

WORKSHOP MEETING OF THE
BOARD OF DIRECTORS WITH MET DIRECTORS
MUNICIPAL WATER DISTRICT OF ORANGE COUNTY
18700 Ward Street, Board Room, Fountain Valley, California
April 4, 2018, 8:30 a.m.

Teleconference Site:
Director Yoo Schneider will participate
via teleconference at the following location:
Manchester Grand Hyatt
1 Market Place
San Diego, CA 92101
(949) 278-5761

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. 2067)

PRESENTATION/DISCUSSION/INFORMATION ITEMS

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

Recommendation: Receive input and discuss the information.

2. PRESENTATION BY METROPOLITAN STAFF REGARDING AN UPDATE ON THE CALIFORNIA WATERFIX

Recommendation: Review and discuss the information presented.

ACTION ITEM**3. BOARD RESOLUTION SUPPORTING MET FINANCING THE UNSUBSCRIBED PORTION OF THE CALIFORNIA WATERFIX**

Recommendation: Staff recommends the Board of Directors adopt a Resolution supporting the increase in Metropolitan's financial share of the State Water Project's (SWP) portion of the California WaterFix (from 25.9% to 31.6% of the full project costs); along with pursuing the financing for the remaining unsubscribed (33% of the full Project costs) portion through a "SWP Buyer's Group", and developing contracts for providing water to other participants.

PRESENTATION/DISCUSSION/INFORMATION ITEMS (continued)**4. MET BUDGET UPDATE AND POTENTIAL CONSERVATION MODIFICATIONS**

Recommendation: Review and discuss the information presented.

5. WATER SUPPLY CONDITIONS UPDATE

Recommendation: Review and discuss the information presented.

6. 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.

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

- a. Summary regarding March 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.



DISCUSSION ITEM

April 4, 2018

TO: Board of Directors

**FROM: Robert Hunter,
General Manager**

Staff Contact: Harvey De La Torre
Melissa Baum-Haley

**SUBJECT: PRESENTATION BY METROPOLITAN STAFF REGARDING AN UPDATE
ON THE CALIFORNIA WATERFIX**

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

At the February 12 Metropolitan Water Planning and Stewardship Committee, upon discussing the Governor's "staged approach" for the California WaterFix, the Metropolitan Board requested staff to analyze the differences between the staged approach (6,000 cfs) versus constructing the full project (9,000 cfs un-staged), with Metropolitan financing the unsubscribed portion. On March 27, Metropolitan held a Board Workshop where Metropolitan staff provided an update on the California WaterFix benefits, costs, risks and potential agreements.

At this April 4 MWD OC Board Workshop, MWD OC will host an informed discussion on the California WaterFix, with special guest Roger Patterson, Assistant General Manager overseeing Metropolitan's strategic water initiatives for the Sacramento-San Joaquin Bay Delta and Colorado River.

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

On April 10 the Metropolitan Board will consider action on California WaterFix project. The Metropolitan Board will be asked to consider two main actions:

- Funding Metropolitan's share of the State Water Project 67% (31.6% of the total)
- Financing the unsubscribed 33% through the SWP Buyer's Group with contracts executed obligating Central Valley Project Participants to pay up to 33% of the cost

Through this action, Metropolitan would facilitate the construction of the second tunnel by financing the unsubscribed 33%, through A SWP Buyer's Group. The SWP Buyers Group would be comprised of Metropolitan along with other interested SWP contractors. A key term of the agreement with the Buyer's Group and the Department of Water Resources would be for the Buyer's Group to retain rights to capacity for the life of the WaterFix. The Buyer's Group would then focus on the execution of contracts with Central Valley Project (CVP) Participants which will offset up to 33% of the cost.

The table below compares construction alternatives for Metropolitan's original participation action (October 2017), the staged approach (March 2018), and the potential of Metropolitan additionally funding the second tunnel (Maximum Exposure).

	October 2017 4,950 cfs (55%) 4,050 cfs CVP (45%)	March 2018 6,000 cfs SWP (67%) 3,000 cfs CVP (33%)	Maximum Exposure 6,000 cfs SWP (67%) 3,000 cfs MWD (33%)
Percentage of Total	25.9%	31.6%	64%
Water Supply Incremental Improvement	337 TAF	410 TAF	up to 840 TAF (est.)
MWD Capital Cost	\$4.3 Billion	\$5.3 Billion	\$10.8 Billion
Overall MWD Budget Increase ¹ (at end of 15-ys)	13%	16%	33%
Annual Increase	0.9%	1.1%	2.2%
Average Increase per AF ²	\$122 / AF	\$148 / AF	To be determined
Household Cost ³	\$1.90 / month	\$2.40 / month	\$4.80 / month

¹ Based on Metropolitan's 2017/18 Revenue Requirement of \$1,574 M; assume 4% interest rate base case

² Approximate based on Metropolitan's 2017/18 sales budget of 1.70 million acre-feet

³ Household impact based on 6.2 million occupied residential households in MWD Service area, 70% residential / 30% industrial split

Attachments: California WaterFix Board Workshop Presentation



California WaterFix Board Workshop

March 27, 2018

Presentation Outline

- Recap of October 2017 Board Action and Recent Developments
- Allocation of Project Cost/Benefits
- Alternative Financing for Full Project Implementation
- Implementation Agreements
- Upcoming Board Action

Recap

October 2017 Board Action

- Adopt CEQA determination for 9,000 cfs project
- Support participation in 9,000 cfs project
 - 25.9 percent share of overall project costs
- Authorize
 - Design and Construction JPA participation
 - Finance JPA participation
 - Adaptive Management Program participation

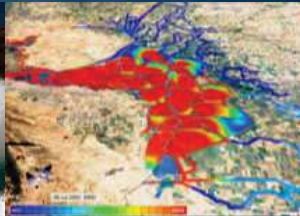
California WaterFix

Recent Developments

- DWR approved CA WaterFix Jul 2017
 - 9,000 cfs, two tunnels, and three intakes
- Public Water Agencies (PWAs) consider CA WaterFix Sep-Oct 2017
- PWAs developing financing options
- DWR announced option of staged construction Feb 2018
- Metropolitan Board directs staff to explore opportunities for full project financing Feb 2018

Benefits of Full Project Implementation

- Expedites environmental and water supply benefits
 - Reverse flow reduction
 - Flexible operations
 - Enhanced coordination between SWP/CVP
 - Seismic resiliency
 - Climate change adaptation
 - Water quality
- Cost savings versus staged approach



Summary of Implementation Issues

- Central Valley Project PWA Participation
 - USBR Water Contract Administration
 - CVP Contractor financing
- Allocation of Project Costs/Benefits
- State Water Project (SWP) PWA Water Transfers

Allocation of Project Cost/Benefits

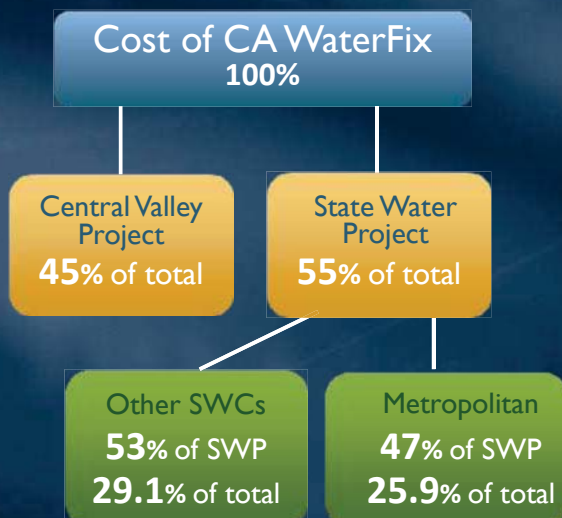
Board Workshop: California WaterFix

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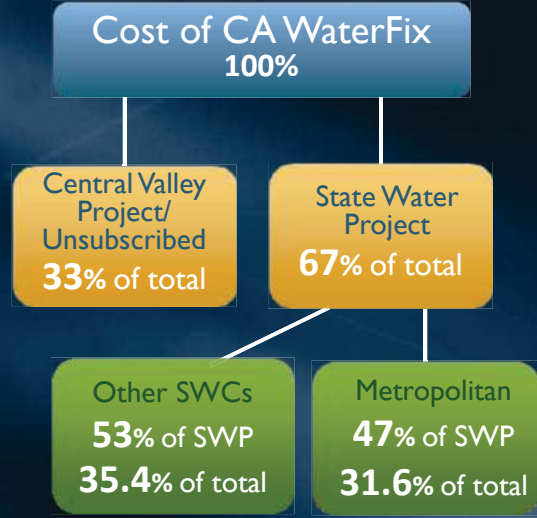
March 27, 2018

California WaterFix

October 2017



March 2018



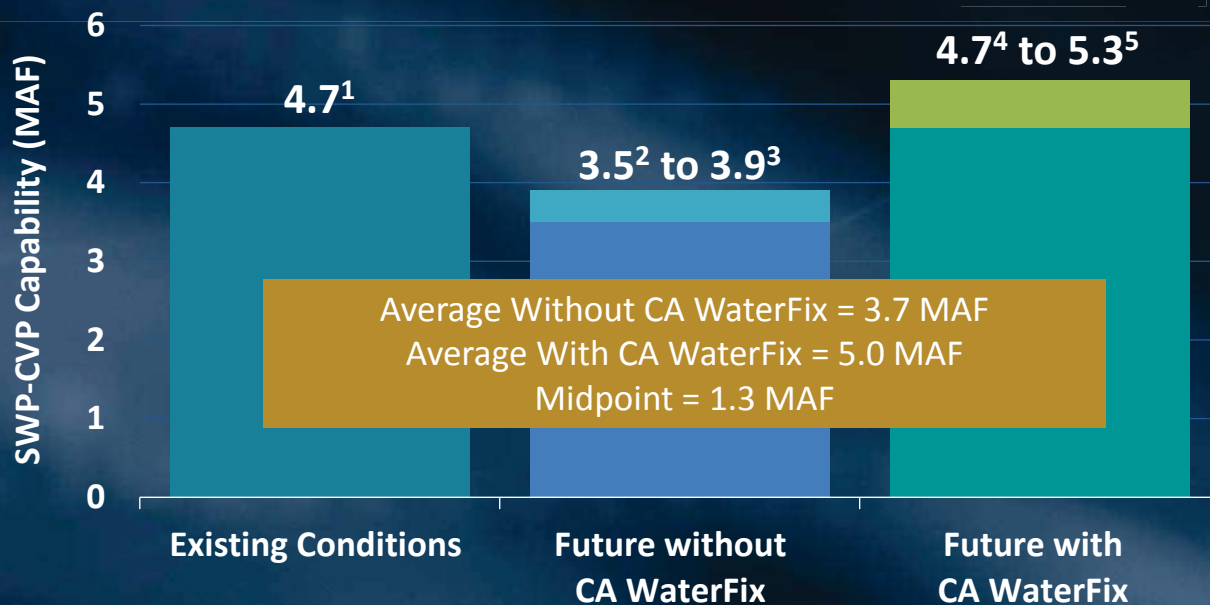
Board Workshop: California WaterFix

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California WaterFix Water Supply Analysis

Average Delivery Capability With & Without CA WaterFix



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

Board Workshop: California WaterFix

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March 27, 2018

California WaterFix Water Supply Improvement Comparison

Incremental Improvement	October 2017 4,950 cfs SWP (55%) 4,050 cfs CVP (45%)	March 2018 6,000 cfs SWP (67%) 3,000 cfs CVP (33%)
Total	1,300,000 AF	1,300,000 AF
CVP	585,000 AF	429,000 AF
SWP	715,000 AF	871,000 AF
MWD	337,000 AF (25.9% of total)	410,000 AF (31.6% of total)

Based on preliminary Metropolitan analysis

California WaterFix

Cost Analysis (2017 Dollars)

	October 2017 4,950 cfs SWP (55%) 4,050 cfs CVP (45%)	March 2018 6,000 cfs SWP (67%) 3,000 cfs CVP (33%)
Metropolitan Share	25.9 %	31.6 %
Metropolitan Capital Cost	\$4.3 billion	\$5.3 billion
Marginal Cost		
• South Delta Pumps	\$613 /AF	\$613 /AF
• Delivered/Treated	\$840 /AF	\$840 /AF
Overall Metropolitan Budget Impact		
• Overall Increase ¹ (at end of 15-ysr)	13 %	16 %
• Annual Increase	0.9 %	1.1 %
• Average Increase per AF ²	\$122 /AF	\$148/AF
Household Cost³	\$1.90 / month	\$2.40 / month

(1) Based on Metropolitan's 2017/18 Revenue Requirement of \$1,574 M; assume 4% interest rate base case

(2) Approximate based on Metropolitan's 2017/18 sales budget of 1.70 million acre-feet

(3) Household impact based on 6.2 million occupied residential households in MWD Service area, 70% residential / 30% industrial split.

