership, Board of Directors, and Executive Committee; and (6) have such other powers and perform such other duties as may be provided and assigned by the Board of Directors directly or through the president of the Board or the Executive Committee. The executive director/secretary, with the assistance of the controller/treasurer, shall render a report to the Board of Directors at the first meeting following the close of each calendar year showing the membership of the Association, the receipts and expenditures during the year, and the work accomplished during the previous year.

- C. **Controller/Treasurer.** The controller/treasurer shall report to and act under the direction of the executive director/secretary. The controller/treasurer shall be a signatory on all accounts held by the Association and shall act as a fiduciary for all assets of the Association.

ARTICLE 4 – BOARD OF DIRECTORS

Section 1. Membership. The Board of Directors shall consist of:

- A. The Association president and vice president.
- B. The chair and vice chair of each region.
- C. The chair of each standing committee.
- D. The most immediate active past president.
- E. The vice president of the ACWA/Joint Powers Insurance Authority.

Section 2. Term of Office. The term of office of all members of the Board of Directors shall commence on January 1 of the calendar year following election of the president and vice president, except for those persons who serve on the Board of Directors by nature of their position as chairs of standing committees, whose terms shall instead commence upon their ratification by the Board of Directors. Except as provided in Article 4, Section 11, the term of office for all members of the Board of Directors shall terminate on December 31 of the following odd-numbered year two years later, or until their successors take office.

Section 3. Attendance Requirement. Any member of the Board of Directors who misses two consecutive regular Board meetings without being excused by the Board will no longer be a member of the Board of Directors.

Section 4. Regular Meetings. Regular meetings of the Board of Directors shall be held bimonthly at such times and places as the Board may determine.

Section 5. Special Meetings. Special meetings may be called by the president upon the president's own volition or shall be called by the president when requested in writing by five directors. Prior to conducting such a special meeting, the president shall consult with the Executive Committee to ensure

that adequate information is available to the Board of Directors for any necessary decisions; and where such meeting is called upon the president's own volition, the president shall also consult with the Executive Committee as to the necessity of the special meeting. Notice for special meetings shall be provided in the following manner: (1) upon 10 days' written notice sent by mail to each director and addressed to each at the address as shown upon the records of the Association; or (2) upon 48 hours' notice with notice provided by electronic means. When the meeting is called upon the president's own volition, the president shall choose the form of notice; when the meeting is called by a request of five directors, the five directors shall choose the form of notice and the president shall promptly call the meeting. No business except those items described in the notice shall be transacted at any special meeting, except by consent of three-fourths of the members of the Board of Directors present.

Section 6. Meeting Requirements and Quorums. Any meeting, regular or special, may be held in person or by telephone conference, web video conference, or other electronic video screen communication or electronic transmission. At any meeting of the Board of Directors, the attendance of 50 percent of the voting members of the Board of Directors, or their permitted alternates as specified in these bylaws, shall constitute a quorum for the transaction of any business. The Board may hold a closed session for discussion of personnel matters or enforcement of violations of the code of conduct.

Section 7. Alternates. Each region shall designate an alternate for each chair and vice chair, who shall meet the qualification requirements for chair and vice chair, to act at meetings of the Board of Directors when the chair or vice chair is unable to attend. The vice chair of each standing committee will be the alternate to act at meetings of the Board of Directors when the chair is unable to attend. An alternate may not act or vote on behalf of more than one member of the Board of Directors. A member of the Board of Directors may not act as an alternate for any other member.

Section 8. Vacancies for Standing Committee Chairs and Vice Chairs. Should a vacancy occur in the office of any standing committee chair or vice chair before the end of the term, the president shall appoint a new committee chair or vice chair to fulfill the unexpired term of such committee chair or vice chair subject to ratification by the Board of Directors. A vacancy in the office of any such standing committee chair or vice chair as described in the previous sentence shall be deemed to exist when the chair or vice chair: (1) resigns the office; (2) no longer is an officer, employee, or member of the governing body of a member agency of the Association, or other representative duly designated by a member agency of the Association to represent that member; or (3) is otherwise removed by a member agency of the Association.

Section 9. Duties, Authorities, and Delegation. Subject to the provisions and limitations of California Nonprofit Corporation Law, other applicable laws, and the provisions of these bylaws, the Association's activities and affairs are to be exercised by or under the direction of the Association's Board of Directors. The Board of Directors is responsible for the overall supervision, control, and direction of the Association. The Board of Directors shall: (1) employ and release the executive director/secretary; (2) set performance expectations for the executive director/secretary; (3) receive, review, and consider approval of executive director/secretary recommended compensation, other terms and conditions of

employment, and annual evaluations as prepared by the Executive Committee; (4) annually adopt a budget; and (5) set the level of dues for the Association. Except as to the duties listed in the previous sentence, and subject to Article 3, Section 2, the Board of Directors may delegate the supervision, control, and direction of the Association's affairs to any person or group, including a committee, provided the Association Board retains ultimate responsibility for the actions of such person or group. Where such powers are delegated, the delegation shall be documented in writing.

Section 10. Immediate Past President. The immediate past president automatically assumes this position after serving as the Association's elected president and is a voting member of the Board of Directors and Executive Committee. The term of office for the immediate past president shall commence on January 1 of the calendar year following election of the president and vice president and shall terminate on December 31 of the following odd-numbered year two years later. In the event the most immediate active past president is unavailable to serve, the most recent and available active past president in succession shall serve in this capacity.

Section 11. Code of Conduct of Board Members.

- A. **Code of Conduct: Purpose and Adoption.** The Board of Directors shall establish, and update as appropriate, a code of conduct for its Directors that recognizes the Association's commitment of integrity, respect, and fair representation to its members and the public they serve and establishes minimum ethical standards for the performance of the duties of office. The code shall be consistent with the procedural processes contained in this section. The code shall be distributed to all new Directors and shall be distributed annually to all members of the Association.
- B. **Violations and Enforcement Process.** A violation of the code of conduct may result in removal, public censure, or private reprimand of a Director, or such other action as contained in the code of conduct. However, removal and public censure shall be reserved only for serious violations. A Director may not be removed or publically censured absent an affirmative vote of two-thirds of the voting members of the Board of Directors. A Director may be privately reprimanded for a violation of the code of conduct upon the majority vote of the quorum. Complaints of violation of the code of conduct may be filed with the president, or the vice-president if the allegations are made against the president. The president may refer a complaint of violation to the executive director/secretary for investigation. The executive director/secretary may retain a special investigator or special counsel to conduct or assist the investigation. A Director accused of a violation shall be provided a copy of the complaint. A Director that takes any hostile or retaliatory action, directly or indirectly, against a complainant is subject to removal from the Board in conformance with the process identified above. Prior to scheduling a Board action on a complaint, the president shall consult with the Executive Committee and the chair of the Legal Affairs Committee. A Director accused of a violation of the code of conduct shall be provided at least 15 days' written notice of any meeting of the Board at which a determination of enforcement will be considered. A determination of enforcement may be made only at a regular

meeting of the Board and shall be made in closed session. The determinations of the Board under this section shall not be admissible in any criminal or civil proceeding brought against the Director for conduct that violates any other law.

ARTICLE 5 – REGIONS

Section 1. Boundaries of Each Region.

- A. There shall be a maximum of 10 regions within the state. The Board of Directors shall determine the regional boundaries. Insofar as is practicable, the regions shall have a numerical balance in members of the Association; make geographic sense; and promote regional problem solving.
- B. A member of the Association may file a written petition to the Board of Directors requesting a change in regions. Such petition shall set forth the reasons for such requested change. The Board shall, within a reasonable time, act upon such petition and set forth the reasons for its action. Such action by the Board shall be based on factors in (A) above, as well as others deemed by the Board of Directors to be relevant to the decision.

Section 2. Officers.

- A. The officers of each region shall be a chair and vice chair and three to five region board members who shall be elected by the region by September 30, or the preceding Friday if September 30 falls on a weekend, of odd-numbered years. A region may maintain a board of fewer than five but not less than three members as provided in the region's rules and regulations. The officers of the region board shall take office on January 1 of the calendar year following election and shall hold office for two years, or until their successors take office. Regions shall hold elections by electronic ballot. ACWA staff shall verify the legitimacy of the ballots.
- B. The officers of each region shall: (1) exercise the powers and perform duties of the region during the interim between region meetings; and (2) make recommendations to the president regarding appointments to committees. The chair and vice chair shall be the region's representatives to the ACWA Board of Directors.
- C. Each officer of a region shall be an officer, employee, or member of the governing body of a member agency of the Association, or other representative duly designated by a member agency of the Association to represent that member at the time of the appointment. Where an individual ceases to meet these criteria during the term of the office, the individual may not serve during the remaining term of that office unless that individual can again meet the criteria for the office and is appointed to complete the term. The region board may adopt more stringent criteria for board member qualifications as part of the region's rules and regulations.
- D. Should a vacancy occur in any of the region board positions before the end of the term, the remaining members of the region board shall appoint a new member. A vacancy in the office of

any region board position shall be deemed to exist when a region board member: (1) resigns the office; (2) no longer is an officer, employee, or member of the governing body of a member agency of the Association, or other representative duly designated by a member of the Association to represent that member; or (3) is otherwise removed by a member agency of the Association.

Section 3. Nominating Committees. There shall be a nominating committee for each region consisting of three or more designees, each representing a member of the Association located within the region, appointed by the chair of the region and approved by the region board. Nominating committees shall be formed by February 28 of each odd-numbered year. The nominating committee shall announce its nominations for chair, vice chair, and region board members by August 1 of an election year. All regions must complete the election process by September 30 of the election year, or the preceding Friday if the September 30 falls on a weekend.

Section 4. Meetings. The meetings of each region shall be held at both the spring and fall conferences and at such other times and places as may be determined by the region chair. Representatives of five or more members of the Association from the region present at any region meeting shall constitute a quorum for purposes of conducting the business of the region. Any meeting, regular or special, may be held in person or by telephone conference, web video conference, or other electronic video screen communication or electronic transmission.

Section 5. Workgroups. Workgroups may be appointed by the region chair as needed.

Section 6. Rules. Each region shall organize and adopt rules and regulations for the conduct of its meetings and affairs not inconsistent with the Articles of Incorporation or bylaws of the Association. Each region shall abide by the code of conduct adopted by the Board of Directors of the Association.

ARTICLE 6 – EXECUTIVE COMMITTEE

Section 1. Membership. There shall be an Executive Committee consisting of the following: the president of the Association, who shall be the chair thereof; the vice president; the most immediate active past president; the chair of the Finance Committee; and three at-large representatives selected from and by the members of the Board of Directors. The election of the three at-large representatives to the Executive Committee shall occur at the first Board of Directors meeting held in each even-numbered year and the elected representatives shall serve immediately following their election and until such time as their successors take office. To the extent practical, the Executive Committee should be constituted so as to reflect the geographic extent of the Association and the functions of the members of the Association.

Section 2. Powers. The Executive Committee shall have the following authority:

- A. **Personnel.** Subject to the budget adopted by the Board of Directors, the Executive Committee shall perform the following personnel actions: (1) recommend compensation for the executive

director/secretary to the Board of Directors for approval; (2) perform annual reviews of the executive director/secretary and submit that review to the Board of Directors; (3) review and approve the classification and compensation plan and publicly posted salary schedule for Association employees submitted by the executive director/secretary, which shall be reviewable by the Board of Directors, in closed session, upon request of the Board of Directors; (4) establish personnel policies for the conduct and behavior of employees, which shall be reviewable by the Board of Directors; and (5) undertake such other personnel actions as may be requested by the executive director/secretary in support of his or her oversight of all other personnel matters, which shall be reviewable by the Board of Directors, in closed session, upon request of the Board of Directors.

- B. **Delegation.** The Executive Committee may act pursuant to any authority specifically delegated to it by the Board of Directors. The delegation shall indicate whether the authority is still subject to the ultimate authority of the Board.
- C. **Authority to Act Between Meetings.** The Executive Committee may act for the Board of Directors between Board meetings when calling a special meeting of the Board of Directors is impracticable, provided that no such action of the Executive Committee shall be binding on the Board of Directors until authorized or approved by the Board. The Executive Committee has the authority to authorize actions recommended by the Legal Affairs Committee (such as the filing of letter briefs and amicus curiae briefs) by electronic means without the need for an in-person or telephonic meeting, but such actions shall be ratified by the Board of Directors at its next meeting.

