“Reflections of Water. This image represents a profound relationship we (all life forms) have with water. We need it and we thrive on it” – Genevieve Fong of Chula Vista, Live WaterSmart photo contest winner.
NOTICE TO THE PUBLIC

BOARD OF DIRECTORS’ AND STANDING COMMITTEES’
REGULAR MEETING
JUNE 22, 2017
BOARD ROOM
WATER AUTHORITY HEADQUARTERS BUILDING
4677 OVERLAND AVENUE, SAN DIEGO, CALIFORNIA

1. **UNIFIED AGENDA**: This unified agenda provides a brief description of each item to be considered by the Board and its Administrative and Finance, Engineering and Operations, Imported Water, Legislation, Conservation and Outreach, and Water Planning Committees. For convenience, the agenda for each of the Committees and for the formal Board meeting are stated separately; however, all agendas shall be considered as a single agenda and any item listed on the agenda of any Committee may be acted upon by the Board. All items on the agenda of any Committee, including information items, may be deliberated and become subject to action by the Board.

2. **DOCUMENTS**: Staff reports and any other public information provided to the Board or Committee before the meeting relating to items on the agenda are available for public review at the San Diego County Water Authority 4677 Overland Avenue San Diego, CA 92123 during normal business hours. Additional documents may be distributed at the meeting. Copies of individual items, including the background information, are available through the Clerk of the Board at (858) 522-6614.

3. **MEETING TIMES**: The morning session of Standing Committees will commence at **9:00 a.m. on June 22, 2017** the afternoon session of Standing Committees may commence at the conclusion of the morning session and earlier than **1:00 p.m.** Please see the meeting schedule. The meeting of the full Board may begin as early as **3:00 p.m.** or as soon thereafter as the last Committee meeting is completed.

4. **ACTION AT COMMITTEE MEETINGS**: Committee meetings are also noticed as meetings of the Board because a quorum of the Board may be present. Members of the Board who are not members of the Committee may participate in the meeting, but only members of the Committee may make, second or vote on any motion or other action of the Committee unless the Board determines to convene for consideration of action on an item or items on the Committee agenda. Items receiving substantive review by a standing committee are generally included on the Consent Calendar for action at the meeting of full Board. Persons interested in an item and wishing to hear the staff report, present oral or written comments, and hear the deliberations should attend the Committee meeting. Closed Sessions also occur at Committee meetings and may not be repeated at the formal Board meeting.

5. **CONSENT CALENDAR**: The agenda contains items listed on a consent calendar which is for matters considered routine or otherwise not requiring further deliberation. A committee or the Board will take action as recommended by one motion. There will be no individual discussion on such items prior to the vote unless an item is removed for discussion. If a member of the public
wishes to talk about a consent calendar item, please notify the Chair before the calendar is called. Persons who wish to be heard on an item are encouraged to speak before the assigned committee.

6. **PUBLIC HEARINGS:** It is not necessary to notify the Chair if a member of the public wishes to speak on items listed on the agenda as public hearings. Public hearings will begin at the time stated in the notice, or as soon thereafter as the matter can be heard. When the Chair opens the hearing, upon invitation of the Chair, step to the podium and begin by giving your name and address for the record. Each speaker has 3 minutes to address the Board.

7. **PUBLIC COMMENT ON MATTERS NOT ON THE AGENDA:** The agenda provides an opportunity for members of the public to address the Committees and Board on matters of interest within the jurisdiction of the Committee or Board that are not listed on the agenda. The Brown Act does not allow any discussion or action by the Board or staff on matters raised during public comment except: 1) to briefly respond to statements made or questions posed; 2) ask a question for clarification; 3) receive and file the matter; 4) if it is within staff's authority, refer it to them for a reply; or, 5) direct that it be placed on a future board agenda for a report or action.

A reasonable amount of time will be allocated by the Chair for public comment. Persons wishing to speak should notify the Chair before the meeting by filling out a "Speaker Request Form" and give it to the secretary. Individual speakers are requested to be as brief as possible and are encouraged to address the appropriate committee who is best able to respond. When the Chair calls, please immediately step to the podium and begin by giving your name and address for the record. Each speaker has 3 minutes to address the Board.

8. **PUBLIC COMMENT ON AGENDA ITEMS:** Persons wishing to speak to an item that is listed on the agenda should notify the Chair before the meeting by filling out a speaker request form and giving it to the secretary. Step to the lectern when asked to do so by the Chair and begin by giving your name and address for the record. Remarks should be limited to three minutes.

9. **INFORMATION ITEMS:** Items are listed on the agenda as information based on staff's judgment. Circumstances or the committee's or Board's judgments may require deliberation or, if necessary, action on these items. Any member of the public with an interest in one of these items should review the background material and request information on the possible action that could be taken.

10. **ASSISTANCE FOR THE DISABLED:** If you are disabled in any way and need accommodation to participate in the Board meeting, please call the Clerk of the Board at (858) 522-6614 for assistance at least three (3) working days prior to the meeting so the necessary arrangements can be made.

11. **RULES GOVERNING MEETINGS:** The Water Authority’s Administrative Code Chapter 2.00 governs conduct of meetings of the Board and the Committees. The Administrative Code is available on line at [www.sdcwa.org](http://www.sdcwa.org) or at the Water Authority Headquarters.
MEETING SCHEDULE

JUNE 22, 2017

MORNING SESSION
Administrative & Finance Committee
Engineering & Operations Committee
Imported Water Committee
9:00 a.m. to 12:00 p.m.
Estimated time: 45 minutes
Estimated time: 40 minutes
Estimated time: 1 hour 25 minutes

LUNCHEON FOR DIRECTORS
12:00 p.m. to 1:00 p.m.

AFTERNOON SESSION
Legislation & Public Outreach Committee
Water Planning Committee
1:00 p.m. to 3:00 p.m.
Estimated time: 1 hour 10 minutes
Estimated time: 40 minutes

FORMAL BOARD MEETING
3:00 p.m.

