

WORKSHOP MEETING OF THE
BOARD OF DIRECTORS WITH MET DIRECTORS
MUNICIPAL WATER DISTRICT OF ORANGE COUNTY
18700 Ward Street, Board Room, Fountain Valley, California
February 7, 2018, 8:30 a.m.

AGENDA

PLEDGE OF ALLEGIANCE

ROLL CALL

PUBLIC PARTICIPATION/COMMENTS

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

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

ITEMS RECEIVED TOO LATE TO BE AGENDIZED

Determine need and take action to agendize item(s), which arose subsequent to the posting of the Agenda. (ROLL CALL VOTE: Adoption of this recommendation requires a two-thirds vote of the Board members present or, if less than two-thirds of the Board members are present, a unanimous vote.)

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

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

(NEXT RESOLUTION NO. 2063)

ACTION ITEM

1. STATE WATER RESOURCES CONTROL BOARD'S PROPOSED RULEMAKING ON WASTEFUL WATER USES

Recommendation: Approve sending the comment letter as revised by the Planning & Operations Committee.

PRESENTATION/DISCUSSION/INFORMATION ITEMS

2. CENTRAL BASIN MUNICIPAL WATER DISTRICT LEGISLATIVE PROPOSAL ON METROPOLITAN BOARD GOVERNANCE

Recommendation: Receive comments from Kevin Hunt, General Manager of Central Basin Municipal Water District, and discuss as appropriate.

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

Recommendation: Receive input and discuss the information.

4. UPDATE ON THE CALIFORNIA WATER COMMISSION ACTIVITIES (ORAL REPORT)

Recommendation: Review and discuss the information presented.

5. METROPOLITAN'S 2017 YEAR-IN-REVIEW VIDEO

Recommendation: View video and review and discuss the information.

6. METROPOLITAN'S PROPOSED BIENNIAL BUDGET FOR FISCAL YEARS 2018/19 AND 2019/20

Recommendation: Review and discuss the information presented.

7. WATER SUPPLY CONDITIONS UPDATE

Recommendation: Review and discuss the information presented.

8. MET ITEMS CRITICAL TO ORANGE COUNTY (The following items are for informational purposes only – a write up on each item is included in the packet. Discussion is not necessary unless requested by a Director)

- a. MET's Water Supply Conditions
- b. MET's Finance and Rate Issues
- c. Colorado River Issues
- d. Bay Delta/State Water Project Issues
- e. MET's Ocean Desalination Policy and Potential Participation by MET in the Doheny Desalination Project and in the Huntington Beach Ocean Desalination Project (Poseidon Desalination Project)
- f. Orange County Reliability Projects
- g. East Orange County Feeder No. 2
- h. South County Projects

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

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

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

Recommendation: Review and discuss the information presented.

ADJOURNMENT

Note: Accommodations for the Disabled. Any person may make a request for a disability-related modification or accommodation needed for that person to be able to participate in the public meeting by telephoning Maribeth Goldsby, District Secretary, at (714) 963-3058, or writing to Municipal Water District of Orange County at P.O. Box 20895, Fountain Valley, CA 92728. Requests must specify the nature of the disability and the type of accommodation requested. A telephone number or other contact information should be included so that District staff may discuss appropriate arrangements. Persons requesting a disability-related accommodation should make the request with adequate time before the meeting for the District to provide the requested accommodation.



ACTION ITEM
February 7, 2018

TO: Board of Directors

FROM: **Planning & Operations Committee**
Directors Osborne, Tamaribuchi, Yoo Schneider

Robert Hunter, General Manager

Staff Contact: Joe Berg
Melissa Baum-Haley

**SUBJECT: STATE WATER RESOURCES CONTROL BOARD'S PROPOSED
RULEMAKING ON WASTEFUL WATER USES**

STAFF RECOMMENDATION

Staff recommends the Board of Directors approve sending the comment letter as revised by the Planning & Operations Committee.

COMMITTEE RECOMMENDATION

Committee recommends (To be determined at Committee Meeting)

REPORT

On January 31, 2018, the State Water Resources Control Board (State Board) released another Notice of Proposed Regulatory Action for a Rulemaking to permanently prohibit certain wasteful water uses that were prohibited under the previous drought emergency regulation that expired on November 25, 2017. This notice includes changed text of the proposed regulation regarding to permanently prohibit certain wasteful water uses from the comment period that closed December 26, 2017. A copy of this notice is provided as Attachment A.

At the February 5, 2018 Planning and Operations Committee meeting, MWDOC staff presented a draft comment letter. From the feedback of the Committee, MWDOC staff is seeking Board approval of the revised comment letter at the February 7, 2018 Joint Board Workshop. The written comment period closes at 12:00 p.m. on February 14, 2018. The State Board will consider adoption of the regulation at their February 20, 2018 meeting.

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

Note, these permanently prohibited practices are a concurrent and separate rulemaking effort from the conservation legislation (AB 1668 and SB 606). Both are pillars of the broader framework to make conservation a California Way of Life.

Modified State Board Proposed Regulatory Actions

Based on the input received at the November 21, 2017 Public Workshop and subsequent comments letters from stakeholders, the following provides a summary of the changed text of the proposed regulation. All original proposed language remains the same with the exception of:

- The application of water to outdoor landscapes in a manner that causes more than incidental runoff such that water flows onto adjacent property, non-irrigated areas, private and public walkways, roadways, parking lots, or structures
 - Added language specifying “more than incidental” runoff
- The use of potable water in an ornamental fountain or other decorative water feature except where the water is part of a recirculating system or the fountain is registered on the National Register of Historic Places
 - Added language exempting fountains registered in the National Register of Historic Places
- The application of water to irrigate turf and ornamental landscapes during and within 48 hours after measurable rainfall of at least one-fourth of one inch of rain. In determining whether measurable rainfall of at least one-fourth of one inch of rain occurred in a given area, enforcement may be based on records of the National Weather Service, the closest CIMIS station to the parcel, or any other reliable source of rainfall data available to the entity undertaking enforcement of this subdivision
 - Measureable rainfall was increased from one-tenth of an inch to one-fourth of an inch.
- Serving of drinking water, other than upon request, in eating or drinking establishments
 - Would only be prohibited during a period of time which the Governor has issued a proclamation of a state of emergency.
- As of January 1, 2025, the irrigation of turf on public street medians or publicly owned and maintained landscaped areas between the street and sidewalk, except where: (i) the turf serves a community or neighborhood function, including, but not limited to, recreational uses and civic or community events; (ii) the turf is irrigated incidentally by an irrigation system, the primary purpose of which is the irrigation of trees; or (iii) the turf is irrigated with recycled water through an irrigation system installed prior to January 1, 2018
 - Establishes a compliance horizon of January 1, 2025 to give public agencies time to comply
 - Adds clarifying language allowing turf irrigated incidentally by an irrigation system with the primary purpose is the irrigation of trees
 - Exempts medians and parkways irrigated with recycled water as of January 1, 2018

Next Steps

Following the MWDOC Board approval of the revised comment letter, this letter will be submitted prior to the February 14, 2018 deadline for consideration by the State Board. MWDOC staff will also provide a sample letter for member agencies to use as a template for their comment letters to the State Board.

Attachment A: Notice of Proposed Regulatory Action

Attachment B: Revised MWDOC Comment Letter to SWRCB

(To be emailed under separate cover following the Planning & Operations Committee Meeting)

State Water Resources Control Board

TITLE 23. WATERS DIVISION 3. STATE WATER RESOURCES CONTROL BOARD AND REGIONAL WATER QUALITY CONTROL BOARDS CHAPTER 3.5 Conservation and the Prevention of Waste and Unreasonable Use

15-Day Notice of Proposed Regulatory Action

NOTICE IS HEREBY GIVEN that the State Water Resources Control Board (State Board) has changed the text of the proposed regulation regarding Water Conservation and the Prevention of Waste and Unreasonable Use, and is making the changed text available for public comment prior to adoption, amendment, or repeal of the resulting regulation.

A copy of the proposed text with the new changes clearly illustrated is included herein. For the Internet posting of this notice, the regulation text is posted as a separate document in conjunction with the notice document.

LIST OF MATERIAL ADDED

- Description of method for indicating changes to the proposed regulation.
- Changes to the proposed regulation

WRITTEN COMMENT PERIOD AND SUBMITTAL OF COMMENTS

Any person, or his or her representative, may submit written comments regarding the changes to the proposed regulation. **The written comment period closes at 12:00 p.m. (Noon) on February 14, 2018.** The State Board will only consider comments received at the State Board offices by that time.

Please send comment letters to Ms. Jeanine Townsend, Clerk to the Board, by email at commentletters@waterboards.ca.gov, (916) 341-5620 (fax), or by mail or hand delivery addressed to:

Jeanine Townsend, Clerk to the Board
State Water Resources Control Board
P.O. Box 100, Sacramento, CA 95812-2000 (by mail)
1001 I Street, 24th Floor, Sacramento, CA 95814 (by hand delivery)

Please also indicate in the subject line, **“Comment Letter – Changes to Proposed Regulation Prohibiting Wasteful Water Use Practices.”** Hand and special deliveries should also be addressed to Ms. Townsend at the address above. Couriers delivering comments must check in with lobby security and have them contact Ms. Townsend. Due to the limitations of the email system, emails larger than 15 megabytes are rejected and cannot be delivered or received by the State Water Board. We request that comments larger than 15 megabytes be submitted under separate emails.

All comments, including email or fax transmissions, should include the author's name and U.S. Postal Service mailing address in order for the State Board to provide any notices that may be required in future.

To be added to the mailing list "**Water Conservation Regulations**" for this rulemaking and to receive notification of updates of this rulemaking, you may subscribe by going to www.waterboards.ca.gov/water_issues/programs/conservation_portal/regs/wasteful_water_use.html (click on "subscription lists").

Please note that under the California Public Records Act (Gov. Code, § 6250 et seq.), your written and oral comments, attachments, and associated contact information (e.g., your address, phone, email, etc.) become part of the public record and can be released to the public upon request.

SPECIAL ACCOMMODATION REQUEST

Consistent with California Government Code Section 7296.2, special accommodation or language needs may be provided for any of the following:

- Documents made available in an alternate format or another language;
- A disability-related reasonable accommodation.

To request these special accommodations or language needs, please contact the Clerk to the Board at (916) 341-5600 as soon as possible, but no later than 10 business days before the scheduled Board hearing. TTY/TDD/Speech to Speech users may dial 711 for the California Relay Service.

SI NECESITA ARREGLOS ESPECIALES

Conforme a la Sección 7296.2, del Código del Gobierno de California, los siguientes servicios o arreglos especiales pueden ser solicitados:

- Servicio de intérprete durante la audiencia;
- Documentos en otro idioma o en un formato alterno;
- Arreglos razonables relacionados a una discapacidad.

Para pedir estos arreglos especiales o servicios en otro idioma, puede contactar a la Secretaria de la Junta (Board) al (916) 341-5600 lo más pronto posible, pero a más tardar 10 días hábiles antes de la fecha de la audiencia de la Junta (Board). Los usuarios del Sistema TTY/TDD/Voz-Voz pueden marcar el 7-1-1 para utilizar el California Relay Service.

STATE BOARD CONTACT PERSONS

Requests of copies of the text of the proposed regulation, the statement of reasons, or other information upon which the rulemaking is based, or other inquiries should be addressed to the following:

Charlotte Ely
State Water Resources Control Board
Office of Research, Planning and Performance
1001 "I" Street
Sacramento, CA 95814
Telephone No.: (916) 319-8564
E-mail address: Charlotte.Ely@waterboards.ca.gov

The backup contact person is:

Kathy Frevert
State Water Resources Control Board
Office of Research, Planning and Performance
1001 "I" Street
Sacramento, CA 95814
Telephone No.: (916) 322-5273
E-mail address: Kathy.Frevert@waterboards.ca.gov

INTERNET ACCESS

The documents relating to this proposed action may also be found on the State Water Board's website at the following address:

www.waterboards.ca.gov/water_issues/programs/conservation_portal/index.shtml

**DESCRIPTION OF METHOD FOR INDICATING CHANGES TO THE PROPOSED
REGULATION FOR WATER CONSERVATION AND THE PREVENTION OF WASTE AND
UNREASONABLE USE (Z-2017-1031-01)**

Changes made to the proposed regulation are indicated as follows:

- Additional regulation text is indicated by a red underline (underline).
- Deleted regulation text is indicated by a red strikethrough (~~strikethrough~~).

**CHANGES TO THE PROPOSED REGULATION FOR WATER CONSERVATION AND THE
PREVENTION OF WASTE AND UNREASONABLE USE (Z-2017-1031-01)**

PROPOSED TEXT OF REGULATION

Title 23. Waters

**Division 3. State Water Resources Control Board and Regional Water Quality Control
Boards**

Chapter 2. Appropriation of Water

~~Article 22. Prevention of Waste and Unreasonable Use~~

Chapter 3. Determination of Right to the Use of Water

Article 2. Adjudications Under Water Code Sections 2500 Through 2900

Chapter 3.5. Conservation and the Prevention of Waste and Unreasonable Use

Article 1. Prevention of Waste and Unreasonable Use

~~§ 955. Claims to Water Supplied by District or Water Company. [Renumbered]~~

~~§ 855.~~ § 955. Policy and Definition.

(a) In investigating any uses of water and making the determinations required by this article, the board shall give particular consideration to the reasonableness of use of ~~reclaimed~~ recycled water or reuse of water.

(b) As used in this article, “misuse of water” or “misuse” means any waste, unreasonable use, unreasonable method of use, or unreasonable method of diversion of water.

Authority cited: Section 1058, Water Code.

Reference: Sections 100, 275, 1240, 1251, 1253 and 1257, Water Code; and Section 2, Article X, California Constitution.

~~§ 956. Divided Interests. [Renumbered]~~

~~§ 856.~~ § 956. Investigations.

The board staff shall investigate an allegation of misuse of water:

- (1) when an interested person shows good cause, or
- (2) when the board itself believes that a misuse may exist.

Authority cited: Section 1058, Water Code.

Reference: Sections 100, 183, 275 and 1051, Water Code; and Section 2, Article X, California Constitution.

~~§ 957. Undivided Interests. [Renumbered]~~

~~§ 857.~~§ 957. Notifications, Hearings and Orders.

(a) If the investigation indicates that a misuse of water has occurred, the board staff shall notify interested persons and allow a reasonable period of time in which to terminate such misuse or demonstrate to the satisfaction of the board staff that misuse has not occurred.

(b) At the end of the time set by the board staff, and upon application of any interested person or upon its own motion, the board may hold a hearing to determine if misuse has occurred or continues to occur.

(c) If the misuse is alleged to have occurred or to continue to occur in connection with exercise of rights evidenced by a permit or license issued by the board, the board shall notice the hearing as a permit revocation hearing pursuant to Water Code Section 1410.1, or as a license revocation hearing pursuant to Water Code Section 1675.1, as appropriate; or as a preliminary cease and desist order hearing pursuant to Water Code Section 1834.

(d) The board may issue an order requiring prevention or termination thereof.

Authority cited: Section 1058, Water Code.

Reference: Sections 100, 275, 183, 1051, 1401, 1675.1 and 1834, Water Code.

~~§ 958. General Requirements for Proofs of Claims. [Repealed]~~

~~§ 858.~~§ 958. Noncompliance with Order Regarding Misuse Under Water Right Entitlement.
If a permittee or licensee does not comply with any order issued pursuant to Section ~~857~~957 within such reasonable period of time as allowed by the board, or such extension thereof as may for good cause be allowed by the board, and if such order includes a finding that waste, unreasonable use, method of use, or method of diversion has occurred in connection with exercise of a right evidenced by a permit or license issued by the board, a revocation action may be commenced by the board:

(a) If the hearing has been noticed as a permit or license revocation hearing, and if the board finds that misuse has occurred or continues to occur, the board may order the permit or license revoked or impose appropriate additional or amended terms or conditions on the entitlement to prevent recurrence of the misuse;

(b) If the hearing pursuant to Section ~~857~~957 has been noticed as a preliminary cease and desist order hearing, and if the board finds that misuse has occurred or continues to occur, the board may issue a preliminary cease and desist order.

Authority cited: Section 1058, Water Code.

Reference: Sections 1410, 1675 and 1831, Water Code.

~~§ 959. Specific Requirements for Irrigation Proofs. [Repealed]~~

~~§ 859.~~§ 959. Noncompliance with Other Order.

If a person other than a permittee or licensee does not comply with any order issued pursuant to Section ~~857~~957 within such reasonable period of time as allowed by the board, or such extension thereof as may for good cause be allowed, and if such order includes a finding that such person has misused or continues to misuse water, the board may request appropriate legal action by the Attorney General.

Authority cited: Section 1058, Water Code.

Reference: Section 275, Water Code.

~~§ 960. Uses Other than Irrigation. [Repealed]~~

~~§ 860. § 960. Alternative Procedure.~~

The procedure established in this article shall be construed as alternative to, and not exclusive of, the procedures established in Chapter 5 of Title 23, California Administrative Code, in accordance with Section 4007 therein.

Authority cited: Section 1058, Water Code.

Reference: Section 275, Water Code.

~~§ 961. Signature of Deponent. [Renumbered]~~

~~§ 735. § 961. Napa River, Special.~~

(a) Budding grape vines and certain other crops in the Napa Valley may be severely damaged by spring frosts. During a frost, the high instantaneous demand for water for frost protection by numerous vineyardists and other water users frequently exceeds the supply in the Napa River stream system. This results in uncoordinated diversions and possible infringements upon other rights. Therefore, all diversions of water from the stream system between March 15 and May 15 determined to be significant by the board or a court of competent jurisdiction shall be considered unreasonably unreasonable and a violation of Water Code Section 100 unless controlled by a watermaster administering a board or court approved distribution program. Diversions for frost protection and irrigation during this period shall be restricted to: (1) replenishment of reservoirs filled prior to March 15 under an appropriative water right permit, or (2) diversions permitted by the court.

(b) The service area of the distribution program may be revised at any time by order of the board or the court. The board will retain jurisdiction to revise terms and conditions of all frost protection permits should future conditions warrant.

(c) Under this section diversion of water during the spring frost season from March 15 to May 15 to replenish water stored in reservoirs prior to the frost season is "regulation," as defined in Chapter 2, Article 2, Section 657: Replenishment diversion must be to reservoirs for which a permit or license authorizing winter storage prior to the frost season has been issued.

Authority cited: Section 1058, Water Code.

Reference: Section 2, Article X, California Constitution; and Sections 100, 275 and 1051.5, Water Code.

~~§ 962. Objections. [Renumbered]~~

~~§ 862. § 962. Russian River, Special.~~

Budding grape vines and certain other crops in the Russian River watershed may be severely damaged by spring frosts. Frost protection of crops is a beneficial use of water under section 671 of this chapter 2 of this division. During a frost, however, the high instantaneous demand for water for frost protection by numerous vineyardists and other water users may contribute to a rapid decrease in stream stage that results in the mortality of salmonids due to stranding. Stranding mortality can be avoided by coordinating or otherwise managing diversions to reduce instantaneous demand. Because a reasonable alternative to current practices exists, the Board has determined these diversions must be conducted in accordance with this section.