Board Workshop: California WaterFix

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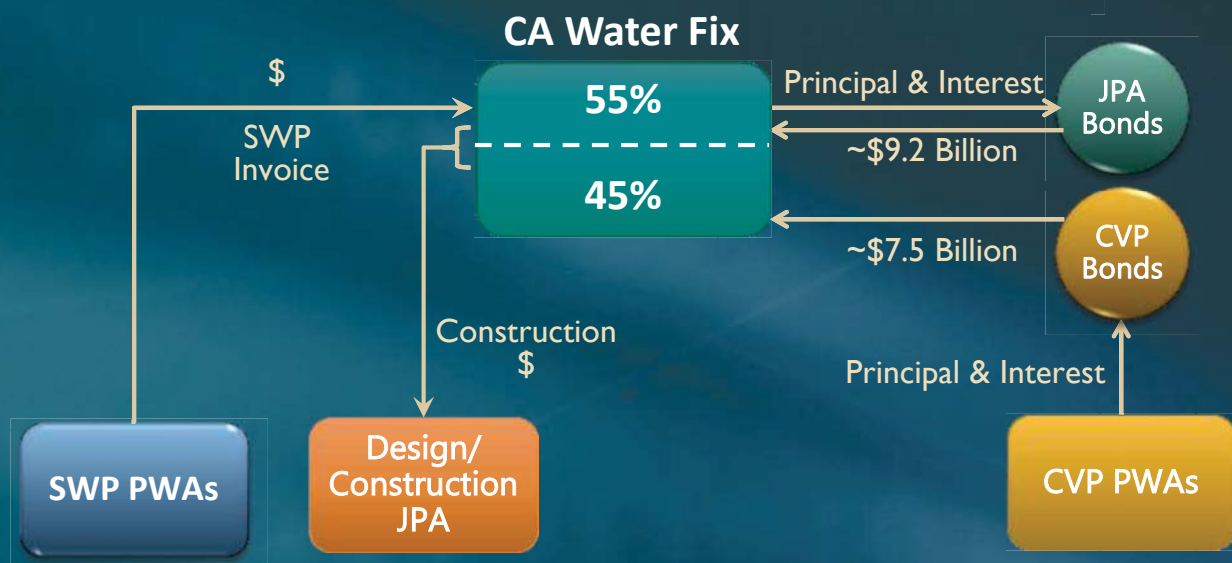
March 27, 2018

Alternative Financing for Full Project Implementation

Alternative Financing for Full Project Implementation

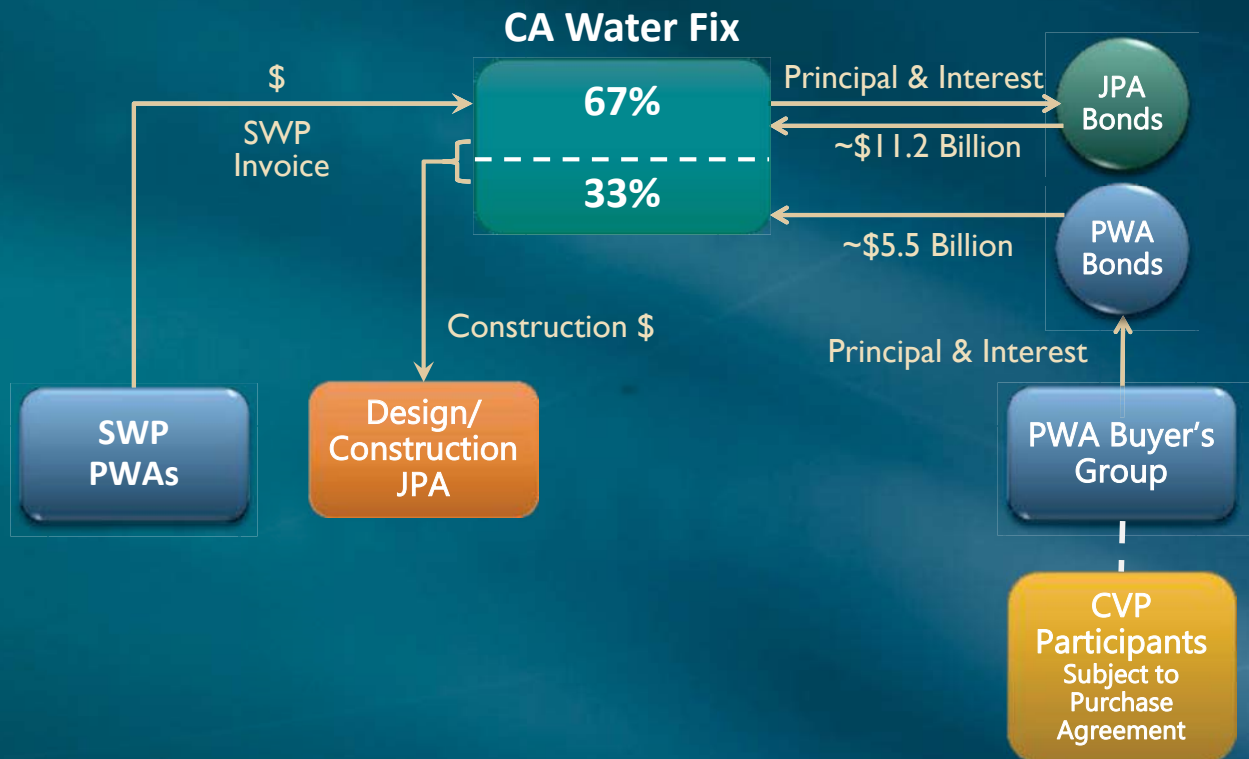
- Board request -- Consider implementing full project now
 - Evaluate financing unsubscribed capacity for sale/lease
- Overarching principles
 - Maintain consistency with approved project
 - Promote participation by other SWP/CVP contractors to minimize MWD financial impacts
 - Beneficiaries pay
 - Minimize financial risks to MWD

Cost Allocation and Financing



Cost Allocation and Financing

Acquire CVP PWA Share and Subsequent Purchase by CVP PWAs



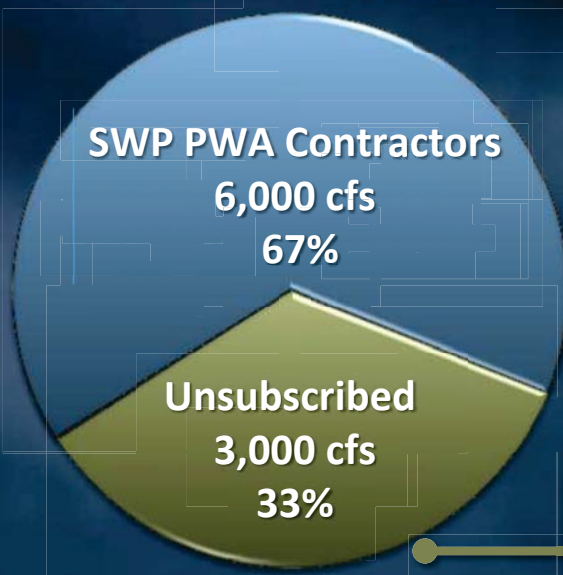
Board Workshop: California WaterFix

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California WaterFix

Benefit of 33% Unsubscribed Share



Acquisition by SWP "Buyer's Group"

- Sale/lease to CVP Participants
- Improved water supply reliability
- Wheeling revenue
- Conveyance of transfers/Sites Reservoir water

Based on preliminary Metropolitan analysis

Board Workshop: California WaterFix

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Metropolitan's Financial Exposure

33% Unsubscribed Share Cost Analysis (2017 Dollars)

	March 2018 6,000 cfs SWP (67%) 3,000 cfs CVP (33%)	Maximum Exposure 6,000 cfs SWP (67%) 3,000 cfs MWD (33%)
Metropolitan Share	31.6%	64.6%
Metropolitan Capital Cost	\$5.3 billion	\$10.8 billion
Overall Metropolitan Budget Impact		
• Annual Increase	1.1 %	2.2 %
• Overall Increase (at end of 15-yrs) ¹	16 %	33 %
Household Cost²	\$2.40 / month	\$4.80 / month

(1) Based on Metropolitan's 2017/18 Revenue Requirement of \$1,574 M; assume 4% interest rate base case

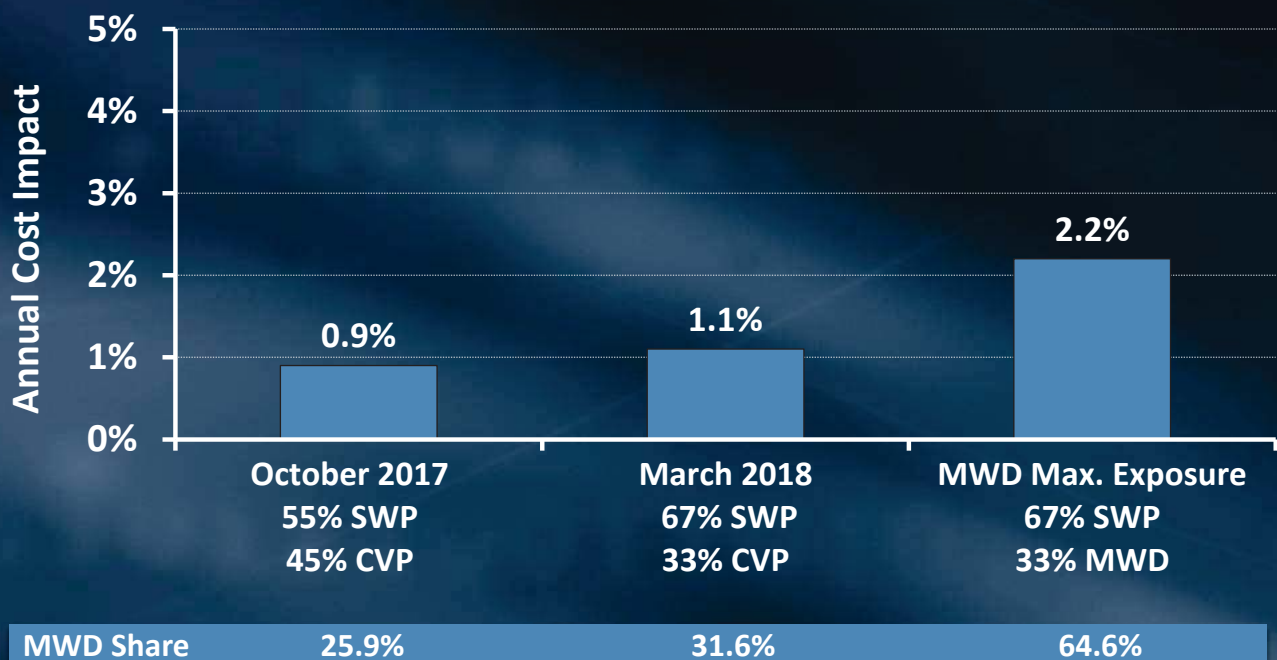
(2) Household impact based on 6.2 million occupied residential households in MWD Service area, 70% residential / 30% industrial split.