* Time estimates are for convenience only and do not constitute part of the schedule. The first morning session will commence at 9:00 a.m., and the following morning sessions may start at any time after 9:00 a.m. The first afternoon session will commence at 1:00 p.m., and the following afternoon sessions may start at any time after 1:00 p.m. The Board meeting will start no earlier than 3:00 p.m., or following the conclusion of the last committee meeting.
ADMINISTRATIVE AND FINANCE COMMITTEE

AGENDA FOR

JUNE 22, 2017

Elsa Saxod – Chair
Gary Arant – Vice Chair
Doug Wilson – Vice Chair
Jimmy Ayala
David Cherashore
Gary Croucher
Ed Gallo

Christy Guerin
Matt Hall
Kathleen Coates Hedberg
Tony Heinrichs
Jim Murtland
John Simpson
Ron Watkins

1. Roll call – determination of quorum.

2. Additions to agenda (Government Code Section 54954.2(b)).

3. Public comment – opportunities for members of the public to address the Committee on matters within the Committee’s jurisdiction.

   4-A Directors’ comments.

I. CONSENT CALENDAR

   Staff recommendation: Note and file monthly Treasurer’s Report.
   (Action) Lisa Marie Harris

2. Purchase of Water Authority Business Insurance.
   Staff recommendation: Baldemar Troche
   a) Authorize the General Manager to purchase property insurance from Travelers Property Casualty Company of America in the amount of $140,775, liability insurance from Allied World Assurance Company – CalMutuals JPRIMA in the amount of $330,167, and workers’ compensation from Zenith Insurance Company – CalMutuals JPRIMA in the amount of $276,402 for a total amount of $747,344.
b) Adopt Resolution No. 2017-___ a resolution of the Governing Body of the San Diego County Water Authority authorizing application to the Director of Industrial Relations, State of California for a Certificate of Consent to Self-Insure workers’ compensation liabilities. (Action)

3. Amendment to Agreement for Special Services with Liebert Cassidy Whitmore to increase the contract limit by $120,000 to a total of $390,000. 
   Staff recommendation: Authorize the General Counsel to execute an amendment to the agreement for special labor-related legal services with Liebert Cassidy Whitmore to increase the contract limit by $120,000 from $270,000 to $390,000. (Action)

II. ACTION/DISCUSSION/PRESENTATION

   Staff recommendation: That the Board formally adopt the General Manager’s recommended budget for Fiscal Years 2018 and 2019. Approve adoption of Resolution No. 2017-___, approving the General Manager’s recommended budget for Fiscal Years 2018 and 2019, for operations and capital improvements and appropriating $1,584,127,560 consistent with the approved budget. (Action)

2. Adopt the Water Authority’s rates and charges for calendar year 2018.
   Staff recommendations:
   a) Conduct the Public Hearing;
   b) Adopt Ordinance No. 2017-___ an ordinance of the Board of Directors of the San Diego County Water Authority setting rates and charges for the delivery and supply of water, use of facilities and provision of services;
   c) Adopt Resolution No. 2017-___ a resolution of the Board of Directors of the San Diego County Water Authority continuing the Standby Availability Charge;
   d) Adopt Ordinance No. 2017-___ an ordinance of the Board of Directors of the San Diego County Water Authority amending and restating the System Capacity and Water Treatment Capacity Chargers imposed by the Water Authority pursuant to Section 5.9 of the County Water Authority Act; and
e) Find the actions exempt from CEQA pursuant to Public Resources Code § 21080(b)(8) and authorize the General Manager to file a notice of exemption. (Action)

3. Agreement with Oracle USA, Inc. to renew the Enterprise Resource Planning System software annual maintenance and support agreements. 

   Staff recommendation: Authorize the General Manager to renew the Enterprise Resource Planning System software annual maintenance and support agreements with Oracle USA, Inc., for four fiscal years at a total cost of $899,085. The cost per fiscal year is $214,906 for 2018; $221,353 for 2019; $227,993 for 2020, and $234,833 for 2021. (Action)


   Staff recommendation: Adopt Ordinance No. 2017-___, an ordinance of the board of directors of the San Diego County Water Authority amending chapter 9.00 of the Administrative Code. (Action)

III. INFORMATION


2. Board calendar.

IV. CLOSED SESSION

1. Conference with Legal Counsel – Pending Litigation 

   Government Code §54956.9(d)(1) 

   Name of Case: San Diegans for Open Government v. SDCWA; San Diego Superior Court Case No. 37-2017-00021082-CU-MC-CTL

V. ADJOURNMENT

NOTE: This meeting is called as an Administrative and Finance Committee meeting. Because a quorum of the Board may be present, the meeting is also noticed as a Board meeting. Members of the Board who are not members of the Committee may participate in the meeting pursuant to Section 2.00.060(g) of the Authority Administrative Code (Recodified). All items on the agenda, including information items, may be deliberated and become subject to action. All public documents provided to the committee or Board for this meeting including materials related to an item on this agenda and submitted to the Board of Directors within 72 hours prior to this meeting may be reviewed at the San Diego County Water Authority headquarters located at 4677 Overland Avenue, San Diego, CA 92123 at the reception desk during normal business hours.
Attention: Administrative and Finance Committee

Monthly Treasurer’s Report on Investments and Cash Flow

Purpose
The purpose of the Treasurer’s Report is to provide monthly financial information to the Board of Directors.

Attached for review by the Administrative and Finance Committee and the Board of Directors is the Treasurer’s Report as of May 31, 2017. The reports are formatted to provide information as required by the California Government Code and the San Diego County Water Authority’s Annual Statement of Investment Policy, which was last adopted by the Board on December 8, 2016. A brief description of each report follows:

Portfolio Master Summary: This one-page report summarizes all cash and investments held by the Water Authority.

Portfolio Characteristics: This one-page snapshot shows the Water Authority’s portfolio holdings by type and percentage; the maturity distribution of the portfolio; the portfolio yield for the past twelve months, compared to a rolling average yield of the Board adopted benchmark; the credit quality of the portfolio’s holdings; the cash flow projections for the next six months; and relevant market information.

Chandler Portfolio Summary: This one-page snapshot shows the Chandler Asset portfolio holdings including average duration, coupon, yield and ratings; account summary; top issuers; issuer allocation; maturity distribution; and the managed portfolio yield compared to the benchmark.

Portfolio Details - Investments: This report takes the summary information listed in the Portfolio Master Summary and provides details of active investments.