Section 3. Reporting. The president, or any person designated by the president, shall report to the Board of Directors, at each regular Board meeting, any action taken by the Executive Committee since the last preceding regular Board meeting. The minutes of Executive Committee meetings, which at that time may still be in draft form, shall be mailed (using the U.S. Postal Service, express delivery, electronic means, or otherwise) to each member of the Board of Directors at least five days prior to Board meetings, except in cases in which the Executive Committee meets during or immediately prior to a conference of the Association or immediately prior to a Board meeting, in which case the minutes, which may still be in draft form, shall be mailed to each director promptly thereafter.

Section 4. Meetings. The Executive Committee shall hold regularly scheduled meetings as set by the president. Special meetings of the Executive Committee may be called by the president upon notice to the members of that committee or upon written request of three Executive Committee members. Notice for special Executive Committee meetings shall be provided to the entire Board: (1) upon five days' written notice sent by mail, or (2) upon 24 hours' notice with notice provided by electronic means; and all such meetings shall be open to the Board of Directors. Any meeting, regular or special, may be held in person or by telephone conference, web video conference or other electronic video screen communication or electronic transmission. All members of the Board of Directors may attend any meeting of the Executive Committee. Meetings of the Executive Committee may be closed to others at

the discretion of the President or committee. Only members of the Executive Committee are allowed to vote on matters at a meeting of the committee.

Section 5. Minutes. The minutes of the Executive Committee meetings shall be kept by the executive director/secretary at the Association's principal office. Actions of the Executive Committee shall be reported to the Board of Directors as provided in Section 3 of this Article and shall be available to any member of the Board of Directors upon request to the executive director/secretary.

ARTICLE 7 – STANDING COMMITTEES

Section 1. Qualification. In order to serve on any ACWA standing committee, an individual must be an officer, employee, or member of the governing body of a member agency of the Association, or other representative duly designated by a member agency of the Association to represent that member at the time of the appointment. Where an individual ceases to meet these criteria during the term of the appointment, the individual may not serve during the remaining term of that appointment unless that individual can again meet the criteria for appointment and is appointed to complete the term.

Section 2. Term of Office. The term of office of standing committee members shall be two years commencing on January 1 of each even-numbered year. The term of office of standing committee chairs and vice chairs shall be approximately two years and shall commence as soon after January 1 of the even-numbered year as they may be appointed by the president and ratified by the then-seated Board of Directors, and shall terminate on December 31 of the odd-numbered year approximately two years later or until their successors are appointed and ratified.

Section 3. Meetings. Meetings of standing committees may be called at such times and places designated by the respective chair thereof except where provided otherwise by these bylaws. Subject to the provisions of these bylaws and any actions that may be taken by the Board of Directors, the chairs of each standing committee may establish their own rules for the efficient operation of the committee they each chair. The chairs of each standing committee are authorized to create subcommittees and workgroups in order to complete the work of the committee.

Section 4. Committee Composition. Each limited standing committee shall have a membership composition that is comprised of members in the quantity and with qualifications as defined by the provisions of these bylaws. The committee chair position shall not be included in the maximum count for determining the committee composition total of any given limited committee. The committee chair shall, however, be a voting member of their respective committees subject to the rules and procedures of each committee.

Rationale: Staff is recommending this amendment to the Bylaws to allow the President flexibility in appointing members to limited standing committees and to provide an odd number committee composition total.

LAC Workgroup Analysis: The proposed revision is clear and meets its intended purpose.

Committee Composition Terms in Sections 5 through 17.

Rationale: Review of Committee Composition Terms: Staff noted that the use of the term “individual” versus “representative” (and one instance of “member”) was inconsistent throughout the committee composition description for each of the standing committees in Article 7. Staff asked the LAC Workgroup to review Section 1, Qualifications, as well as each of the committee descriptions to make a determination as to which term would best apply for all of the committees for purposes of consistency throughout Article 7.

LAC Workgroup Analysis: Reading of the various ACWA committee sections suggests that “Member” would be the most appropriate word for consistency throughout the By-Laws. However, the use of a single term, may require some minor revisions to surrounding text for clarity (for an example see Section 15 (State Legislative Committee) where “member” is separately used to denote a “member agency” and so would need to state “member-agency” consistently to accommodate the more general use of “member” throughout the By-Laws).

Staff Response: Staff revised the terms in the committee sections to “member” for consistency and the surrounding language where needed in response to the LAC Workgroup’s analysis.

Section 5. Agriculture Committee. There shall be an Agriculture Committee whose duty it shall be to recommend Association policy, positions and programs to the Board of Directors, State Legislative Committee, Federal Affairs Committee or other committees, as appropriate, regarding agricultural issues affecting the interests of ACWA and its members. The committee shall consist of at least one member from each region.

Rationale: The 2016-2017 Business and Strategic Plan initiative to increase involvement and engagement from ACWA’s agricultural members has successfully generated momentum amongst ACWA’s agricultural members and a renewed attention to and involvement in key policy issues that uniquely affect agricultural water suppliers. Amidst this success, a concern has arisen that the momentum could be lost once the Board of Directors finishes its current term and the initiative sunsets. This concern has sparked the suggestion that ACWA should consider creating an Agriculture Committee as the thirteenth standing committee of the Association to continue the objectives of the Ag Initiative long-term.

LAC Workgroup Analysis: The proposed revision is clean and meets its intended purpose.

Section 6. Business Development Committee. There shall be a Business Development Committee whose duty it is to develop and recommend to the Board of Directors programs and activities to be provided or administered by the Association that generate non-dues revenue and provide a service or benefit to Association members. The committee shall consist of at least one representative member from each region and one representative may include members from the any of the other standing committees.

Section-~~5~~ 7. Communications Committee. There shall be a Communications Committee whose duty it shall be to develop and make recommendations to the Board of Directors regarding a comprehensive internal and external communications program for the Association and to promote development of sound public information and education programs and practices among members ~~s-of the Association agencies~~. The committee shall consist of no more than 40 ~~individuals~~members. ~~Of that number, The committee shall consist of~~ at least one ~~individual member shall be~~ from each region.

Section-~~6~~ 8. Energy Committee. There shall be an Energy Committee whose duty it shall be to recommend policies and programs to the Board of Directors and to the State Legislative Committee and/or Federal Affairs Committee as appropriate. The committee shall consist of at least one ~~representative member~~ from each region.

Section-~~7~~ 9. Federal Affairs Committee. There shall be a Federal Affairs Committee whose duty it shall be to review all federal legislative proposals and regulatory proposals affecting ~~members-of the Association member agencies~~, after consulting with other appropriate committees, and to develop Association positions consistent with existing policy, where it has been established; recommend sponsorship of bills that will resolve problems or improve conditions for members ~~s-of the Association agencies~~; and assist in the establishment of the Association's federal legislative program. The committee shall consist of at least one ~~and, but~~ no more than five ~~individuals~~members from each region.

Section-~~8~~ 10. Finance Committee. There shall be a Finance Committee whose duty it shall be to make recommendations to the Board of Directors regarding annual budgets, dues formula and schedules and other revenue-producing income, annual audit and selection of an auditor, and investment strategies. The committee shall consist of the president and vice president of the Association as *ex officio* members, ~~the Finance Committee chair, one member~~~~either the chair or vice chair from each of the Association's~~ ~~of the region board from each of the Association's~~ 10 regions ~~s boards (either chair or vice chair)~~, and one additional ~~representative member~~ from each region with experience in financial matters.

Section-~~9~~ 11. Groundwater Committee. There shall be a Groundwater Committee whose duty it shall be to recommend policies and programs to the Board of Directors and to the State Legislative Committee and/or Federal Affairs Committee as appropriate. The committee shall consist of at least one ~~representative member~~ from each region.

Section-~~10~~ 12. Legal Affairs Committee. There shall be a Legal Affairs Committee whose duty it shall be to support the mission of the Association, and more particularly to deal with requests for assistance involving legal matters of significance to members ~~s-of the Association agencies~~, including but not limited to state and federal court litigation, water rights matters, selected regulatory and resources agency matters, proposed bylaw revisions, review of legislation as requested by the State Legislative Committee, etc. The committee shall consider matters and issues submitted to it in order to determine which ones are of major significance to the members ~~s-of the Association agencies~~ and, assuming a finding of major significance, recommend to the Board of Directors the position(s) which the committee believes the Association should take with respect thereto. The committee shall be composed of between ~~35 34~~ and ~~45 44~~ attorneys, each of whom shall be a member of the California Bar and shall be,

or act as, counsel for a member ~~of the Association~~agency, representing diverse interests within the Association, including but not limited to, different geographical areas throughout the state, large and small agencies, agricultural and urban agencies, agencies created under the various enabling statutes, etc. ~~Further, there shall be at least one representative from each region on the committee~~The committee shall consist of at least one member from each region.

Rationale: Change the committee composition range so there is a resulting odd number total when the chair is added.

LAC Workgroup Analysis: Considered together with the general change in Section 4, Committee Composition above, this change accomplishes its purposes and maintains the current overall LAC membership numbers.

Section-~~11~~ 13. Local Government Committee. There shall be a Local Government Committee whose duty it shall be to recommend policies to the State Legislative Committee, as appropriate, and Board of Directors on matters affecting water agencies as a segment of local government in California. The committee shall consist of at least one, ~~and but~~ no more than three ~~individuals~~members from each region.

Section-~~12~~ 14. Membership Committee. There shall be a Membership Committee whose duty it shall be to assist staff in developing membership recruitment and retention programs, make recommendations to the Board of Directors regarding membership policies, eligibility, and applications for membership and review and make recommendations to the Finance Committee regarding an equitable dues structure. The committee shall consist of at least one member from each region.

Section-~~13~~ 15. State Legislative Committee. There shall be a State Legislative Committee whose duty it shall be to review all state legislative proposals affecting members ~~of the Association~~agencies and to establish Association positions, consistent with existing policy, where it has been established; sponsor bills that will resolve problems or improve conditions for member ~~s of the Association~~agencies; and assist in the establishment of the Association's legislative program. The committee shall consist of ~~individuals~~members representing a variety of types of ~~members~~member agencies and at least one ~~and~~, but no more than four ~~individuals~~members from each region.

Section-~~14~~ 16. Water Management Committee. There shall be a Water Management Committee whose duty it shall be to recommend policy and programs to the Board of Directors on any area of concern in water management. The committee shall consist of at least one, ~~but and~~ no more than four ~~individuals~~members from each region.

Section-~~15~~ 17. Water Quality Committee. There shall be a Water Quality Committee whose duty it shall be to develop and recommend Association policy, positions, and programs to the Board of Directors, to promote cost-effective state and federal water quality regulations that protect the public health, to enable interested members ~~s of the Association~~agencies to join together to develop and coordinate with

other organizations, and to present unified comments regarding agricultural and domestic water quality regulations. The committee shall consist of at least one [individual member](#) from each region.

ARTICLE 8 – SPECIAL COUNCILS, COMMITTEES, AND TASK FORCES

Section 1. Council of Past Presidents. There shall be a Council of Past Presidents composed of all past presidents of the Association who serve on the council until each is no longer able to or wishes to serve. The council shall provide a mechanism for past presidents to continue to make valuable contributions to the Association. With approval of the Board of Directors, the president and/or executive director/secretary may assign specific responsibilities to the council from time to time. Members of the Council of Past Presidents are invited to attend and participate in the Association’s Board meetings.

Section 2. Nominating Committee. There shall be a Nominating Committee consisting of five or more persons appointed by the president prior to the Association’s fall conference in each odd-numbered year, whose purpose shall be to nominate qualified individuals for the offices of president and vice president of the Association. The Nominating Committee shall publish its nominations for the offices of president and vice president of the Association not less than 10 or more than 90 days before the membership meeting is held at fall conference. Additional nominations may be made by any member of the Association for candidates for the office of president and vice president. Additional nominations shall be made from the floor during the election of president and vice president at the membership meeting scheduled for said purposes.

Section 3. Other Committees and Task Forces. Other committees and task forces may be appointed by the president from time to time as needed, consistent with and supportive of the mission of the Association.

ARTICLE 9 – MEETINGS OF MEMBERS

Section 1. Meetings. Meetings of the members of the Association shall be held at the Association’s conferences at such times as may be determined by the Board of Directors to conduct necessary business and to elect the president and vice president, which occurs at the fall conference in each odd-numbered year.