Board Workshop: California WaterFix

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Annual Cost Impact



Based on 4% base interest rate

Applies over the period of construction

Board Workshop: California WaterFix

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Proposed Implementation Agreements Key Terms

Board Workshop: California WaterFix

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DWR Master Agreement

● Objective

- Provide for financing and purchase of unsubscribed share of CA WaterFix
- DWR to assign interest in CA WaterFix capacity to Buyer's Group
- DWR operates CA WaterFix to maximize water supply benefits consistent with operating requirements

● Participants

- Department of Water Resources
- Metropolitan/other SWP "Buyer's Group" members

Board Workshop: California WaterFix

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DWR Master Agreement

Key Terms

- Buyer's Group retains rights to capacity for the life of CA WaterFix
- Buyer's Group shall determine fair compensation for the movement of water through their capacity interest
- Buyer's Group has rights to convey capacity interest in CA WaterFix
- Obligations for capital payments continue until all debt is paid
- Obligations for O&M payments continue for the life of the CA WaterFix

Capacity Purchase Agreement

Objective


- To convey up to 33% capacity interest from Buyer's Group to CVP Participants
- Protect Buyer's Group from financial risk

Parties

- Buyer's Group (MWD and other SWP PWAs)
- CVP Participants preferably through San Luis & Delta Mendota Water Authority

Key Terms

- Buyer's Group provides financing for project during construction
- Upon completion of construction, CVP Participants fully compensate Buyer's Group
- Non-refundable upfront payment to Buyer's Group
- Non-refundable progress payments during construction period to Buyer's Group
- Sufficient security to minimize default risk



SWP Water Transfer Agreements

Board Workshop: California WaterFix

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March 27, 2018

SWP Water Transfer Agreements

Framework

- All south of Delta contractors pay their proportional share of CA WaterFix cost
- SWP Contractors selling incremental CA WaterFix water reliability benefits
- Buyer pays 85% of seller's CA WaterFix cost
- Costs align with benefits
- Individual agreements may vary

Potential Participants

Sellers

- Kern County
- Dudley Ridge
- Tulare Lake Basin
- County of Kings
- Oak Flat
- Empire West Side

Buyers

- Santa Clara
- San Geronio Pass
- Metropolitan
- Others

Board Workshop: California WaterFix

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SWP Water Transfer Agreements

Agreement Template/Key Terms

- Reliability improvement from CA WaterFix
 - Buyer receives Table A (~81% of improvement)
 - Seller retains Article 21 (~19% of improvement)
 - Table A supplies can be scheduled unlike Article 21
 - Buyer receives additional transfer benefits should an emergency occur longer than 12 months

SWP Water Transfer Agreements

Agreement Template/Key Terms

- Seller
 - Pays all SWP costs including CA WaterFix costs to DWR
 - Receives 85% reimbursement from buyer, effectively paying 15% of CA WaterFix costs
 - Retains access to Article 21 supplies
 - Retains conveyance capacity for non-project transfers
 - Retains 12 months emergency conveyance for base supply

SWP Water Transfer Agreements

Agreement Template/Key Terms

Buyer

- Receives reliability improvement in Table A supplies from CA WaterFix
- Transfer amount linked to SWP allocation and determined in advance
- In the event of an emergency lasting longer than 12 months, Buyer receives additional transfer supplies
- Pays Seller 85% of Seller's CA WaterFix cost

SWP Water Transfer Agreements

Agreement Template/Key Terms

Example for water transfer of 100,000 AF Base Table A

SWP Allocation	Transfer Water (AF) *
0 to 10%	-
11 to 20%	200
21 to 30%	3,000
31 to 40%	6,000
41 to 50%	7,000
51 to 60%	7,000
61 to 70%	13,000
71 to 80%	22,000
81 to 90%	25,000
91 to 100%	26,000

* Initial analysis, amounts modeled every five years at a minimum



Gap Funding Agreement

Board Workshop: California WaterFix

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March 27, 2018

Gap Funding Agreement

● Terms

- Provides start-up funding prior to issuance of bonds
- All south of Delta participants pay their fair share
- Gap funding will be reimbursed with interest upon first bond issuance

● Provides funding for permitting, geotechnical and design

Board Workshop: California WaterFix

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Gap Funding Agreement

- Duration 12 months
- Budget \$133 million
- Funding
 - SWP Participating agencies and State Water Resources Development System Funds

Preliminary list of agencies that may seek authorization: Antelope Valley-East Kern Water Agency, Coachella Valley Water District, Desert Water Agency, Metropolitan Water District, Mojave Water Agency, San Bernardino Valley Municipal Water District, San Geronio Pass Water Agency, Santa Clara Valley Water District, and Zone 7 Water Agency

Upcoming Board Action

- The board will be asked to consider two main actions:
 - Funding Metropolitan's share of the SWP's 67% (31.6% of the total)
 - Financing the unsubscribed 33% through the SWP Buyer's Group with contracts executed obligating CVP Participants to pay up to 33% of the cost



ACTION ITEM

April 4, 2016

TO: Board of Directors

FROM: Robert Hunter, General Manager

Staff Contact: Harvey De La Torre

**SUBJECT: BOARD RESOLUTION SUPPORTING MET FINANCING THE
UNSUBSCRIBED PORTION OF THE CALIFORNIA WATERFIX**

STAFF RECOMMENDATION

Staff recommends the Board of Directors adopt a Resolution supporting the increase in Metropolitan's financial share of the State Water Project's (SWP) portion of the California WaterFix (from 25.9% to 31.6% of the full project costs); along with pursuing the financing for the remaining unsubscribed (33% of the full Project costs) portion through a "SWP Buyer's Group", and developing contracts for providing water to other participants.

REPORT

On March 27, Metropolitan (MET) held a Board workshop on the California WaterFix (WaterFix), where staff provided cost-benefit analysis of MET investing in the construction of the "Full Project" – 9,000 cfs (twin tunnels, three intakes, two pumping stations, and one intermediate forebay). Covering the unsubscribed portion of the Full Project results in MET not only increasing its share of the SWP's WaterFix portion from its October 2017 Board adopted position of 25.9% to 31.6% of the total project costs (adding an addition 1,000 cfs to MET's share), but also allowing MET to pursue the financing of the remaining unsubscribed portion left by the Central Valley Project Contractors (33% of the full project) through the establishment of a "SWP Buyer's Group". This will bring MET's total investment in the WaterFix to 64.6% with a water supply benefit of ~840,000 AF to MET's Table A share under average conditions.

Financing and purchasing the unsubscribed share of the WaterFix would require a new Master Agreement with Department of Water Resources to ensure all benefits accrue to MET and other SWP Contractors that seek to invest in the second tunnel. Under such a new Master Agreement, MET will seek to sell and lease any capacity and/or water to ensure a return on their investment. MET would be able to set terms, compensation amounts, and

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

capacity to any other State or Federal Contractor for the life of the Project. MET believes this provides the flexibility to help balance supplies from both the State Water Project and the Colorado River.

At the April 10 Metropolitan Board meeting, Metropolitan staff will be asking the Board to consider two main actions:

- Increase Metropolitan's share of the SWP's portion from 25.9% to 31.6% of the full project cost (or 67% under the Staged Approach – 6,000 cfs project)
- Additionally, Metropolitan will pursue the financing for the remaining unsubscribed portion (33% of the full project costs) through a "SWP Buyer's Group", and seek contracts with other participants; resulting in MET's total financial share of 64.6% of the full project.

The MWDOC Board Resolution to follow



DISCUSSION ITEM

April 4, 2018

TO: Board of Directors

FROM: Robert Hunter, General Manager

Staff Contact: Harvey De La Torre
Melissa Baum-Haley

**SUBJECT: METROPOLITAN'S BUDGET UPDATE AND POTENTIAL
CONSERVATION MODIFICATIONS**

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

In early February, Metropolitan released its proposed budget documents for Fiscal Year (FY) 2018/19 and FY 2019/20. Over the past two months, Metropolitan has been holding a series of public workshops as part of the Metropolitan Board's review of the proposed biennial budget. On April 10, the Metropolitan Board will take action on the Biennial Budget, Calendar Year rates and charges, and Ten-Year Financial Forecast.

Within the proposed budget, there is an increase of the Conservation Credits Program 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.

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):			

Over the past several months, Metropolitan staff has presented potential Conservation Credits Program refinements based on lessons learned along with recommendations from the Alliance for Water Efficiency Peer Review. These program modifications are proposed with the intent of achieving the 180 TAF water saving target as described within the 2015 Integrated Water Resource Plan (IRP) and warrant the enhanced program budget. At the November 14, 2017 Conservation and Local Resources Committee, Metropolitan staff recommended a “combined action approach scenario” for the Conservation Program to be on track to meet the IRP target.

At the March 13, 2018 Water Planning and Stewardship Committee and March 14, 2018 Conservation and Local Resources Committee, Metropolitan staff presented program modifications and the associated framework for implementation of a \$43 million annual Conservation Credits Program budget for discussion and consideration by Metropolitan Board.

The primary Conservation Credits Program modifications and additions include:

- New Landscape Transformation Program
- Market Based Incentive Residential Pilot Program
- Public Agency Program
- Member Agency Administered Program
- Professional Landscape Training
- Disadvantaged Communities Program

On April 10, the Metropolitan Board will also take action on the modifications to the Conservation Credits Program. At the April 4 MWDOC Board Workshop, MWDOC staff will provide a brief overview of the Metropolitan Budget discussions and the potential Conservation Credits Program modifications.