Activity Summary: This one-page report produces a thirteen-month rolling summary of portfolio investment activity.

The Water Authority’s portfolio is diversified among investment types, with a current concentration toward short-term maturities. This concentration is the result of cash flow needs, as well as the current historic low interest rate environment. The portfolio is comprised of high quality investments, with 73 percent currently invested in AAA rated or AAA/AA+ split-rated securities. In May 2017, the Water Authority’s overall portfolio yield increased slightly from 1.30 percent to 1.32 percent and continues to exceed the investment benchmark of 0.90 percent.
All investments have been made in accordance with the San Diego County Water Authority Statement of Investment Policy. This report provides documentation that the Water Authority has sufficient funds to meet the financial obligations for the next six months. The market value information is provided by Bloomberg L.P. and is as of the report date.

________________________________________
Lisa Marie Harris, Director of Finance/Treasurer
## PORTFOLIO PERCENTAGES

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Permitted By Board Policy</th>
<th>Portfolio Percentage</th>
<th>Book Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Agency Investment Fund (LAIF)</td>
<td>$50 Million</td>
<td>12.15%</td>
<td>$ 40,140,553</td>
</tr>
<tr>
<td>Banker's Acceptances</td>
<td>20%</td>
<td>0.00%</td>
<td>-</td>
</tr>
<tr>
<td>Treasury Securities</td>
<td>15% - Minimum</td>
<td>19.69%</td>
<td>65,040,352</td>
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<td>Agency Securities</td>
<td>85%</td>
<td>38.50%</td>
<td>127,160,207</td>
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<tr>
<td>Supranational Securities</td>
<td>10%</td>
<td>0.00%</td>
<td>-</td>
</tr>
<tr>
<td>Repurchase Agreements</td>
<td>20%</td>
<td>0.00%</td>
<td>-</td>
</tr>
<tr>
<td>Reverse Repurchase Agreements</td>
<td>20%</td>
<td>0.00%</td>
<td>-</td>
</tr>
<tr>
<td>Placement Service Certificates of Deposit</td>
<td>15%</td>
<td>0.00%</td>
<td>-</td>
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<tr>
<td>Negotiable Certificates of Deposit</td>
<td>15%</td>
<td>0.00%</td>
<td>-</td>
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<tr>
<td>Commercial Paper</td>
<td>25%</td>
<td>7.81%</td>
<td>25,783,458</td>
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<tr>
<td>Medium Term Notes/Corporates</td>
<td>30%</td>
<td>9.13%</td>
<td>30,147,043</td>
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<tr>
<td>Municipal Securities</td>
<td>20%</td>
<td>0.00%</td>
<td>-</td>
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<tr>
<td>JPA Pools (CAMP)</td>
<td>25%</td>
<td>12.57%</td>
<td>41,528,902</td>
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<tr>
<td>Money Market Funds</td>
<td>15%</td>
<td>0.15%</td>
<td>502,962</td>
</tr>
<tr>
<td></td>
<td></td>
<td>100.00%</td>
<td>$ 330,303,477</td>
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<tr>
<td>Accrued Interest (unavailable for investing)</td>
<td></td>
<td></td>
<td>20,734</td>
</tr>
<tr>
<td>Checking/Petty Cash/Available Funds (unavailable for investing)</td>
<td></td>
<td></td>
<td>78,890</td>
</tr>
<tr>
<td><strong>Subtotal for Pooled Funds:</strong></td>
<td></td>
<td></td>
<td>$ 330,403,101</td>
</tr>
</tbody>
</table>

### Debt Service Reserve (DSR) Funds Excluded from Portfolio Percentages:

| Trinity Plus - Reserve (GIC) - Series 1998A COPs    | 12,240,775                |

| **Subtotal for Debt Service Reserve Funds (unavailable for CIP expenditures):** | $ 12,240,775 |

### Total Cash and Investments

| Total Cash and Investments                  | $ 342,643,876 |

## PORTFOLIO INFORMATION

| Portfolio Yield to Maturity - 365 Days       | 1.16%          | 5.55%          | 1.32%          |
| Average Term                                | 756            | 1              | 729            |
| Average Days to Maturity (730 Days Maximum) | 387            | 1              | 373            |

* "The weighted average days to maturity of the total portfolio shall not exceed 730 days (two years) to maturity" per Water Authority Investment Policy.

** Pooled Funds include Operating, Pay Go, RSF, Equipment and Stored Water funds.
On May 3rd the FOMC maintained the federal funds to a range of 75-100 basis points. The next meeting is June 14th.

Credit Quality

Pooled Funds

<table>
<thead>
<tr>
<th>Credit Quality</th>
<th>% of Portfolio</th>
</tr>
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<tbody>
<tr>
<td>US Treasury (AAA/AA+)</td>
<td>19.7%</td>
</tr>
<tr>
<td>Agency (AAA/AA+)</td>
<td>38.5%</td>
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<tr>
<td>Other (AAA)*</td>
<td>14.5%</td>
</tr>
<tr>
<td>AA**</td>
<td>14.9%</td>
</tr>
<tr>
<td>A ***</td>
<td>0.6%</td>
</tr>
<tr>
<td>not rated ****</td>
<td>12.2%</td>
</tr>
<tr>
<td>**</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

* Includes money market funds, JPA pools (CAMP) and medium term notes/corporates
** Includes commercial paper and medium-term notes/corporates
*** Includes medium-term notes/corporates; the Water Authority’s Investment Policy does not permit investments with a rating below A-
**** Includes LAIF, which is part of the state investment pool, and is not rated