(a) After March 14, 2012, except for diversion upstream of Warm Springs Dam in Sonoma County or Coyote Dam in Mendocino County, any diversion of water from the Russian River stream system, including the pumping of hydraulically connected groundwater, for purposes of frost protection from March 15 through May 15, shall be diverted in accordance with a board approved water demand management program (WDMP). For purposes of this section, groundwater pumped within the Russian River watershed is considered hydraulically connected to the Russian River stream system if that pumping contributes to a reduction in stream stage to any surface stream in the Russian River watershed during any single frost event.

(b) The purpose of the WDMP is to assess the extent to which diversions for frost protection affect stream stage and manage diversions to prevent cumulative diversions for frost protection from causing a reduction in stream stage that causes stranding mortality. The WDMP, and any revisions thereto, shall be administered by an individual or governing body (governing body) capable of ensuring that the requirements of the program are met. Any WDMP developed pursuant to this section shall be submitted to the board by February 1 prior to the frost season.

(c) At a minimum, the WDMP shall include (1) an inventory of the frost diversion systems within the area subject to the WDMP, (2) a stream stage monitoring program, (3) an assessment of the potential risk of stranding mortality due to frost diversions, (4) the identification and timelines for implementation of any corrective actions necessary to prevent stranding mortality caused by frost diversions, and (5) annual reporting of program data, activities, and results. In addition, the WDMP shall identify the diverters participating in the program and any known diverters within the area subject to the WDMP who declined to participate. The WDMP also shall include a schedule for conducting the frost inventory, developing and implementing the stream stage monitoring program, and conducting the risk assessment.

(1) Inventory of frost diversion systems: The governing body shall establish an inventory of all frost diversions included in the WDMP. The inventory, except for diversion data, shall be completed within three months after board approval of a WDMP. The inventory shall be updated annually with any changes to the inventory and with frost diversion data. The inventory shall include for each frost diversion:

- (A) Name of the diverter;
- (B) Source of water used and location of diversion;
- (C) A description of the diversion system and its capacity;
- (D) Acreage frost protected and acres frost protected by means other than water diverted from the Russian River stream system; and
- (E) The rate of diversion, hours of operation, and volume of water diverted during each frost event for the year.

(2) Stream stage monitoring program: The governing body shall develop a stream stage monitoring program in consultation with National Marine Fisheries Service (NMFS) and California Department of Fish and Game (DFG). For the purposes of this section, consultation involves an open exchange of information for the purposes of obtaining recommendations. The governing body is authorized to include its own expert scientists and engineers in the consultation, and request board staff to participate, when desired. The stream stage monitoring program shall include the following:

- (A) A determination of the number, type, and location of stream gages necessary for the WDMP to monitor and assess the extent to which frost diversions may affect stream stage and cause stranding mortality;

- (B) A determination of the stream stage that should be maintained at each page to prevent stranding mortality;
 - (C) Provisions for the installation and ongoing calibration and maintenance of stream gages; and
 - (D) Monitoring and recording of stream stage at intervals not to exceed 15 minutes.
- (3) Risk assessment: Based on the inventory and stream stage information described above, and information regarding the presence of habitat for salmonids, the governing body shall conduct a risk assessment that evaluates the potential for frost diversions to cause stranding mortality. The risk assessment shall be conducted in consultation with NMFS and DFG. The governing body is authorized to include its own expert scientists and engineers in the consultation, and request board staff to participate, when desired. The risk assessment shall be evaluated and updated annually.
- (4) Corrective Actions: If the governing body determines that diversions for purposes of frost protection have the potential to cause stranding mortality, the governing body shall notify the diverter(s) of the potential risk. The governing body, in consultation with the diverters, shall develop a corrective action plan that will prevent stranding mortality. Corrective actions may include alternative methods for frost protection, best management practices, better coordination of diversions, construction of off-stream storage facilities, real-time stream gage and diversion monitoring, or other alternative methods of diversion. Corrective actions also may include revisions to the number, location and type of stream stage monitoring pages, or to the stream stages considered necessary to prevent stranding mortality. In developing the corrective action plan the governing body shall consider the relative water right priorities of the diverters and any time delay between groundwater diversions and a reduction in stream stage. The corrective action plan shall include a schedule of implementation. To the extent feasible, the corrective action plan shall include interim corrective actions if long-term corrective actions are anticipated to take over three years to fully implement. The diverters shall implement corrective actions in accordance with the corrective action plan, or cease diverting water for frost protection.
- (5) Annual Reporting: The governing body shall submit a publically available annual report of program operations, risk assessment, and corrective actions by September 1 following the frost season that is the subject of the report. The report shall include:
- (A) The frost inventory, including diversion data.
 - (B) Stream stage monitoring data.
 - (C) The risk assessment and its results, identification of the need for any additional data or analysis, and a schedule for obtaining the data or completing the analysis.
 - (D) A description of any corrective action plan that has been developed, any corrective actions implemented to date, and a schedule for implementing any additional corrective actions.
 - (E) Any instances of noncompliance with the WDMP or with a corrective action plan, including the failure to implement identified corrective actions. The report shall document consultations with DFG and NMFS regarding the stream stage monitoring program and risk assessment and shall explain any deviations from recommendations made by DFG or NMFS during the consultation process. In addition, the annual report shall evaluate the effectiveness of the WDMP and recommend any necessary changes to the WDMP, including any proposed additions or subtractions of program participants. Any recommendations for revisions to the WDMP shall include a program implementation plan and schedule. The board may require changes to the WDMP, including but not limited to the risk assessment, corrective action plan, and schedule of implementation, at any time.

(d) The governing body may develop and submit for the Deputy Director for Water Rights' approval, criteria, applicable to any participant in its WDMP, for identifying groundwater diversions that are not hydraulically connected to the Russian River stream system. The governing body may submit to the Deputy Director a list of groundwater diverters that appear to meet these criteria and could be exempted from this section. The Deputy Director is authorized to exempt the listed groundwater diverters, or identify the reason for not exempting the listed groundwater diverters. Beginning three years from the effective date of this section, if an individual groundwater diverter can independently demonstrate to the satisfaction of the Deputy Director that the diversion is not hydraulically connected to the Russian River stream system, the Deputy Director is authorized to exempt the groundwater diverter from this section.

(e) Compliance with this section shall constitute a condition of all water right permits and licenses that authorize the diversion of water from the Russian River stream system for purposes of frost protection. The diversion of water in violation of this section, including the failure to implement the corrective actions included in any corrective action plan developed by the governing body, is an unreasonable method of diversion and use and a violation of Water Code section 100, and shall be subject to enforcement by the board. The board has continuing authority to revise terms and conditions of all permits and licenses that authorize the diversion of water for purposes of frost protection should future conditions warrant.

Authority cited: Section 1058, Water Code.

Reference: Section 2, Article X, California Constitution; and Sections 100, 275 and 1051.5, Water Code.

Article 2. Wasteful and Unreasonable Water Uses

§ 963. Wasteful and Unreasonable Water Use Practices.

The State Water Resources Control Board (State Board) has determined that it is a waste and unreasonable use of water under Article X, section 2 of the California Constitution to divert or use water inconsistent with subdivision (a) regardless of water right seniority, given the need for the water to support other more critical uses.

(a) As used in this article:

(1) "Commercial agricultural use meeting the definition of Government Code section 51201, subdivision (b)" includes irrigation, frost protection and heat control, but does not include cleaning, processing or other similar post-harvest activities.

~~(2) "Total potable water production" means all potable water that enters into a water supplier's distribution system, excluding water placed into storage and not withdrawn for use during the reporting period, or water exported outside the supplier's service area.~~

~~(3) (2) "Urban water supplier" means a supplier that meets the definition set forth in Water Code section 10617, except it does not refer to suppliers when they are functioning solely in a wholesale capacity, but does apply to suppliers when they are functioning in a retail capacity.~~

~~(4) "Water year" means the period from October 1 through the following September 30. Where a water year is designated by year number, the designation is by the calendar year number in which the water year ends.~~

~~(3) "Turf" has the same meaning as in Section 491.~~

(4) "Incidental runoff" means unintended amounts (volume) of runoff, such as unintended, minimal overspray from sprinklers that escapes the area of intended use. Water leaving an intended use area is not considered incidental if it is part of the facility or system design, if it is due to excessive application, if it is due to intentional overflow or application, or if it is due to negligence.

(b)(1) The use of water is prohibited as identified in this subdivision for ~~any of~~ the following actions:

(A) The application of water to outdoor landscapes in a manner that causes ~~more than incidental~~ runoff such that water flows onto adjacent property, non-irrigated areas, private and public walkways, roadways, parking lots, or structures;

(B) The use of a hose that dispenses water to wash a motor vehicle, except where the hose is fitted with a shut-off nozzle or device attached to it that causes it to cease dispensing water immediately when not in use;

(C) The application of potable water directly to driveways and sidewalks;

(D) The use of potable water in an ornamental fountain or other decorative water feature, except where: (D)(i) the water is part of a recirculating system; or (D)(ii) the fountain is registered on the National Register of Historic Places;

(E) The application of water to irrigate turf and ornamental landscapes during and within 48 hours after measurable rainfall of at least one-~~tenth fourth~~ of one inch of rain. In determining whether measurable rainfall of at least ~~tenth fourth~~ of one inch of rain occurred in a given area, enforcement may be based on records of the National Weather Service, the closest CIMIS station to the parcel, or any other reliable source of rainfall data available to the entity undertaking enforcement of this subdivision;

(F) The serving of drinking water other than upon request in eating or drinking establishments, including but not limited to restaurants, hotels, cafes, cafeterias, bars, or other public places where food or drink are served ~~and/or purchased~~, during a period for which the Governor has issued a proclamation of a state of emergency under the California Emergency Services Act (Chapter 7 (commencing with Section 8550) of Division 1 of Title 2 of the Government Code) based on drought conditions; and
(G) As of January 1, 2025, the irrigation of turf on public street medians or publicly owned ~~or and~~ maintained landscaped areas between the street and sidewalk, except where:

(i) the turf serves a community or neighborhood function, including, but not limited to, recreational uses and civic or community events;

(ii) the turf is irrigated incidentally by an irrigation system, the primary purpose of which is the irrigation of trees; or

(iii) the turf is irrigated with recycled water through an irrigation system installed prior to January 1, 2018; ~~and~~.

(2) Notwithstanding subdivision (b)(1), the use of water is not prohibited by this article under the following circumstances:

(A) To the extent necessary to address an ~~immediate~~ health and safety need. This may include, but is not limited to, street sweeping and pressure washing of public sidewalks and the use of potable water in a fountain or water feature when required by law to be potable.

(B) To the extent necessary to comply with a term or condition in a permit issued by a state or federal agency.

(C) When the water is used exclusively for commercial agricultural use meeting the definition of Government Code section 51201, subdivision (b).

(c) To promote water conservation, operators of hotels and motels shall provide guests with the option of choosing not to have towels and linens laundered daily. The hotel or motel shall prominently display notice of this option in each guestroom using clear and easily understood language.

(d)(1) To prevent the waste and unreasonable use of water and to promote water conservation, any homeowners' association or community service organization or similar entity is prohibited from:

(A) Taking or threatening to take any action to enforce any provision of the governing documents or architectural or landscaping guidelines or policies of a common interest development where that provision is void or unenforceable under section 4735, subdivisions (a) and (b) of the Civil Code;

(B) Imposing or threatening to impose a fine, assessment, or other monetary penalty against any owner of a separate interest for reducing or eliminating the watering of vegetation or lawns during a declared drought emergency, as described in section 4735, subdivision (c) of the Civil Code; or

(C) Requiring an owner of a separate interest upon which water-efficient landscaping measures have been installed in response to a declared drought emergency, as described in section 4735, subdivisions (c) and (d) of the Civil Code, to reverse or remove the water-efficient landscaping measures upon the conclusion of the state of emergency.

(2) As used in this subdivision:

(A) "Architectural or landscaping guidelines or policies" includes any formal or informal rules other than the governing documents of a common interest development.

(B) "Homeowners' association" means an "association" as defined in section 4080 of the Civil Code.

(C) "Common interest development" has the same meaning as in section 4100 of the Civil Code.

(D) "Community service organization or similar entity" has the same meaning as in section 4110 of the Civil Code.

(E) "Governing documents" has the same meaning as in section 4150 of the Civil Code.

(F) "Separate interest" has the same meaning as in section 4185 of the Civil Code.

(3) If a disciplinary proceeding or other proceeding to enforce a rule in violation of subdivision (d)(1) is initiated, each day the proceeding remains pending shall constitute a separate violation of this regulation.

(e) To prevent the waste and unreasonable use of water and to promote water conservation, any city, county, or city and county is prohibited from imposing a fine under any local maintenance ordinance or other relevant ordinance as prohibited by section 8627.7 of the Government Code.

(f) The taking of any action prohibited in subdivision (b) (d) or (e), or the failure to take any action required in subdivision (c), is an infraction punishable by a fine of up to five hundred

dollars (\$500) for each day in which the violation occurs. The fine for the infraction is in addition to, and does not supersede or limit, any other remedies, civil or criminal.

(g) A decision or order issued under this article by the Board or an officer or employee of the Board is subject to reconsideration under article 2 (commencing with section 1122) of chapter 4 of part 1 of division 2 of the Water Code.

Authority: Section 1058, Water Code.

References: Article X, Section 2, California Constitution; Sections 4080, 4100, 4110, 4150, 4185, and 4735, Civil Code; Sections 102, 104, 105, 275, 350, and 10617, Water Code; *Light v. State Water Resources Control Board* (2014) 226 Cal.App.4th 1463.



DISCUSSION ITEM

February 7, 2018

TO: Board of Directors

FROM: Robert Hunter,
General Manager

Staff Contact: Harvey De La Torre
Melissa Baum-Haley

**SUBJECT: CENTRAL BASIN MUNICIPAL WATER DISTRICT LEGISLATIVE
PROPOSAL ON METROPOLITAN BOARD GOVERNANCE**

STAFF RECOMMENDATION

Staff recommends the Board of Directors receive comments from Kevin Hunt, General Manager of Central Basin Municipal Water District, and discuss as appropriate.

COMMITTEE RECOMMENDATION

Committee recommends (To be determined at Committee Meeting)

REPORT

Central Basin Municipal Water District (CBMWD) has shared with Metropolitan Water District of Southern California (Metropolitan) an alternative and optional methodology for appointing directors to Metropolitan's Board of Directors. Such a change to Metropolitan's Board or governance structure requires legislative changes to the Metropolitan Act. On January 8, the Metropolitan Communication and Legislative Committee held discussion on CBMWD's proposal.

Kevin Hunt, CBMWD General Manager, has asked to provide a presentation to MWDOC's Board and Metropolitan's Representatives regarding CBMWD's preliminary legislative proposal which suggests an alternative and optional methodology for appointing directors to Metropolitan's Board.

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



DISCUSSION ITEM
February 7, 2018

TO: Board of Directors

FROM: Robert Hunter,
General Manager

Staff Contact: Harvey De La Torre
Melissa Baum-Haley

SUBJECT: METROPOLITAN'S 2017 YEAR-IN-REVIEW VIDEO

STAFF RECOMMENDATION

Staff recommends the Board of Directors view video and review and discuss the information.

COMMITTEE RECOMMENDATION

Committee recommends (To be determined at Committee Meeting)

REPORT

Each year the Metropolitan Water District of Southern California (Metropolitan) produces a year-in-review milestone video of their engineering and operations highlights. This video illustrates how Metropolitan maximized storage, made improvements to key infrastructure, and enhanced regional investments in 2017.

The video can be found at <https://tinyurl.com/mwd-2017-recap>.

Budgeted (Y/N): N/A	Budgeted amount: None	Core <input checked="" type="checkbox"/> X <input type="checkbox"/>	Choice <input type="checkbox"/>
Action item amount: N/A	Line item:		
Fiscal Impact (explain if unbudgeted):			



DISCUSSION ITEM
February 7, 2018

TO: Board of Directors

FROM: Robert Hunter,
General Manager

Staff Contact: Harvey De La Torre
Melissa Baum-Haley

**SUBJECT: METROPOLITAN'S PROPOSED BIENNIAL BUDGET AND RATES FOR
FISCAL YEARS 2018/19 AND 2019/20**

STAFF RECOMMENDATION

Staff recommends the Board of Directors review and discuss the information presented.

COMMITTEE RECOMMENDATION

Committee recommends (To be determined at Committee Meeting)

REPORT

Every two years Metropolitan embarks on its biennial budget along with the associated rates and charges including a ten-year forecast. In early February, Metropolitan released its proposed budget documents for Fiscal Year (FY) 2018/19 and FY 2019/20. These are initial documents that start the Metropolitan Board's review of the proposed biennial budget.

At the February 7, 2018 Board Workshop, MWDOC staff will provide a brief overview of the key budget assumptions such as: future anticipated water sales, revenues, and expenses, as well as capital financing and PAYGO, and the anticipated rates and charges for calendar years 2019 and 2020. At the March 7, 2018 Board Workshop, Metropolitan staff provide a detailed presentation of the proposed budget for FY 2018/19 and FY 2019/20 budget along with the rates and charges for calendar years 2019 and 2020.

Attachment: February 13, 2018 Metropolitan Board Memo on Proposed Biennial Budget and Rates for FY 2018/19 and FY 2019/20

Budgeted (Y/N): N/A	Budgeted amount: None	Core <input checked="" type="checkbox"/> X	Choice <input type="checkbox"/>
Action item amount: N/A	Line item:		
Fiscal Impact (explain if unbudgeted):			



- **Board of Directors**
Finance and Insurance Committee

2/13/2018 Board Meeting

9-2

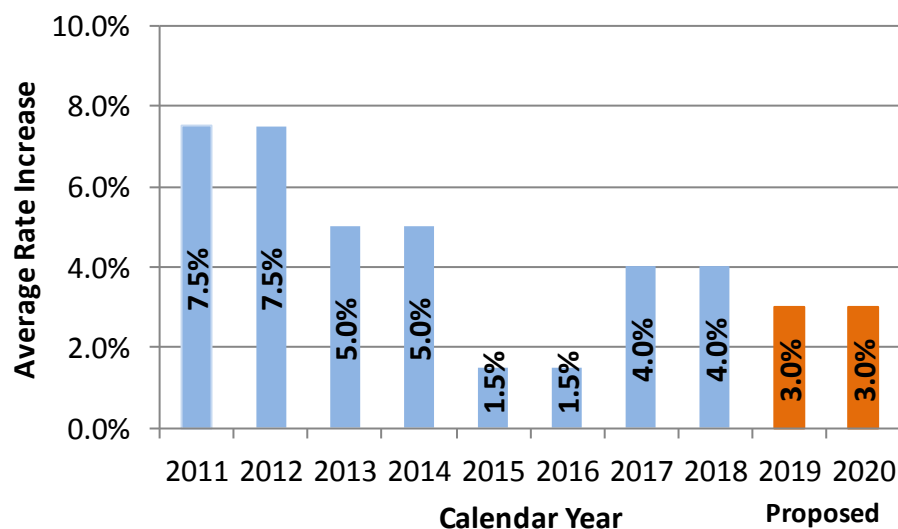
Subject

Proposed biennial budget and revenue requirements for fiscal years 2018/19 and 2019/20; proposed water rates and charges for calendar years 2019 and 2020 to meet revenue requirements for fiscal years 2018/19 and 2019/20; ten-year forecast; and Cost of Service Report

Executive Summary

This letter presents the proposed biennial budget and revenue requirements for fiscal years (FY) 2018/19 and FY 2019/20 (FYs 2018/19 and 2019/20), proposed water rates and charges for calendar years (CY) 2019 and CY 2020 (CYs 2019 and 2020) to meet Metropolitan's revenue requirements, and a ten-year forecast. This letter also presents the cost of service analysis and Cost of Service Report to support the proposed rates and charges. The proposed CYs 2019 and 2020 water rates and charges are based on Metropolitan's current methodology for developing rates and charges to produce the necessary revenue required to cover costs. This proposed budget strikes a balance between funding for Metropolitan's strategic priorities while working to achieve and maintain all financial policy guidelines, with proposed overall rate increases of 3.0 percent in each year of the proposed biennial budget, as well as the remainder of the ten-year period. The proposed overall rate increases of 3.0 percent are within the previous projection of rate increases between 3 to 5 percent.

