

**MINUTES OF THE WORKSHOP BOARD MEETING
OF THE BOARD OF DIRECTORS OF
MUNICIPAL WATER DISTRICT OF ORANGE COUNTY (MWDOC)
WITH THE MWDOC MET DIRECTORS**

March 4, 2020

At 8:30 a.m., President Tamaribuchi called to order the Regular Meeting of the Municipal Water District of Orange County in the Board Room at the District facilities located in Fountain Valley. Director Barbre led the Pledge of Allegiance and Secretary Goldsby called the roll.

MWDOC DIRECTORS

Brett R. Barbre*
Larry Dick*
Joan Finnegan
Bob McVicker
Sat Tamaribuchi
Jeffery M. Thomas (absent)
Megan Yoo Schneider

STAFF

Robert Hunter, General Manager
Karl Seckel, Assistant General Manager
Joe Byrne, Legal Counsel
Maribeth Goldsby, Board Secretary
Harvey De La Torre, Associate General Manager
Chris Lingad, Associate Engineer
Melissa Baum-Haley, Prin. Water Resource Analyst
Damon Micalizzi, Director of Public Affairs
Kevin Hostert, Water Resources Analyst
Joe Berg, Dir. of Water Use Efficiency

*Also MWDOC MET Directors

OTHER MWDOC MET DIRECTORS

Larry McKenney
Linda Ackerman

OTHERS PRESENT

Kathryn Freshley
Mark Monin
Jose Vergara
Mike Dunbar
Steve LaMar
Doug Reinhart
Peer Swan
Jim Atkinson
Don Froelich
Kelly Rowe
John Kennedy
Adam Hutchinson
Dan Ferons
Dennis Erdman
Rick Shintaku
Brooke Jones
Al Nederhood
Dick Ackerman
Leah Russell
Skylar Stephens

El Toro Water District
El Toro Water District
El Toro Water District
Emerald Bay Service District
Irvine Ranch Water District
Irvine Ranch Water District
Irvine Ranch Water District
Mesa Water
Moulton Niguel Water District
Orange County Water District
Orange County Water District
Orange County Water District
Santa Margarita Water District
South Coast Water District
South Coast Water District
Yorba Linda Water District
Yorba Linda Water District
Ackerman Consulting
MWDOC Job Applicant

Laer Pearce
Kristy Khachigian

Laer Pearce & Associates
Kristy Khachigian Consulting

PUBLIC PARTICIPATION/PUBLIC COMMENTS

President Tamaribuchi inquired whether any members of the public wished to comment on agenda items.

Mr. Laer Pearce commented on the Cadiz Project noting that Three Valleys Municipal Water District approved a study plan for investigating the hydrologic connection between Bonanza Springs and the Alluvial Aquifer in Fenner Valley. He noted that he would continue to provide updates to the MWDOC Board.

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.)

No items were presented.

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

President Tamaribuchi inquired as to whether there were any items distributed to the Board less than 72 hours prior to the meeting.

No items were presented.

PRESENTATION/DISCUSSION/INFORMATION ITEMS

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

Director McKenney highlighted MET's Committee activities/discussions, including the Finance and Insurance Committee noting that the main focus of discussion is the biennial budget process. He also highlighted a recent report indicating that 2019 water usage from the Colorado River was low, creating a high storage level in Lake Mead.

Director Ackerman commented on Lake Mead levels, as well as a report MET received from a representative from DWR, outlining DWR's desire to be involved in repairs along the California Aqueduct as it relates to subsidence (the representative outlined both short and long term repair goals).

Director Dick reported on the biennial budget process, as well as the MET/SDCWA litigation. He also highlighted potential surplus property MET holds (and whether the MWDOC Board supports selling the surplus property or would prefer MET hold on to it).

Director Barbre highlighted the biennial budget process.

METROPOLITAN'S 2020 INTEGRATED RESOURCES PLAN (IRP) UPDATE SCHEDULE

Harvey De La Torre (Associate General Manager) provided an overview of the proposed schedule for the IRP 2020 update, noting that the update will embed policy development within the process by utilizing simple broad assumptions to initiate the policy discussions up front, while technical analysis is updated in the background. He also advised that the main objectives of the 2020 IRP update will include an assessment of uncertainties, accessible and explicit technical analyses of demands and climate change, the expansion of the adaptive planning approach, and a public outreach component.