Attachment: Metropolitan’s Budget Update and Potential Conservation Modifications Presentation



METROPOLITAN'S BUDGET UPDATE AND POTENTIAL CONSERVATION MODIFICATIONS

Municipal Water District of Orange County



Key Budget Assumptions

Fiscal Year Ending	Adopted	Proposed	
	2018	2019	2020
Overall increase January	4.0%	3.0%	3.0%
Total Water Transactions*	1.70 MAF	1.65 MAF	1.75 MAF
State Water Project Allocation	50%	50%	50%
Colorado River Aqueduct Diversions	1.04 MAF	0.84 MAF	0.92 MAF
Capital Investment Plan (CIP)	\$200 M	\$200 M	\$200 M
PAYGo (60% of CIP)	\$120 M	\$120 M	\$120 M

* Includes water sales, exchanges, and wheeling



Proposed Metropolitan Rate & Charges

Rates & Charges Effective Jan. 1	2018 (Current)	2019	% Change	2020	% Change
Tier 1 Supply Rate (\$/AF)	\$209	\$209	0%	\$208	0.5%
Tier 2 Supply Rate (\$/AF)	\$295	\$295	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 Costs (\$/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 Costs (\$/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%





Highlights of the Proposed Biennial Budget

- 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 10-year forecast.
- Planned capital spending of \$500 million over the biennium to ensure facilities are well maintained and reliable.

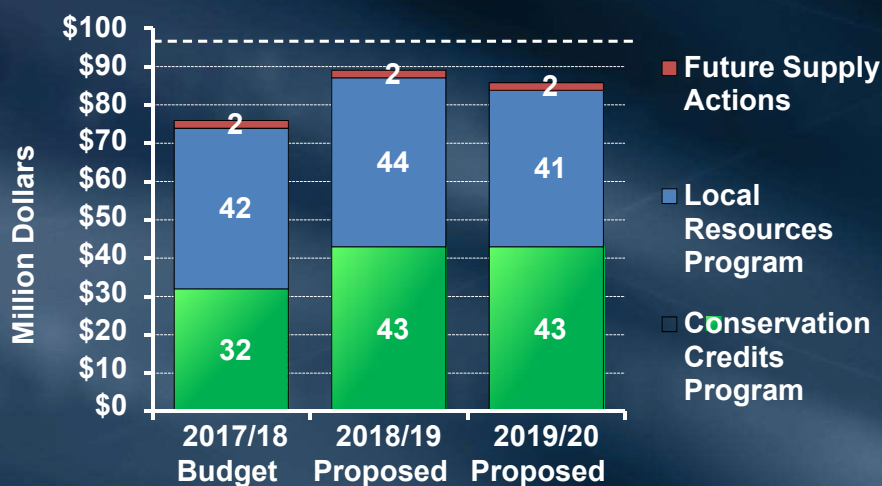


Highlights of the Proposed Biennial Budget (cont.)

-  Increased support for the Conservation Credits Program, with proposed spending to increase by \$5 million (to \$43 million) annually.
-  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



Demand Management Programs



Conservation Credits Program Budget

FY 2018/19



Program Component	Targeted Expenditures*
Landscape Transformation	\$17 M
Regional Devices	\$13.5 M
Member Agency Administered	\$5.5 M
Advertising	\$5 M
Other**	\$2 M
Total	\$43 M

*Values include admin fee when appropriate

**Other includes research, classes, surveys, etc

Subject to budget approval



Conservation Credits Program Modifications & Additions

- 💧 Regional Landscape Transformation Program
- 💧 Professional Landscape Training
- 💧 Expand Member Agency Administered Program
- 💧 Potential Market-Based Rebate Residential Pilot
- 💧 Expand Public Agency Program
- 💧 Disadvantage Communities



Landscape Transformation Program Budget Management



**FY16/17-FY17/18
Budget
\$135.7 M**



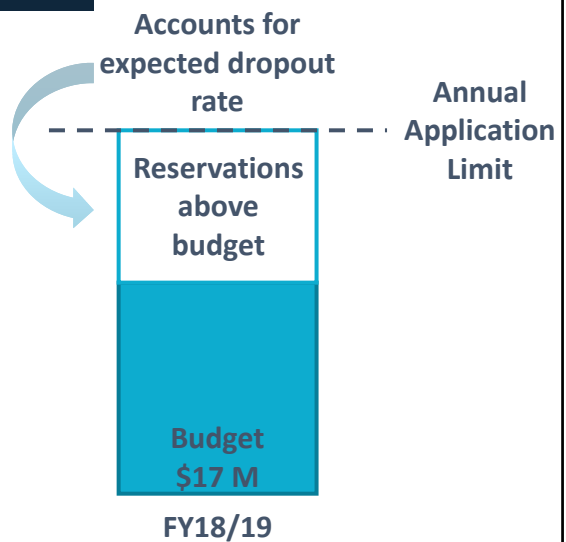
**Water Stewardship
Fund**

Landscape Transformation Program Budget Management

Approved for use
if dropout rate is
lower than
expected



**Water Stewardship
Fund**



Landscape Transformation Program Modifications and Controls

- 💧 Project square-footage caps
- 💧 Completion time
- 💧 Receipt submission
- 💧 Supplemental funding
- 💧 Front yards



Conservation Credits Program Modifications & Additions

- 💧 Regional Landscape Transformation Program
- 💧 Professional Landscape Training
- 💧 Expand Member Agency Administered Program
- 💧 Potential Market-Based Rebate Residential Pilot
- 💧 Disadvantaged Communities
- 💧 Expand



Currently there is no mechanism to pay for local training programs

Could utilize the Member Agency Administered Allocations for hard to quantify programs

Conservation Credits Program Modifications & Additions



- 💧 Regional Landscape Transformation Program
- 💧 Professional Landscape Training
- 💧 Expand Member Agency Administered Program
- 💧 Potential Market-Based Rebate Residential Pilot
- 💧 Expand Public Agency Program
- 💧 Disadvantage Communities

Allows an evaluation of
consumer response to
higher incentive amounts
for a pilot period

Conservation Credits Program Modifications & Additions



- 💧 Regional Landscape Transformation Program
- 💧 Professional Landscape Training
- 💧 Expand Member Agency Administered Program
- 💧 Potential Market-Based Rebate Residential Pilot
- 💧 Expand Public Agency Program
- 💧 Disadvantage Communities



Next Steps

April 9th

- 💧 Conservation Modifications Proposal to Water Planning & Stewardship Committee for consideration



April 10th

- 💧 Continue discussion at Conservation & Local Resources Committee on Conservation Modifications
- 💧 Take Action at Board Meeting for Biennial Budget as well as Conservation Modifications





INFORMATION ITEM

April 4, 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

The Northern California accumulated precipitation (8-Station Index) is reporting **33.9 inches or 83% of normal** as of March 27. In the month of March 2018, accumulated precipitation reached 13.4 inches, which is **6.5 inches above normal** compared to the historical average. The Northern Sierra Snowpack is at 4.9 inches as of February 27, which is **20% of normal**. Lake Oroville storage has significantly improve in the month of March seeing an increase in volume of 500 thousand acre feet. The San Luis Reservoir has a current volume of 85% of the reservoirs total capacity.

At the time of writing this memo, the Department of Water Resources (DWR) has not made any changes to State Water Project (SWP) "Table A" allocation remaining at 20%. This allocation provides Metropolitan with approximately 382,300 AF in SWP deliveries this water year.

On the Colorado River system, snowpack is measured across four states in the Upper Colorado River Basin. As of March 26, 2018, snowpack measured at 76% of normal for 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. The Bureau of Reclamation is projecting that there is about a 17% chance of a shortage on the Colorado River in 2019, increasing to about 49% in 2020. Attached is a presentation on Water Supply Conditions as of March 27, 2018. MWD OC staff may provide a revised presentation at the April 4th meeting to include any recent changes in data.

Attachment: Water Supply Conditions Presentation

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):			



Water Supply Conditions

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

April 4th 2018



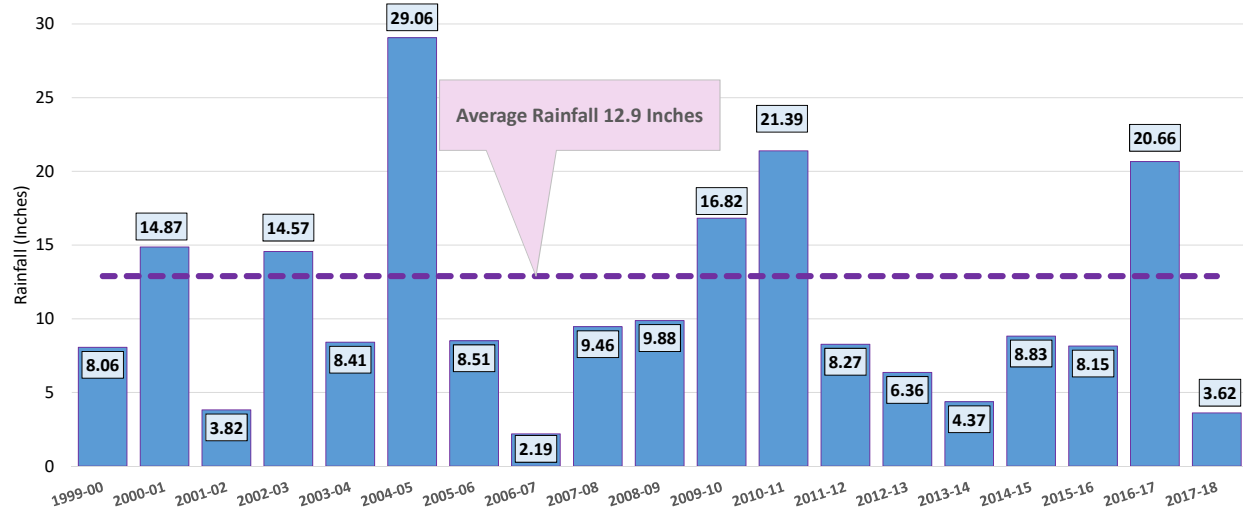
Orange County Weather and Water Supply Conditions

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

Santa Ana Precipitation



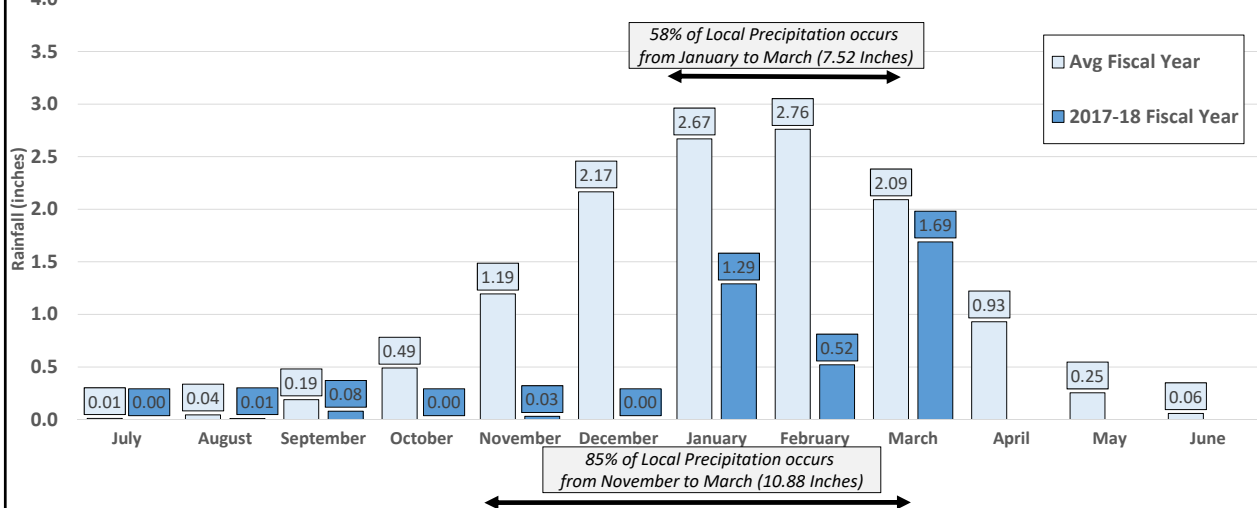
Santa Ana Annual Precipitation Statistics (Fiscal Year July-June)