Figure 1: Historic and Projected Overall Rate Increases



Attachment 1 provides the proposed Biennial Budget for FYs 2018/19 and 2019/20. It includes the Summary, describing the proposed appropriations, fund summaries, sources of funds, uses of funds, staffing plan and summary of the financing for the Capital Investment Plan (CIP); the Departmental budget information; and a

section of the document which describes the General District Requirements, comprised of the State Water Project, Colorado River Aqueduct, Supply Programs, Demand Management and Capital Financing.

Highlights of the proposed Biennial Budget are:

- Increased support for the Conservation Credits Program, with proposed spending to increase by \$5 million to \$43 million annually for the biennial budget and ten-year forecast. In addition, it is proposed that the remaining balance in the Water Management Fund be transferred to the Water Stewardship Fund to provide additional support for the Conservation Credits Program;
- Debt service costs decrease by \$13 million over the biennial budget period compared to the FY 2017/18 budget and trend lower over the remaining years of the ten-year forecast. While the ten-year forecast projects \$1 billion in new debt issuance, existing debt will be paid down at a faster rate resulting in outstanding debt decreasing by \$800 million to \$3.5 billion by the end of the ten-year forecast;
- Planned capital spending of \$500 million over the biennium to ensure our facilities are well maintained and reliable. The capital program is now made up of nearly 400 projects that are focused on addressing seismic vulnerabilities, meeting all regulatory requirements, and replacement and refurbishment of aging infrastructure;
- Funding for Metropolitan's share of California WaterFix costs as approved by the Board in October 2017 are included in the biennial budget and ten-year forecast. In the event that the state Department of Water Resources (DWR) makes changes to how California WaterFix is implemented, any impacts on water rates and the ten-year financial forecast will be provided to the Board; and
- Meeting financial targets for Fixed Charge Coverage during the biennium and achieving Revenue Bond Coverage targets during the ten-year forecast period.

Attachment 2 provides the ten-year forecast (Ten-Year Financial Forecast). **Attachment 3** provides the Cost of Service Report to support the proposed water rates and charges, shown in Table 2 of this letter.

Description

PROPOSED BIENNIAL BUDGET

Funding of Strategic Priorities

The General Manager's Business Plan for FYs 2018/19 and 2019/20 sets out Metropolitan's strategic priorities for the biennium. These priorities, explained in more detail in the Departmental Expenditures section of the Biennial Budget document, are summarized below:

Enhance Infrastructure Safety, Security and Resiliency: During the biennium, Metropolitan will be managing capital projects to ensure the long-term reliability of Metropolitan's critical infrastructure and incorporate seismic resilience into our facilities. Four critical areas are the ongoing rehabilitation of the Colorado River Aqueduct, pre-stressed concrete pipe replacement, system seismic hardening and resilience, and enhancing physical and cyber security.

Prepare for More Extreme Hydrology: The recent historic drought highlighted the value of Metropolitan's regional storage investments. Storage has become our primary tool to manage southern California's extreme hydrologic variability. Given this recent experience and projecting more variability due to climate change, staff intends to conduct an assessment with the Board and member agencies of Metropolitan's storage capabilities and future needs to identify new strategies to maximize use of existing facilities and determine if new investments are needed. This assessment will also be incorporated into the 2020 Integrated Resource Plan (IRP) Update. Staff will also be working with the Board on strategies to successfully promote innovation and efficiency in water use.

Ensure Imported Supply Reliability: Southern California's backbone water supplies remain the Colorado River and the State Water Project; the ongoing reliability of these resources is critical. On the Colorado River, the emphasis over the next two years will be on completion of a Drought Contingency Plan to provide stability on the Colorado River while protecting Metropolitan's supplies and access to storage in Lake Mead. On the State Water Project, the emphasis will be on finalizing design and approvals for California WaterFix and beginning the logistical and management work for project construction.

Maximize Local Resources: During this biennium, construction of the pilot Advanced Purification Center in partnership with the County Sanitation Districts of Los Angeles County will be completed. While the demonstration facility is operating, staff will begin work with the Board and the member agencies on a review of the institutional issues associated with the Regional Recycled Water Program and its relationship to Metropolitan's ongoing Local Resources Program, for incorporation into the next update of Metropolitan's IRP Update scheduled for 2020.

Promote Environmental Stewardship and Sustainability: Develop and implement strategies to improve adaptability and resilience to climate change impacts on water supply; promote policies that restore habitat while protecting source water quality on Metropolitan's lands, such as the Delta Islands, as well as on other properties.

Foster Leadership and Strengthen Workforce Capabilities: Metropolitan's workforce today is significantly more diverse and younger than it was fifteen years ago. Retirements have reached approximately 100 employees a year and are expected to stay at that level through the biennium. Recruitment activity will be expanded to keep pace with retirements and maintain a work force at approximately 1,868 positions in FY 2019/20. Succession planning is critical to increase the availability of experienced and capable employees prepared to assume critical positions.

Maintain Sound Business Practices and Fiscal Integrity: Continue Metropolitan's practice of reducing debt and controlling costs to keep rate increases in the 3 to 5 percent range over the next decade while maintaining Metropolitan's strong credit ratings.

Key Assumptions

Current hydrologic conditions are uncertain. After a record wet water year 2016-2017¹, water year 2017-2018 has so far been very dry. Conditions in the northern California and Colorado River watersheds are well below normal. However, much of the current water year remains ahead. Metropolitan has weathered past supply challenges by realizing the benefits of supply and storage investments made over the last 20 years.

Metropolitan continues to be prepared to meet the challenges of reliably providing water to its service area throughout a variety of hydrologic conditions. Metropolitan has a diverse portfolio of water supplies, which have been augmented by additional programs approved by the Board over the last several years, and Metropolitan has made substantial investments in storage and supply programs to store water should CY 2018 be hydrologically wet.

As a result of hydrologic variability, Metropolitan's water sales can vary widely. Accordingly, it is reasonable for Metropolitan to determine its biennial budget and rate setting processes on average conditions and rely on water storage and cash reserves to buffer water demand, revenue and cost volatility. For the upcoming biennium, Metropolitan has made the following assumptions:

Water transactions projection: Water transactions, which include sales, exchanges and wheeling, are projected to be 1.65 million acre-feet (MAF) for FY 2018/19 and 1.75 MAF for FY 2019/20. FY 2018/19 is lower than previous forecasts as southern California is coming off a record wet 2016-2017 year and local supplies are robust; FY 2019/20 is in line with previous forecasts. These projections assume an average year hydrology, and reflect the expectation that demands will trend lower due to consumer response to the previous drought and

¹ The water year runs from October 1 through September 30 of the following calendar year.

continued conservation initiatives. The projection also incorporates the continued operation and implementation of local resource projects. The recent water transaction trend is shown in **Attachment 1**, Biennial Budget Summary.

State Water Project (SWP) and Colorado River Aqueduct (CRA): For FY 2018/19 and FY 2019/20, CRA diversions are projected to be 838 thousand acre-feet (TAF) and 916 TAF, respectively. For FY 2018/19 and FY 2019/20, Metropolitan's SWP supplies are projected to be 908 TAF and 907 TAF, respectively. This is based on a 50 percent SWP allocation and accounts for utilization of Metropolitan's SWP and Colorado River supply programs.

Capital Investment Plan (CIP): Expenditures for the CIP will be managed by focusing on projects that are critical to maintaining water quality, reliability and safety. The CIP planned spending for the biennial period totals \$500 million. Historically, only about 80 percent of planned spending actually occurs due to a favorable bid environment or project delays. Accordingly, for setting rates, the Cost of Service Report uses \$400 million, which is unchanged compared to the budget for FY 2017/18. The CIP reflects the focus on addressing aging infrastructure and compliance with regulatory requirements.

In the last two biennial budgets, the Board established a target of funding 60 percent of the projected expenditures in the CIP from operating revenues (PAYGo). This level of PAYGo funding has been maintained, which is \$240 million over the biennial period, and is appropriate given the significant portion of the CIP that is focused on replacement and refurbishment of capital facilities. Using this standing level of PAYGo lessens the pressure on water rates from debt service payments in future years and provides financial flexibility in years when revenues may be lower than expected. Appropriately prioritizing CIP expenditures and utilizing PAYGo provides significant debt management cost relief to keep future rate increases in the 3 to 5 percent range despite increasing costs for other expenditures.

Operations and Maintenance (O&M): The FY 2018/19 budget includes \$477.5 million for O&M, including labor and benefits, water treatment chemicals, power, solids handling, professional services, and operating equipment purchases. This is \$57.7 million higher than the FY 2017/18 budget of \$419.8 million, due primarily to impacts of the labor Memorandum of Understandings (MOUs), and increases in benefits costs, outside services, and other O&M expenses such as property taxes, and one-time environmental remediation and mitigation costs.

The FY 2019/20 budget includes \$496.4 million for O&M, including labor and benefits, water treatment chemicals, power, solids handling, professional services, and operating equipment purchases. This is \$18.9 million higher than the FY 2018/19 budget, due primarily to the labor MOUs and inflationary increases in costs.

The biennial budget assumes funding for 1,862 full time equivalent employees in FY 2018/19 and 1,868 full time equivalent employees in FY 2019/20, less than the authorized regular full time position count of 1,927 in FY 2018/19 and 1,932 in FY 2019/20. The reduced funding assumes that some positions would be vacant for portions of the budget year. Over the biennium a total of 19 staff will be added to accommodate increased recruitment, Bay Delta support, enhanced security and land management efforts, SWP and CRA program support, increased outreach, environmental planning and business technology support, and succession planning for future vacancies. Metropolitan will continue to provide full funding of the annual required contribution to its pension and Other Post-Employment Benefits obligations (OPEB, or retiree medical) accounts. Previous investments to address underfunded liabilities, including OPEB, have resulted in lower benefits costs in the biennial budget period compared to pay-as-you-go funding.

Maintain the ad valorem tax rate at the current level: It is proposed that the Board continue to suspend the ad valorem tax limit pursuant to the MWD Act, as the Board has done since the FY 2013/14 tax levy, to maintain the ad valorem tax rate at the current level of .0035 percent of assessed value for both fiscal years. This is projected to generate ad valorem tax revenues of \$116.6 million in FY 2018/19 and \$118.1 million in

FY 2019/20. Over the biennial budget period, maintaining the ad valorem tax rate at the current level is essential to the fiscal integrity of the District as it will provide revenues that can be used to pay for growing State Water Contract costs, help to maintain a balance between fixed and variable revenues, and reduce the impact of future water rate increases.

A public hearing at which interested parties may provide input regarding action on ad valorem tax rates pursuant to Section 124.5 of the MWD Act is proposed at the same time and place as the Board sets for the public hearing on proposed rates and charges.

SDCWA exchange agreement set-aside: Due to the San Diego County Water Authority's (SDCWA) litigation challenging Metropolitan rates, as of December 31, 2017, Metropolitan holds \$52.8 million in its financial reserves in accordance with the set-aside provision of the 2003 Amended and Restated Exchange Agreement between Metropolitan and SDCWA (exchange agreement). This amount includes \$51 million associated with exchange agreement water deliveries from January 2011 through October 2017 and \$1.8 million in accumulated interest earned thereon, based on Metropolitan's investment portfolio. The amount set aside pursuant to the exchange agreement was reduced from approximately \$312 million in September 2017 as a result of a final appellate decision in SDCWA's rate litigation filed in 2010 and 2012. Before the appellate decision, the amounts held were SDCWA's payments under the exchange agreement that were in dispute and interest earned thereon. Following the appellate decision in Metropolitan's favor concerning State Water Project costs, the reduced amounts held are SDCWA's payments of the Water Stewardship Rate that continue to be in dispute and interest earned thereon.

On June 21, 2017, the California Court of Appeal issued its decision in the appeal and cross-appeal filed by Metropolitan and SDCWA in SDCWA's rate litigation filed in 2010 and 2012. On September 27, 2017, the California Supreme Court denied SDCWA's Petition for Review in that litigation, declining to consider the Court of Appeal's June 2017 decision. The Court of Appeal's decision is therefore final.

The Court of Appeal ruled that Metropolitan may lawfully include its State Water Project transportation costs in its System Access Rate and System Power Rate, which Metropolitan charges SDCWA pursuant to the exchange agreement and its wheeling rate. The System Access Rate and System Power Rate are also charged in Metropolitan's full service water rate, which was not challenged in the litigation. The Court of Appeal also ruled that the administrative record before it for the rates in CYs 2011 through 2014 did not support Metropolitan's Water Stewardship Rate allocation to transportation rates and the wheeling rate for those years, but it did not address the allocation in subsequent years based on a different record. The Court of Appeal also stated that its decision does not preclude Metropolitan from including the Water Stewardship Rate in its full service rate. With respect to damages, the Court of Appeal remanded the case to the trial court for a redetermination of damages for CYs 2011 through 2014 in light of its rulings concerning the System Access Rate, System Power Rate, and Water Stewardship Rate.

In recognition of the Court of Appeal's decision, it is proposed that staff will begin a process internally, and with input from its member agencies, to further study and determine the most appropriate cost allocation of the Demand Management cost function. In the interim, it is proposed that the Water Stewardship Rate will not be billed on the exchange agreement deliveries for CYs 2019 and 2020, with Metropolitan foregoing any collection of these amounts during this study period. Further, it is recommended that Metropolitan suspend billing and collecting the current Water Stewardship Rate on exchange agreement deliveries in CY 2018. The effect on the Water Stewardship Fund, taking into consideration the lower revenues over the three calendar years, would be approximately \$46 million.

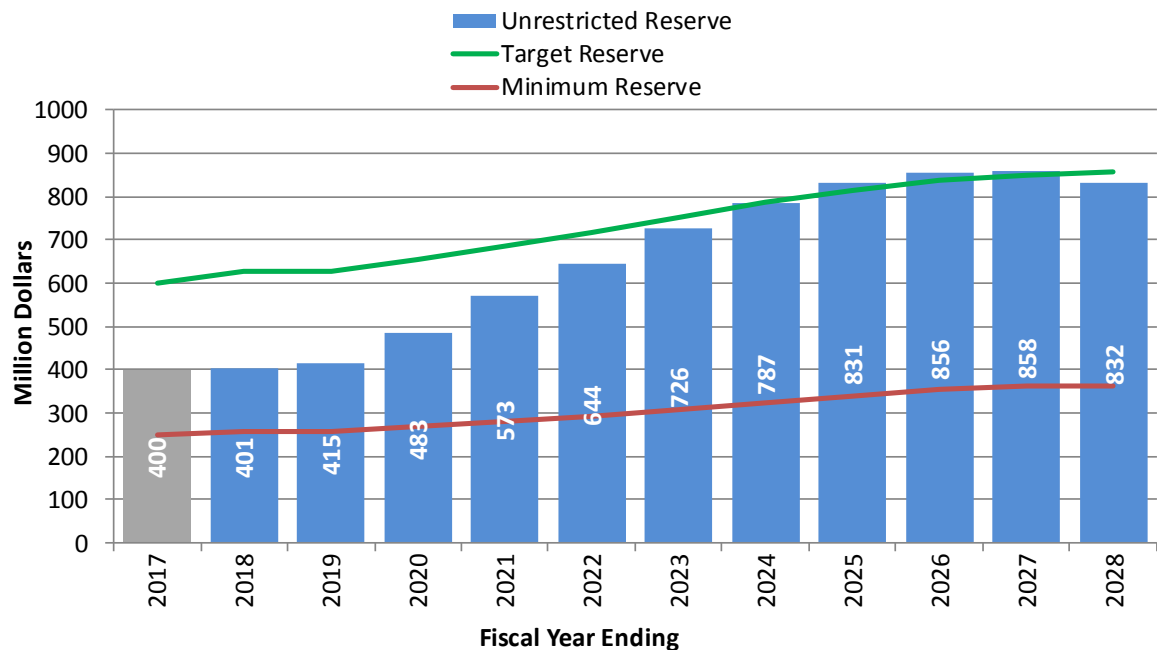
Resolution of Reimbursement: The biennial budget proposes to continue to fund 60 percent of capital expenditures from operating revenues, or PAYGo. In order to preserve financial flexibility in the timing of bond issuance, a Resolution of Reimbursement will be provided to the Board for consideration and approval. The Resolution of Reimbursement would authorize the use of tax-exempt bond proceeds or other forms of

indebtedness to reimburse capital expenditures for projects funded from the General Fund and the Replacement and Refurbishment (R&R) Fund. The availability of debt funding sources for capital projects initially paid or to be paid by the General Fund and R&R Fund would also provide Metropolitan with additional financial flexibility by allowing for the funding of all or a portion of planned CIP expenditures from bond proceeds.

TEN-YEAR FORECAST

The proposed biennial budget sets the foundation for consistent, reasonable rate increases over the ten-year planning period. Investments previously made to address underfunded liabilities combined with maintaining the ad valorem tax rate at its current level throughout the ten-year period and stable CIP expenditures help to offset the impact of Metropolitan's forecasted share of the cost of the California WaterFix as that project moves forward. Rate increases from FY 2020/21 through FY 2027/28 are projected to be approximately 3.0 percent each year. The Ten-Year Financial Forecast is presented in **Attachment 2**.

Figure 2: Projected Rate Increases, Reserves and Financial Indicators, Ten-Year Forecast



Overall Rate Increase	4.0%	4.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Water Transactions*, MAF	1.54	1.55	1.65	1.75	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80
Rev. Bond Cvg	1.6	1.5	1.6	1.9	2.1	2.1	2.1	2.1	2.2	2.1	2.2	2.2
Fixed Chg Cvg	1.4	1.4	1.5	1.7	1.9	1.8	1.7	1.6	1.6	1.5	1.4	1.3
PAYGO, \$M	132	108	120	120	150	150	150	154	158	162	167	171

*includes water sales, exchanges, and wheeling

COST OF SERVICE ANALYSIS

Attachment 3 provides the detailed Cost of Service Report to support the proposed rates and charges, based on the methodology approved by the Board since 2001. The following provides a summary of the cost of service analysis, which will be reviewed in upcoming Board workshops.