Projected Cash Flows in Millions *

<table>
<thead>
<tr>
<th>Month End</th>
<th>Investment Maturities</th>
<th>Projected Receipts</th>
<th>Projected Disbursements</th>
<th>Reinvestment/(Use) of Liquid Funds</th>
<th>Projected Cash &amp; Investments</th>
</tr>
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<tbody>
<tr>
<td>May 17</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$330.40</td>
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<tr>
<td>Jun 17</td>
<td>0.00</td>
<td>69.59</td>
<td>66.03</td>
<td>3.56</td>
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<td>Jul 17</td>
<td>0.00</td>
<td>64.77</td>
<td>59.53</td>
<td>5.25</td>
<td>339.21</td>
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<td>Aug 17</td>
<td>5.00</td>
<td>62.69</td>
<td>52.90</td>
<td>14.79</td>
<td>349.00</td>
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<td>Sept 17</td>
<td>5.00</td>
<td>61.42</td>
<td>51.13</td>
<td>15.29</td>
<td>359.29</td>
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<tr>
<td>Oct 17</td>
<td>30.46</td>
<td>70.83</td>
<td>95.44</td>
<td>5.84</td>
<td>334.68</td>
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<td>Nov 17</td>
<td>4.00</td>
<td>60.56</td>
<td>50.78</td>
<td>13.78</td>
<td>344.46</td>
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* Numbers may not foot due to rounding
## Portfolio Management
### Portfolio Details - Investments
#### May 31, 2017

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<tr>
<th>CUSIP</th>
<th>Investment #</th>
<th>Issuer</th>
<th>Average Balance</th>
<th>Purchase Date</th>
<th>Par Value</th>
<th>Market Value</th>
<th>Book Value</th>
<th>Stated Rate</th>
<th>S&amp;P 365</th>
<th>Days to Maturity</th>
<th>Maturity Date</th>
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<tr>
<td></td>
<td>Managed Pool Accounts</td>
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<tr>
<td>CASH35</td>
<td>73</td>
<td>CAMP - OPERATING/POOLED</td>
<td>41,528,901.76</td>
<td>07/01/2016</td>
<td>41,528,901.76</td>
<td>41,528,901.76</td>
<td>41,528,901.76</td>
<td>0.970</td>
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<td>CASH45</td>
<td>4004</td>
<td>CAMP - 2010B BONDS-BABS</td>
<td>0.00</td>
<td>07/01/2016</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.770</td>
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<tr>
<td>CASH43</td>
<td>4001</td>
<td>GOLDMAN - 2010B BONDS-BABS</td>
<td>0.00</td>
<td>07/01/2016</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.310</td>
<td>AAA</td>
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<tr>
<td>CASH11</td>
<td>0002</td>
<td>GOLDMAN - OPERATING/POOLED</td>
<td>502,962.27</td>
<td>07/01/2016</td>
<td>502,962.27</td>
<td>502,962.27</td>
<td>502,962.27</td>
<td>0.660</td>
<td>AAA</td>
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<tr>
<td>CASH13</td>
<td>72</td>
<td>LAIF - OPERATING</td>
<td>40,140,552.69</td>
<td>07/01/2016</td>
<td>40,140,552.69</td>
<td>40,140,552.69</td>
<td>40,140,552.69</td>
<td>0.940</td>
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<td>CASH41</td>
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<td>LAIF - 2010B BONDS-BABS</td>
<td>0.00</td>
<td>07/01/2016</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.730</td>
<td>AAA</td>
<td>0.730</td>
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<tr>
<td>CASH17</td>
<td>204</td>
<td>TRINITY PLUS - 1998A</td>
<td>12,240,775.00</td>
<td>07/01/2016</td>
<td>12,240,775.00</td>
<td>12,240,775.00</td>
<td>12,240,775.00</td>
<td>5.550</td>
<td>AA+</td>
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<tr>
<td>CASH33</td>
<td>208</td>
<td>US BANK MONEY MARKET FUND</td>
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<td>07/01/2016</td>
<td>0.00</td>
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<td>AAA</td>
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<td></td>
<td>Medium Term Notes</td>
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<tr>
<td></td>
<td>Subtotal and Average</td>
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<td>116,035,004.58</td>
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<td>94,413,191.72</td>
<td>94,413,191.72</td>
<td>94,413,191.72</td>
<td>1.549</td>
<td>1</td>
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<tr>
<td></td>
<td>Commercial Paper - Discount</td>
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<tr>
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<td>Subtotal and Average</td>
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<td>29,950,000.00</td>
<td>30,106,400.06</td>
<td>30,153,398.06</td>
<td>1.704</td>
<td>774</td>
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**SDCWA - Fiscal Year 2017**  
**Portfolio Management**  
**Portfolio Details - Investments**  
**May 31, 2017**

<table>
<thead>
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<th>CUSIP</th>
<th>Investment #</th>
<th>Issuer</th>
<th>Average Balance</th>
<th>Purchase Date</th>
<th>Par Value</th>
<th>Market Value</th>
<th>Book Value</th>
<th>Stated Rate</th>
<th>S&amp;P</th>
<th>YTM</th>
<th>Days to Maturity</th>
<th>Maturity Date</th>
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**Treasury Securities - Coupon**

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**Portfolio CWA2**

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### SDCWA - Fiscal Year 2017
### Portfolio Management
### Portfolio Details - Investments

#### May 31, 2017

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**Subtotal and Average**

- 65,040,351.57
- 65,000,000.00
- 64,925,210.00
- 65,040,351.57
- 1.179
- 713

**Total and Average**

- 358,001,540.29
- 341,258,191.72
- 341,503,357.79
- 342,564,985.08
- 1.318
- 373
## Portfolio Details - Cash

**May 31, 2017**

### Portfolio Management

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### Average Balance

- **Passbook/Checking Accounts:** 0.00
- **Total Cash and Investments:** 358,001,540.29

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**Portfolio CWA2**

Run Date: 06/01/2017 - 15:35

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<td>787</td>
<td>351</td>
<td></td>
</tr>
<tr>
<td>February 2017</td>
<td>77</td>
<td>395,798,305.13</td>
<td>1.159 1.175</td>
<td>1.323</td>
<td>0</td>
<td>1</td>
<td>761</td>
<td>321</td>
<td></td>
</tr>
<tr>
<td>March 2017</td>
<td>81</td>
<td>404,602,430.59</td>
<td>1.202 1.219</td>
<td>1.454</td>
<td>5</td>
<td>1</td>
<td>768</td>
<td>319</td>
<td></td>
</tr>
<tr>
<td>April 2017</td>
<td>68</td>
<td>340,922,757.33</td>
<td>1.283 1.300</td>
<td>1.500</td>
<td>2</td>
<td>15</td>
<td>713</td>
<td>375</td>
<td></td>
</tr>
<tr>
<td>May 2017</td>
<td>70</td>
<td>342,564,985.08</td>
<td>1.300 1.318</td>
<td>1.549</td>
<td>3</td>
<td>1</td>
<td>729</td>
<td>373</td>
<td></td>
</tr>
</tbody>
</table>

Average 77 388,931,368.48 1.139% 1.155% 1.284 2 3 773 370
June 14, 2017

Attention: Administrative and Finance Committee

Purchase of Water Authority Business Insurance. (Action)

Staff recommendation
Authorize the General Manager to purchase property insurance from Travelers Property Casualty Company of America in the amount of $140,775, liability insurance from Allied World Assurance Company – CalMutuals JPRIMA in the amount of $330,167, and workers’ compensation from Zenith Insurance Company – CalMutuals JPRIMA in the amount of $276,402 for a total amount of $747,344.