Section 2. Special Meetings. Special meetings of the members of the Association may be called by the Board of Directors, the president of the Board of Directors, or by 5 percent or more of the members of the Association. Except when called by the Board, a request for a special meeting must be in writing and must be delivered in person or mailed by first-class mail addressed to the president of the Board at the principal office of the Association, with a copy to the executive director/secretary. The request must state the general nature of the business proposed to be transacted at the meeting.

A special meeting that has been called by written request of 5 percent of the member agencies of the Association to the Board of Directors shall be set by the Board of Directors on a date that is not less than 35 or more than 90 days after receipt of the request.

Section 3. Notice Requirements for Membership Meetings. Written notice of any membership meeting shall be given to each voting member of the Association. The notice shall state the date, time, and place of the meeting; the means by which members may participate; and the general nature of the business to be transacted. The notice of any meeting at which Board officers are to be formally nominated and elected shall include the names of the recommended slate of candidates for the offices of president and vice president in addition to the election procedures. The member notification information shall also be posted on the Association's website.

Except as otherwise provided in these bylaws or California law, a written notice of regular membership meetings shall be given not less than 10 or more than 90 days before the date of the meeting to each member who, on the record date for notice of the meeting, is entitled to vote; provided, however, that if notice is given by mail, and the notice is not mailed by first-class, registered, or certified mail, that notice shall be given not less than 20 days before the meeting.

Section 4. Notice Requirements for Special Meetings. The executive director/secretary shall cause notice to be given to all members of the Association of the date, time, and place of the meeting and the general nature of the business to be transacted at the meeting. No business except that specified in the request and notice may be transacted at said special meeting. If notice of the requested special meeting is not given within 20 days after receipt of the request, the person or persons requesting the meeting may give the notice.

Section 5. Voting. Each member of the Association shall be entitled to one vote that shall be cast by its authorized representative. All questions, except amendments or revisions of these bylaws, shall be determined by a majority of the members present and voting. A roll call may be requested by any representative.

Section 6. Amendment of Bylaws. These bylaws may be amended or revised by two-thirds of the member agencies of the Association present and voting at any meeting.

Section 7. Quorums. The presence of the authorized representative of 50 members of the Association at any meeting of the members shall constitute a quorum for transacting business.

Section 8. Amendments, Revisions, and Resolutions. Before any amendments or revisions to the bylaws, or resolutions, may be considered at any meeting of the Association, any such amendment, revision, or resolution shall be submitted to the executive director/secretary at least ~~30~~ 90 days prior to the first day of such meeting. The executive director/secretary shall promptly distribute any proposed amendments or revisions to the Legal Affairs Committee for the Legal Affairs Committee to develop an unbiased analysis of the amendments or revisions. Following development of an analysis for the proposed amendments or revisions, the executive director/secretary shall distribute copies of any resolutions, amendments or revisions, including any applicable analyses, to all members of the Association ~~at least five not less than 10 days or more than 90 days~~ prior to presentation at such meeting. The written notice of the membership meeting shall be given to each voting member of the Association consistent with the provisions defined in Section 3. The ~~30~~ 90-day rule may be suspended at

any meeting of the Association by consent of three-fourths of the members present. Voting on resolutions, amendments, or revisions shall proceed as provided by Sections ~~3~~ 5 and ~~4~~ 6 of this Article.

Staff Rationale: Staff is recommended that the deadline for submitting requests for amendments, revisions, and resolutions be changed from 30 to 120 days prior to any membership meeting to provide Legal Affairs Committee sufficient time to review and develop the required analysis and for staff to provide adequate notice to the members as set forth in Article 9, Sections 3 and 4 of the Bylaws. Note: Staff typically notifies ACWA members at least 45 prior to a given membership meeting to allow the agency boards to designate their authorized representative.

LAC Workgroup Analysis: This proposed revision is clear and meets its intended purpose. However, subcommittee members did express some concern that the 120-day submission requirement may unduly limit the Association's ability to quickly respond to state or federal legislative or administrative acts appropriately. A supermajority of the Association may vote to suspend the requirement, however, it may be advisable to require only 90-days for submission while retaining the general Association distribution timing of no later than 10-days and no earlier than 90-days prior to presentation at an Association meeting.

Staff Response: Staff revised the proposed amendment to state 90 days instead of 120 days in response to the LAC Workgroup's analysis.

Section 9. Nomination of President and Vice President.

- A. **Qualification.** At the time of their election, the president and vice president of the Association shall each be an elected or appointed member of the governing body or commission (as appropriate) of a member agency of the Association.
- B. **Nominating Committee Process.** All nominations for the positions of president and vice president shall be accompanied by an official resolution from the Association member agency on whose board the nominee serves. Said resolution shall be signed by an authorized signatory of the member agency's Board of Directors.
- C. **Nominations from the Floor.** Additional nominations may be made by any member of the Association for the office of president and vice president. Said nominations and seconds shall be made from the floor during the election of the offices of president and vice president at the membership meeting scheduled for said purposes (as provided for in the penultimate sentence of Article 8, Section 2). Such nominations and seconds shall be made by a member of the Association and must be supported by a resolution of the governing body of the member making and seconding such nomination. The member agency on whose board the nominee serves shall submit a resolution of support if they are not the agency making the floor nomination or second.

Section 10. Additional Procedures for Election of Officers. The Board shall have the authority to develop additional procedures for elections of president and vice president when not otherwise covered by these bylaws.

ARTICLE 10 –INDEMNIFICATION OF DIRECTORS, OFFICERS, AND OTHER AGENTS

Section 1. Right of Indemnity. To the fullest extent permitted by law, this Corporation shall indemnify its Directors, Officers, employees, and other persons described in Section 7237(a) of the California Corporations Code, including persons formerly occupying any such position, against all expenses, judgments, fines, settlements and other amounts actually and reasonably incurred by them in connection with any “proceeding,” as that term is used in that Section, and including an action by or in the right of the Corporation, by reason of the fact that the person is or was a person described in that section. “Expenses,” as used in this bylaw, shall have the same meaning as in Section 7237(a) of the California Corporations Code.

Section 2. Approval of Indemnity. On written request to the Board by any person seeking indemnification under Section 7237(b) or Section 7237(c) of the California Corporations Code, the Board shall promptly determine under Section 7237(e) of the California Corporations Code whether the applicable standard of conduct set forth in Section 7237(b) or Section 7237(c) has been met and, if so, the Board shall authorize indemnification.

Section 3. Advancement of Expenses. To the fullest extent permitted by law and except as otherwise determined by the Board in a specific instance, expenses incurred by a person seeking indemnification under these bylaws in defending any proceeding covered by those Sections shall be advanced by the Corporation before final disposition of the proceeding, on receipt by the Corporation of an undertaking by or on behalf of that person that the advance will be repaid unless it is ultimately determined that the person is entitled to be indemnified by the Corporation for those expenses.

Section 4. Insurance. The Corporation shall have the right to purchase and maintain insurance to the full extent permitted by law on behalf of its Officers, Directors, employees, and other agents, against any liability asserted against or incurred by any officer, director, employee, or agent in such capacity or arising out of the officer’s, director’s, employee’s or agent’s status as such.

ARTICLE 11 – MISCELLANEOUS

Section 1. Conduct of Meetings. All meetings of the Association shall be conducted in accord with the code of conduct and in substantial accordance with the latest edition of Robert’s Rules of Order Newly Revised unless the Board adopts alternate rules of conduct for itself and/or its committees, region boards, and region workgroups.

Section 2. Funds. The funds of the Association shall be used to further the aims and purposes of this Association. They shall be kept by the controller/treasurer and paid out by checks or other electronic means, which shall only be valid with two authorized signatures. The Board of Directors shall designate

by resolution which persons, other than the controller/treasurer, may sign for expenditures. The Finance Committee shall implement procedures to ensure necessary internal controls over the receipt and expenditures of Association funds and arrange for an external audit. Audit reports shall be presented to the Board of Directors.

Section 3. Disposition of Assets upon Dissolution. The Association's properties and assets are irrevocably dedicated to the fulfillment of the Association's purposes as described in Article 2 of the Articles of Incorporation. No part of the Association's net earnings, properties and assets, on dissolution or otherwise, may inure to the benefit of any private person. Upon the dissolution of the Association, all debts thereof shall be paid and its affairs settled, and all remaining assets shall be distributed to the Association's member political subdivisions for a public purpose, consistent with the provisions of the California Nonprofit Corporation Law relating to public benefit corporations then in effect and with the Articles of Incorporation.

Section 3. Definitions. As used in these bylaws, the term "notice provided by electronic means" shall refer to notice given by fax or e-mail.

Amended comprehensively December 1, 2010

Amended May 9, 2012

Amended May 7, 2014

Amended December 2, 2015

GENERAL SESSION/ELECTION PROCEDURES FOR ACWA 2017 FALL CONFERENCE

The following information is provided to inform the ACWA member agency delegates attending the 2017 Fall Conference of the procedures to be used pertaining to the nomination and election of ACWA officers and the vote by the membership on proposed amendments to the bylaws during the General Session Membership Meeting.

PROXY CARDS – (REQUIRED FOR VOTING)

ACWA will issue each member agency **present** one proxy card for voting purposes based on the designated voting representative identified by the member agency. In order to vote during the General Session Membership Meeting, the designated voting representative is required to register and sign as the proxy holder by 12:00 p.m. on Wednesday, November 29. Upon registration and sign-in, the voting delegate will receive the required proxy cards. Proxy cards will be available for pick-up on **Wednesday, November 29, between 9:00 a.m. and 12:00 p.m.** at the ACWA General Session Desk in the main foyer outside of the **Marquis Ballroom Center, Marriott Anaheim**. The luncheon and General Session Membership Meeting will be held in the Platinum Ballroom 1-6.

GENERAL SESSION MEMBERSHIP MEETING, WEDNESDAY, NOV. 29 (DOORS OPEN AT 1:05 P.M.)

1. The General Session Membership Meeting will be called to order at 1:20 p.m. and a quorum will be determined. The presence of 50 authorized voting representatives is required to establish a quorum for transacting business.
2. Legal Affairs Committee Chair Jeni Buckman will provide an overview of the agenda and election procedures.
3. Nominating Committee Chair John Coleman will present the committee's report and announce the candidate for ACWA President.
4. President Kathy Tiegs will call for floor nominations for ACWA President.
5. If there are no floor nominations for President, the election will proceed. President Tiegs will close the nominations and delegates will vote by holding up their "Yes" or "No" proxy voting cards.
6. If there are floor nominations for President, the nomination will follow the procedures established by Article 9 of ACWA's Bylaws, stating floor nominations and seconds must be supported by a resolution of the governing body of the member agency making and seconding such nomination. **Note: If there are floor nominations, the election of officers will proceed during Wednesday's General Session as outlined below and the proposed bylaws amendments will move to the Thursday General Session Membership Meeting as outlined in item 12 below.**
 - a. Ballots will be distributed to the voting delegates.
 - b. Delegates will complete their ballots and place them in the ballot box, which will be centrally located in the Platinum Ballroom 1-6 meeting room.
 - c. Tellers' Committee will count the ballots. President Tiegs has appointed the following staff members to serve as the Tellers' Committee: Clerk of the Board Donna Pangborn; Director, Business Development & Events Paula Currie; and Executive Assistant Lili Vogelsang.
 - d. Legal Affairs Committee Chair Jeni Buckman will serve as the proctor to oversee the ballot counting process.
 - e. Candidates are welcome to designate an observer to be present during the ballot counting process.
 - f. Results of the ballot count will be announced. Election of ACWA's officers will be determined by a majority of the members present and voting. If any one candidate does not receive a majority of the vote, successive ballot counts will be conducted until a candidate is elected, consistent with Robert's Rules of Order.

7. Nominating Committee Chair John Coleman will announce the candidate for ACWA Vice President.
8. President Kathy Tiegs will call for floor nominations for ACWA Vice President.
9. If there are no floor nominations for Vice President, the election will proceed. President Tiegs will close the nominations and delegates will vote by holding up their "Yes" or "No" proxy voting cards.
10. If there are floor nominations for Vice President, the nominations will follow the procedures described in item 6 above, and the election will proceed according to the steps outlined in 6.a. through 6.f.

IF THERE ARE NO FLOOR NOMINATIONS FOR THE ELECTION OF OFFICERS, THE WEDNESDAY GENERAL SESSION MEMBERSHIP MEETING WILL PROCEED WITH A VOTE ON THE PROPOSED AMENDMENTS TO THE BYLAWS.