Cost of Service Analysis, FY 2018/19 and 2019/20

The proposed water rates and charges to support the estimated revenue requirements were developed using the Cost of Service (COS) methodology previously approved by the Board and implemented since the Board adopted the current rate structure in October 2001.

Metropolitan, a wholesaler, provides two types of services: full service water service (treated or untreated) and wheeling service. Metropolitan has one class of customers: its member agencies. The level of rate unbundling in Metropolitan's rate structure provides transparency to show that rates and charges recover only those functions involved in the applicable service, and that no cross-subsidy of costs exists. Metropolitan's COS process and resulting unbundled rate structure ensures that its wholesale customers pay for only those services they elect to receive.

The American Water Works Association (AWWA) is the professional association which, among other functions, identifies water industry standards for financial management and rate-setting practices. AWWA publishes a document on these topics in its Manual of Water Supply Practices series, which is the AWWA's M1, Principles of Water Rates, Fees, and Charges, Seventh Edition.

AWWA manual M1 Seventh Edition delineates a number of guidelines and principles that are intended to be observed in the broad development of cost of service and rate setting steps². The COS process reflects the M1 Seventh Edition guidelines and principles, which were carefully considered in the conceptual design of the Metropolitan COS. Major AWWA guidelines and principles considered in the Metropolitan COS approach are:

- Use of a "forward looking" or prospective rate period;
- Performing functional assignment of costs, which makes it possible to allocate and then distribute costs to services in accordance with each function type. In keeping with AWWA recommendations, the functional assignment and commodity/demand allocation modules of the COS allow identification of functional cost components at a level that allows the unbundling of Metropolitan's rates;
- Using the cash-needs approach to identify revenue requirements, which is one of two methodologies endorsed by AWWA principles and is frequently used by government-owned utilities; and
- In areas, consideration is given to separate charges where seasonal usage patterns impose significant demands on the utility for such use.

General principles for establishing charges state that:

- Beneficiaries of a service should pay for that service.
- The level of service charges should be related to the cost of providing service.
- The price of services may be used to change user behavior and demand for the good or service.

The COS process resulting in the proposed rates and charges is consistent with these principles, as detailed in **Attachment 3**, Metropolitan's Cost of Service Report.

Estimated Revenue Requirements

To support Metropolitan's biennial budget, ten-year forecast, and financial planning, the revenue requirements for FYs 2018/19 and 2019/20 are estimated to be \$1.6 billion. As shown in Table 1, the revenue requirement for FY 2018/19 is about \$16 million less than the revenue requirement used to set rates for FY 2017/18.

Expenditures are projected to be relatively flat compared to the FY 2017/18 revenue requirement, while revenue offsets are projected to be about \$19 million higher. Capital paid for with operating revenues (PAYGo) is

² The majority of the M1 Seventh Edition is written for utilities providing retail service or combined retail and wholesale service. The distinction in practices for wholesale-only utilities is indirect; care must be taken to be attuned to these distinctions such that the guidelines are not incorrectly applied or misrepresented.

unchanged; projected costs for the SWP, CRA power, Demand Management costs and Supply Programs costs are lower, offset by higher projected costs for O&M.

In FY 2019/20, expenditures are projected to be approximately \$59 million more than FY 2018/19. Increases are budgeted for SWP costs, CRA power costs and O&M. Revenue offsets are relatively unchanged.

Table 1: Estimated Revenue Requirements for FYs 2018/19 and 2019/20, \$ millions*

Fiscal Year Ending	2017/18 Adopted	2018/19 Proposed	2019/20 Proposed
Departmental and Other O&M	395	450	469
Variable Treatment	25	27	28
State Water Project (without Variable Power)	447	407	434
State Water Project Variable Power	153	160	169
CRA Power	54	46	53
Supply Programs	82	61	54
Demand Management	76	89	86
Debt Service	344	332	331
PAYGO	120	120	120
Change in Required Reserves	25	32	41
Subtotal Expenditures	1,721	1,724	1,784
Revenue Offsets	146	165	166
Total Revenue Requirement	1,574	1,559	1,618

*Totals may not foot due to rounding

Proposed Rates and Charges for CYs 2019 and 2020

An overall rate increase of 3.0 percent effective January 1, 2019 and January 1, 2020 is appropriate to cover the costs in the proposed biennial budget for FYs 2018/19 and 2019/20, meet financial policy guidelines with the exception of revenue bond coverage, and maintain steady rates for the future. The proposed increases to rates and charges ensure that Metropolitan continues to make progress towards meeting all coverage targets. The specific elements of the proposed rate increase effective January 1, 2019 and January 1, 2020 are shown in Table 2, "Current and Proposed Rates and Charges." The rates and charges for FY 2018/19 are based on the estimated revenue requirement of \$1.56 billion shown in Table 1. The existing rates, which were effective January 1, 2018, and the proposed rates under a 3.0 percent increase, effective January 1, 2019, would generate combined revenue of \$1.57 billion for FY 2018/19 based on total transactions of 1.65 MAF, of which 51 percent is treated full service water, 227 TAF is untreated exchange agreement water, and the remainder is untreated full service water.

The rates and charges for FY 2019/20 are based on the estimated revenue requirement of \$1.62 billion shown in Table 1. Projected revenues from rates and charges in FY 2019/20 are \$1.69 billion on total transactions of 1.75 MAF, of which 51 percent is treated full service water, 258 TAF is untreated exchange agreement water, and the remainder is untreated full service water.

Table 2: Current and Proposed Rates and Charges

Rates and Charges Effective January 1st	2018	2019	% Change	2020	% Change
Tier 1 Supply Rate (\$/AF)	\$209	\$209	0.0%	\$208	(0.5%)
Tier 2 Supply Rate (\$/AF)	\$295	\$295	0.0%	\$295	0.0%
System Access Rate (\$/AF)	\$299	\$326	9.0%	\$346	6.1%
Water Stewardship Rate (\$/AF)	\$55	\$69	25.5%	\$65	(5.8%)
System Power Rate (\$/AF)	\$132	\$127	(3.8%)	\$136	7.1%
Full Service Untreated Volumetric Cost (\$/AF)					
Tier 1	\$695	\$731	5.2%	\$755	3.3%
Tier 2	\$781	\$817	4.6%	\$842	3.1%
Treatment Surcharge (\$/AF)	\$320	\$319	(0.3%)	\$323	1.3%
Full Service Treated Volumetric Cost (\$/AF)					
Tier 1	\$1,015	\$1,050	3.4%	\$1,078	2.7%
Tier 2	\$1,101	\$1,136	3.2%	\$1,165	2.6%
Readiness-to-Serve Charge (\$M)	\$140	\$133	(5.0%)	\$136	2.3%
Capacity Charge (\$/cfs)	\$8,700	\$8,600	(1.1%)	\$8,800	2.3%
Overall Rate Increase			3.0%		3.0%

Metropolitan's volumetric rates recover operating costs as well as the portion of the conveyance and distribution system capital costs that are associated with meeting average water demands. In the utility industry, system-wide rates that are the same for all customers are referred to as "postage stamp" rates. Under a postage stamp rate design approach, every customer pays the same average rate for a service regardless of whether the cost caused by, or the benefit derived by, a customer for a given transaction varies from the average.

The Readiness-to-Serve (RTS) Charge recovers system capital costs for emergency storage capacity and ensures there is adequate capacity in the conveyance and distribution systems to reliably deliver supplies during emergencies, major facility outages, hydrologic variability, and variances in local resources. The Capacity Charge recovers distribution system capital costs necessary to meet peak day member agency needs on Metropolitan's distribution system during the summer.

The rates proposed for January 1, 2019 reflect higher costs for Departmental O&M, offset by a reduction in CRA power, SWP costs, Supply Programs, and debt service. PAYGo is unchanged. The Treatment Surcharge is basically unchanged as higher O&M costs are offset by lower allocated capital costs. The Readiness-to-Serve Charge and the Capacity Charge decrease slightly primarily due to less capital costs recovered through these charges. The Capacity Charge reflects recent lower member agency usage of the distribution system to meet summer season demands. Considering the increase in volumetric rates and the decrease in fixed charges, Metropolitan's overall rate increase is 3.0 percent. Individual member agency impacts may vary from 3.0 percent depending on whether the member agency takes treated full service water, untreated full service water, and their apportioned RTS and Capacity Charge.

The bundled untreated and treated full service rates and the RTS and Capacity Charge effective January 1, 2020 are largely consistent with the 3.0 percent overall increases in costs. With regard to the unbundled rates, the System Access Rate is higher due to increase in Departmental O&M and SWP Transportation OMP&R costs. The Water Stewardship Rate decreases due to slightly lower Demand Management costs and higher projected water transactions. The System Power Rate increases due to higher State Water Contract power costs and higher CRA supplemental power purchases. The Treatment Surcharge is increasing due to an increase in Departmental O&M and chemical costs.

Consistent with the policy principles adopted by the Board on April 11, 2017, to contain overall treatment costs on an on-going basis, Metropolitan will programmatically identify opportunities to partially or fully decommission unneeded treatment infrastructure and minimize future O&M and capital expenditures. Metropolitan should obtain member agency commitment to utilize new or expanded future treatment capacity. Metropolitan is currently in the process of decommissioning Plant 2 at the Skinner Treatment plant. The Jensen Treatment plant capacity will be reviewed.

NEXT STEPS

The following sets forth the proposed schedule for the biennial budget and revenue requirements for fiscal years 2018/19 and 2019/20, and proposed water rates and charges for calendar years 2019 and 2020.

February 12, 2018	F&I Committee, Workshop #1
By February 23, 2018	Notice to Legislature; notice to member agencies regarding public hearing and proposed adoption of Fixed Charges
February 27, 2018	F&I Committee, Workshop #2
March 12, 2018	F&I Committee, Workshop #3
March 13, 2018	Public Hearing on proposed water rates and charges and suspension of the tax limit pursuant to Section 124.5 of the MWD Act
March 27, 2018	F&I Committee, Workshop #4, if needed
April 9, 2018	F&I Committee, Recommend Biennial Budget and Calendar Year rates and charges; Workshop #5, if needed
April 10, 2018	Board action regarding Biennial Budget and Calendar Year rates and charges

Policy

Metropolitan Water District Act Section 61: Ordinances, Resolutions and Orders

Metropolitan Water District Act Section 124.5: Ad Valorem Tax Limitation

Metropolitan Water District Act Section 130: General Powers to Provide Water Services

Metropolitan Water District Act Section 133: Fixing of Water Rates

Metropolitan Water District Act Section 134: Adequacy of Water Rates; Uniformity of Rates

Metropolitan Water District Act Section 134.5: Water Standby or Availability of Service Charge

Metropolitan Water District Administrative Code Section 4304: Apportionment of Revenues and Setting of Water Rates

Metropolitan Water District Administrative Code Section 5107: Biennial Budget Process

Metropolitan Water District Administrative Code Section 5200(b): Funds Established



INFORMATION ITEM

February 7, 2018

TO: Board of Directors

FROM: Robert Hunter,
General Manager

Staff Contact: Kevin Hostert

SUBJECT: WATER SUPPLY CONDITION UPDATE

STAFF RECOMMENDATION

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

REPORT

For the month of January 2018, accumulated precipitation reached 7.0 inches, which is **2.0 inches below normal** compared to the historical average. As of January 29, the Northern California accumulated precipitation (8-Station Index) is reporting **19.6 inches or 74% of normal**. The Northern Sierra Snowpack is at 5 inches as of January 29, which is **28% of normal**. However, due to last year's wet conditions, both Lakes Oroville and Shasta are near or at flood control level (Lake Oroville's flood control level has been lowered significantly due to the repairs being made on the spillway); and the total delta inflow at Clifton Court and Jones Pumping Plant are currently at a flow of 6,100 cubic feet per second (maximum capacity is 16,120 cubic feet per second). San Luis has been filling since November 2017 and its current volume is 85% of the reservoir's total capacity.

Based on these conditions, the Department of Water Resources (DWR) increased the State Water Project (SWP) "Table A" allocation from 15% to 20%. This increase will result in providing Metropolitan with approximately 382,300 AF in SWP deliveries this water year; this is significantly lower than Metropolitan's final SWP's Allocation last year (85%). Moreover, the month of February is predicted to be very dry throughout the state; and if the forecast are accurate there will not be a significant increase in the Table A allocation going into March.

On the Colorado River system, snowpack is measured across four states in the Upper Colorado River Basin. As of January 29, 2018, snowpack measured at 65% of normal for

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

that date. The ongoing decline in the Colorado River watershed has impacted storage levels in Lake Powell and Lake Mead, which in turn affects the likelihood of surplus or shortage conditions in the future. Reclamation is projecting that there is about a 15% chance of a shortage on the Colorado River in 2019, but increases to about 42% in 2020. Attached is a presentation on water supply conditions as of January 31, 2018. MWDOC staff may provide a revised presentation at the February 7 meeting to include any recent changes in data.

Attached is an update on state and local water supply conditions.

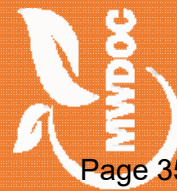
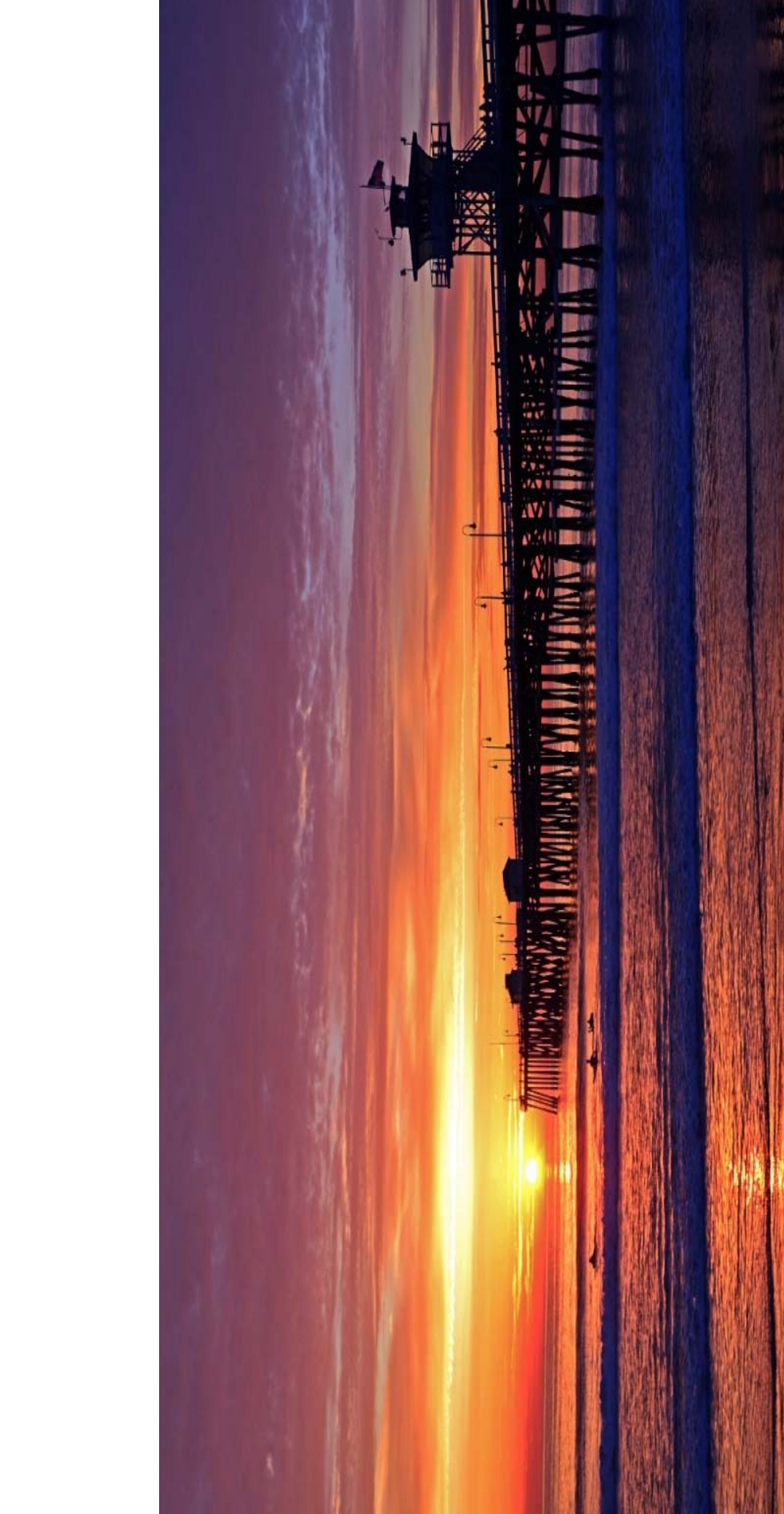


Water Supply Conditions

Kevin Hostert, Water Resources Analyst
Municipal Water District of Orange County

February 7th 2018





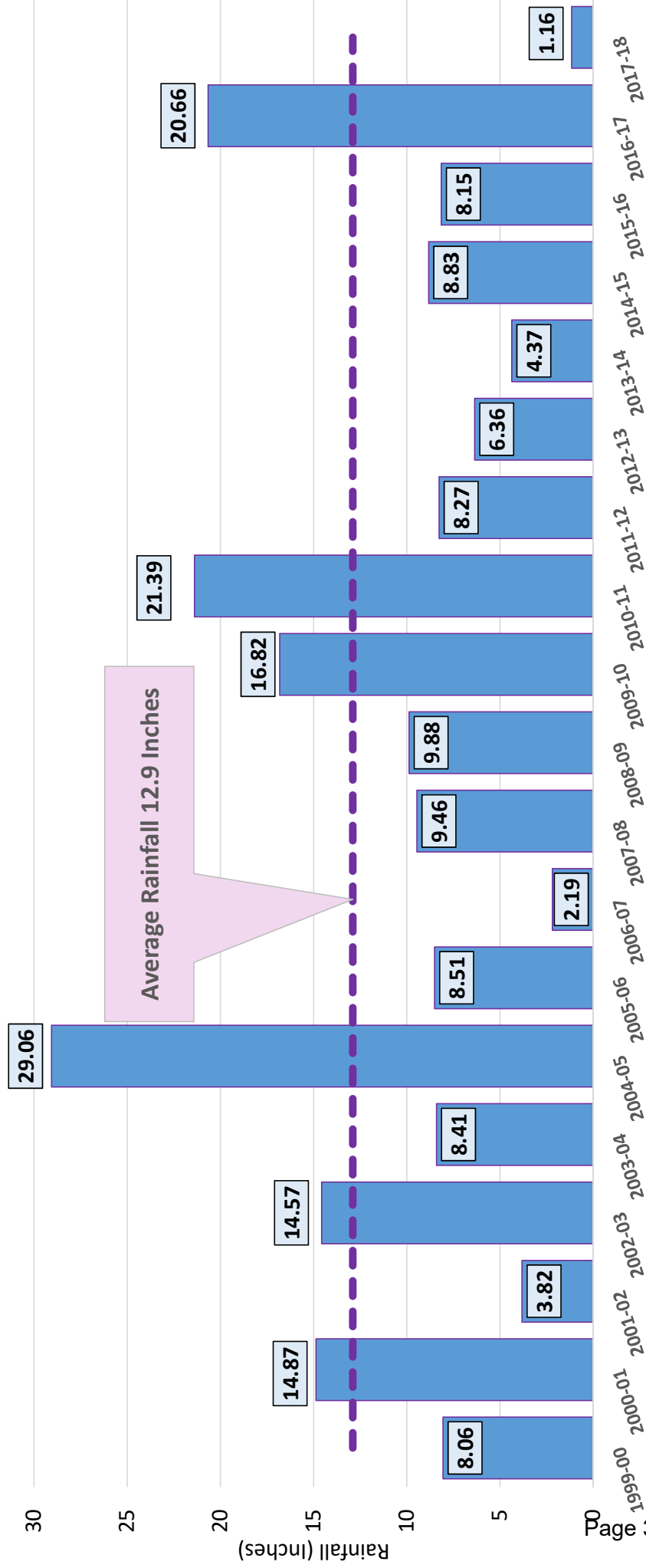
Orange County Weather and Water Supply Conditions