Adopt Resolution No. 2017-____ a resolution of the Governing Body of the San Diego County Water Authority authorizing application to the Director of Industrial Relations, State of California for a Certificate of Consent to Self-Insure workers’ compensation liabilities.

Alternatives
1. Increase the deductible for property insurance from $25,000 to $50,000 and increase the deductible for liability insurance from $75,000 to $100,000. This would result in a reduction of $21,388 in premiums. The total combined premium for all three lines of insurance would be reduced from $747,344 to $725,956.
2. Increase the deductible for property insurance from $25,000 to $75,000 and increase the deductible for liability insurance from $75,000 to $150,000. This would result in a reduction of $28,888 in premiums. The total combined premium for all three lines of insurance would be reduced from $747,344 to $718,456.

Fiscal impact
Funds for the purchase of property, liability, and workers’ compensation insurance for fiscal year 2018 are included in the recommended budget for fiscal years 2018 and 2019.

Background
Workers’ compensation coverage has been provided by Special District Risk Management Authority (SDRMA), a pooled self-insurance program, since July 2011. Property coverage has been provided by Travelers Insurance Company since July 2014. Liability coverage has been provided by Allied World Assurance Company – Alteris since July 2015.

Discussion
The combined premium for property and liability insurance for fiscal year 2018 increased 1.59% ($7,366) when compared to fiscal year 2017 (from $463,576 to $470,942). The slight increase is attributable to market conditions, and our historically low loss record with existing carriers (Travelers Insurance Company and Allied World Assurance Company). A.M. Best rates Allied
World Assurance Company at A XV and Travelers Property Casualty Company of America at A++ XV (A++ = Superior; A= Excellent / XV = $2B + financial size).

Staff marketed workers’ compensation insurance as well as directed its insurance brokerage service provider, Arthur J. Gallagher & Co. Inc., to do the same. Workers’ compensation coverage is statutory in the state of California. This means that the coverage terms and conditions are fairly standardized with no material differences in coverage among the various providers. Staff received quotes from four pooled self-insurance programs, as well as from California’s State Compensation Insurance Fund.

The most competitive quote, $276,402, was provided by California Association of Mutual Water Companies Joint Powers Risk and Insurance Management Authority (CalMutuals JPRIMA), a pooled self-insurance program. Special District Risk Management Authority (SDRMA), another pooled self-insurance program, provided the next competitive quote at $326,661. CalMutuals JPRIMA was established to serve the insurance needs of non-profit water systems and other water-related entities in response to the California’s legislature passage of AB 656 in September 2015.

As a part of obtaining workers’ compensation coverage with the CalMutuals JPRIMA, a resolution authorizing the General Manager to submit an application to the Director of Industrial Relations, State of California, for a Certificate of Consent to Self-Insure workers’ compensation liabilities is required. The three year workers’ compensation commitment is underwritten by Zenith Insurance Company which has an A.M. Best rating of A XV. The Zenith Insurance Company has provided workers’ compensation coverage since 1937, and authorized in California since 1950.

The table below summarizes the cost comparison of all three lines of insurance between fiscal year 2017 and 2018. Compared to fiscal year 2017, the combined fiscal year 2018 total cost for premiums decreased by 2.11 percent. As stated in the two alternative staff recommendations, additional premium savings could be achieved by raising the deductibles for liability and property, however, staff recommends the deductibles in the following table as the appropriate risk to the premium savings.

<table>
<thead>
<tr>
<th>Line of Coverage</th>
<th>Deductible</th>
<th>FY 17</th>
<th>FY 18</th>
<th>Delta FY 17 to FY 18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property</td>
<td>$25,000</td>
<td>$143,191</td>
<td>$140,775</td>
<td>-$2,416</td>
</tr>
<tr>
<td>Liability</td>
<td>$75,000</td>
<td>$320,385</td>
<td>$330,167</td>
<td>$9,782</td>
</tr>
<tr>
<td>Workers’ Comp</td>
<td>$0</td>
<td>$299,907*</td>
<td>$276,402*</td>
<td>-$23,505*</td>
</tr>
<tr>
<td>TOTAL COST</td>
<td></td>
<td>$763,483</td>
<td>$747,344</td>
<td>-$16,139</td>
</tr>
</tbody>
</table>

*Estimated amount. Final cost based on actual payroll.
Staff recommends the purchase of property coverage from Travelers Property Casualty Company of America ($140,775) and liability insurance from Allied World Assurance Company – CalMutuals JPRIMA ($330,167), each at the current deductible; and workers’ compensation coverage from Zenith Insurance Company – CalMutuals JPRIMA in the amount of $276,402.

Prepared by: Baldemar J. Troche, Administrative Services Manager
Reviewed by: Matthew S. Brown, Director of Administrative Services
Approved by: Dennis A. Cushman, Assistant General Manager

Attachments:

1) Resolution No. 2017-__ a resolution of the Governing Body of the San Diego County Water Authority authorizing application to the Director of Industrial Relations, State of California for a Certificate of Consent to Self-Insure workers’ compensation liabilities.