11. Legal Affairs Committee Chair Jeni Buckman will provide an overview of the proposed amendments to the bylaws.
 - a. Consideration of amendments to the bylaws.
 - b. Request for motion / second from the floor to approve the proposed amendments to the bylaws.
 - c. Discussion of proposed amendments.
 - d. Opportunity for members to offer changes to proposed amendments to the bylaws. Any proposed changes to the bylaw amendments as currently proposed require **a majority vote of the voting members present**.
 - e. Call for the question. A two-thirds vote of the members present and voting is required to amend the ACWA Bylaws.

IF THERE ARE FLOOR NOMINATIONS FOR THE ELECTION OF OFFICERS, THE OVERVIEW AND VOTE ON THE PROPOSED AMENDMENTS TO THE BYLAWS WILL BE TAKEN UP AT THE GENERAL SESSION MEMBERSHIP MEETING ON THURSDAY AS FOLLOWS.

12. The vote by the membership on the proposed amendments to the bylaws will occur at the Thursday, General Session Membership Meeting, at the Platinum Ballroom 1-6, Anaheim Marriott, at 1:20 p.m.
 - a. The General Session Membership Meeting will be called to order at 1:20 p.m. and a quorum will be determined. The presence of 50 formally designated voting representatives is required to establish a quorum for transacting business.
 - b. Legal Affairs Committee Chair Jeni Buckman will provide an overview of the proposed bylaws amendments.
 - c. The meeting will proceed according to the steps outlined 11.a. through 11.e. above.



RECEIVED

OCT 19 2017

MWD OF OC

October 18, 2017

Robert Hunter
Municipal Water District of Orange County
PO Box 20895
Fountain Valley, CA 92728

Dear Colleague:

I am pleased to share with you that the Association of California Water Agencies (ACWA) Nominating Committee has selected me as their recommended candidate to serve in the role of ACWA Vice President for the 2018-2019 term. I am excited about having an opportunity to play a leadership role in ACWA and represent your water agency and the other 430 ACWA member agencies in addressing California's increasingly complex water issues. I am writing to respectfully request your agency's support for my candidacy during the ACWA Officer Election at our fall conference.

My experience, in participating on various ACWA committees and in numerous events over the years, has shown me that it is the people that make the difference in the success of our statewide organization. The diversity among water agencies – north/south, east/west, large/small, ag/urban, coastal/mountain, desert/forest – provides a stellar example of the value of collaboration. Statewide, ACWA member agencies have the expertise to solve almost any water issue when given the opportunity. One of the things I enjoy most about being a part of ACWA is being able to learn from water experts from each of our regions. Together we are a mighty force throughout California and together we can solve difficult issues to the benefit of all Californians.

I have attached a brief summary of my experience with ACWA state water task forces and advisory committees. While this experience is indeed important, what I treasure most is having the support of people whom I respect within ACWA – past presidents, fellow ACWA Board members, friends from other water agency boards, general managers and district staff.

Many agencies have already supported my candidacy through resolutions, and I am very grateful for their early votes of confidence. I respectfully ask for an opportunity to represent the best interests of water agencies throughout California and ask for your agency's vote. I look forward to seeing you at our fall conference in Anaheim. Thank you in advance for your support. Please contact me if you have any questions about my candidacy at 714-227-2869.

Respectfully,

A handwritten signature in blue ink that reads "Steven E. LaMar".

Steven E. LaMar
Director

Enclosure: Statement of Qualifications

STEVEN E. LAMAR

Statement of Qualifications for Vice President Association of California Water Agencies

- Inclusive Leadership
- Active Advocacy
- Strong Commitment Water Community

“Seeing things from all perspectives and working together to make a difference. This is not only the best way to forge alliances and make tough policy decisions, it’s essential for good governance.”



Inclusive Leadership: Experience that Counts

Steve LaMar has been a member of the Irvine Ranch Water District (IRWD) Board of Directors since early 2009, serving multiple terms as Board President. In his most recent election, he received support and endorsements from both the business community (e.g., Orange County Business Council, Building Industry Association) and environmental groups (e.g., Orange County League of Conservation Voters, Sierra Club).

Mr. LaMar has also served in leadership roles for the Association of California Water Agencies (ACWA). He is currently a member of its Board of Directors, Chair of the ACWA Federal Affairs Committee, and participates regularly at ACWA’s Executive Committee. He is a past-Chair of ACWA’s Headwaters Task Force. Mr. LaMar is a member of the board of directors of several other water-related organizations, including the National Water Resources Association (representing 17 Western states), the Southern California Water Committee, and CalDesal, and has served on the Board of the National Water Research Institute.

Beyond his water industry involvement, Steve had held leadership positions at a wide range of organizations such as the Natural Communities Coalition of Orange County, a nonprofit organization responsible for implementing California’s first natural community conservation plan and for protecting 37,000 acres of coastal sage scrub habitat, where he is its current Board President. He is also active in the California Building Industry Association, where he has chaired both the Water Resources Committee and Government Affairs Committee.

Active Advocacy: Not Just Words

Mr. LaMar advocates for ACWA’s policies and initiatives not only as the Chair of the ACWA Federal Affairs Committee, but also through his involvement in other key ACWA committees including the Energy Committee, the Agricultural Initiative Work Group, and the Headwaters Work Group.

Steve’s advocacy effectiveness is evidenced by his successful professional career as President of LegiSight, LLC, a legislative advocacy firm for businesses. Prior to forming this firm, he served as the Senior Policy Director for the Irvine Company and the Director of Corporate Affairs for the Mission Viejo Company.

A Long-Term Commitment to the Water Community: Live What You Believe

Mr. LaMar’s commitment to the water community pre-dates his joining the Board of IRWD. He worked on the Delta Vision Stakeholders Coordinating Group as a business representative, the AB 2717 Landscape Task Force as the Chair of the Economics Work Group, the 2005 and 2009 Advisory Committees for the California Water Plan, State Water Desalination Task Force, and Governor Davis’ Drought Advisory Panel.

Serving on the Board of IRWD has provided Mr. LaMar with the knowledge and understanding of what goes into providing retail water service to a broad and diverse community. Steve has applied this knowledge to his involvement with the Southern California Water Committee and memberships in the California Business Properties Association and the California Chamber of Commerce.

Steve LaMar has a Bachelor of Arts in Political Science from Pittsburg State University and an Environmental Management Institute Certificate from the U.S. Environmental Protection Agency.

Irvine Ranch Water District is a large retail water and sewer agency in Orange County California serving 390,000 residents, a 180-square mile area, with approximately 110,000 water and sewer service connections



PROXY DESIGNATION FORM

ASSOCIATION OF CALIFORNIA WATER AGENCIES GENERAL SESSION MEMBERSHIP MEETING(S)

WEDNESDAY, NOVEMBER 29, 2017 AT 1:20PM

THURSDAY, NOVEMBER 30, 2017 AT 1:20PM (IF NEEDED)

TO: Donna Pangborn, Clerk of the Board

EMAIL: donnap@acwa.com

FAX: 916-325-4857

The person designated below will be attending the ACWA General Session Membership Meeting(s) on **Wednesday, November 29, 2017 (and November 30, 2017 if necessary)** as our voting delegate.

MEMBER AGENCY'S NAME	AGENCY'S TELEPHONE No.
MEMBER AGENCY'S AUTHORIZING REPRESENTATIVE	SIGNATURE
DELEGATE'S NAME	SIGNATURE
DELEGATE'S EMAIL	DELEGATE'S TELEPHONE No.
DELEGATE'S AFFILIATION (if different from assigning agency) ¹	DATE

¹ If your agency designates a delegate from another entity to serve as its authorized voting representative, please indicate the delegate's entity in the appropriate space above. Note: Delegates need to sign the proxy form indicating they have accepted the responsibility of carrying the proxy.

REMINDER: Proxy cards will be available for pick up on **Wednesday, November 29**, between **9:00 a.m.** and **12:00 p.m.** at the **ACWA General Session Desk** in the main foyer outside of the **Marquis Ballroom Center, Marriott Anaheim**. The luncheon and General Session Membership Meeting will be held in the Platinum Ballroom 1-6.

DRAFT MWDOC BUDGET PROCESS MODIFICATIONS

Item 7

December November 2017
<ul style="list-style-type: none"> Notification to Member Agencies of start of budget process and solicitation of input
January December 2017
<ul style="list-style-type: none"> MWDOC staff begins preparation of budget hours and costs on program and line-item basis
<ul style="list-style-type: none"> Review of four month actuals and fiscal year-end projections
<ul style="list-style-type: none"> Review budget adjustments for current fiscal year
<ul style="list-style-type: none"> Preparation of internal budget changes for FY 2018-2019
February January 2018
<ul style="list-style-type: none"> Initial review of budget issues with A&F Committee for feedback (1-10-18)
<ul style="list-style-type: none"> Initial discussion of budget issues with Member Agencies for feedback
<ul style="list-style-type: none"> Request for Member Agencies' <u>PRELIMINARY</u> indication of participation in CHOICE activities for coming year
March February 2018
<ul style="list-style-type: none"> Publish and post the FIRST DRAFT Budget in the packet for the A&F Committee (2-8-18)
<ul style="list-style-type: none"> Review Full Draft Budget with A&F Committee (2-14-18)
<ul style="list-style-type: none"> Formally request comments from all Member Agencies
<ul style="list-style-type: none"> <u>DRAFT</u> information completed on prior year CHOICE WUE program benefits to Member Agencies to serve as basis for charging agencies for the upcoming year for CHOICE WUE activities
<ul style="list-style-type: none"> Member Agencies' INITIAL CONFIRMATION of participation in CHOICE Services by February 15. The Final Updated Confirmation by the end of March and Final CHOICE services in June
<ul style="list-style-type: none"> Discuss FIRST DRAFT Budget at Member Agency Managers' Meeting (2-22-18)
<ul style="list-style-type: none"> Meet with Member Agencies as requested or scheduled

DRAFT MWDOC BUDGET PROCESS MODIFICATIONS

April March 2018
<ul style="list-style-type: none"> • FINAL REVISED information completed on prior year CHOICE WUE benefits to Member Agencies to serve as basis of charging agencies for the upcoming year for WUE activities
<ul style="list-style-type: none"> • Discuss SECOND DRAFT Budget in A&F Committee (3-14-18)
<ul style="list-style-type: none"> • Review SECOND DRAFT Budget at Member Agency Managers' Meeting (3-22-18)
<ul style="list-style-type: none"> • Confirm Update CHOICE Participation
<ul style="list-style-type: none"> • Member Agencies' submit Formal Comments about the Budget (3-28-18)
May April 2018
<ul style="list-style-type: none"> • Conduct meeting with Elected Officials from Member Agencies to discuss budget and other topics (4-5-18)
<ul style="list-style-type: none"> • THIRD DRAFT Budget and Rates presented to A&F Committee (4-11-18)
<ul style="list-style-type: none"> • Member Agencies' Formal Comments presented to A&F Committee
<ul style="list-style-type: none"> • Board approval of FY2018-19 FINAL Budget and Rates (4-18-18)
June 2018
<ul style="list-style-type: none"> • Member Agencies confirm FINAL CHOICE Participation (6-15-18)
August 2018
<ul style="list-style-type: none"> • Reconciliation of FY 2017-18 WUE & CHOICE Programs
September 2018
<ul style="list-style-type: none"> • REVISED FINAL CHOICE Budget presented to A&F Committee (9-12-18)
<ul style="list-style-type: none"> • Board approval of FY2018-19 REVISED FINAL CHOICE Budget (9-19-18)

Administration Activities Report
October 6, 2017 to November 2, 2017

Activity	Summary
Administration/Board	<p>Staff worked on the following:</p> <ul style="list-style-type: none"> • Scheduling meetings for Rob Hunter and other various meetings of the Board members. • Assisted Rob/Karl with various write ups and follow-up for the Committees and Board. • Sent the Water Supply Reports to the member agencies. • Responded to two Public Records Act requests. • Assisting management staff with District policy and procedures. • Prepare all of the necessary logistics for the upcoming Elected Officials Forum, including letters and emails to agencies • Contact vendors/contractors whose insurance certificates are close to expiration • Worked with Great Wolf Lodge on logistics for Special Board meeting • Worked with digital media company on logo in Board Room • Changed District forms with new logo • Scheduled meetings for Rob, Karl, and Harvey, MET Directors' luncheon meeting, OC MET Managers, MWDOC Managers and ordered lunches for several meetings. • Registered staff and board members for conferences and events; scheduled travel for ACWA Fall Conference, AMWA, AWWA, CCEEB; CED; ACC-OC State Advocacy; ACWA State Leg. Comm.; DC legislative initiatives, ACWA Federal Affairs Committee; CalWEP; Water Smart Innovations Conf.; WERF; and other misc. travel and/or workshops, which includes preparation of purchase requisitions and back-up. • Assisted in scheduling meetings with the Board and the Board of Supervisors on support for WaterFix.
MWDOC/OCWD Joint Administration	<ul style="list-style-type: none"> • No new information.
Health Benefits	<ul style="list-style-type: none"> • Open enrollment information for health benefits was provided to all eligible participants. Open enrollment will end on November 10th. Any changes must be received by that time. • Information on the flexible spending plans will be provided during the month of November. • Staff is evaluating the Long-Term Disability and Life Insurance and Employee Assistance Program benefits, currently up for renewal. Information is included in the A&F Committee Packet.