Insight to local weather conditions that affect California's water supply

Santa Ana Precipitation



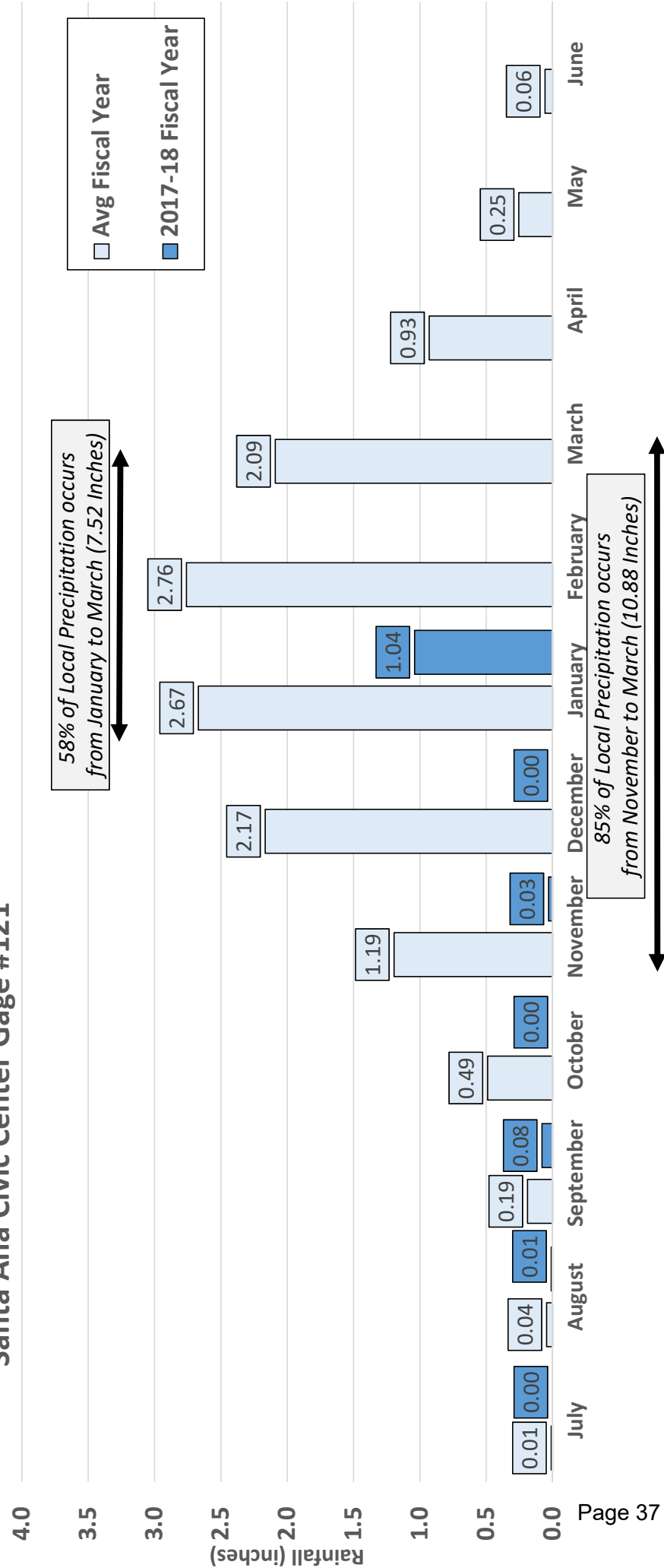
Santa Ana Annual Precipitation Statistics (Fiscal Year July-June)



Santa Ana Precipitation

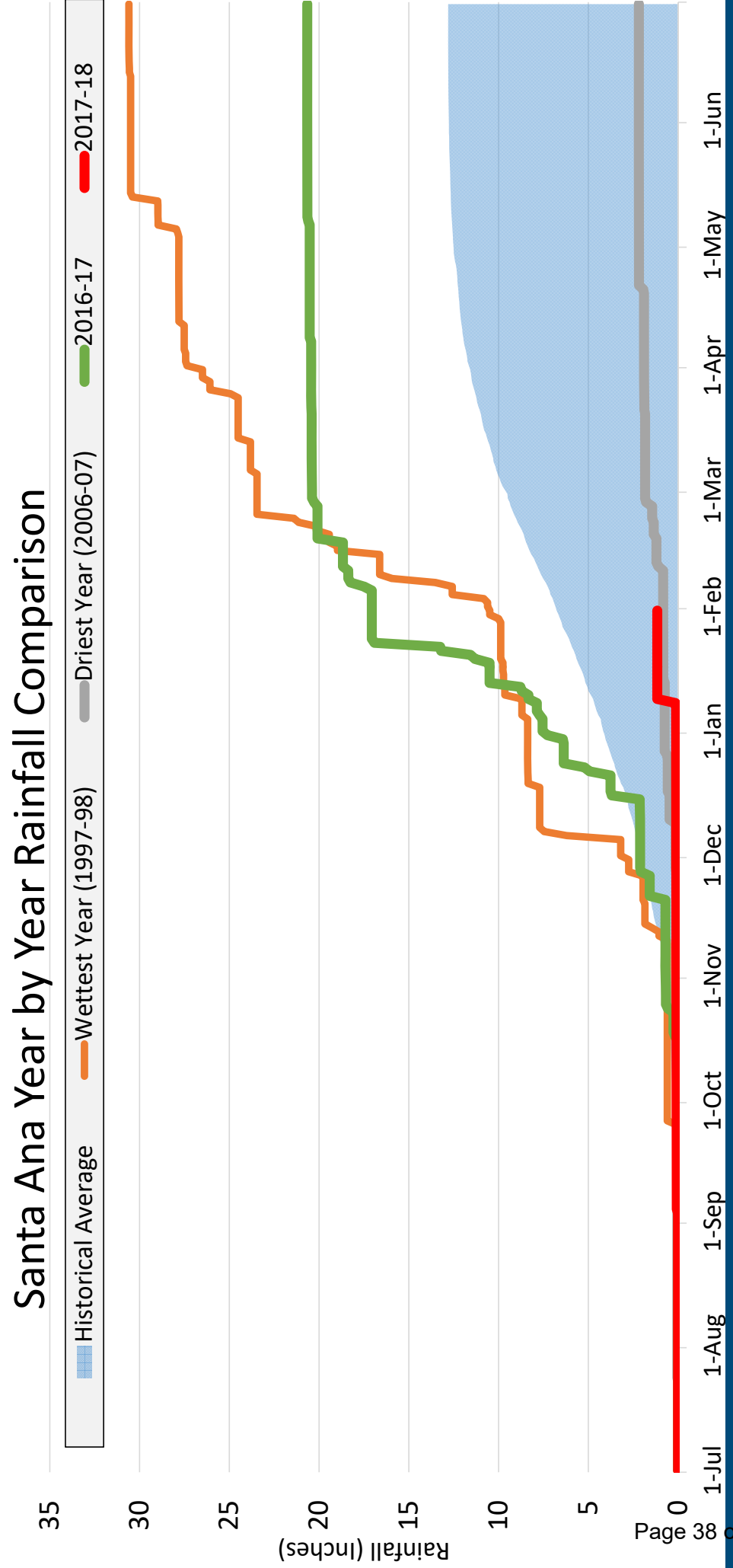


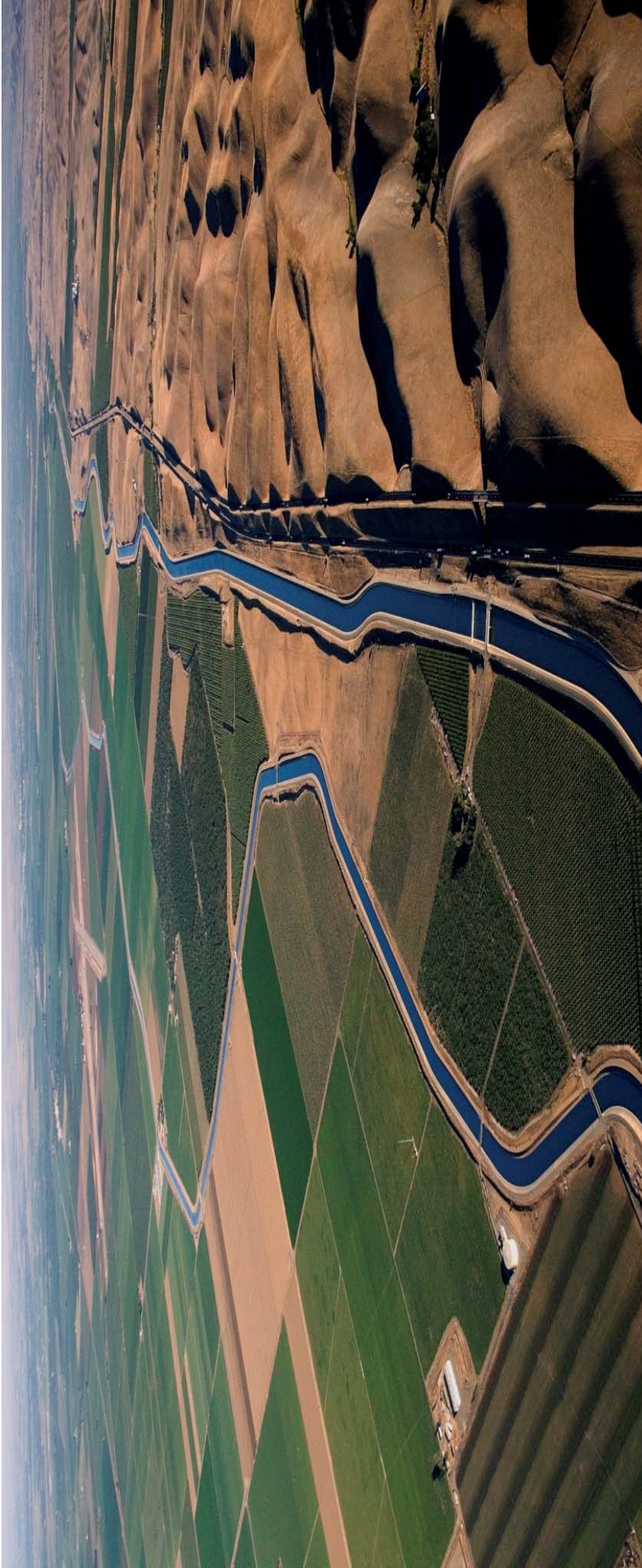
Average Monthly Precipitation in Orange County, Ca
Santa Ana Civic Center Gage #121





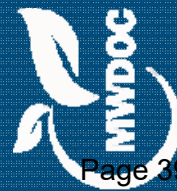
Santa Ana Precipitation





Regional Weather and Water Supply Conditions

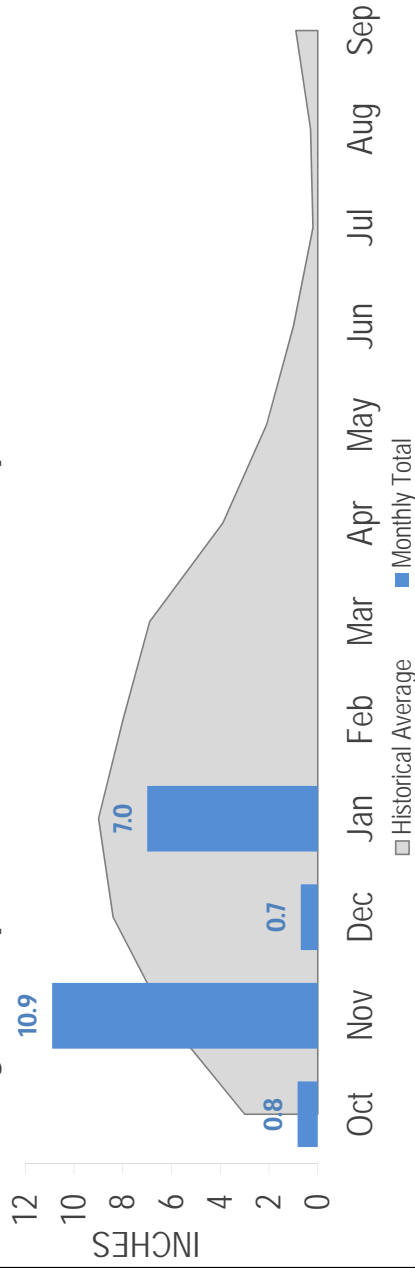
Insight to regional weather conditions that affect California's water supply



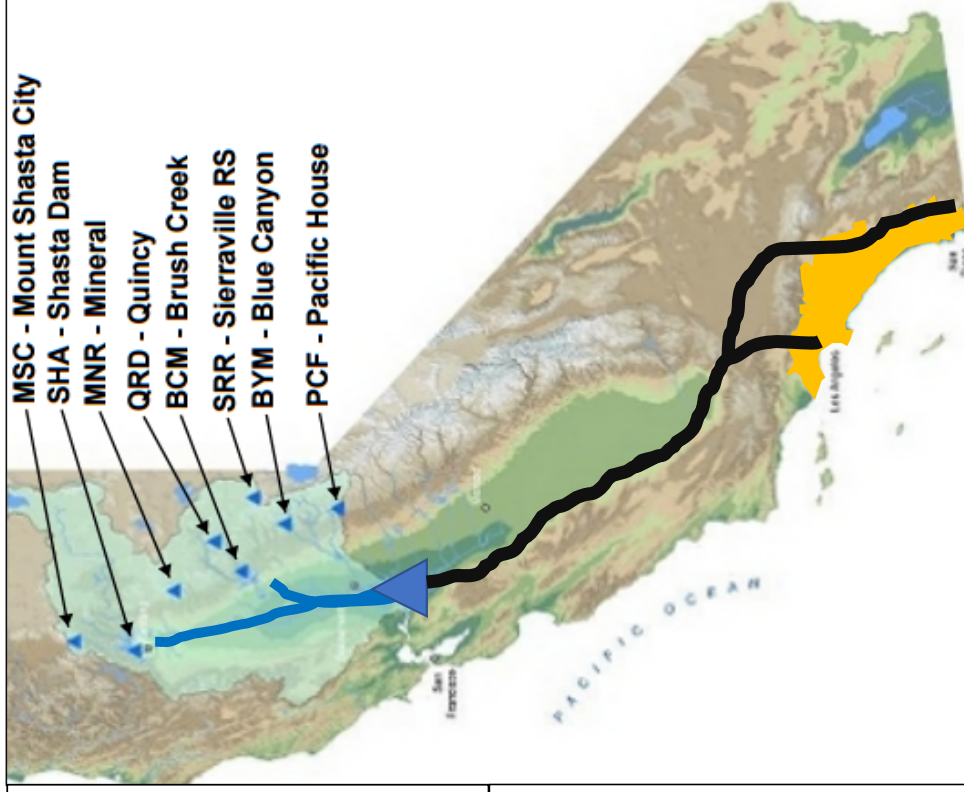
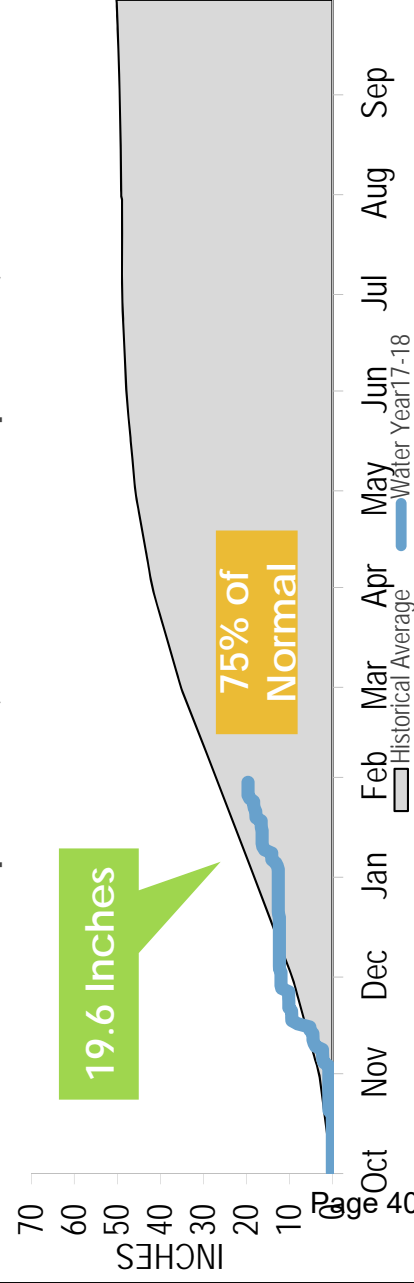
Northern California Accumulated Precipitation