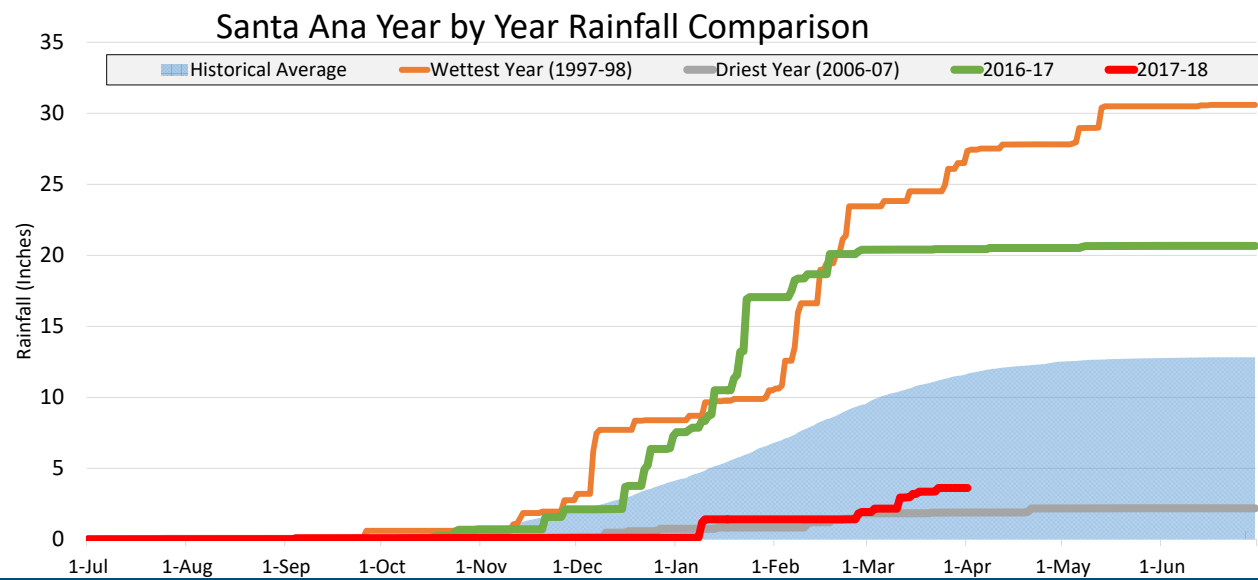
Santa Ana Precipitation



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

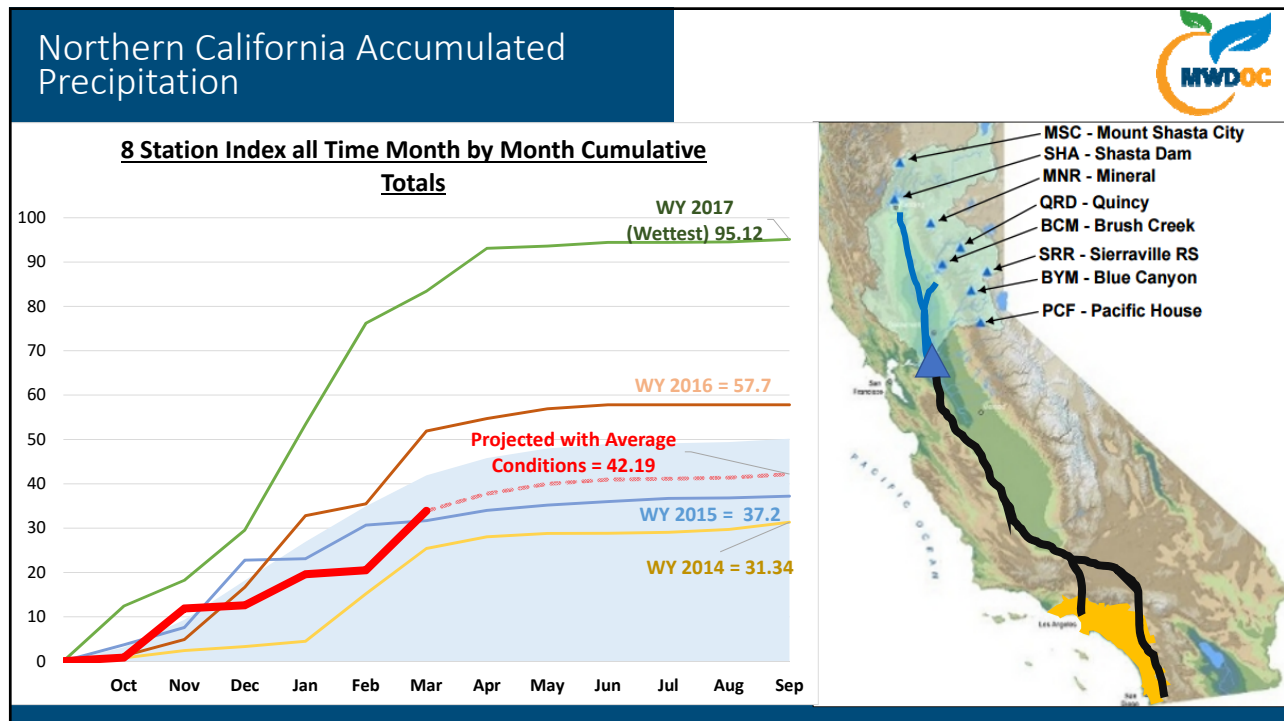
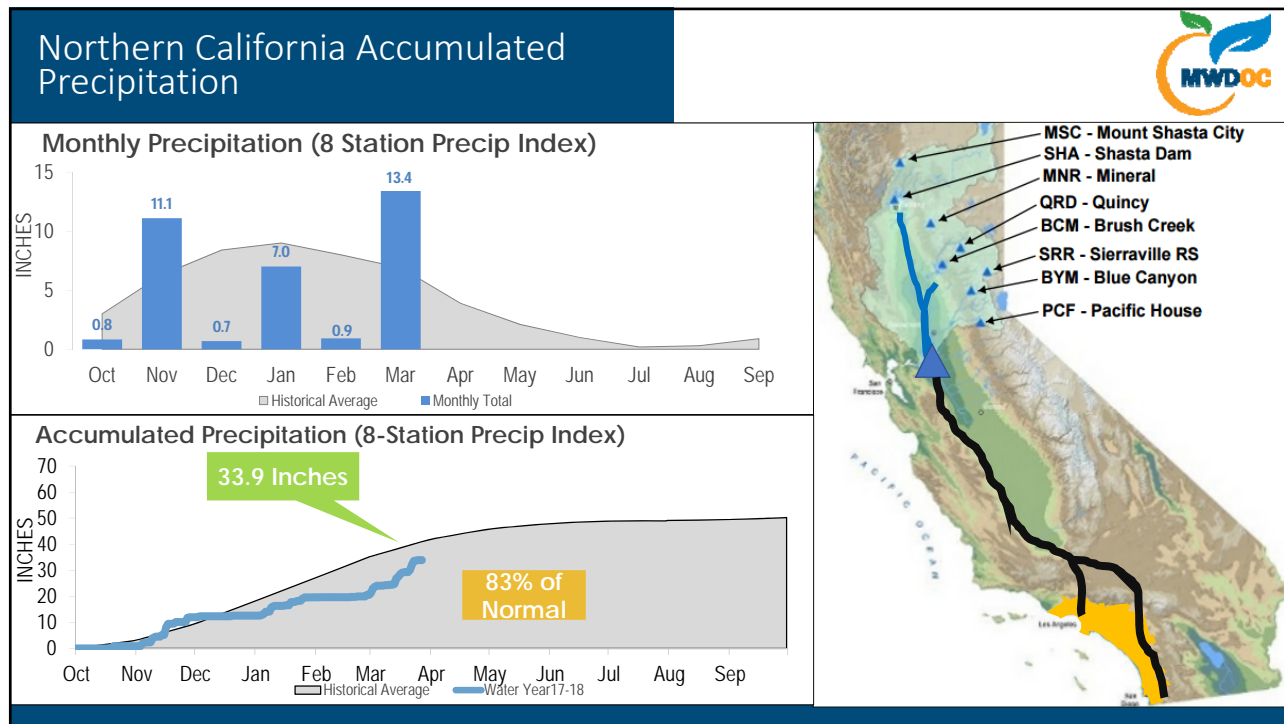