Records Management	Staff continues to evaluate and scan remaining documents into the records repository continues.
CalPERS	Katie attended a CalPERS Seminar on October 14 th . This is beneficial in learning more about CalPERS Retirement benefits, as well as Social Security and Medicare.
Agency Inquiries	<ul style="list-style-type: none"> • Provided the General Manager's survey to agencies.
Recruitment /Departures	<ul style="list-style-type: none"> • Recruitment efforts are underway for the following positions: <ul style="list-style-type: none"> ○ Public Affairs Assistant and Public Affairs Specialist. ○ WEROC/Engineering Intern • Public Affairs Assistant Stephanie Franco resigned as of October 30th. • Pre-employment screening process is underway for a Water Use Efficiency intern.
Other	
Projects and Activities	<ul style="list-style-type: none"> • The RFP for Architectural, Space Planning, Interior Design and Construction Administration Services closed on October 30th. Staff reviewed the proposals and a recommendation is included in the A&F packet. • The atrium trellis was recently painted and the window frames/mullions will be painted in the next few weeks. Staff is evaluating patio furniture for the newly renovated area. • Staff held a teleconference with Ralph Andersen and Associates in reviewing the tasks and preparing for the salary and benefits study. Staff will be working closely with Ralph Andersen in providing and verifying information for the study. • The Database Coordinator continues making progress in cleanup of the ACT Database. Nearly 5,000 obsolete records have been removed to date. • It is anticipated the conference room glass doors for the MWDOC lobby area will be installed in the next few weeks. • Staff is coordinating with legal counsel in finalizing the General Manager's contract per the Board's approval at the October Board meeting. • All Staff meeting was held on October 11th. • Staff participated in Water Use Efficiency intern interviews on October 18th and 24th. • Staff participated in the "Great Shakeout" on October 19th.

**INFORMATION ITEM****November 8, 2017**

TO: **Administration & Finance Committee**
(Directors Thomas, Barbre, Finnegan)

FROM: Robert J. Hunter, General Manager

Staff Contact: Jeff Stalvey

SUBJECT: **Finance and IT Pending Items Report**

SUMMARY

The following list details the status of special projects that are in-progress or to be completed during FY 2017-18.

Description	% of Completion	Estimated Completion date	Status
<u>Finance</u>			
Further Implementation of WUE Landscape Programs Databases and Web Site.	On-going	On-going	In Progress
Government Compensation in California Report 2017	0%	03-30-18	Not Started
State Controller Report preparation FY16-17	70%	11-30-17	Not Started
Fiscal Year 2016/17 Annual Audit by Vazquez CPA	100%	11-02-17	Completed
Annual Financial Statement Report FY16-17	100%	11-02-17	Completed
Preparation of documents for FY18-19 budget process.	0%	5-31-18	Not Started
Working with Davis Farr to write our grant policy to comply with audit guidelines	100%	10-31-17	Completed
2017 W-9 collection for water rebates. Currently holding 1 June and 8 October rebate checks, awaiting a completed W-9 form	On-going	On-going	In Progress

<u>Information Technology</u>			
Network security issues (hackers, viruses and spam emails)	On-going	On-going	Continuous system monitoring
Purchase and upgrade DATA Server.	100%	12/31/17	Completed
Purchase and implement Intrusion detection and prevention for District Network.	0%	6/30/17	Not Started
Purchase and implement 2 Cisco Power Over Ethernet switches and Cisco Router into existing Network.	20%	3/31/17	In Progress
Implement Backups and Disaster Recovery for VOIP telephone System.	10%	3/31/17	In Progress

Description	% of Completion	Estimated Completion date	Status
<u>FY 2017-18 Completed Special Tasks</u>			
<u>Finance</u>			
Tax filing for Water Facilities FY16-17	100%	9/15/17	Completed
<u>Information Technology</u>			
Purchase and implement 2 UPS units for IT Server room.	100%	9/30/17	Completed



INFORMATION ITEM

November 8, 2017

TO: **Administration & Finance Committee**
(Directors Thomas, Osborne, Finnegan)

FROM: Robert Hunter, General Manager

Staff Contact: Kevin Hostert

SUBJECT: Monthly Water Usage Data, Tier 2 Projection, and Water Supply Info.

STAFF RECOMMENDATION

Staff recommends the Administration & Finance Committee receive and file this information.

COMMITTEE RECOMMENDATION

Committee recommends (To be determined at Committee Meeting)

REPORT

The attached figures show the recent trend of water consumption in Orange County (OC), an estimate of Tier 2 volume for MWDOC, and selected water supply information.

- Fig. 1 OC Water Usage, Monthly by Supply MWD imported water was the main supply in September, imported usage has increased due to the In Lieu program.
- Fig. 2 OC Water Usage, Monthly, Comparison to Previous Years Water usage in September 2017 was below average compared to the last 5 years but was higher than in September of 2015 but less than September 2016. We are seeing a slight increase in overall water usage compared to the historical lows of the 2015-16 Fiscal Year. In June 2016, all water conservation became voluntary for MWDOC agencies and the Great California Drought was declared over by the Governor in April 2017.
- Fig. 3 Historical OC Water Consumption The Fiscal Year is very new but OC water consumption is projected to be 545,000 AF in FY 2017-18 (*this includes ~15 TAF of agricultural usage and non-retail water agency usage*). This is about 26,000 AF more than FY 2016-17 and is about 52,000 AF more than FY 2015-16 (During the SWRCB mandatory water restrictions). Water usage per person

Budgeted (Y/N): N	Budgeted amount: N/A	Core <u>X</u>	Choice <u> </u>
Action item amount: N/A		Line item:	
Fiscal Impact (explain if unbudgeted):			

is projected to be slightly higher than in FY 2017-18 for Orange County at 152 gallons per day (This includes recycled water). Although OC population has increased 20% over the past two decades, water usage has not increased, on average. A long-term decrease in per-capita water usage is attributed mostly to Water Use Efficiency (water conservation) efforts.

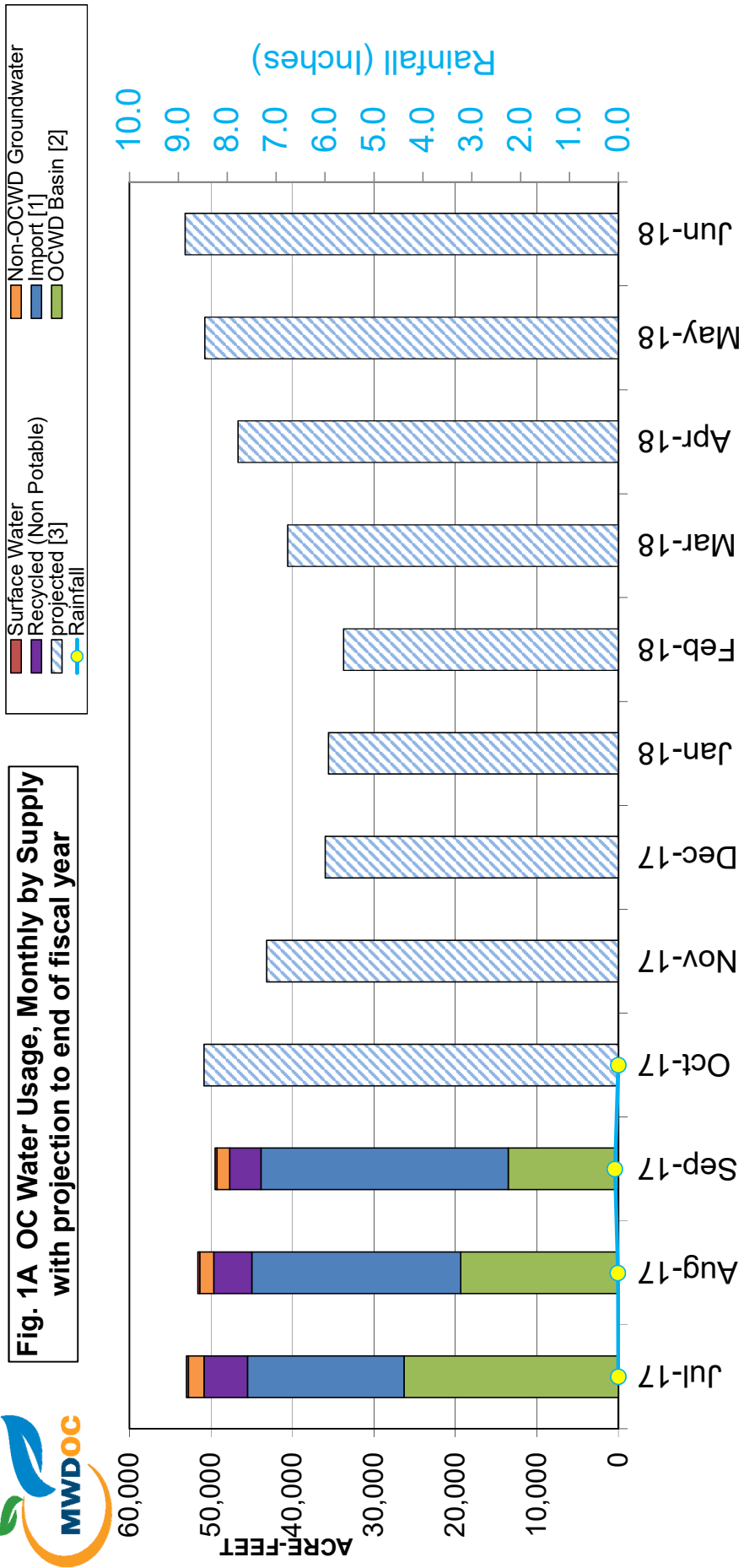
MWDOC “Firm” Water Purchases, 2016 “Firm” water above the Tier 1 limit will be charged at the higher Tier 2 rate. Tier 2 purchases are zero in 2017.

Water Supply Information Includes data on Rainfall in OC; the OCWD Basin overdraft; Northern California and Colorado River Basin hydrologic data; the State Water Project (SWP) Allocation, and regional storage volumes. The data have implications for the magnitude of supplies from the three watersheds that are the principal sources of water for OC. Note that a hydrologic year is Oct. 1st through Sept. 30th.

- Orange County’s accumulated rainfall through October was below average for this period. Orange County saw rainfall 8 inches above normal in WY 2017.
- Northern California accumulated precipitation through October was around 29% of normal for this period. Water Year 2017 was the wettest water year on record. The Northern California snowpack was 0% of normal as of October 30th. The State of California was in a declared Drought Emergency that started January 2014 and just recently ended in April of 2017. As of early October, only 8% of California is still suffering from moderate or severe drought. The State Water Project Contractors Table A Allocation was set at 85% as of the end of April.
- Colorado River Basin accumulated precipitation through October was 93% average for this period. The Upper Colorado Basin snowpack was 45% of normal as of October 30th. The Colorado River Basin saw above average conditions in WY 2017 but the region has been still trying to rebound from the previous long term drought. Lake Mead and Lake Powell combined have about 68% of their average storage volume for this time of year. If Lake Mead’s level falls below a “trigger” limit 1,075 ft. at the end of a calendar year, then a shortage will be declared by the US Bureau of Reclamation (USBR), impacting Colorado River water deliveries to the Lower Basin states. As of late October, Lake Mead levels were 6.5’ above the “trigger” limit. The USBR predicts that the end of 2017 or the end of 2018 will not hit the “trigger” level.