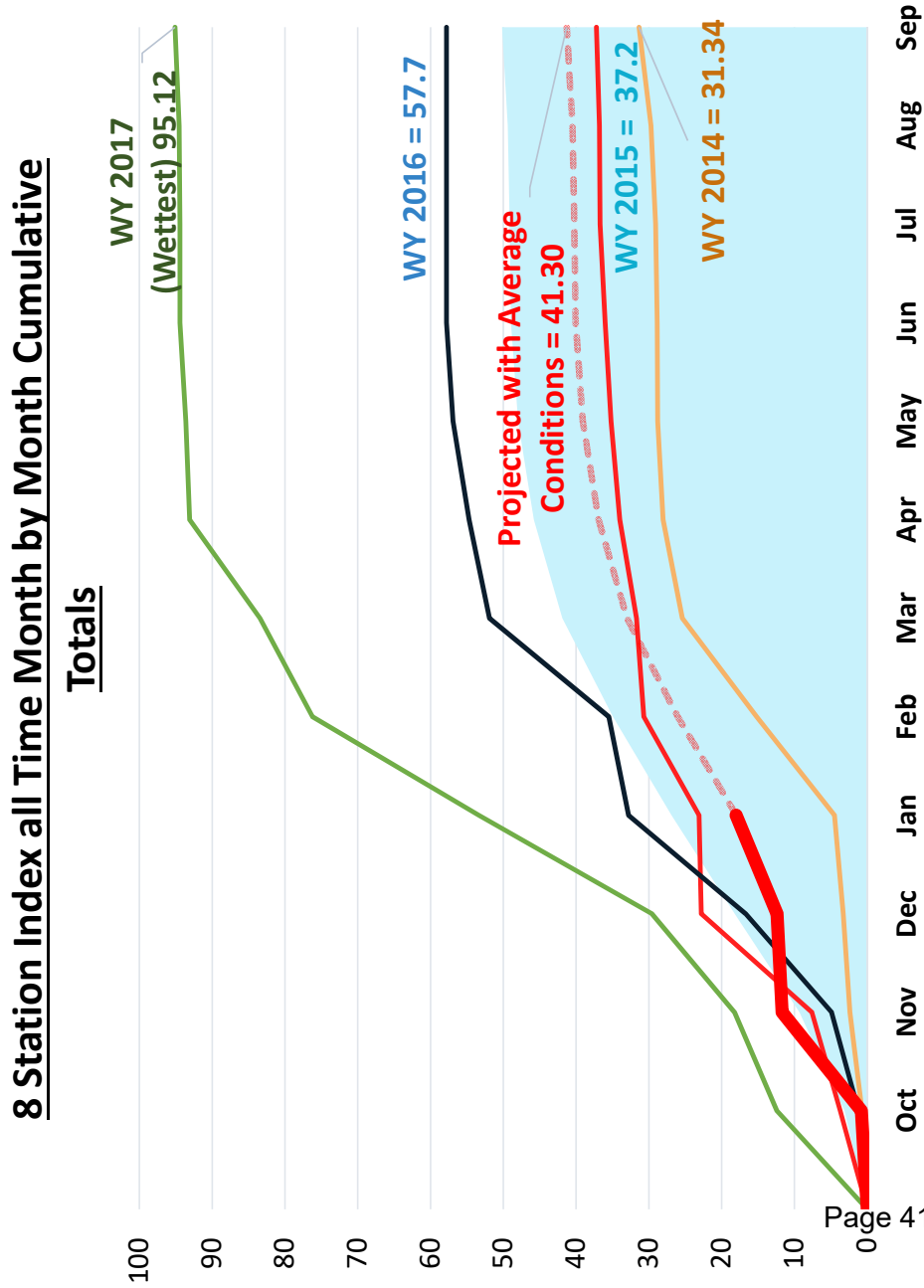
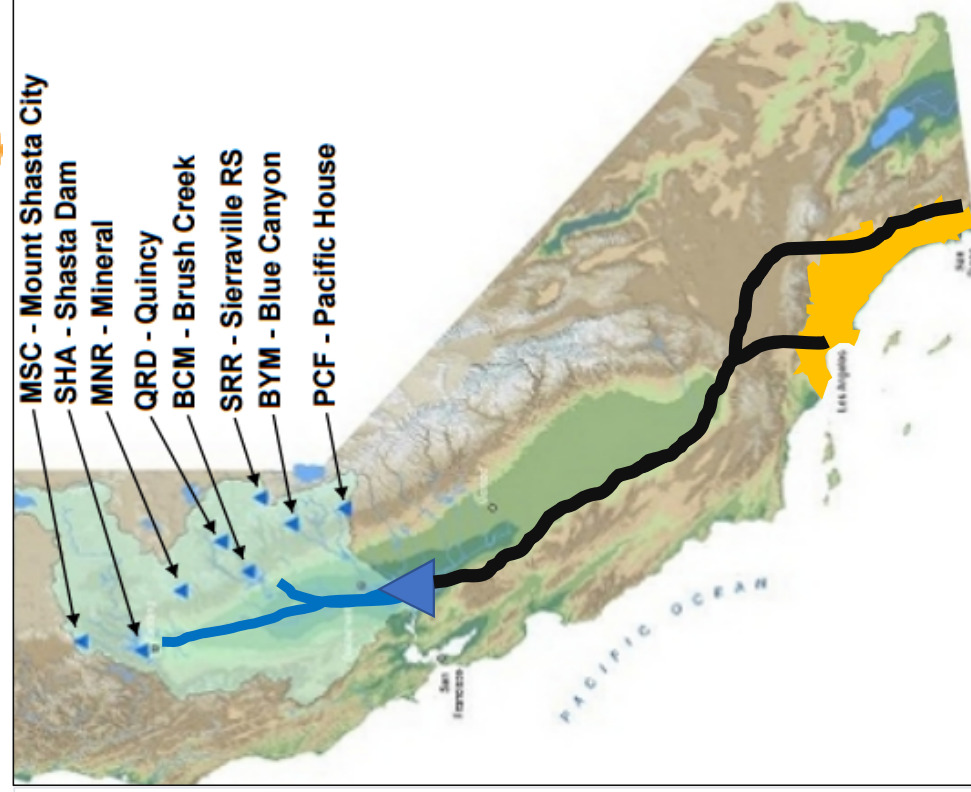
Monthly Precipitation (8 Station Precip Index)

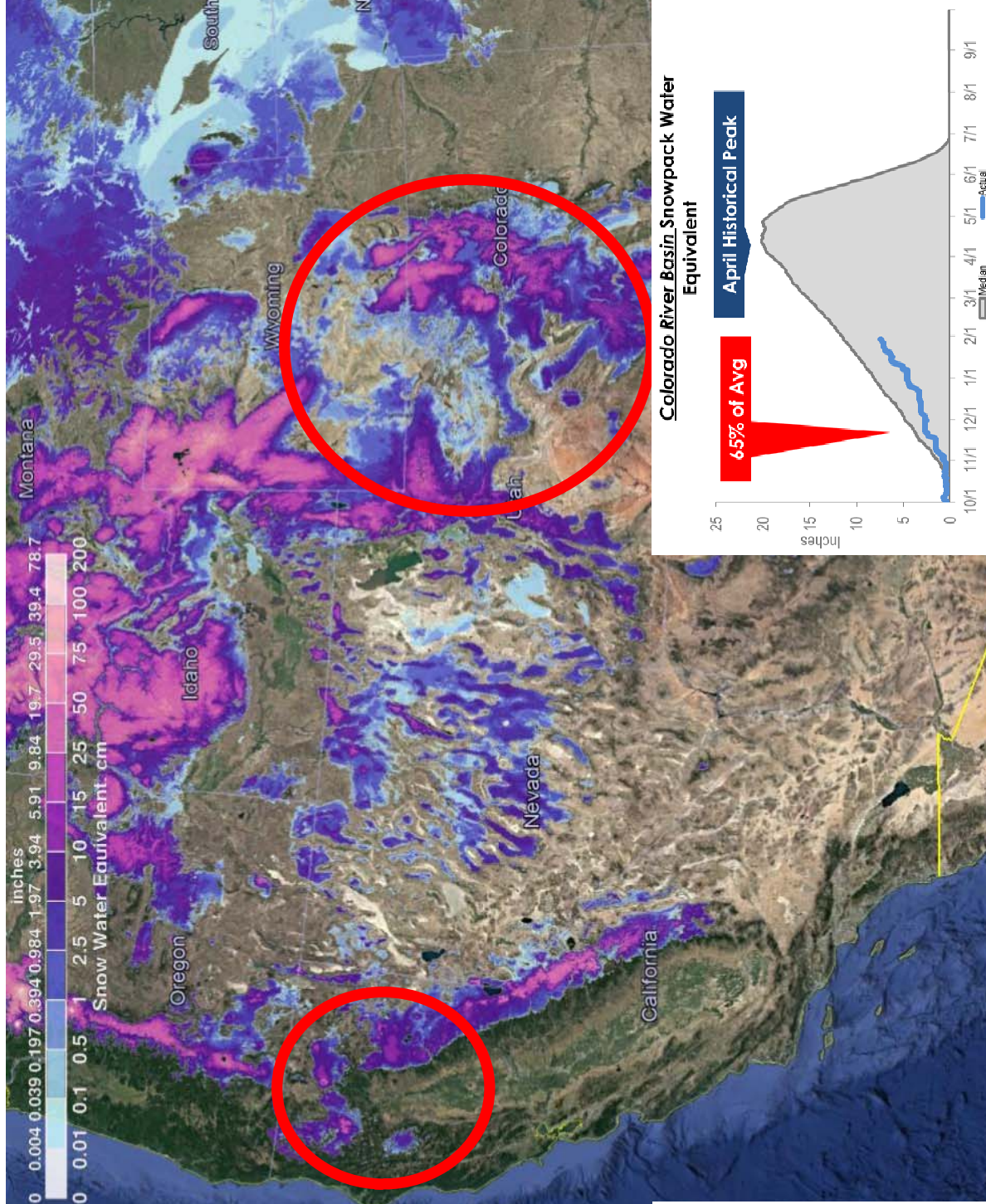


Accumulated Precipitation (8-Station Precip Index)

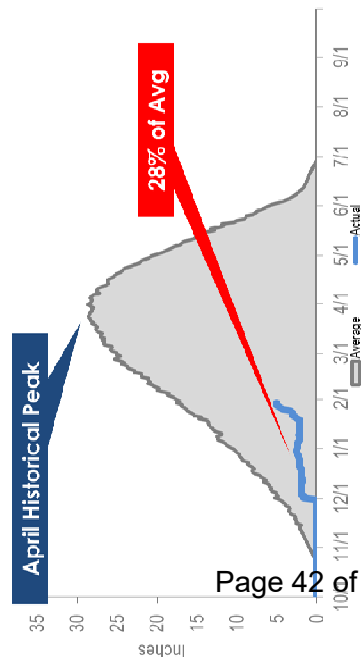


Northern California Accumulated Precipitation

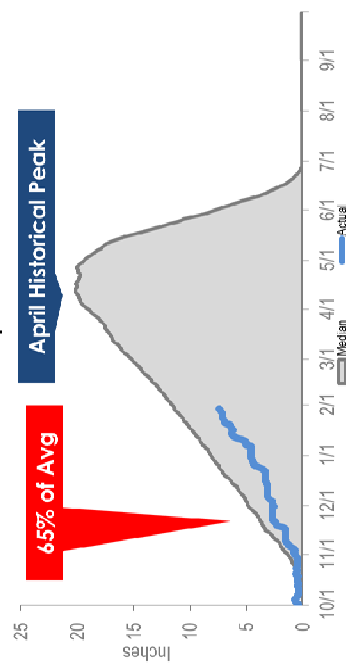




Northern Sierra Snowpack Water Equivalent



Colorado River Basin Snowpack Water Equivalent

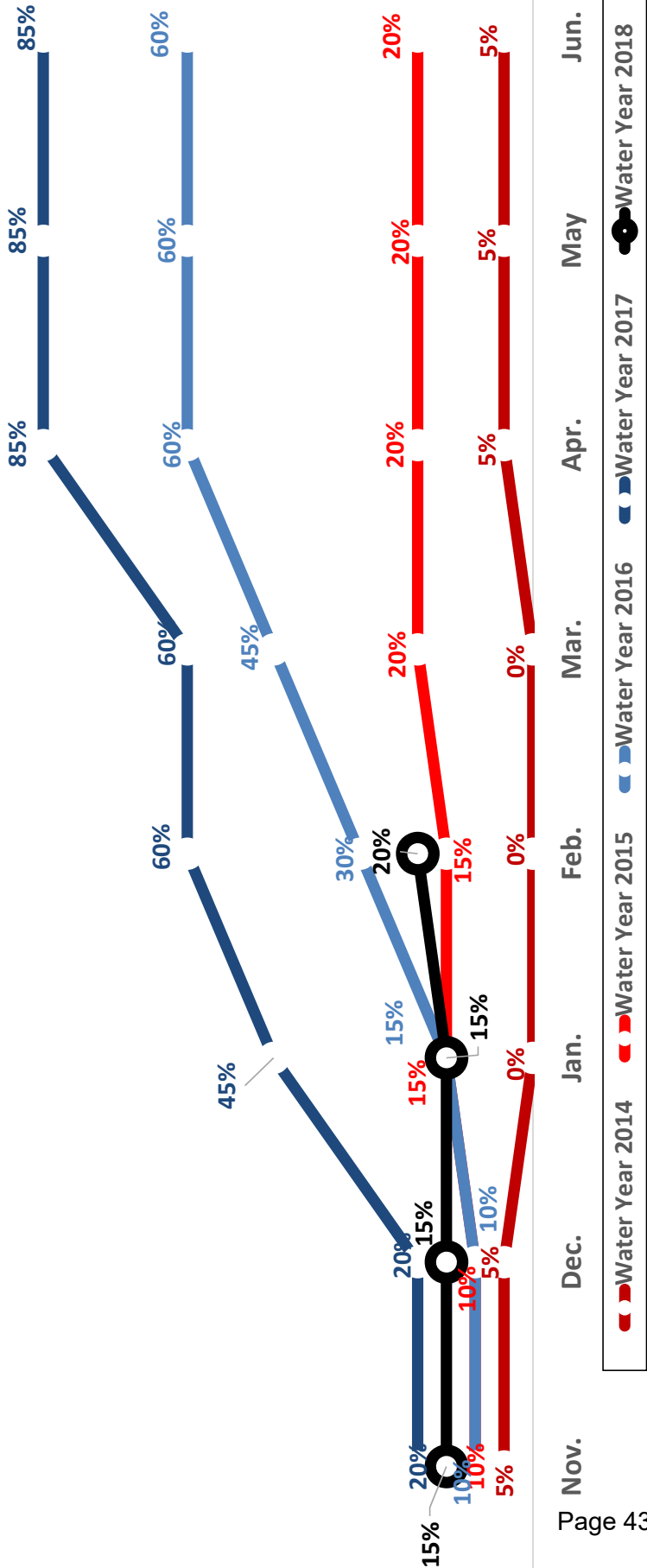


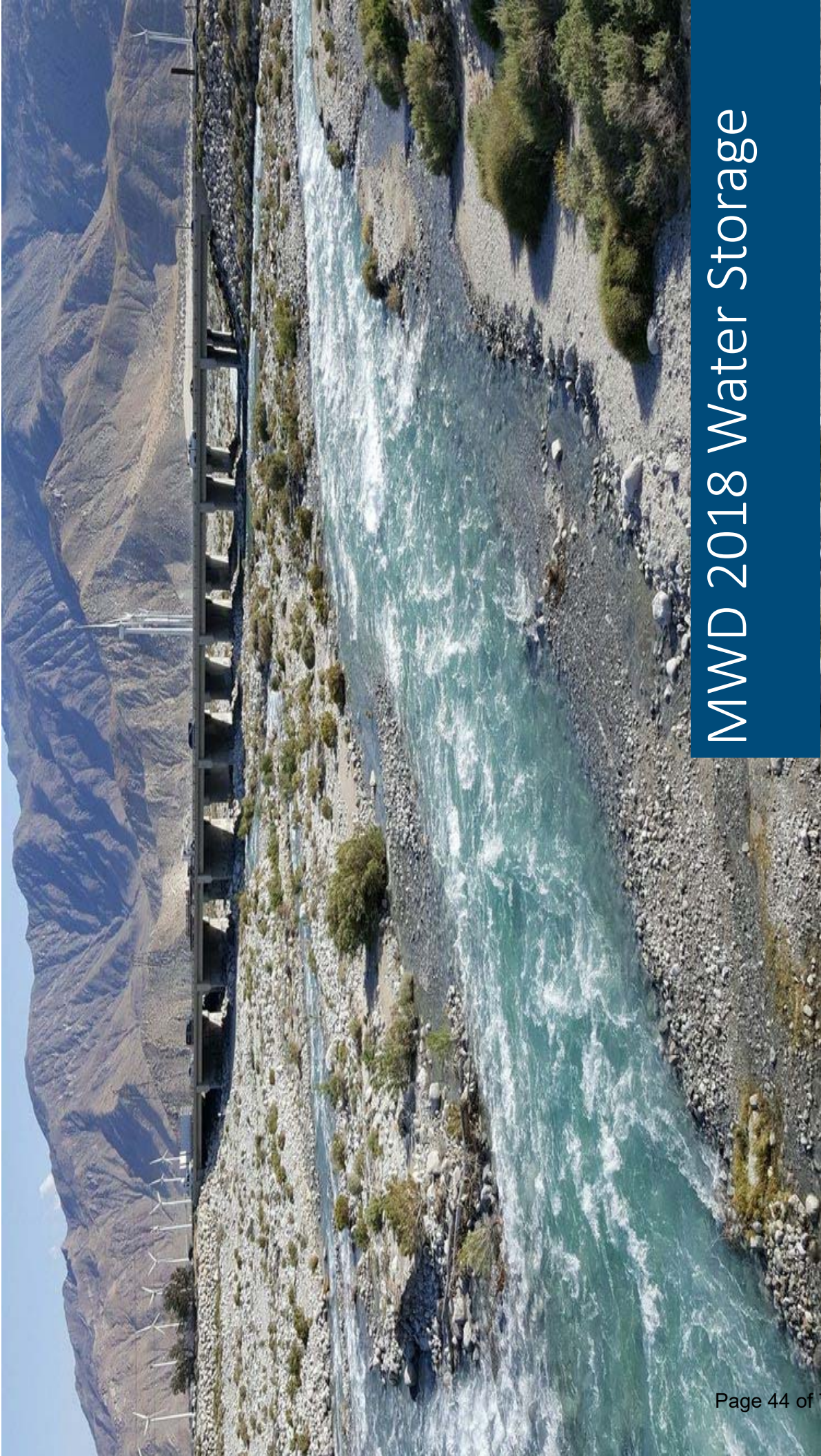


SWP 2018 Table A Allocation

SWP TABLE A ALLOCATION

FOR STATE WATER PROJECT CONTRACTORS



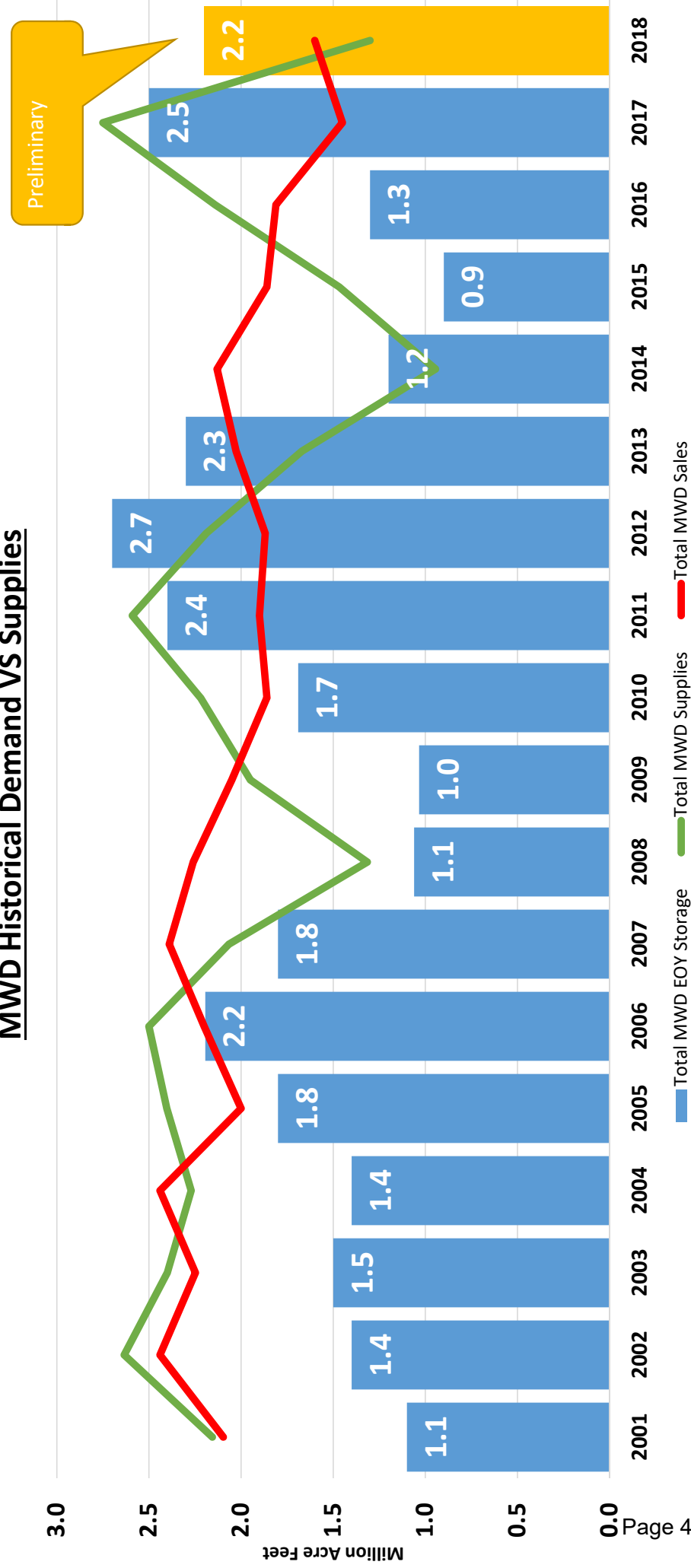


MWD 2018 Water Storage

MWD 2018 Estimated Water Storage



MWD Historical Demand VS Supplies



Thank you for your attention.
Please **let us know** if you have questions.