2) Application to the Director of Industrial Relations, State of California for a Certificate of Consent to Self-Insure workers’ compensation
RESOLUTION NO. 2017-

RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN DIEGO COUNTY WATER AUTHORITY AUTHORIZING APPLICATION TO THE DIRECTOR OF INDUSTRIAL RELATIONS, STATE OF CALIFORNIA FOR A CERTIFICATE OF CONSENT TO SELF-INSURE WORKERS COMPENSATION LIABILITIES

WHEREAS, California Association of Mutual Water Companies Joint Powers Risk and Insurance Management Authority was established to serve the insurance needs of non-profit water systems and other water-related entities in response to the California’s legislature passage of AB 656 in September 2015; and

WHEREAS, the Board of Directors desires to self-insured for workers’ compensation benefits through membership in California Association of Mutual Water Companies Joint Powers Risk and Insurance Management Authority.

NOW, THEREFORE, BE IT RESOLVED, the Board of Directors of the San Diego County Water Authority Board resolves the following:

That the General Manager be authorized and is directed to submit an application to the Director of Industrial Relations, State of California, for a Certificate of Consent to Self-Insure workers’ compensation liabilities on behalf of the San Diego County Water Authority, and to execute any all documents required for such application.

PASSED, APPROVED, and ADOPTED this 22nd day of June 2017, by the following vote:

Ayes:

Noes:

Abstain:

Absent:

__________________________________
Jim Madaffer
Vice Chair

ATTEST:

__________________________________
Gary Croucher,
Secretary
I, Melinda Cogle, Clerk of the Board of the San Diego County Water Authority, certify that the vote shown above is correct and this Resolution No. 2017-______ was duly adopted at the meeting of the Board of Directors on the date stated above.

____________________________
Melinda Cogle
Clerk of the Board
APPLICATION FOR CERTIFICATE OF CONSENT
TO SELF-INSURE AS A PUBLIC AGENCY EMPLOYER SELF-INSURER

All questions must be answered. If not applicable, enter “N/A”.

To the Director of the Department of Industrial Relations: The public agency employer identified below submits the following information to obtain a Certificate of Consent to Self-Insure the payment of workers’ compensation under California Labor Code Section 3700.

LEGAL NAME OF APPLICANT (Show exactly as on Charter or other official documents):

___________________________________________________________________________________

Address: ___________________________________________________________________________
City: ___________________________________ State: __________ Zip + 4: __________ - _________

Federal Tax ID # of Group: ____________________

CONTACT - Who Should Correspondence Regarding This Applicant Be Addressed To:

Name: ________________________________________ Title: __________________________

Company Name: ____________________________________________________________________
Address: ___________________________________________________________________________
City: ___________________________________ State: __________ Zip + 4: __________ - _________

Phone: _____________________________ E-Mail: _______________________________________

TYPE OF PUBLIC ENTITY (Check one):

☐ City and/or County  ☐ School District  ☐ Police and/or Fire District  ☐ Hospital District

☐ Joint Powers Authority  ☐ Other (describe): __________________________

TYPE OF APPLICATION (Check one):

☐ New Application  ☐ Reapplication (Merger/Unification)  ☐ Reapplication (Name Change)

☐ Other (describe): _____________________________________________________________

Date Self-Insurance Program will begin: _____________________________________________
CURRENT WORKERS’ COMPENSATION PROGRAM

☐ Currently Insured with State Fund  Policy # ___________________ Expiration Date: ____________
☐ Currently Self Insured, Certificate # ____________________
☐ Other (describe): _________________________________________________________________

CLAIMS ADMINISTRATION

Who will be administering your agency’s workers’ compensation claims? (Check one)

☐ JPA will administer
☐ Third Party Administrator, TPA Certificate # ____________________
☐ Public entity will self-administer ☑ Insurance Carrier will administer

Name of Third Party Administrator:
Name: _____________________________________ Title: _____________________________
Company Name: _________________________________________________________________
Address: ________________________________________________________________________
City: ________________________________ State: __________ Zip + 4: __________ - _________
Phone: _____________________________ E-Mail: ______________________________________

# of claims reporting locations to be used to handle Agency’s claims: ________
Does applicant currently have a California Certificate of Consent to Self-Insure? ☐ Yes ☐ No

If yes, what is the current Certificate Number: ______________

Total Number of Affiliate’s California employees to be covered by Group: _________________

AGENCY EMPLOYER

Current # of Agency Employees: _________ # of Public Safety Employees (police/fire): _________

If school District, # of certificated employees: __________

Will all Agency employees be covered by this self-insurance plan? ☐ Yes ☐ No

If ‘No’, explain who is not covered and how workers’ compensation coverage will be provided to the excluded employees:

________________________________________________________________________________
**JOINT POWERS AUTHORITY**

Will applicant be a member of a JPA for workers’ compensation?

☐ Yes  ☐ No  (If ‘yes’, complete the following)

Effective date of JPA Membership: ____________________ JPA Certificate # _____________________

Name of JPA: __________________________________________________ ______________________

____________________________________________________________________________________

**AGENCY SAFETY PROGRAM**

Does the Agency have a written Injury and Illness Prevention Program (IIPP)?  ☐ Yes  ☐ No

Individual responsible for Agency workplace safety and IIPP program:

Name: _____________________________________ Title: _____________________________________

Company Name: _________________________________________________________________

Address: ________________________________________________________________________

City: ________________________________ State: __________ Zip + 4: __________ - _________

Phone: _____________________________ E-Mail: ______________________________________

____________________________________________________________________________________

**SUPPLEMENTAL COVERAGE**

1.) Will your program be supplemented by any insurance or pooled coverage under a **STANDARD** workers’ compensation insurance policy?  ☐ Yes  ☐ No  (If ‘Yes’, complete the following):

Name of Excess Pool/Carrier: ___________________________________________________________

Policy #: _________________________  Effective Date of Coverage: ____________________________

2.) Will your program be supplemented by any insurance or pooled coverage under a **SPECIFIC EXCESS** workers’ compensation insurance policy?  ☐ Yes  ☐ No  (If ‘Yes’, complete the following):

Name of Excess Pool/Carrier: ___________________________________________________________

Policy #: _________________________  Effective Date of Coverage: ____________________________

Retention Limits: _____________________________________________________________________

3.) Will your program be supplemented by any insurance or pooled coverage under an **AGGREGATE EXCESS** (stop loss) specific excess workers’ compensation insurance policy?  ☐ Yes  ☐ No (If ‘Yes’, complete the following):

Name of Excess Pool/Carrier: ___________________________________________________________

Policy #: _________________________  Effective Date of Coverage: ____________________________

Retention Limits: _____________________________________________________________________
RESOLUTION FROM GOVERNING BOARD

Attach a properly executed Governing Board Resolution. See attached sample resolution on page 5.