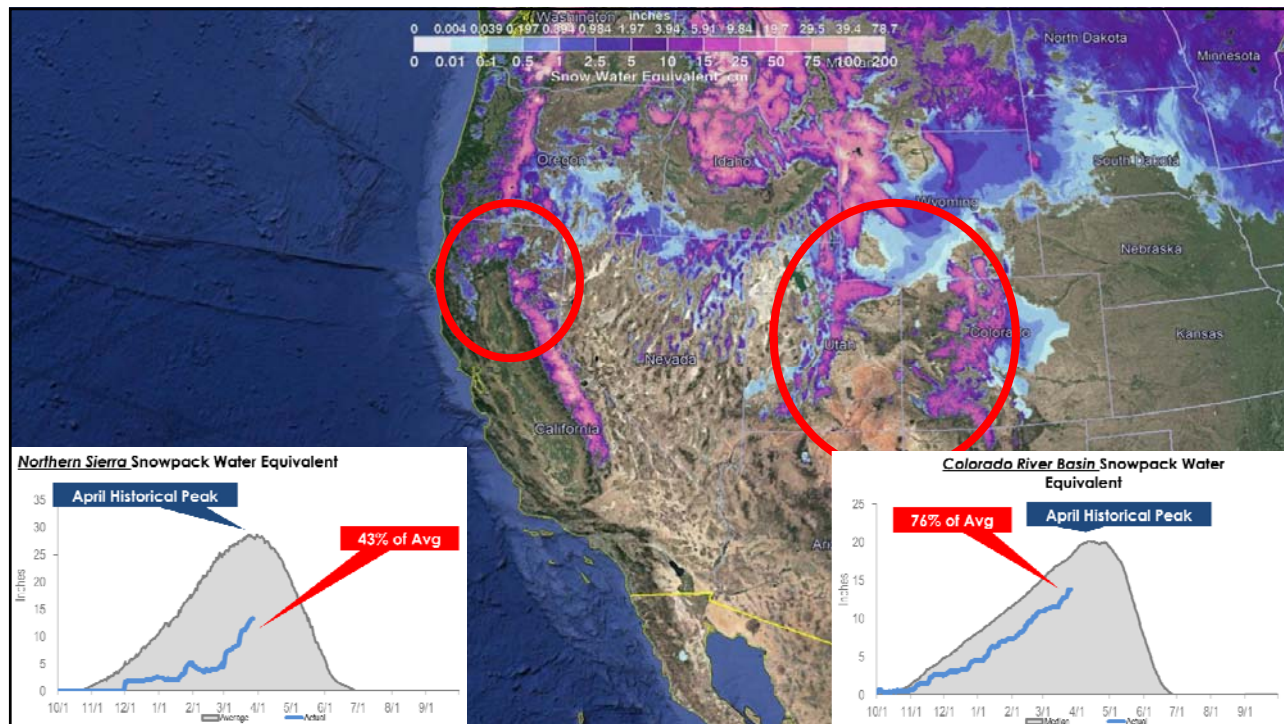
Santa Ana Precipitation



Regional Weather and Water Supply Conditions

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



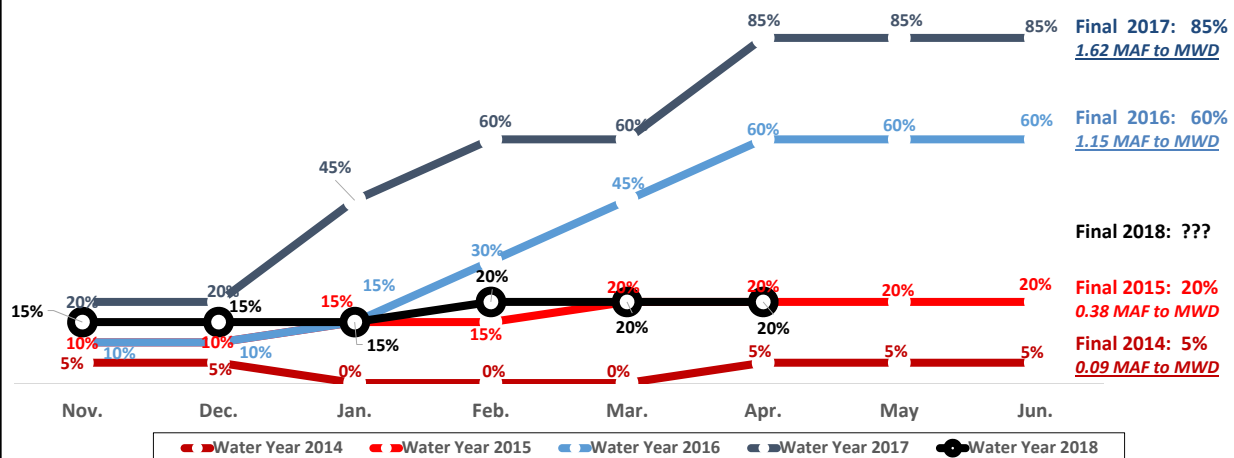


SWP 2018 Table A Allocation

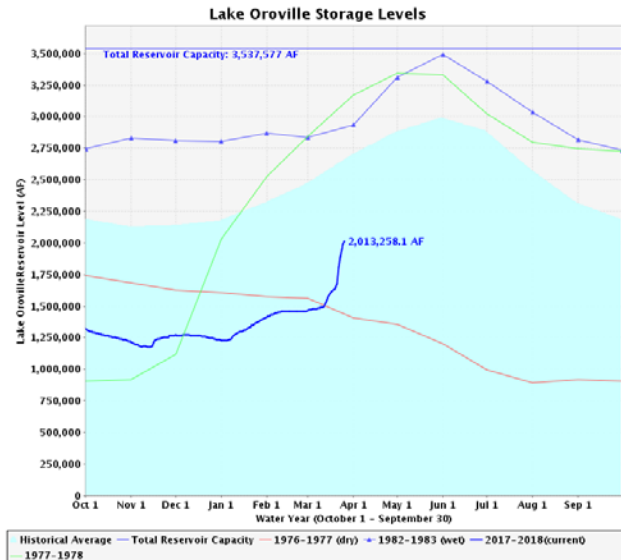
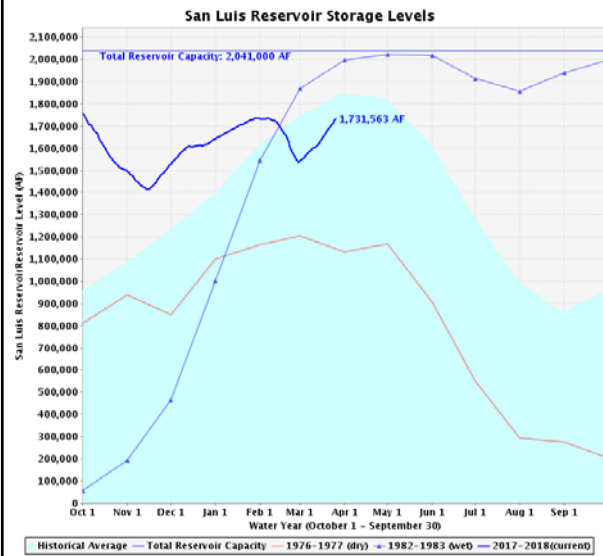


SWP TABLE A ALLOCATION

FOR STATE WATER PROJECT CONTRACTORS



SWP Storage Levels

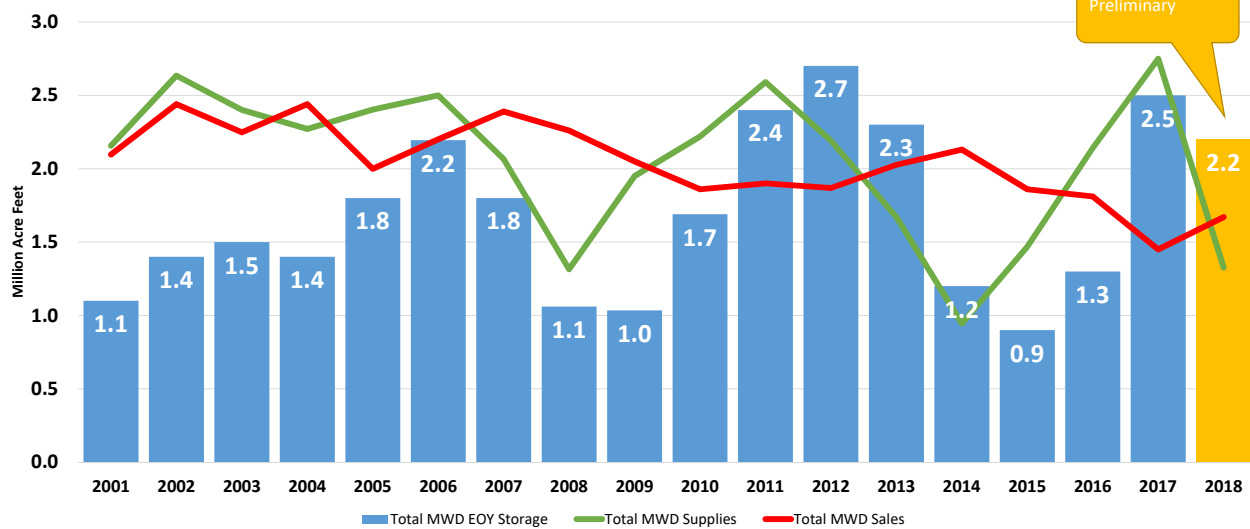


MWD 2018 Water Storage

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
(714) 593-5034
Khostert@MWDOC.com

- physical address**
18700 Ward Street, Fountain Valley CA 92708
- mail address**
P.O. Box, Fountain Valley CA 92728
- website**
www.mwdoc.com
- main office**
(714) 963-3058





DISCUSSION ITEM

April 4, 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):			

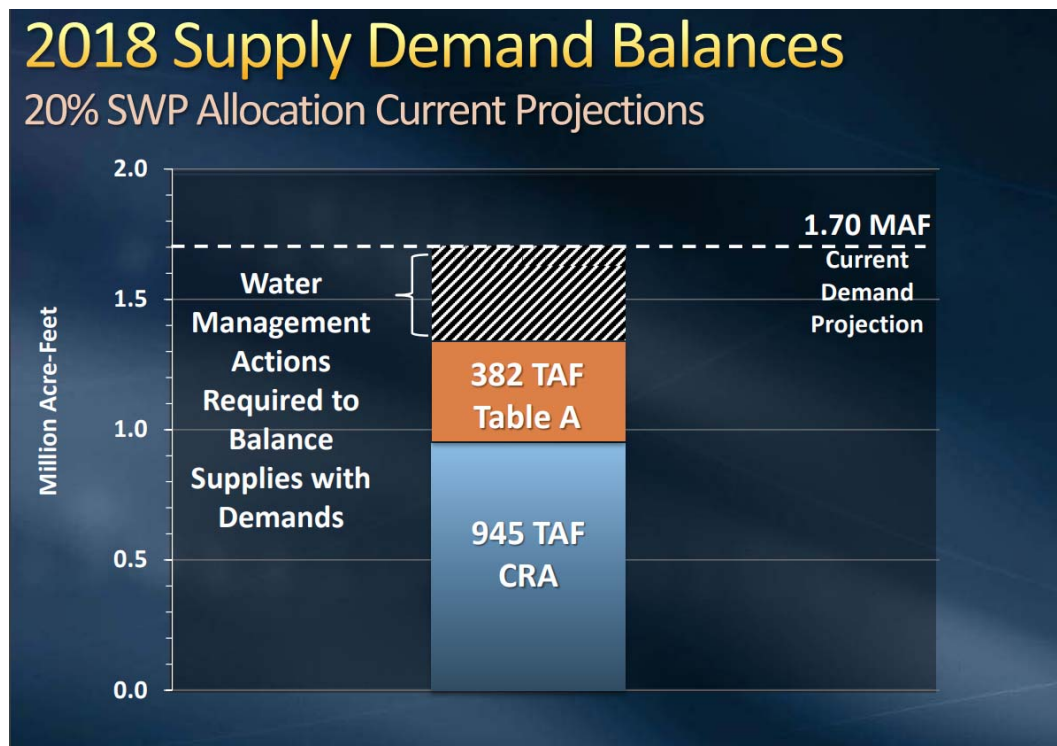
ISSUE BRIEF # A**SUBJECT: MET's Water Supply Conditions****RECENT ACTIVITY**

2018 Water Supply Balance

On January 29, 2018, the Department of Water Resources (DWR) increased the State Water Project (SWP) "Table A" allocation to 20%, giving Metropolitan approximately 382 thousand acre-feet (TAF) in SWP deliveries this water year. In addition, on the Colorado River system, Metropolitan estimates a total delivery of 945 TAF.

With estimated total demands and losses of 1.70 million acre-feet (MAF), at a 20% SWP allocation, Metropolitan is projecting that demands will exceed supply levels in CY 2018 by about 373 TAF. Based on this, estimated total dry-year storage for Metropolitan at the end of CY 2018 will go down to 2.2 MAF.

The month of March has brought much needed snowfall and precipitation to much of the state of California. With the improve hydrology hopefully this will result in a high SWP allocation, more information on this will be available later in the month of April.