Fig. 1A OC Water Usage, Monthly by Supply
with projection to end of fiscal year



[1] Imported water for consumptive use. Includes "In-Lieu" deliveries and CUP water extraction. Excludes "Direct Replenishment" deliveries of spreading water, "Barrier Replenishment" deliveries, and deliveries into Irvine Lake.

[2] GW for consumptive use only. Excludes In-Lieu water deliveries and CUP water extraction that are counted with Import. BPP in FY '16-17 is 75%.

[3] MWD OC's estimate of monthly demand is based on the projected FY 15-16 "Retail" water demand and historical monthly demand patterns.

[4] Total water usage includes IRWD groundwater agricultural use and usage by non-retail water agencies.



Fig. 1B O.C. Historical Water Usage

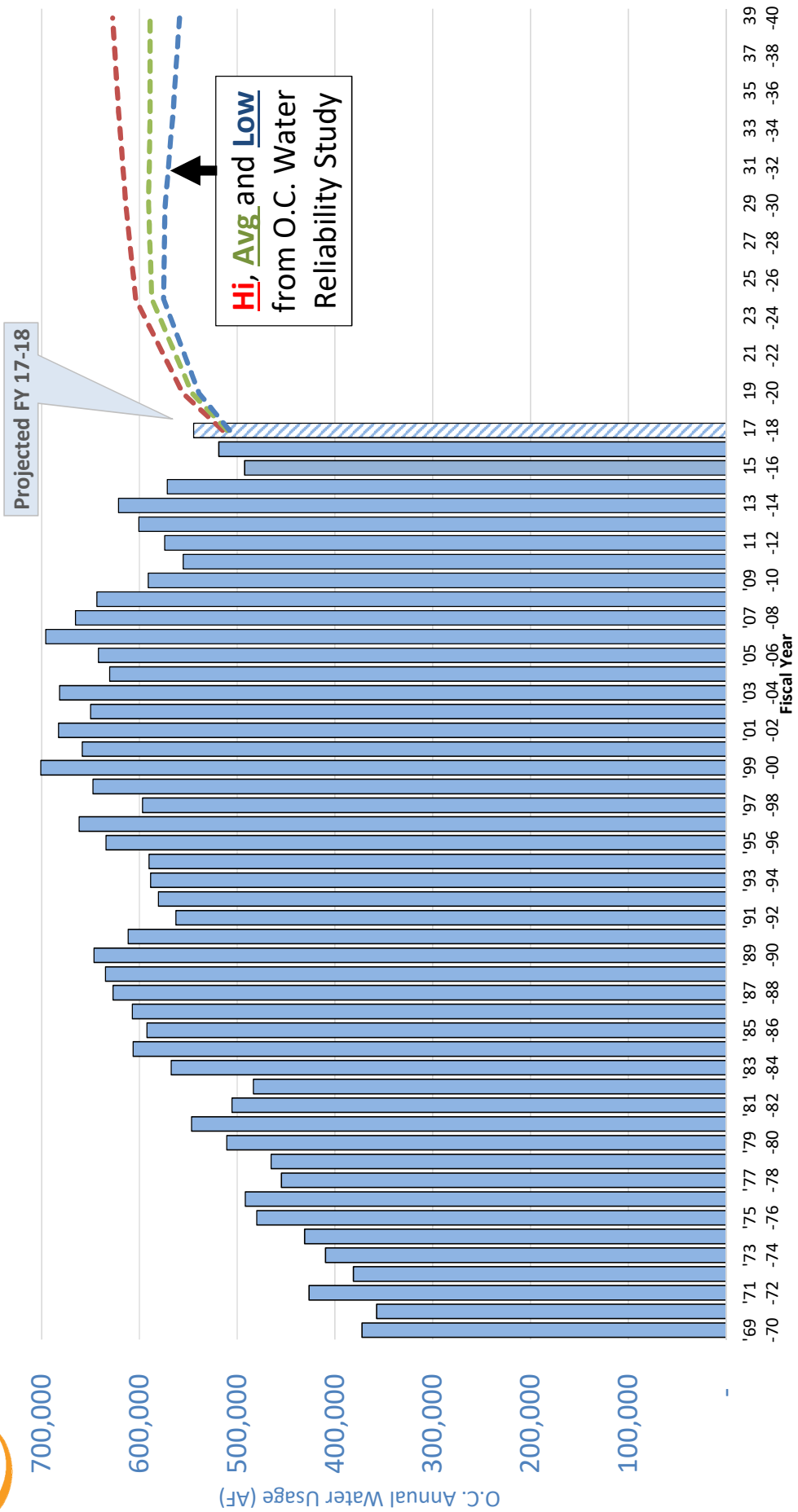
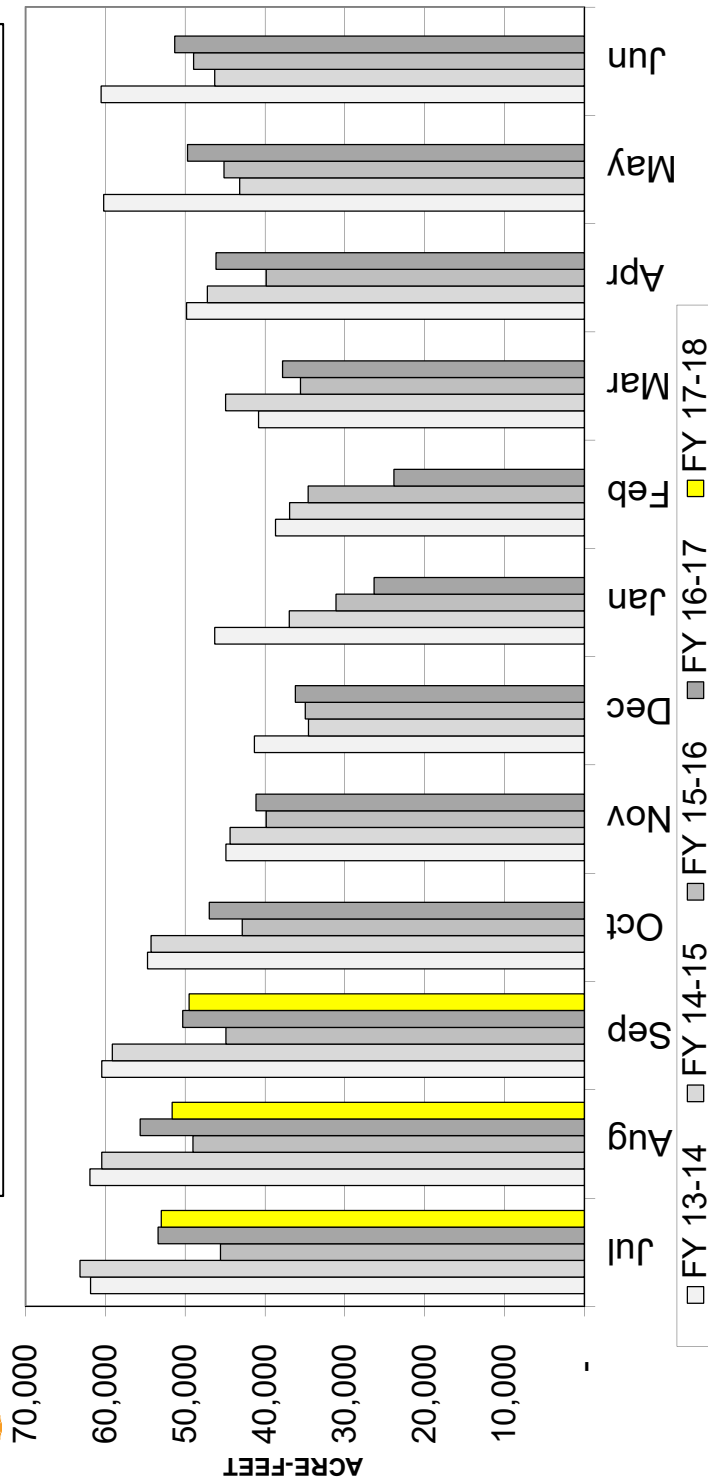
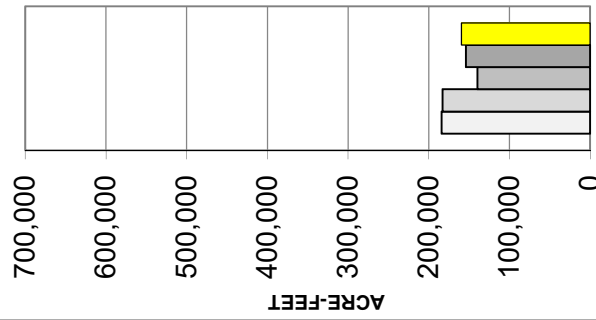




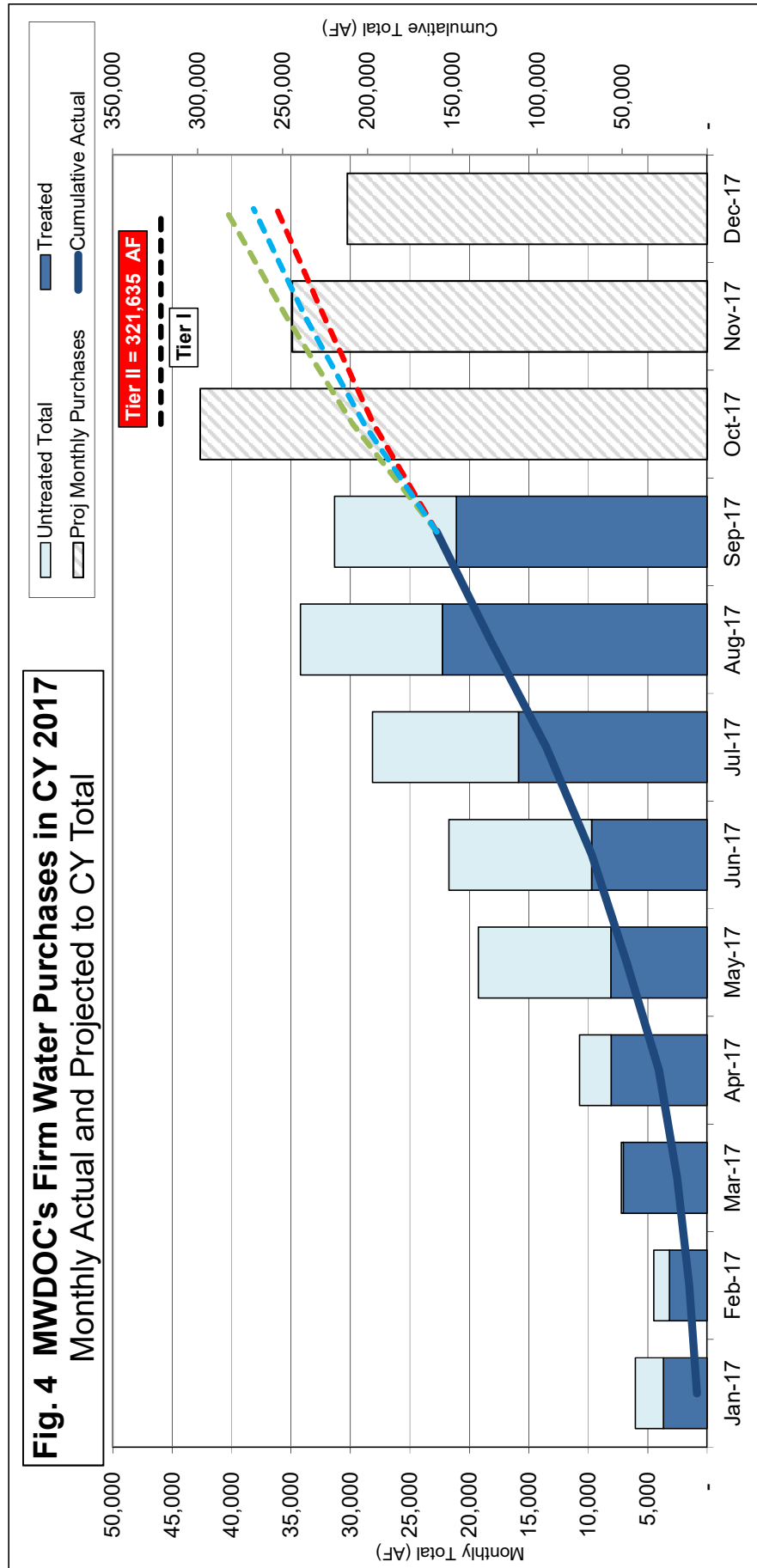
Fig. 2A OC Monthly Water Usage [1]: Comparison to Last 4 Fiscal Years