CERTIFICATION

The undersigned on behalf of the applicant hereby applies for a Certificate of Consent to Self-Insure the payment of workers’ compensation liabilities pursuant to Labor Code Section 3700. The above information is submitted for the purpose of procuring said Certificate from the Director of Industrial Relations, State of California. If the Certificate is issued, the applicant agrees to comply with applicable California statutes and regulations pertaining to the payment of compensation that may become due to the applicant’s employees covered by the Certificate.

X ___________________________________ DATE: ________________________________
SIGNED: Authorized Official / Representative

Printed Name

Title

Agency Name
RESOLUTION NO.: __________ DATED: __________________________

A RESOLUTION AUTHORIZING APPLICATION
TO THE DIRECTOR OF INDUSTRIAL RELATIONS, STATE OF CALIFORNIA
FOR A CERTIFICATE OF CONSENT TO SELF-INSURE
WORKERS’ COMPENSATION LIABILITIES

At a meeting of the ____________________________________________________
(Enter Name of the Board)

of the ________________________________________________________________
(Enter Name of Public Agency, District, Etc.)

a ______________________________________ organized and existing under the
(Enter Type of Agency, i.e., County, City, School District, etc.)

laws of the State of California, held on the _______ day of ______________, 20___,

the following resolution was adopted:

RESOLVED, that the above named public agency is authorized and empowered to
make application to the Director of Industrial Relations, State of California, for a
Certificate of Consent to Self-Insure workers’ compensation liabilities and
representatives of Agency are authorized to execute any and all documents
required for such application.

IN WITNESS WHEREOF: I HAVE SIGNED AND AFFIXED THE AGENCY SEAL.

_____________________________________________ DATE: __________________________
SIGNED: Board Secretary or Chair

______________________________________________
Printed Name

______________________________________________
Title

______________________________________________
Agency Name

Affix Seal Here
June 14, 2017

Attention: Administrative and Finance Committee

Amendment to Agreement for Special Services with Liebert Cassidy Whitmore to increase the contract limit by $120,000 to a total of $390,000 (Action)

Staff recommendation
Authorize the General Counsel to execute an amendment to the agreement for special labor-related legal services with Liebert Cassidy Whitmore to increase the contract limit by $120,000 from $270,000 to $390,000.

Alternatives
Do not authorize the amendment or authorize the amendment for a different amount.

Fiscal Impact
There is $20,000 remaining in the current Board approved budget and $100,000 is recommended in FYs 18&19 budget.

Background
Liebert Cassidy Whitmore is a leading public sector labor and employment law firm and has provided specialized labor-related services to the Water Authority for many years, including representation in labor negotiations and disciplinary arbitrations. The current agreement for special services was executed in 2009. In 2014, the Board approved an increase in the contract limit up to $220,000, and in 2016, approved an increase to $270,000.

Discussion
Liebert Cassidy Whitmore provides specialized labor and employment law services to the Water Authority, including representation in labor negotiations and disciplinary arbitrations. Day-to-day legal advice and counsel is provided by the General Counsel. Staff is recommending an increase of $120,000 over two years in the contract limit, to a not-to-exceed amount of $390,000 to cover the anticipated needs for specialized services through FY 19, including disciplinary actions, labor relations, and other personnel issues. The proposed General Manager’s budget includes this requested increase.

Prepared by: Mark J. Hattam, General Counsel
Approved by: Maureen A. Stapleton, General Manager
June 14, 2017

Attention: Administrative and Finance Committee

General Manager’s Recommended Budget for Fiscal Years 2018 and 2019. (Action)

Staff recommendation
Staff recommends that the Board formally adopt the General Manager’s Recommended Budget for Fiscal Years 2018 and 2019.

Approve adoption of Resolution No. 2017-____, a Resolution of the Board of Directors of the San Diego County Water Authority approving the General Manager’s Recommended Budget for Fiscal Years 2018 and 2019, for operations and capital improvements and appropriating $1,584,127,560 consistent with the approved budget.

Alternative
The Committee and the Board may modify the Recommended Budget prior to adoption of the Budget Resolution.

Fiscal Impact
Distributed to the Board on May 25, 2017, the General Manager’s Recommended Budget for Fiscal Years 2018 and 2019 included an appropriation of $1,584,127,560. This is allocated amongst the following categories: Water Purchases and Treatment, $1.03 billion; Capital Improvement Program (CIP), $118.62 million; Debt Service, $280.94 million; Quantification Settlement Agreement (QSA) Mitigation, $18.8 million; Operating Departments, $103.2 million; Equipment Replacement, $4.8 million; Grant Expenditures, $27.1 million; and Other Expenditures, $1.0 million.

With the proposed increase in rates and charges being considered at the Public Hearing on June 22, adequate revenues and funding sources are anticipated to be available to meet the budgetary needs for Fiscal Years 2018 and 2019.

Background
The General Manager delivered to the Board and introduced the Recommended Budget to the Administrative and Finance Committee on May 25, 2017. The presentation provided highlights on the accomplishments for the past two-year budget period, the factors impacting the development of the budget, an overview of the budget, and the format for the upcoming budget workshops.

The General Manager’s Recommended Budget for Fiscal Years 2018 and 2019 is a reflection of the Water Authority’s commitment to continued leadership on water issues statewide, upholding the public trust with our member agencies and community stakeholders, and maintaining operational excellence of the region’s large-scale water infrastructure. The recommended budget expands our resources to achieve goals in the 2017-2021 Business Plan and align with Board-adopted fiscal sustainability policies.
Discussion
On June 6 and 8, 2017, the Administrative and Finance Committee considered and discussed the Fiscal Years 2018 and 2019 Recommended Budget. On the first day of budget hearings, presentations on key assumptions utilized to develop the budget were provided on the Water Authority’s cost of water, debt service, asset management, and capital improvement program. In addition, an overview of assumptions for operating departments was provided. Directors asked a variety of clarifying questions on cost of water and capital improvement which staff responded to.