Kevin Hostert

Water Resources Analyst

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MUNICIPAL WATER DISTRICT OF ORANGE COUNTY



DISCUSSION ITEM
February 7, 2018

TO: Board of Directors

**FROM: Robert Hunter,
General Manager**

Staff Contact: Karl Seckel
Harvey De La Torre
Melissa Baum-Haley

**SUBJECT: METROPOLITAN WATER DISTRICT (MET) ITEMS CRITICAL TO
ORANGE COUNTY**

STAFF RECOMMENDATION

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

DETAILED REPORT

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

- a) MET's Water Supply Conditions
- b) MET's Finance and Rate Issues
- c) Colorado River Issues
- d) Bay Delta/State Water Project Issues
- e) MET's Ocean Desalination Policy and Potential Participation in the Doheny and Huntington Beach Ocean (Poseidon) Desalination Projects
- f) Orange County Reliability Projects
- g) East Orange County Feeder No. 2
- h) South Orange County Projects

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

ISSUE BRIEF # A

SUBJECT: MET's Water Supply Conditions

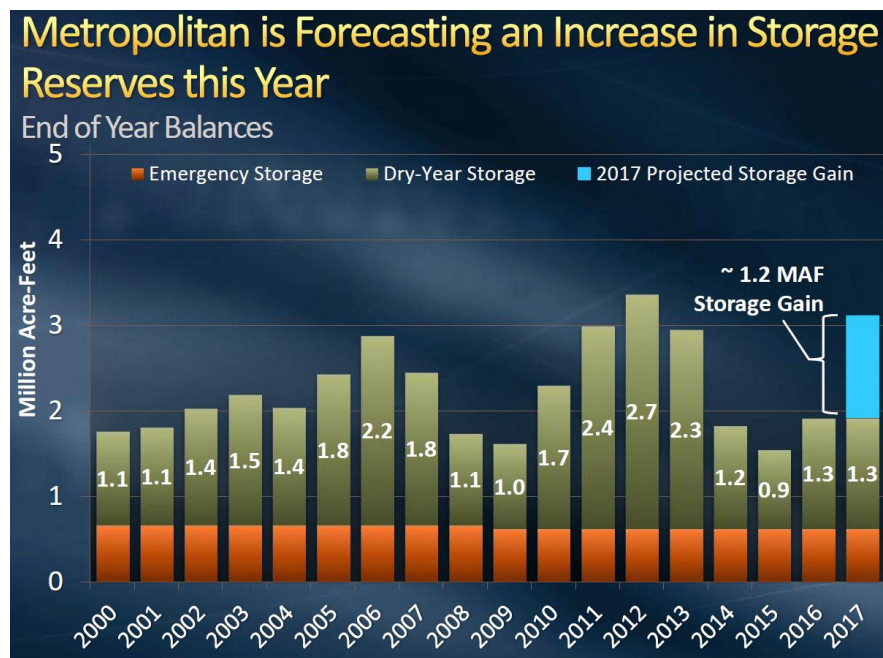
RECENT ACTIVITY

2018 Water Supply Balance

With the Department of Water Resources (DWR) increasing the State Water Project (SWP) "Table A" allocation to 20%, Metropolitan will have approximately 0.382 million acre-feet (MAF) in SWP deliveries this water year. In addition, On the Colorado River system, MET estimates a total delivery of 960 TAF.

Assuming no changes to supplies, Metropolitan is projecting that demands will exceed supply levels in CY 2018. With a current projected demand trend of 1.6 MAF, Metropolitan is expected to pull 0.25 MAF from their dry-year supplies to meet demands. This will result in the total dry-year storage to decrease from 2.5 MAF to 2.2 MAF by the end of 2018.

Locally, we have been increasing our groundwater storage through the Metropolitan In-Lieu program. The purpose of this one-time program is to store additional imported water locally that would have been otherwise been lost if no action was taken. For December 2017, MWDOC (Along with the three cities of Anaheim, Fullerton and Santa Ana) have requested that Metropolitan certify 11,720 AF of imported treated deliveries as In-Lieu. In-Lieu deliveries for January 2018 are estimated to be around 7,000 AF to 11,000 AF. Due to significant below average hydrologic conditions throughout the state of California the In Lieu program will be suspended on February 1st 2018.



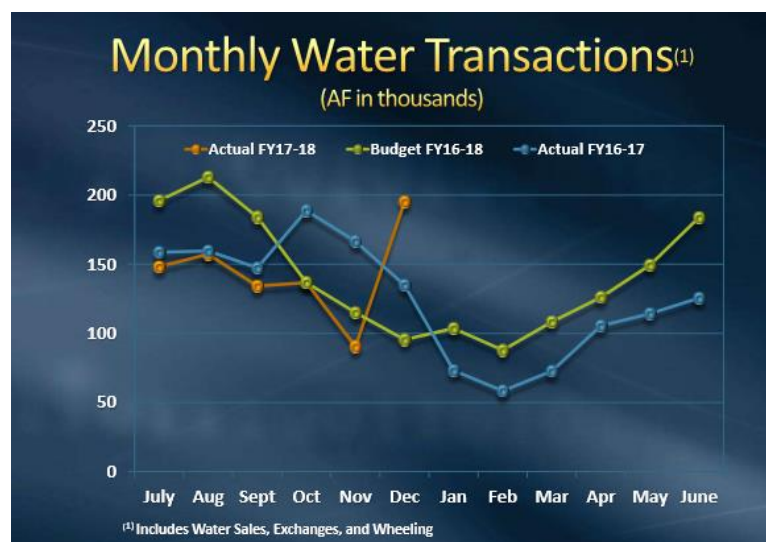
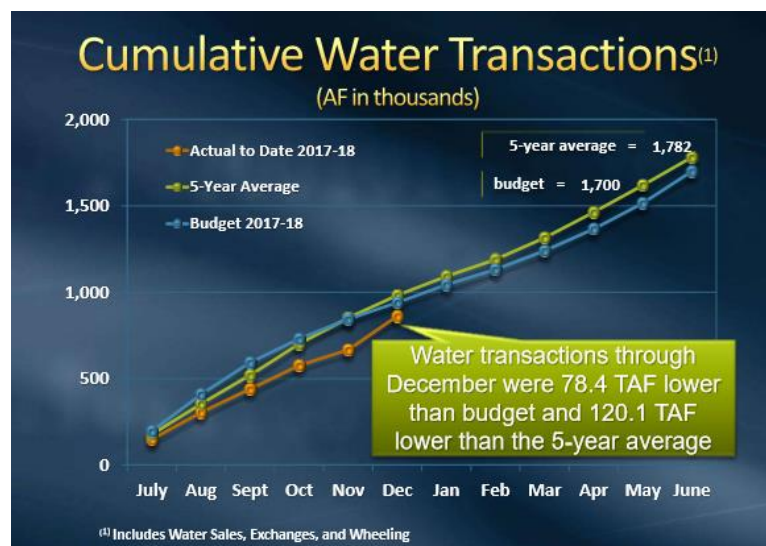
ISSUE BRIEF # B

SUBJECT: MET's Finance and Rate Issues

RECENT ACTIVITY

MET Financial Report

Water transactions (sales) through December were 78.4 thousand acre-feet (TAF) lower than budget and 120.1 TAF lower than the 5-year average. In comparison to both the budget and prior year actual sales, the continued cumulative low water transactions can be attributed to decreased untreated water sales; as illustrated below. However, the month of December yielded a dramatic increase in comparison to last year as a result of purchased In-Lieu water. Therefore, although sales through December 2017 are still \$36.2 million lower than the budget, they are \$16.9 million greater than December 2016.



ISSUE BRIEF # C

SUBJECT: Colorado River Issues

RECENT ACTIVITY

Commissioner Burman Addresses the Colorado River Water Users Association

Brenda Burman was confirmed as the Commissioner for the U.S. Bureau of Reclamation (Reclamation) on November 17, 2017. Commissioner Burman addressed the Colorado River Water Users Association annual conference in Las Vegas December 15 and described Reclamation's priorities for the Colorado River basin in 2018. In her remarks, Commissioner Burman noted that the Drought Contingency Plan will be the top priority for the upcoming year and that Reclamation is looking for the states to complete their work during that time.

In describing the importance of finalizing work on the Drought Contingency Plan during the upcoming year, the Commissioner noted that the 2007 Shortage Guidelines (Guidelines), alone, are no longer enough to protect the system from the reservoir storage declines and worsening hydrology that have occurred since adoption of the Guidelines and pointed to Reclamation's modeling showing that implementation of both the Lower Basin Drought Contingency Plan and the Upper Basin Drought Contingency Plan together would provide important protection of the reservoirs and power production. The Commissioner urged the states to resolve any outstanding intrastate issues and to reach final agreement on the drought contingency plans.

Metropolitan Submits a Modified Water Order to the Bureau of Reclamation

During December, Metropolitan submitted a Request for Revision to Approved Diversions for Calendar Year 2017 to Reclamation seeking approval to divert a total 685,000 acre-feet. Reclamation had approved the diversion of up to 632,676 acre feet of water earlier in 2017. Metropolitan submitted the modified order to:

- Enable Metropolitan to divert and store Imperial Irrigation District's (IID) Excess and Additional Excess Intentionally Created Surplus (ICS), consistent with Metropolitan and IID's storage agreement;
- Include unused Coachella Canal Lining Project mitigation water that Reclamation had not included in its initial approved water order and exchange it with San Diego County Water Authority; and
- Allow Metropolitan to divert water not needed by Coachella Valley Water District consistent the 1989 Approval Agreement.

Earlier this year, Metropolitan received approval to store up to 390,000 acre-feet of ICS in Lake Mead.

San Luis Rey Indian Water Rights Settlement Act Update

During 2017, the last necessary conditions for satisfaction of Section 104 of the San Luis Rey Indian Water Rights Settlement Act occurred. This settlement resolved a long-standing water rights dispute among the United States and the La Jolla, Pala, Pauma, Rincon, San Pasqual Bands of Mission Indians, the San Luis Rey River Indian Water Authority (Indian Water Authority), the City of Escondido, and Vista Irrigation District (collectively, the “Settlement Parties”).

Under a 2003 agreement among Metropolitan, the United States, and the Settlement Parties, Reclamation has been making available to Metropolitan 16,000 acre-feet of water annually, as a result of the All-American Canal and Coachella Canal Lining Projects. In return, Metropolitan had been placing funds into trust for the Indian Report Water Authority until the requirements of Section 104 of the San Luis Rey Indian Water Rights Settlement Act had been satisfied. As a result of the final requirements being satisfied, Metropolitan has disbursed the funds it had been holding in trust to the Indian Water Authority. Going forward, the United States will continue to deliver 16,000 acre-feet of water per year to Metropolitan for exchange of an equal amount of Metropolitan water at the terminus of Metropolitan’s distribution system in San Diego County for conveyance by San Diego County Water Authority to the Settlement Parties.

Minute 319 Water Exchange Completed

Reclamation sent notice on December 14, 2017 that the United States International Boundary and Water Commission received notification from Mexico that Mexico has provided the United States a total quantity of 124,000 acre-feet in satisfaction of Section III.1 of Minute 319. Pursuant to Minute 319 and the implementing agreements, a portion of this conserved water is converted into Binational ICS. Binational ICS is water that was conserved in Mexico, and the conservation was paid for by Metropolitan, IID, Central Arizona Project and Southern Nevada Water Authority (Local Funding Agencies). Each of the Local Funding Agencies will be credited with the amount of Binational ICS agreed to in the Interim Operating Agreement and Contributed Funds Agreements of 2012. Metropolitan’s contributions as a Local Funding Agency entitled it to 47,500 acre-feet of Binational ICS, which will be shared equally with IID pursuant to the terms of a 2013 agreement between Metropolitan and IID regarding Binational ICS generated under Minute 319.

ISSUE BRIEF # D**SUBJECT: Bay Delta/State Water Project Issues****RECENT ACTIVITY**

California WaterFix

In anticipation of announcements by the State Department of Water Resources regarding the next steps for the implementation of California WaterFix, Metropolitan's Bay Delta Initiatives Manager Steve Arakawa outlined the following schedule for Metropolitan's committee and board presentations and actions in the coming months.

February 12 - MWD Water Planning and Stewardship Committee

- State's direction on moving forward
- Other information updates

February 27 - MWD Special Committee on Bay Delta

- Cost/benefit analysis
- Water transfer agreements
- Relationship to Metropolitan's Integrated Resources Plan
- Outline upcoming Board action

March 13 - MWD Board Meeting

- Consider action based on project adjustments
 - Metropolitan's adjusted share
 - Water transfer agreements
 - Gap funding

The parameters and cost assumptions the Metropolitan Board adopted in October 2017 are below.

Parameters Presented to Board (Oct 2017)	
Project	9,000 cfs
Total cost of project w/ mitigation	\$16.7 billion
Operation cost	\$64.4 million/year
Metropolitan's share of cost	25.9% of total
Metropolitan's cost impacts	Base Case 4% Interest \$122 per AF = \$207M / 1.7 Million AF 6% Interest Case \$157 per AF = \$268M / 1.7 Million AF 8% Interest Case \$196 per AF = \$334M / 1.7 Million AF
Marginal cost	\$613 per AF(South Delta Pumps) \$840 per AF (Delivered/Treated)
Household cost	Base Case $\$1.90 = (\$207\text{M} \times .70) / 6.2 \text{ Million} / 12$ 6% Interest Case $\$2.50 = (\$268\text{M} \times .70) / 6.2 \text{ Million} / 12$ 8% Interest Case $\$3.10 = (\$334\text{M} \times .70) / 6.2 \text{ Million} / 12$

Parameters Presented to Board (Oct 2017)

Total Avg Delivery Capability with/without CA WaterFix

- | | |
|------------------------------|--------------------------------------|
| ▪ Existing conditions | 4.7 ¹ |
| ▪ Future without CA WaterFix | 3.5 ² to 3.9 ³ |
| ▪ Future with CA WaterFix | 4.7 ⁴ to 5.3 ⁵ |

Water quality constituent improvements/benefits

- | | |
|----------------------------|--------|
| ▪ Electrical Conductivity | 18-22% |
| ▪ Total Dissolved Solids | 17-22% |
| ▪ Bromide | 31-34% |
| ▪ Dissolved Organic Carbon | 2-11% |
| ▪ Nitrate | 5-27% |

Water transfers (Northern intake capability w/50% exceedance)

- | | |
|-----------|---------|
| ▪ Without | 0.2 MAF |
| ▪ With | 1.1 MAF |

¹ California WaterFix EIR/EIS No Action Alternative, existing conditions with 2025 climate change impacts

² 2015 Delivery Capability Report Existing Conveyance High Outflow scenario

³ 2015 Delivery Capability Report Existing Conveyance Low Outflow scenario

⁴ California WaterFix EIR/EIS Alternative 4A-H4, initial operating criteria lower range

⁵ California WaterFix EIR/EIS Alternative 4A-H3, initial operating criteria upper range

Upcoming Board Consideration

Board Action (October 2017)

- Authorize participation in the construction, consistent with its 25.9 percent share of overall project costs;
 - Adaptive Management Program
 - Construction JPA Formation
 - Financing JPA Formation
- Participate in the Financing JPA including authorization to purchase and issue bonds, consistent with Metropolitan's share of 25.9 percent share

Board Action (Future Consideration)

- Metropolitan's adjusted share
- Water transfer agreements
- Gap funding

State Water Resources Control Board

The California WaterFix Petition proceedings before the State Water Resources Control Board (SWRCB) are ongoing. Part 2 of the hearings will address the effects of the

proposed project on fish and wildlife, including consideration of appropriate Delta flow criteria. Opening briefs for Part 2 were submitted to the SWRCB on November 30, 2017, and Part 2 of the California WaterFix hearing will commence February 5, 2018. Metropolitan staff is reviewing testimony and preparing for the hearing.

Science Activities

Metropolitan staff continued participation in the Collaborative Science and Adaptive Management Program, including participation on the Collaborative Adaptive Management Team. December meetings focused on Delta smelt issues. Metropolitan staff participated in the Delta Smelt Scoping Team process to develop a decision support tool for the Delta Smelt Resiliency Strategy, and develop management questions that would guide development of a longterm monitoring program to inform management actions for Delta smelt. DWR is planning to implement two Delta Smelt Resiliency Strategy actions in 2018 – the Suisun Marsh Salinity Control Gate action and the North Delta food web action. These actions are hypothesized to improve habitat conditions and provide greater access to food resources. Metropolitan staff is providing input to the monitoring plan for the Suisun Marsh Salinity Gates action and to the comprehensive U.S. Bureau of Reclamation Directed Outflow Project for 2018, which will include monitoring of Delta smelt habitat factors throughout the spring to fall 2018 period.

Bay-Delta Initiatives Metropolitan staff person Corey Phillis published a paper in the peer-reviewed journal Biological Conservation identifying important and overlooked juvenile habitats of winter-run Chinook salmon. The study was a collaboration with scientists from NOAA Fisheries, UC Davis, and Lawrence Livermore National Laboratory. The publication was featured in an article in the Sacramento Bee, including quotes from Corey and his coauthors.