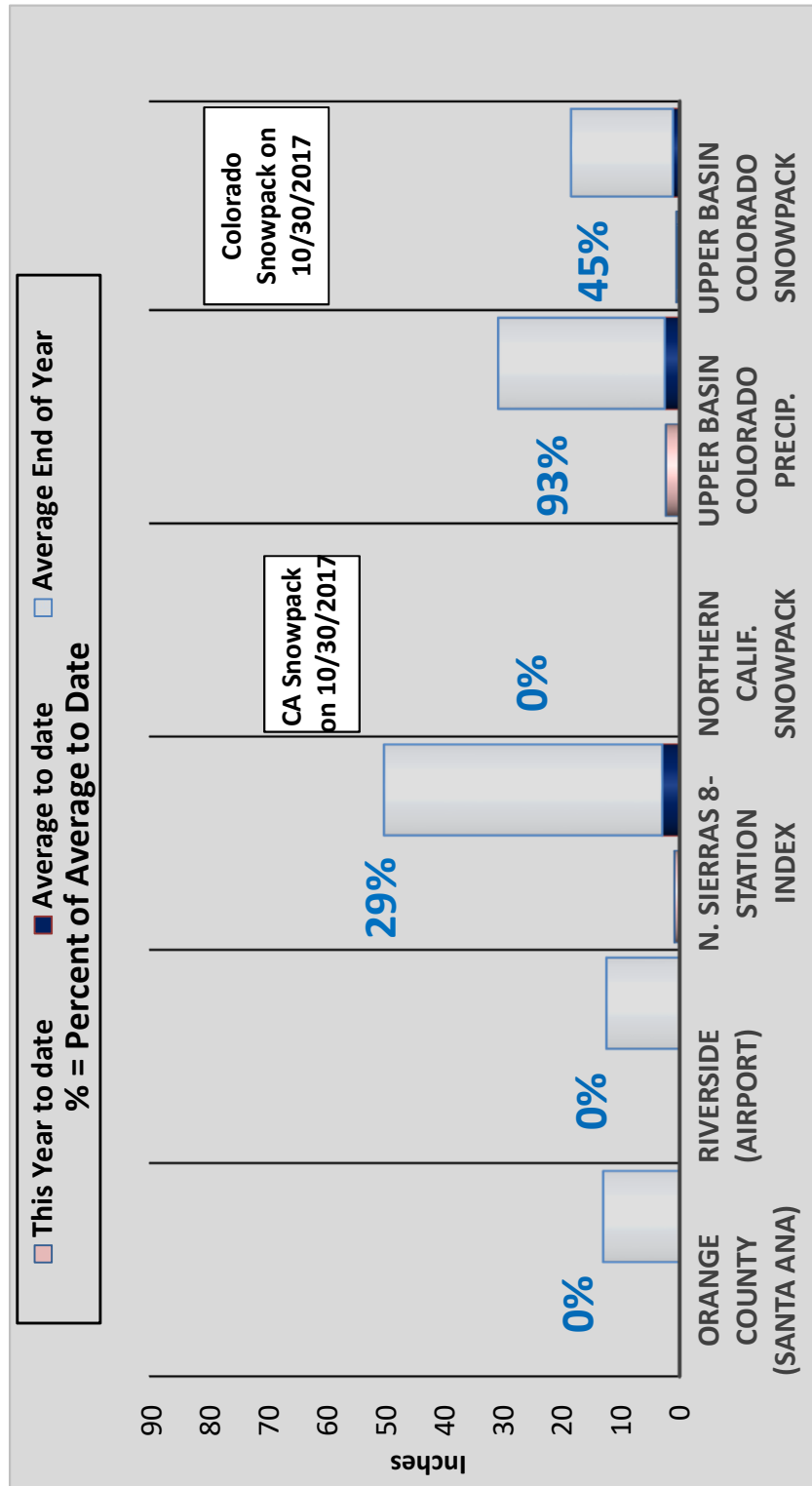
Partial Year Subtotals



[1] Sum of Imported water for consumptive use (includes "In-Lieu" deliveries; excludes "Direct Replenishment" and "Barrier Replenishment") and Local water for consumptive use (includes recycled and non-potable water; excludes GWRS production, groundwater pumped to waste, and waste brine from water treatment projects.) Recent months numbers include some estimation.

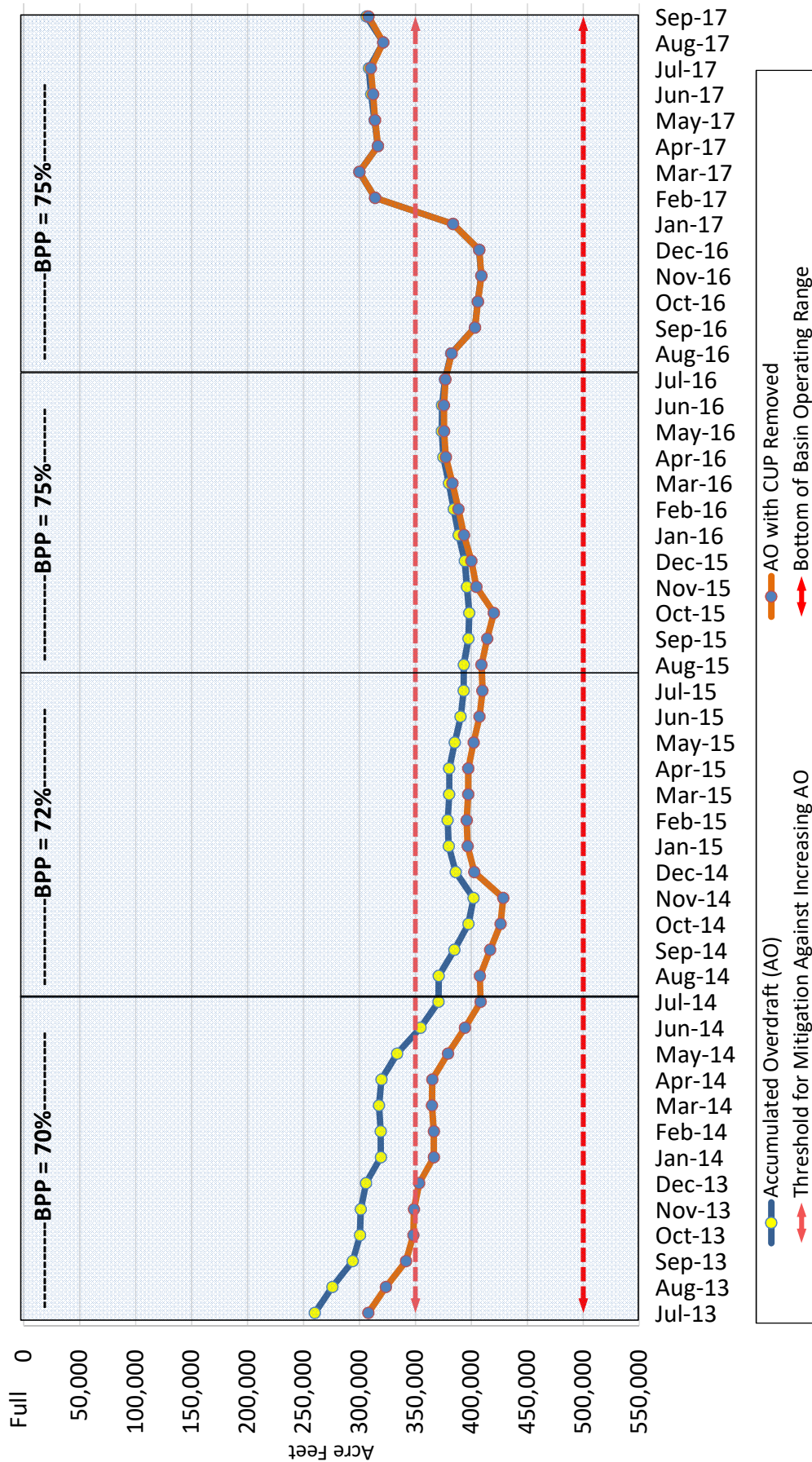


Accumulated Precipitation for the Oct.-Sep. water year, through Late October 2017



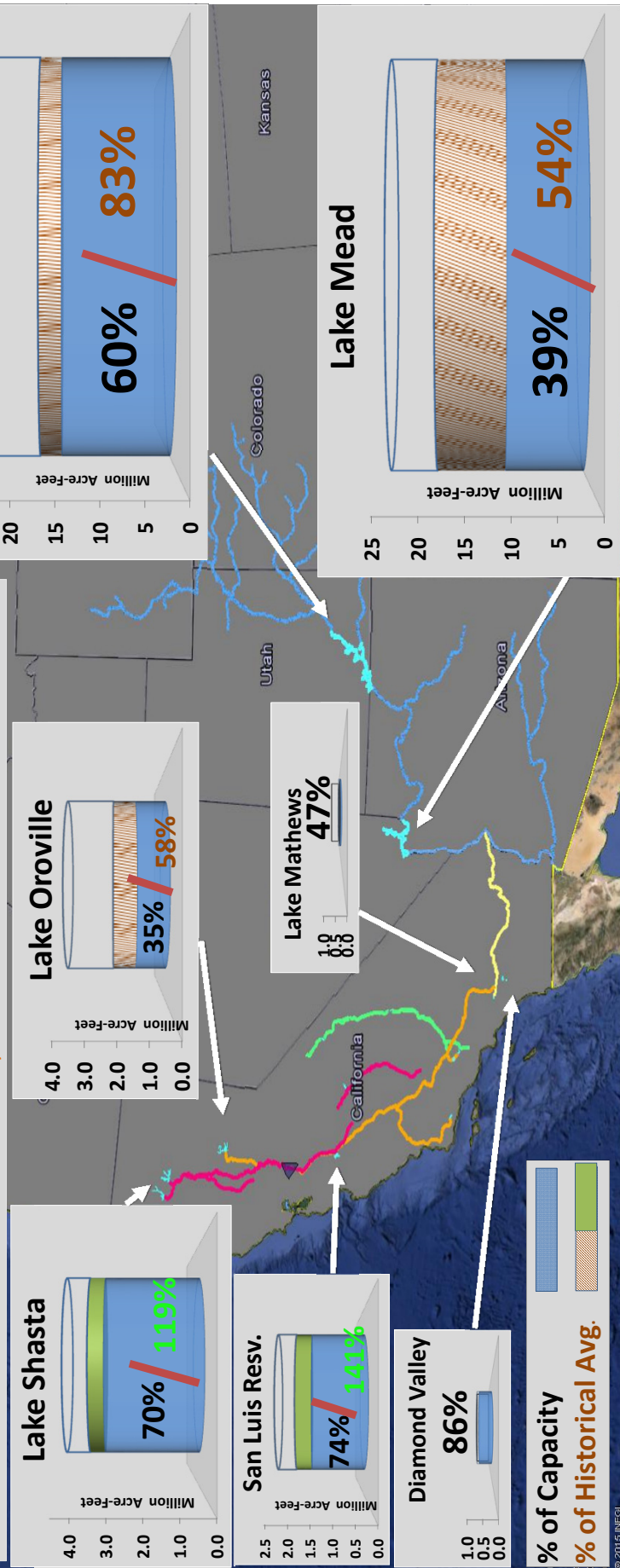
* The date of maximum snowpack accumulation (April 1st in Northern Calif. , April 15th in the Upper Colorado Basin) is used for year to year comparison.