Mr. De La Torre advised that the IRP Committee has proposed an aggressive schedule, that the substantial issues will be review/discussed during the summer months, that there will be a proposal to replace the Stewardship Rate within two years, and that the process will include a review of MET's current rate structure.

Discussion ensued with specific emphasis on MET's assurance of public involvement in the process, the potential for stranded assets, the aggressive schedule outlined (MET is open to allowing more time if necessary), the fact that the UWMP is driving the schedule, the importance of providing input (from Orange County), and the need to identify priority policy issues.

Both Mr. Hunter and Mr. De La Torre advised that the IRP update would be addressed at each Workshop Board meeting during the upcoming months and encouraged all to attend and provide input.

The Board received and filed the report.

PRESENTATION BY METROPOLITAN WATER DISTRICT'S CHIEF FINANCIAL OFFICER KATANO KASAINÉ ON MET'S PROPOSED BIENNIAL BUDGET AND RATES FOR FISCAL YEAR 2020/21 AND 2021/22

Mr. De La Torre introduced Ms. Katano Kasaine, MET's new Chief Financial Officer, to the Board.

Ms. Kasaine provided a brief overview of her background, as well as a brief overview of the proposed biennial budget, noting that with respect to the Delta Conveyance, only planning funding was included in the proposed budget.

She then introduced Mr. Arnout Vanderberg, MET's Interim Budget & Rates Manager, who provided an in-depth look of the proposed biennial budget for FY 2020/21 and 2021/22.

Mr. Vanderberg's presentation included information regarding important underlying assumptions (5% overall rate increases, water transactions of 1.6 MAF, State Water Project allocations of 50%, Colorado River Aqueduct diversions of 900 TAF, CIP budget of \$200 million, and 60% PAYGO amount), expenditure trends (current fiscal year, biennial budget projections, and forecasts through 2030), the O&M expenditure budget, water transactions, projected rate increases and financial metrics, proposed 10-year rates and charges, revenue forecast, State Water Contract forecast costs, Demand Management, and Debt Service.

Mr. Vanderberg outlined the next steps, noting that the Finance & Insurance Committee would hold its third workshop on March 9, 2020, and possibly a fourth on March 24, 2020, as well as a public hearing on March 10, 2020, with anticipated Board action in April.

Considerable discussion ensued regarding debt refinancing, funding for Delta activities, potential costs associated with the Carson Recycling Project, the extension of the State Water Contract, demand management costs, water sales and transactions (under budget) and MET's conservative approach to demand forecasting, and the need to evaluate base load demand (to avoid stranding assets).

Mr. Hunter noted that the IRP process will include an expert panel who will address demand forecasting and develop a demand model.

The Board thanked both Ms. Kasaine and Mr. Vanderberg, and received and filed the report as presented.

WATER SUPPLY CONDITIONS UPDATE

Mr. Harvey De La Torre advised that January and February were fairly dry months, that accumulated precipitation is 55% of normal, and that the Table "A" allocation is currently at 15%.

The Board received and filed the report as presented.

DELTA CONVEYANCE PROJECT ACTIVITIES UPDATE

Legal Counsel Joe Byrne provided an overview of the lawsuits filed challenging the federal Biological Opinions for the operations of the SWP and CVP. He advised he would provide regular updates to the Board.

The Board received and filed the staff report.

MWD ITEMS CRITICAL TO 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 by MET in the Doheny Desalination Project
- f. Orange County Reliability Projects
- g. East Orange County Feeder No. 2
- h. South County Projects

The Board received and filed the report as presented.

METROPOLITAN (MET) BOARD AND COMMITTEE AGENDA DISCUSSION ITEMS

- a. Summary regarding the February MET Board Meeting

- b. Review items of significance for the upcoming MET Board and Committee Agendas

The report was received and filed.

ADJOURNMENT

There being no further business, the meeting adjourned at 10:16 a.m.

Maribeth Goldsby
Board Secretary