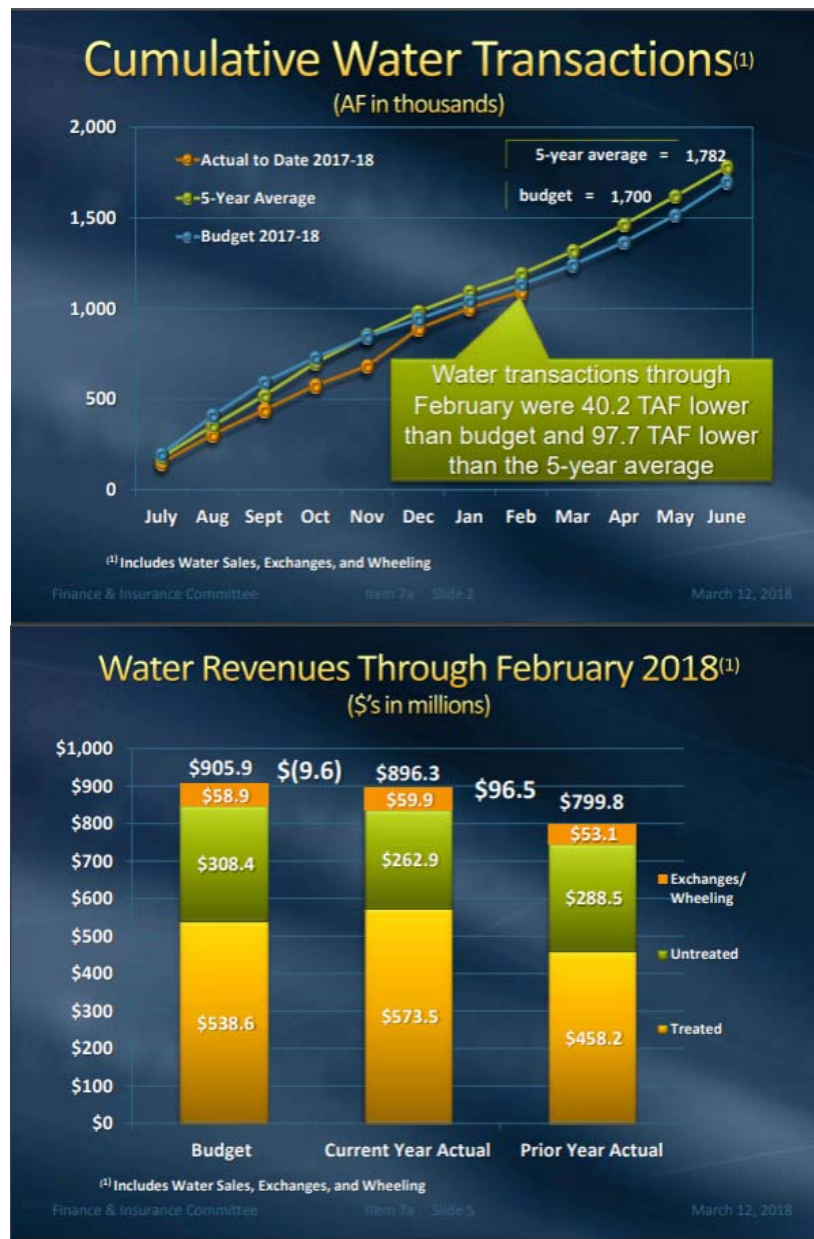


ISSUE BRIEF # B

SUBJECT: MET's Finance and Rate Issues

RECENT ACTIVITY

Water transactions (sales) through February were 40.2 thousand acre-feet (TAF) lower than budget and 97.7 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. Although sales through February 2018 are slightly lower than the budget (\$9.6 million), they are \$96.5 million greater than February 2017.



ISSUE BRIEF # C**SUBJECT: Colorado River Issues****RECENT ACTIVITY**

Minute 323 Implementation

Minute 323 to the United States and Mexico International Water Treaty, signed in September 2017, and included authorization of the formation of several workgroups that include representatives from both the U.S. and Mexico. These workgroups provide input to the International Boundary and Water Commission on specific issue areas. In February, the Projects Workgroup and Salinity Workgroup each met.

On February 27, the Projects Workgroup held its first meeting. The scope of this workgroup's effort is to ensure that a total of 229,100 acre-feet (AF) of water is conserved in the Mexicali Valley. Metropolitan has agreed to fund a share of the conservation programs (\$3.7 million) and will receive a total of about 27,000 AF of water when the funding is provided. The conserved water will be stored in Lake Mead as intentionally created surplus water. Minute 323 also includes an option to conserve an additional 195,000 AF, which Metropolitan will have the opportunity to participate in at a future date. Meeting these conservation targets will involve implementation of numerous on-field projects, and these projects will be overseen by the Projects Workgroup. At this meeting the workgroup also received an update on the progress of the Minute 319 conservation projects.

A presidential election is being held in Mexico in 2018, and in anticipation of the change of administration, the workgroup will not meet again until after the election in September. At the next meeting the workgroup plans to visit Minute 319 projects in Mexicali that have either been completed or are under construction.

The Salinity Workgroup has met three times since the beginning of the year. This workgroup's charge is to begin the effort to develop a desalination project in the Mexican state of northern Sonora that would benefit both countries. Minute 323 authorized development of a desalination facility that would have potential capacity of 50,000-120,000 AF per year. The engineering firm (Black & Veatch) has been involved in drafting a scope of work for a major study to identify a site for the proposed desalination plant. In upcoming meetings, the workgroup will be making decisions regarding the scope of the study and available technologies that will be evaluated. The workgroup will meet two more times to complete the scope of work.

ISSUE BRIEF # D

SUBJECT: Bay Delta/State Water Project Issues

RECENT ACTIVITY

California WaterFix

On February 7, the California Department of Water Resources (DWR) communicated that it is considering a staged implementation approach for the California WaterFix (CA WaterFix) project. As outlined in DWR's February 7 memo to Public Water Agencies participating in CA WaterFix, DWR is pursuing CA WaterFix as planned, and would take actions that would allow construction to be implemented in stages. Under this approach, Stage 1 of the project would include two intakes with a total capacity of 6,000 cubic-feet per second (cfs), one main tunnel, one intermediate forebay, and one pumping station. The second stage would consist of a third intake with 3,000 cfs capacity, a second tunnel, and a second pumping station, which would bring the total project capacity to the planned 9,000 cfs. Having the option to implement CA WaterFix in stages aligns the urgent statewide need for action with the project's current funding support. Staff is evaluating DWR's potential proposed staged approach and will be updating Metropolitan's Board over the next several weeks of board committee meetings. As directed by the Board, staff is also evaluating an approach where Metropolitan would finance the remaining 3,000 cfs portion of the 9000 cfs project, avoiding the need for staging construction of the project.

On February 13, DWR released a cost-benefit analysis for CA WaterFix that compares the costs and benefits of constructing and operating Stage 1 facilities in relation to what would likely occur if CA WaterFix were not built. The report prepared by Dr. David Sunding, a professor of natural resource economics at UC Berkeley, concluded that the first stage of the project could bring billions of dollars in benefits to both urban and agricultural water users, and is more affordable for consumers than local supply alternatives such as desalination and recycling. Benefits attributed to implementing Stage 1 of CA Waterfix include improved water quality, more reliable water supplies, and enhanced disaster preparedness. The complete cost-benefit report is available on the CA WaterFix website. (https://www.californiawaterfix.com/wpcontent/uploads/2018/02/WaterFixEconomicAnalysis_Final.pdf)

The CA WaterFix Petition proceedings before the State Water Resources Control Board (SWRCB) are ongoing. Part 2 of the hearings address the effects of the proposed project on fish and wildlife. Opening briefs for Part 2 were submitted to the SWRCB on November 30, 2017. Part 2 of the CA WaterFix hearing resumed on February 8 with presentation of oral policy statements from hearing participants and members of the public. The SWRCB cancelled hearing dates in mid-February to give the parties and the SWRCB time to consider motions requesting a stay. On February 21, the SWRCB issued a ruling that it is denying all outstanding requests to stay the proceeding, and the Part 2 hearing resumed on February 22.

Science Activities

Metropolitan staff continued participation in the Collaborative Science and Adaptive Management Program, including participation on the Collaborative Adaptive Management Team (CAMT). February activities focused on review of draft technical work products and

development of CAMT projects for 2018. Metropolitan staff also provided input to development of CAMT workplan items for 2018. With funding contributions from the State Water Contractors, CAMT initiated a project to develop a long-term monitoring and science plan to assess the effects of ambient conditions and management actions on Delta smelt habitat quality and vital rates. CAMT is also discussing potential salmon projects addressing the effects of water project operations on salmon survival and identification of Delta rearing habitats for salmon.

On February 14, Metropolitan staff participated in the Interagency Ecological Program (IEP) stakeholder meeting to receive updates on IEP science activities and discuss strategies to provide input to the IEP workplan for future years. Metropolitan staff provided input to the Incidental Take Limit for winter-run Chinook salmon developed by the IEP winter-run project work team. Metropolitan staff also provided input to the Bureau of Reclamation Directed Outflow Project for 2018, which is proposed to monitor Delta Smelt habitat factors throughout the spring to fall 2018 period. Metropolitan staff is also participating in the Longfin Smelt Management Analysis and Synthesis Team to help develop the overall conceptual model and report describing the biology and ecology of longfin smelt in the San Francisco estuary.

On February 2, Metropolitan staff participated in the Delta Independent Science Board meeting to provide comments on the Draft report titled "Water Quality Science in the Sacramento-San Joaquin Delta, Part 1: Chemical Contaminants and Nutrients". The report included a review of current water quality monitoring programs in the Delta and an evaluation of how the monitoring information is used in management decisions.

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

MWDOC staff and consultant CDM Smith continue to work on the 2018 OC Reliability Study update which looks at both supply (drought supply) reliability and system (emergency) reliability. The update uses modeling assumptions based on more recently available information on future assumptions for the Integrated Water Resources Plan (IRP), Colorado River, and State Water Project (SWP). The update looks to include modeling of SWP supplies once the California WaterFix volumes are determined.

MWDOC staff and consultant CDM Smith met with MET staff on March 5th to seek input on the new modeling assumptions.

A final SUPPLY reliability report is expected in the Spring 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

MWDOC has been discussing concepts for pumping groundwater into the EOCF No. 2 for conveyance to SOC during an emergency event. MWDOC staff had a preliminary discussion with MET senior staff at a February 8th meeting. MWDOC staff will continue this discussion once MET staff have had a chance to review details.

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. Release of Final Funding is scheduled for early March 2018.

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 April 2018.

The release of the draft South Coast Water District EIR for public comments is anticipated in April 2018 with the final adoption scheduled for June:

- 3/5/18 – 4/15/18 Draft EIR Production
- 4/16/18 - 6/15/18 60 day Public Review Period•
- May 2018 Public Workshop
- 6/16-7/15/18 Prepare Final EIR (Response to Comments)
- 7/26/18 South Coast WD Board Meeting

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.

The Draft Program Environmental Impact Report (PEIR) was circulated for a 65-day public review period, which ended February 23, 2017. The EIR was originally scheduled for adoption in March 2018. Due to the complexity of some of the issues associated with the steelhead trout it is anticipated that SMWD Board adoption of the EIR will be moved to late April or early May Board meeting.

SMWD Trampas Canyon Recycled Water Reservoir

Notice to Proceed was issued January 30, 2018. The contractor is currently clearing the site and nearing completion of excavation for the East Saddle Dam Embankment. The project is designed to create 5,000 acre-feet of recycled water storage capacity and will be the largest surface water reservoir in South Orange County. The project is currently projected to conclude on or before December 20, 2019.