Accumulated Overdraft of the OCWD Groundwater Basin as of September 2017



State Water Project, Colorado River, and MWD Reservoir Storage

as of October, 30th 2017



Prepared by the Municipal Water District of Orange County
 *Number are Subject to Change

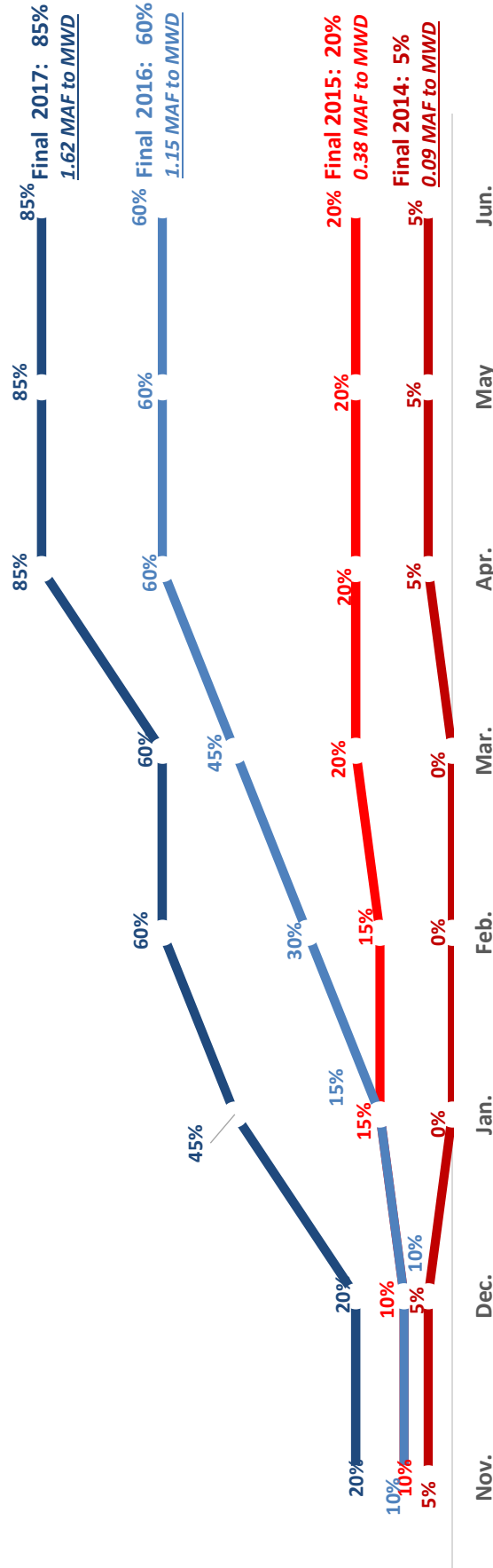




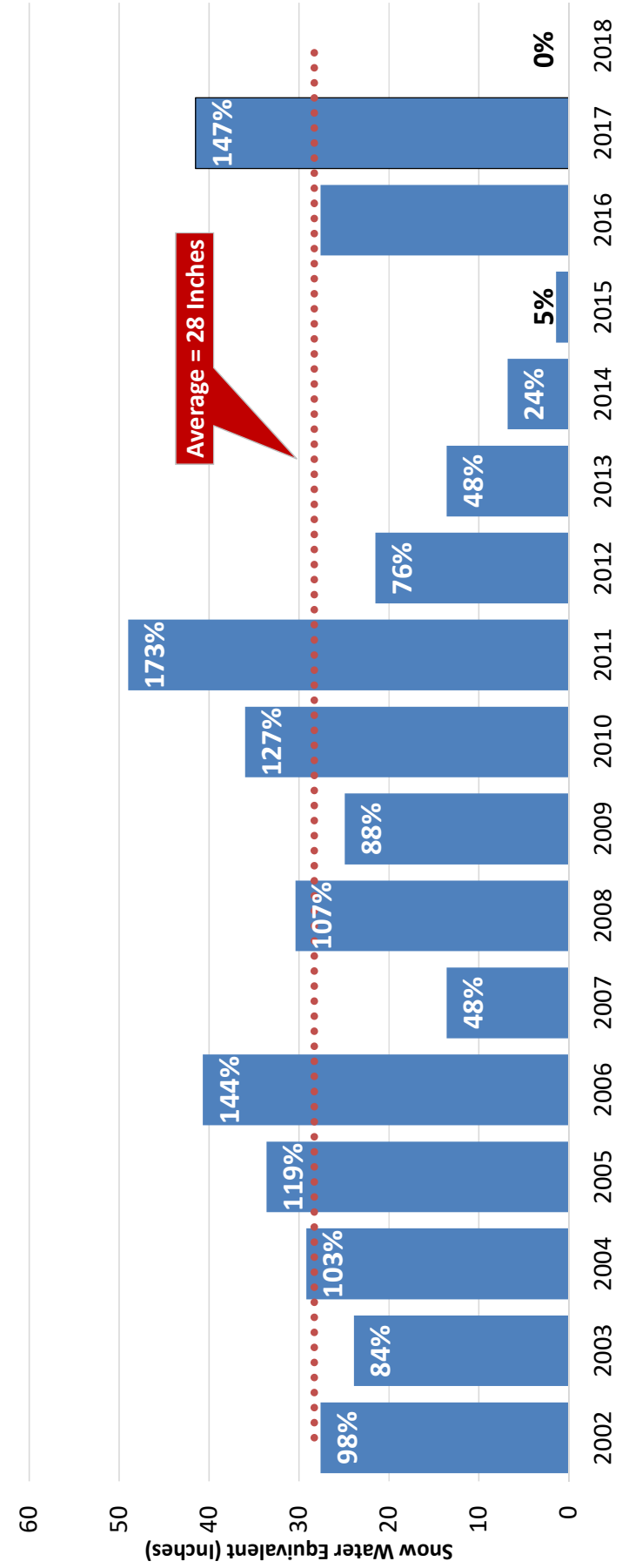
SWP TABLE A ALLOCATION

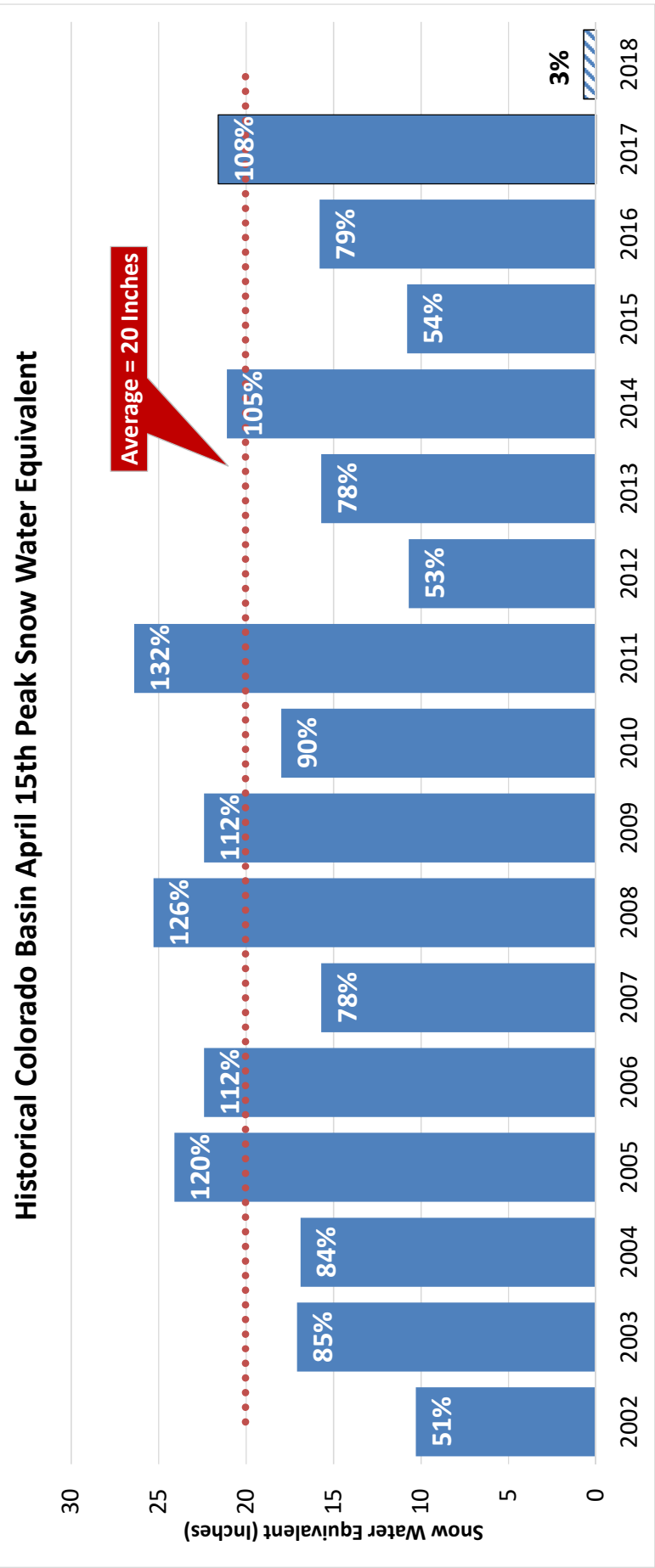
FOR STATE WATER PROJECT CONTRACTORS

Final 2018: ???



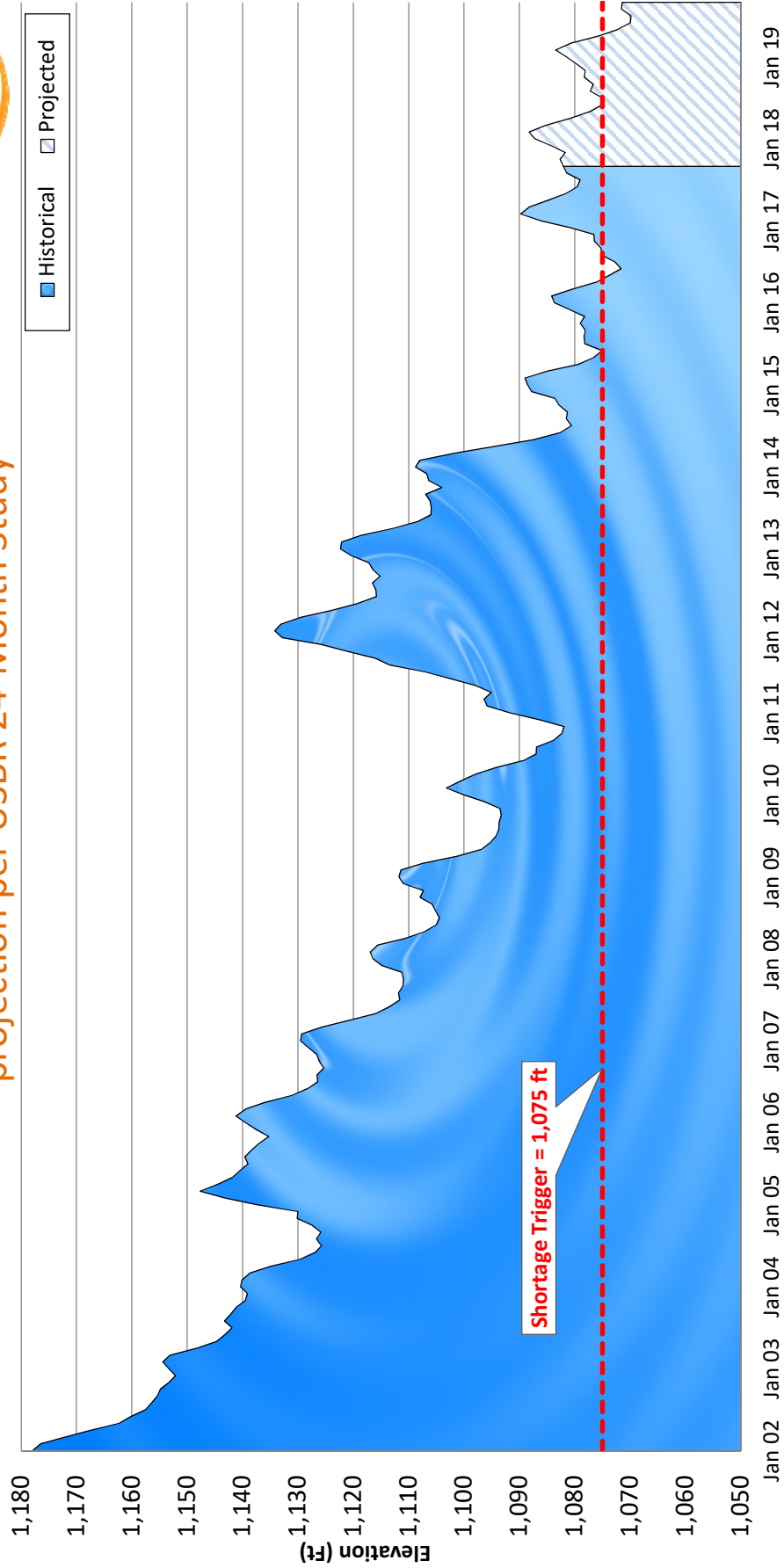
Historical Northern California April 1st Peak Snow Water Equivalent







Lake Mead Levels: Historical and Projected projection per USBR 24-Month Study





Lake Powell Levels: Historical and Projected projection per USBR 24-Month Study