On December 6, the California Department of Fish and Wildlife announced the selection of 39 projects to receive funding from its Water Quality, Supply and Infrastructure Improvement Act of 2014 (Proposition 1) Restoration Grant Programs. Seven projects were awarded funding in the scientific studies category. Metropolitan staff assisted in the development and/or offered budgeted financial support for three of seven selected projects. These three projects are focused on the effects that pesticides have on juvenile salmonids that rear on floodplains; juvenile salmon distribution, abundance, and growth in restored Delta marsh habitats; and the impacts that export operations have on juvenile salmon survival, entrainment, and predation mortality.

Delta Flood Emergency Management Plan

DWR is currently testing a revised Emergency Response Tool (ERT) model that has been disaggregated so that various channel closure, pathway or other response scenarios can be simulated independent of the full Delta regional analysis. Testing has been conducted with the California Civil Air Patrol to characterize emergency conditions on the ground, and simulate response scenarios using ERT modeling capabilities.

Sheet pile with up to 120 feet installed length, consisting of large pipe pile and intermediate sheet pile between the pipe segments, is expected to be delivered to the Stockton stockpile site by the second quarter 2018. This piling would be capable of closing the deepest levee breaches and would be a redundant measure to rock closures in emergency conditions.

With the pile delivery, stockpiles for purposes of emergency response should be almost complete. DWR plans to stockpile additional rock, bringing the total to more than 400,000 tons or enough to close three major breaches. In addition to stockpiled materials, the stockpile sites include four loading and offloading sites for rock, sheet pile, and other materials.

ISSUE BRIEF # E

SUBJECT: MET's Ocean Desalination Policy and Potential Participation in the Doheny and Huntington Beach Ocean (Poseidon) Desalination Projects

RECENT ACTIVITY

Doheny Desal

The details of this have been moved to briefing Issue H as it pertains only to South Orange County.

Poseidon Huntington Beach

The State Lands Commission approved the lease amendment for the proposed Huntington Beach Desalination Project on October 19, 2017. The Santa Ana Regional Water Quality Control Board will next consider approval of an Ocean Discharge Permit Amendment for the project in the first half of 2018, and then the California Coastal Commission will consider approval of a Coastal Development Permit. OCWD is still working on the system integration concepts.

ISSUE BRIEF # F**SUBJECT: Orange County Reliability Projects****RECENT ACTIVITY**

Central Pool Augmentation Project

The intention of the Central Pool Augmentation (CPA) Project is a major water conveyance and treatment system that augments deliveries of potable water to Metropolitan's Central Pool. Water from Lake Mathews would be treated at a new regional treatment plant located at Eagle Valley, and delivered to the Central Pool area through a pipeline and tunnel system extending under the Santa Ana Mountains into Orange County. Metropolitan's Central Pool area is an operational area located in the center of its service territory, comprising all areas served by the Jensen, Weymouth, and Diemer treatment plants.

(Nothing New to Report) Status of the CPA Project

Metropolitan has deferred the CPA Project and placed this project beyond the 25 year time horizon for CIP projects. However, Metropolitan continues to preserve the project's viability by; monitoring activity along the project's proposed alignment including the tunnel portals, maintaining coordination with member agencies to see if water demands increase, and maintaining key right-of-way areas (MET owns the Eagle Valley water treatment plant site).

Orange County Water Reliability Study

CDM-Smith submitted a draft technical memo for MWDOC staff input on January 8th which follows-up on the 2016 study climate modeling assumptions. The update discusses modeling assumptions based on more recently available information; use of updated Colorado River assumptions, and updated State Water Project assumptions for the reliability study update.

Next steps are to meet with Metropolitan staff to discuss Colorado River shortage assumptions. Once the modeling is completed under the updated assumptions, project evaluations for supply and system improvements will be completed. A final report is expected in the spring of 2018.

ISSUE BRIEF # G

SUBJECT: East Orange County Feeder No. 2

RECENT ACTIVITY

Use of East Orange County Feeder No. 2 for Conveyance of Groundwater and/or Poseidon Water

(Nothing New to Report) MWDOC has been discussing concepts for pumping groundwater into the EOCF No. 2 for conveyance to South Orange County during an emergency event. Upcoming discussions will be held with OCWD and then the Groundwater Producers.

ISSUE BRIEF # H

SUBJECT: South Orange County Projects

RECENT ACTIVITY

UPDATED - Doheny Desal Project

The Department of Water Resources (DWR) released the draft funding awards for the fourth round of Proposition 1 Desalination Grants (Water Desalination Grant Program). 8 projects out of 30 proposals are recommended for funding to receive a total of \$34.4 million of available funds. Doheny is listed as one of three projects to receive \$10 million each for construction funding. A public workshop will be held at MET on February 5th from 1:00 to 4:00 pm to receive public comments.

DWR also announced it will begin a continuous application process that will be conducted under the same guidelines as Round 4. Applications will be reviewed and qualified projects will be awarded on a first ready, first served basis until all grant funds are exhausted. (If all recommended projects receive funding there will be \$43 million remaining in the Program for construction type projects and approximately \$15.5 million for feasibility, design and research type projects.)

GHD is developing a Scope of Work for a 3rd party legal firm to assist with Design-Build-Operate (DBO) contract development. A Request For Proposal (RFP) for 3rd party legal firms is anticipated to be released in early February 2018.

Two workshops on the Administrative Draft Environmental Impact Report (ADEIR) are planned for February 2018 (dates pending). The release draft EIR for public comments is anticipated in March 2018.

San Juan Watershed Project

Santa Margarita Water District (SMWD) continues working on the San Juan Watershed Project. Phase 1 is being designed to capture wet and dry weather runoff through the installation of rubber dams along the lower portion of the creek, with subsequent phases looking to introduce recycled water into San Juan Creek.

As the Lead Agency for the proposed San Juan Watershed Project, SMWD has completed the preparation of an Environmental Impact Report (EIR) pursuant to the California Environmental Quality Act (CEQA).

SMWD has prepared a Draft Program Environmental Impact Report (PEIR) pursuant to CEQA for the proposed project. A public meeting will be held to receive comments regarding the content of the Draft PEIR Tuesday, January 30, 2018 from 6:00 to 8:00 PM at the San Juan Capistrano Community Center.

SMWD Trampas Canyon Recycled Water Reservoir

The SMWD Board awarded the Trampas Dam and Reservoir Construction Project to Sukut Construction, Inc. on November 8, 2017. The project is designed to create 5,000 acre-feet of recycled water storage capacity. The contractor is currently mobilizing and will begin excavation and mass grading in February 2018.

Other Information on South County Projects:

Expansion of the Irvine Interconnection Project to South Orange County

An agreement completed in 2006 resulted in an investment by South Orange County (SOC) agencies in the Irvine Ranch Water District (IRWD) system to allow exchanges of water to be delivered by IRWD into SOC under emergency situations. Project capacity was committed by IRWD to move up to 30 cfs of emergency supplies whereas the agreement allows moving up to 50 cfs, not to exceed 3,000 AF per emergency event. In accordance with the Agreement with IRWD, the monthly emergency capacity committed to the SOC agencies declines over time with zero capacity available in the months of July through September beginning in 2020 and goes to zero in all months by 2030.

A scope of work is being developed to study the ability/constraints of IRWD's system to move water through their system to South Orange County agencies into the future. Once proposals have been received, a recommendation to award a study contract will be brought to the Board for consideration. MWDOC is also working on other options with OCWD and MET to move groundwater via the EOCF#2 to SOC during emergency events.

Laguna Beach County Water District Groundwater Project with Newport Beach

(Nothing new to report) MWDOC, MET, Laguna Beach County Water District and Newport Beach have been working to activate Laguna Beach County's access to 2,025 AF of groundwater from within the Orange County Water District Basin. Deliveries began in September 2016. MWDOC staff met individually with Laguna Beach County and Newport Beach in August to discuss possible future facility and operational modifications to the MET system as LBCWD now sources some of its supplies from the basin.

Camp Pendleton Seawater Desalination Project

(Nothing New to Report). San Diego County Water Authority (SDCWA) is studying the feasibility of a desalination project at the southwest corner of Camp Pendleton Marine Corps Base adjacent to the Santa Margarita River. The project is still in the feasibility study stage and SDCWA is conducting geological surveys, analyzing intake options, and studying the effect on ocean life and routes to bring desalinated water to SDCWA's delivery system. Michael Baker International has been retained to conduct the intake study and they are looking to lease the Doheny Mobile Test Facility from MWDOC and the Doheny Desal Participants. The intake study has been postponed until late 2018.

If any agencies would like to have updates included herein on any projects within your service area, please email the updates to Karl Seckel at kseckel@mwdoc.com.

**Summary Report for
The Metropolitan Water District of Southern California
Board Meeting
January 9, 2018**

COMMITTEE ASSIGNMENTS

Approved appointing Director Paskett to the Audit and Ethics Committee. **(Agenda Item 5C)**

ENGINEERING AND OPERATIONS COMMITTEE

Appropriated \$16.45 million; authorized preliminary design to rehabilitate PCCP portions of the Allen-McColloch Pipeline, Calabasas Feeder, Rialto Pipeline, and Sepulveda Feeder; authorized agreement with Brown and Caldwell in an amount not to exceed \$2.0 million to provide engineering services for rehabilitation of the Allen-McColloch Pipeline; authorized agreement with Black and Veatch Corporation, Inc. in an amount not to exceed \$2.9 million to provide engineering design services for rehabilitation of the Rialto Pipeline; authorized agreement with HDR Engineering, Inc. in an amount not to exceed \$4.4 million to provide engineering design services for rehabilitation of the Sepulveda Feeder authorized increase of \$150,000 to an agreement with Helix Environmental Planning, Inc., for a new not-to-exceed total of \$2.1 million, to provide environmental support. (Appropriations Nos. 15496 and 15502)
(Agenda Item 8-1)

Appropriated \$4.1 million; authorized final design of seismic upgrades and building improvements for three buildings at the La Verne site; authorized agreement with IBI Group in an amount not to exceed \$630,000; and authorized agreement with La Cañada Design Group, Inc. in an amount not to exceed \$950,000. (Appropriations Nos. 15369 and 15495)
(Agenda Item 8-2)

Appropriated \$2.1 million; authorized design and construction to refurbish the generator at Valley View Hydroelectric Plant; and authorized preliminary design to rehabilitate auxiliary systems at that facility. (Appropriation No. 15458) **(Agenda Item 8-3)**

CONSENT CALENDAR

In other action, the Board:

Appropriated \$320,000; and authorized construction to replace the roofs on two buildings at the Eagle Rock Control Center. (Appropriation No.15480) **(Agenda Item 7-1)**

Appropriated \$1.45 million; awarded \$332,939 procurement contract to North South Machinery to furnish a hydraulic press brake; awarded \$374,359 procurement contract to Flow International Corp. to furnish a water jet cutting system; and authorized increase of \$200,000 to an agreement with Richard Brady & Associates, for a new not-to-exceed total of \$446,000, for the La Verne Shops Upgrades. (Appropriation No. 15395) **(Agenda Item 7-2)**

Authorized an increase in the maximum amount payable under contract for legal services with Wilmer Cutler Pickering Hale and Dorr LLP by \$250,000 to an amount not to exceed \$500,000. (**Agenda Item 7-3**)

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

Board letters related to the items in this summary are generally posted in the Board Letter Archive approximately one week after the board meeting. In order to view them and their attachments, please copy and paste the following into your browser

<http://edmsidm.mwdh2o.com/idmweb/home.asp>

All current month materials, before they are moved to the Board Letter Archive, are available on the public website here: <http://mwdh2o.com/WhoWeAre/archived-board-meetings>



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

MWD MEETING AGENDA

Board Meeting

February 13, 2018

12:00 p.m. – Boardroom

February 13, 2018 Meeting Schedule		
9:00 a.m.	Rm. 2-145	L&C
10:00 a.m.	Rm. 2-456	C&LR
11:00 a.m.	Rm. 2-145	RP&AM
12:00 p.m.	Boardroom	Board Meeting

MWD Headquarters Building

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700 N. Alameda Street

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Los Angeles, CA 90012

1. Call to Order

- (a) Invocation: Tuannee Holmes, Administrative Assistant II,
External Affairs Group
- (b) Pledge of Allegiance: Director Russell Lefevre, City of Torrance

2. Roll Call

3. Determination of a Quorum

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

5. OTHER MATTERS

- A. Approval of the Minutes of the Meeting for January 9, 2018
(A copy has been mailed to each Director)
Any additions, corrections, or omissions
- B. Report on Directors' events attended at Metropolitan expense for month of January 2018
- C. Approve committee assignments
- D. Chairman's Monthly Activity Report
- E. Presentation of 25-year Service Pin to Glen Peterson
- F. Presentation of 15-year Service Pin to Randy Record

6. DEPARTMENT HEADS' REPORTS

- A. General Manager's summary of activities for the month of January 2018
- B. General Counsel's summary of activities for the month of January 2018
- C. General Auditor's summary of activities for the month of January 2018
- D. Interim Ethics Officer's summary of activities for the month of January 2018

7. CONSENT CALENDAR ITEMS — ACTION

- 7-1** Authorization to award a four-year contract for external audit services to KPMG LLP for the maximum amount of \$1,764,900 (A&E)

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action is not subject to the provisions of CEQA pursuant to Sections 15378(b)(2) and 15378(b)(4) of the State CEQA Guidelines; and

Authorize the General Auditor to enter into a contract for external audit services with the firm of KPMG LLP for annual audits covering the fiscal years ending June 30, 2018 through June 30, 2021. The amount payable under this four-year contract will not exceed \$1,764,900

- 7-2** Adopt CEQA determination and appropriate \$1.6 million; authorize final design of physical security improvements at Metropolitan's Headquarters Building; and authorize agreement with IBI Group in an amount not to exceed \$890,000 (Appropriation No. 15499) **[Conference with Metropolitan Assistant Group Manager Bart Koch or designated agent on physical security improvements at Metropolitan's Headquarters Building; to be heard in closed session pursuant to Gov. Code Section 54957(a).]** (E&O)

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action is categorically exempt under the provisions of CEQA and the State CEQA Guidelines, and

- a. Appropriate \$1.6 million;**
- b. Authorize final design of physical security improvements at Metropolitan's Headquarters Building; and**
- c. Authorize agreement with IBI Group in an amount not to exceed \$890,000**

- 7-3** Adopt CEQA determination and appropriate \$1.6 million; and authorize construction to replace chemical storage tanks at the Joseph Jensen Water Treatment Plant (Appropriation No. 15486) (E&O)

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action has been previously addressed in the 2011 categorical exemptions, and that no further environmental analysis or documentation is required, and

- a. Appropriate \$1.6 million; and**
- b. Authorize construction to replace four chemical storage tanks at the Jensen plant**

- 7-4** Adopt CEQA determination and award \$378,985 contract to Visionary Builders, Inc. to renovate two houses at Eagle Mountain Pumping Plant (Appropriation No. 15495) (E&O)

Recommendation:

Option #1:

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

Award \$378,985 contract to Visionary Builders, Inc. to renovate two houses at Eagle Mountain Pumping Plant

- 7-5** Adopt CEQA determination and authorize granting a 30-year access road license extension to the Painted Hills Wind Developers on Metropolitan-owned property located northeast of an unincorporated portion of Riverside County commonly referred to as Whitewater (RP&AM)

Recommendation:

Option #1:

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

Authorize granting a 30-year road license extension to Painted Hills Wind Developers

- 7-6** Adopt CEQA determination and authorize granting a 30-year access road license extension to Energy Unlimited, LLC on Metropolitan-owned property located northeast of an unincorporated portion of Riverside County commonly referred to as Whitewater (RP&AM)

Recommendation:

Option #1:

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

Authorize granting a 30-year road license extension to Energy Unlimited LLC

- 7-7** Authorize granting a permanent easement to Southern California Edison at Whitewater Canyon on Metropolitan-owned property in the county of Riverside. (RP&AM)

Recommendation:

Option #1:

Adopt CEQA determination that the proposed action is categorically exempt and

Authorize the General Manager to grant a permanent easement to Southern California Edison

- 7-8** Adopt CEQA determination, report on the Omega Chemical Corporation Superfund Site, and request authority to enter into a settlement agreement in *United States of America vs Abex Aerospace, et al.*, Case No. 2:16-cv-02696. [Conference with legal counsel—existing litigation; to be heard in closed session pursuant to Gov. Code Section 54956.9(d)(1)]

(To be mailed separately)

END OF CONSENT CALENDAR

8. OTHER BOARD ITEMS — ACTION

- 8-1** Adopt CEQA determination that the proposed action is not defined as a project and is not subject to CEQA, and set combined public hearing regarding (1) the proposed water rates and charges for calendar years 2019 and 2020 necessary to meet the revenue requirements for fiscal years 2018/19 and 2019/20, and (2) the ad valorem property tax for fiscal years 2018/19 and 2019/20 (F&I)

Recommendation:

Option #1:

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

- a. Schedule a combined public hearing on March 13, 2018, to receive input regarding (1) the proposed water rates and charges for calendar years 2019 and 2020 necessary to meet the revenue requirements for fiscal years 2018/19 and 2019/20, and (2) any board action on the limit on ad valorem property taxes for fiscal years 2018/19 and 2019/20 pursuant to Section 124.5 of the MWD Act; and**
- b. Direct the General Manager to cause publication of a notice of the public hearing in newspapers of general circulation within Metropolitan's service area, and give written notice to the offices of the Speaker of the Assembly and the President pro tempore of the Senate, at least ten days prior to the hearing.**

- 8-2** Adopt CEQA determination and appropriate \$3.8 million; and award \$2,591,576 contract to Canyon Springs Enterprises (dba RSH Construction) for seismic upgrades to the west washwater tank at the F. E. Weymouth Water Treatment Plant (Appropriation No. 15369) (E&O)

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action has been previously addressed in the certified 2005 Final EIR, findings, SOC, and MMRP, and that no further environmental analysis or documentation is required, and

- a. Appropriate \$3.8 million; and**
- b. Award \$2,591,576 contract to Canyon Enterprises (dba RSH Construction) for seismic upgrades to the west washwater tank at the Weymouth plant**

- 8-3** Adopt CEQA determination and appropriate \$2.3 million; award \$985,000 contract to Unispec Construction, Inc. for water quality instrumentation upgrades at the Joseph Jensen Water Treatment Plant; and authorize increase of \$200,000 to agreement with Arcadis US, Inc., for a new not-to-exceed total of \$365,269 (Appropriation No. 15486) (E&O)

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action was previously determined to be categorically exempt; and

- a. Appropriate \$2.3 million; and**
- b. Award \$985,000 contract to Unispec Construction, Inc. for water quality instrumentation upgrades at the Jensen plant ; and**
- c. Authorize increase of \$200,000 to an agreement with Arcadis US, Inc., for a new not-to-exceed total of \$365,269, to provide technical support**

9. BOARD INFORMATION ITEMS

- 9-1** Update on Conservation Program
- 9-2** Proposed biennial budget and revenue requirements for fiscal years 2018/19 and 2019/20; proposed water rates and charges for calendar years 2019 and 2020 to meet revenue requirements for fiscal years 2018/19 and 2019/20; ten-year forecast; and Cost of Service Report (F&I)

10. FOLLOW-UP ITEMS

11. FUTURE AGENDA ITEMS

12. ADJOURNMENT

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

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

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

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