Other Information on South County Projects:

Expansion of the South County Interconnection Project

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 Request for Proposals (RFP) was released on February 23rd, as part of a possible renewal/extension of the SOC Emergency Services Program with IRWD to study the ability/constraints of IRWD's system to move water through their system to SOC agencies into the future. Three proposals were received and reviewed by MWDOC staff and IRWD Staff, and a recommendation to award a study contract is being 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.

A meeting was held on February 8th between staff from MWDOC and senior MET staff to discuss a series of alternatives for CM-1 and the concurrent ability to deliver MET water and groundwater to LBCWD through Newport Beach's water system. MWDOC staff will continue to work with MET staff to identify/explore alternatives.

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
March 13, 2018**

PUBLIC HEARINGS

1. Public hearing to consider whether to continue suspending the tax rate limitations in Section 124.5 of the Metropolitan Water District Act to maintain the ad valorem tax rate for fiscal years 2018/19 and 2019/20.
2. Public hearing on proposed water rates and charges for calendar years 2019 and 2020 to meet revenue requirements.

COMMITTEE ASSIGNMENTS

Approved appointing Director Faessel to the Facilities Naming Committee and Director Williams to the Engineering and Operations Committee, and the Organization, Personnel and Technology Committee. **(Agenda Item 5E)**

ENGINEERING AND OPERATIONS COMMITTEE

Appropriated \$12.4 million; awarded \$9,257,483 contract to R.I.C. Construction Company, Inc. for construction of an operations and maintenance service center for the Orange County operating region; and authorized increase of \$170,000 to an agreement with La Cañada Design Group, for a new not-to-exceed total of \$517,000, for technical support during construction. (Appropriation No. 15480) **(Agenda Item 8-1)**

COMMUNICATIONS AND LEGISLATION COMMITTEE

Authorized the General Manager to enter into a three-year agreement with Quigley-Simpson & Heppelwhite, Inc. for advertising and community outreach services related to water awareness and conservation, not to exceed \$14.7 million. **(Agenda Item 8-2)**

Authorized the General Manager to express Metropolitan's support for Proposition 68. **(Agenda Item 8-4)**

Authorized the General Manager to express support for AB 2050. **(Agenda Item 8-4)**

LEGAL AND CLAIMS COMMITTEE

Authorized amendment of the contract for legal services with Atkinson, Andelson, Loya, Ruud & Romo for legal services by \$445,000 for an amount not to exceed \$545,000. **(Agenda Item 8-3; no closed session)**

CONSENT CALENDAR

In other actions, the Board:

Approved the Project for the purposes of CEQA; and authorized an agreement with Mountains Recreation Conservation Authority for implementation of mitigation required by regulatory agency permits. **(Agenda Item 7-1)**

Appropriated \$1.7 million; authorized preliminary design of upgrades to the San Gabriel Tower on the Upper Feeder; and authorized agreement with Aspen Environmental Group in an amount not to exceed \$500,000 for environmental support. **(Agenda Item 7-2)**

Item 7-3 was changed to 8-4. **(Agenda Item 7-3)**

Authorized the General Manager to enter into an agreement with the State Water Contractors, Inc. to pursue 2018 Sacramento Valley water transfer supplies, in a form approved by the General Counsel; and authorized making a \$5 per acre-foot initial administrative deposit and disbursements from that deposit consistent with the agreement not to exceed \$500,000. **(Agenda Item 7-4)**

OTHER MATTERS

The Board:

Inducted new Director Harold C. Williams, representing West Basin Municipal Water District. **(Agenda Item 5C)**

Approved Commendatory Resolutions for Director Donald Dear, representing West Basin Municipal Water District. **(Agenda Item 5D)**

Review of the Policies, Procedures, and Governance of Metropolitan's Ethic's Office. **(Agenda Item 10-1; heard in open session)**

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>



Board Meeting

April 10, 2018

12:00 p.m. – Boardroom

Teleconference Participation

MWD Legislative Offices:

500 New Jersey Avenue, N.W., Suite 500
Washington, DC 20001

Gurneys' Newport Resort

1 Goat Island
Newport, RI 02840
(401) 849-2600

April 10, 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	OP&T
12:00 p.m.	Boardroom	Board Meeting

MWD Headquarters Building

•

700 N. Alameda Street

•

Los Angeles, CA 90012

1. Call to Order

- (a) Invocation: Joyce Lehman, Team Manager of Operations
Compliance for Water System Operations
- (b) Pledge of Allegiance: Director Larry McKenney, Municipal
Water District of Orange County

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 March 13, 2018 and the Minutes of the Board Workshop: California WaterFix held March 27, 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 March 2018
- C. Approve committee assignments
- D. Chairman's Monthly Activity Report
- E. Presentation of 5-year Service Pin to Cynthia Kurtz
- F. Presentation of 10-year Service Pin to Linda Ackerman

6. DEPARTMENT HEADS' REPORTS

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

7. CONSENT CALENDAR ITEMS — ACTION

- 7-1** Adopt CEQA determination and adopt resolution for Calleguas Annexation No. 101 to Calleguas Municipal Water District and Metropolitan. (F&I)

Recommendation:

Option #1:

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

Adopt resolution granting approval for Calleguas Annexation No. 101 concurrently to Calleguas and Metropolitan and establish Metropolitan's terms and conditions for the annexation (Attachment 3), conditioned upon approval by Riverside County's Local Agency Formation Commission, and upon receipt of the annexation fee of \$33,355.

- 7-2** Adopt CEQA determination and appropriate \$1.7 million; and authorize design and procurement to replace valves within the Orange County and Riverside/San Diego County operating regions (Appropriation No. 15480). (E&O)

Recommendation:

Option #1:

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

- a. Appropriate \$1.7 million; and**
- b. Authorize design and procurement to replace valves within the Orange County and Riverside/San Diego County operating regions**

- 7-3** Adopt CEQA determination and appropriate \$800,000; and authorize design of cathodic protection systems for four pipelines within Metropolitan's distribution system (Appropriation No. 15480). (E&O)

Recommendation:

Option #1:

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

- a. Appropriate \$800,000; and**
- b. Authorize design of cathodic protection for the Santa Monica Feeder, West Orange County Feeder, Lake Skinner Pipelines, and Live Oak Reservoir Pipelines.**

- 7-4** Adopt CEQA determination and award \$349,000 contract to Shipley Construction & Plumbing to renovate two houses at Hinds Pumping Plant (Appropriation No. 15495). (E&O)

Recommendation:

Option #1:

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

Award \$349,000 contract to Shipley Construction & Plumbing to renovate two houses at Hinds Pumping Plant.

- 7-5** Adopt CEQA determination and appropriate \$350,000; and authorize relocation of equipment for Service Connection CENB-29 on the Lower Feeder (Appropriation No. 15480). (E&O)

Recommendation:

Option #1:

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

- a. Appropriate \$350,000; and**
- b. Authorize construction to relocate equipment for Service Connection CENB-29.**

- 7-6** Adopt CEQA determination and approve Metropolitan Water District of Southern California's salary schedules from 2011 through 2017 to comply with recent CalPERS audit finding pursuant to CalPERS regulations. (OP&T)

Recommendation:

Option #1:

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

Approve the attached salary schedules.

END OF CONSENT CALENDAR

8. OTHER BOARD ITEMS — ACTION

- 8-1** Adopt CEQA determination and approve the proposed biennial budget for fiscal years 2018/19 and 2019/20, revenue requirements for fiscal years 2018/19 and 2019/20, and ten-year forecast; adopt resolutions fixing and adopting the water rates and charges for calendar years 2019 and 2020; and adopt the resolution finding that continuing the suspension of the tax rate limitation in Section 124.5 of the Metropolitan Water District Act to maintain the ad valorem property tax rates for fiscal years 2018/19 and 2019/20 is essential to Metropolitan's fiscal integrity. (F&I) **[To be mailed separately]**
- 8-2** Adopt CEQA determination and approve suspension of billing and collection of the Water Stewardship Rate on exchange agreement deliveries to San Diego County Water Authority for (a) calendar years 2019 and 2020 during the Demand Management cost allocation study period, and (b) calendar year 2018. (F&I) **[To be mailed separately]**

- 8-3** Adopt CEQA determination and authorize amendments to the Administrative Code regarding water service policies to expand the operating flow range for service connections and clarify responsibilities for future meter replacement costs. (L&C)

Recommendation:

Option #1:

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

Approve amendments to the Administrative Code to allow an expanded operating range for service connection metering and revise responsibilities for future meter replacement costs, while maintaining meter accuracy requirements.

- 8-4** Adopt CEQA determination and authorize Modifications to the Water Efficiency Programs. (WP&S)
[To be mailed separately]

- 8-5** Consider adopting CEQA determination and (1) authorizing the General Manager to (a) secure one-year water transfers with various Sacramento Valley water districts for up to 100,000 acre-feet of additional supplies, (b) secure storage and conveyance agreements with Department of Water Resource and various Sacramento Valley water districts to facilitate these transfers, and (c) pay up to \$45 million for such transfers; and (2) granting final decision-making authority to the General Manager subject to the terms set forth in this letter. (WP&S)

Recommendation:

Option #1:

- 1. Do not authorize the General Manager to:**
 - a. Secure one-year water transfers with various Sacramento Valley water districts for up to 100,000 acre feet of additional supplies;**
 - b. Secure storage and conveyance agreements with Department of Water Resource and various Sacramento Valley water districts to facilitate these transfers, consistent with Articles 55 and 56 of Metropolitan's State Water Contract; and**
 - c. Pay up to \$45 million for such transfers.**
- 2. Do not grant the General Manager final decision-making authority to determine whether or not to move forward with these transfers following completion of any environmental reviews required under CEQA, subject to the terms and conditions set forth in this letter.**

- 8-6** Adopt CEQA determination and authorize entering to funding agreements with The Water Research Foundation for potable reuse research and approve an approach to fund member agency studies and research under the Future Supply Action Program. (WP&S) **[To be mailed separately]**
- 8-7** Adopt CEQA determination and provide additional authorizations to participate in the construction of California WaterFix. **[To be mailed separately]**
- 8-8** Adopt CEQA determination and authorize increase in maximum amount payable under contract with Van Ness Feldman LLP by \$500,000 for a maximum payable amount of \$750,000 for legal services related to California WaterFix environmental litigation: *Bay.org, et al. v. Zinke, et al.*, Case No. 17-cv-3739-YGR (N.D. Cal., filed June 29, 2017); *Golden Gate Salmon Assn. v. Ross, et al.*, Case No. 17-cv-3742-YRG (N.D. Cal., filed June 29, 2017); *CDWR Environmental Impact Cases*, Sacramento County Superior Ct. Case No. JCCP 4942 (20 coordinated cases); *City of Antioch v. Cal. Dept. of Water Resources*, Sacramento County Superior Ct. Case No. 34-2017-00218154-CU-BC-GDS; *County of Sacramento, et al. v. State Water Resources Control Board*, Sacramento County Superior Ct. Case No. 34-2018-80002812-CU-WM-GDS. (L&C) **[To be mailed separately]**
[Conference with legal counsel—existing litigation and potential litigation (unknown number); to be heard in closed session pursuant to Gov. Code Section 54956.9(d)(1), (d)(2), and (d)(4)]

9. BOARD INFORMATION ITEMS

- 9-1** Update on Conservation Program

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.