On the second day of budget hearings, presentations were provided on the operating departments, cyber security, equipment replacement, and grants. Additionally, staff provided responses to questions received after the first budget hearing on Tuesday.

Following approval of the Budget at the June Board meeting, staff will distribute the final document to the Board by the end of September 2017.

Prepared by: Liana M. Whyte, Budget and Analysis Manager
Reviewed by: Lisa Marie Harris, Director of Finance/Treasurer
Reviewed by: Sandra L. Kerl, Deputy General Manager
Approved by: Maureen A. Stapleton, General Manager

Attachments: Resolution No. 2017-____ Resolution of the Board of Directors of the San Diego County Water Authority Approving the General Manager’s Recommended Budget for Fiscal Years 2018 and 2019 for Operations and Capital Improvements and Appropriating $1,584,127,560 consistent with the Approved Budget.
RESOLUTION NO. 2017-_____  

RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN DIEGO COUNTY WATER AUTHORITY APPROVING THE GENERAL MANAGER’S RECOMMENDED BUDGET FOR FISCAL YEARS 2018 AND 2019 FOR OPERATIONS AND CAPITAL IMPROVEMENTS AND APPROPRIATING $1,584,127,560 CONSISTENT WITH THE APPROVED BUDGET

WHEREAS, in accordance with section 2.04.050 of the Administrative Code, the General Manager has prepared, presented, and submitted the General Manager’s Recommended Multi-Year Budget for Fiscal Years 2018 and 2019, a copy of which is on file in the Office of the Clerk of the Board (“Recommended Budget”);

WHEREAS, the Administrative and Finance Committee reviewed and considered the Recommended Budget during publicly noticed meetings on May 25, June 6, 8, and 22, 2017; and

WHEREAS, based on its review of the recommended budget and the presentations and discussions at its meetings the Administrative and Finance Committee has recommended approval of the Recommended Budget, including recommended operational program additions and modifications, new and revised project budgets within the Capital Improvement Program, and implementation of previously approved compensation plans and employment agreements; and

WHEREAS, the Administrative and Finance Committee also recommended appropriating $1,584,127,560 consistent with the approved budget; and

WHEREAS, on June 22, 2017 the Board of Directors considered the General Manager’s Recommended Budget for Fiscal Years 2018 and 2019 and the report and recommendation of the Administrative and Finance Committee;

NOW, THEREFORE, the Board of Directors of the San Diego County Water Authority resolves as follows:

1. The Recommended Budget is approved as the bi-annual budget for Fiscal Years 2018 and 2019.

2. The total amount of $1,584,127,560 is hereby appropriated for the purposes and in the amounts specified in Exhibit A. Expenditures of appropriated funds shall be consistent with the Recommended Budget. Except as provided in this Resolution, no increases or decreases to the budget shall occur except upon prior approval by the Board of Directors.

3. The General Manager has the authority within the Operating Fund balance to make adjustments to employee salaries and benefits. Such adjustments must be consistent with this resolution, the salary schedules, compensation plans and employment agreements in effect on
the date of this resolution, and salary schedules, compensation plans, and employment agreements effective after the date of this resolution as approved by the board for represented or unrepresented employees. The General Manager may make and implement further amendments to the Classification and Salary Schedule in accordance with the Administrative Code and other rules and regulations governing the personnel system, provided such adjustments are consistent with the budget controls contained in paragraph 4.

4. The following controls are hereby placed on the use and transfers of the appropriated and budgeted funds:

   a. The General Manager is responsible for keeping expenditures within the approved appropriations and budgeted allocations for positions, salaries and benefits, and operational expenditures and may adopt budget policies as necessary to carry out that responsibility. No expenditure of funds shall be authorized unless sufficient funds have been appropriated by the Board or General Manager as described herein.

   b. Subject to paragraph d, the General Manager may exercise discretion in administration of the Operating Budget to respond to changed circumstances, provided that any modification in excess of $150,000 requires approval by the Board.

   c. Subject to paragraph d, the General Manager may exercise discretion in administration of the Capital Budget to respond to changed circumstances, provided that total expenditures for all CIP projects, in the two fiscal years do not exceed the total appropriations for the Capital Improvement Program in the budget approved in paragraph 1. Addition or deletion of a project or increase in excess of $150,000 to a project budget within the Capital Improvement Program requires approval by the Board. Inclusion of a project in the Capital Improvement Program Budget for planning and environmental review purposes shall not be construed as an irrevocable commitment to the project or implementation. A project shall be subject to revision or deletion from the Capital Improvement Program as necessary to comply with the California Environmental Quality Act. No appropriation under this resolution for a capital project that provides new or expanded service shall be spent for activities other than exempt planning, feasibility, environmental review and other similar purposes until the Board certifies or approves the environmental review document for the project.

   d. Increases in the appropriation amount of $1,584,127,560 shall not be effective unless approved by the Board. Addition of personnel positions above the level identified in the budget as approved in paragraph 1 shall not be effective unless approved by the Board. The General Manager may authorize the hiring of temporary or part-time staff as necessary, within the limits imposed by the available expenditure amounts designated in the budget as approved in paragraph 1. This paragraph shall not be construed as a limitation on reclassification or reassignment of positions or other administration of the personnel system consistent with paragraph 3.
e. The General Manager is authorized, subject only to the total appropriation, to exceed the expenditure amount designated for water purchases in the budget as approved in paragraph 1 in order to meet the water demands of the Water Authority.

PASSED, APPROVED AND ADOPTED, this 22nd day of June 2017.

AYES: Unless noted below, all Directors voted aye.

NOES:

ABSTAIN:

ABSENT:

Jim Madaffer, Vice Chair

ATTEST:

Gary Croucher, Secretary

I, Melinda Cogle, Clerk of the Board of the San Diego County Water Authority, certify that the vote shown above is correct and this Resolution No. 2017-_____ was duly adopted at the meeting of the Board of Directors on the date stated above.

Melinda Cogle
Clerk of the Board
June 14, 2017

Attention: Administrative and Finance Committee

Adopt the Water Authority’s rates and charges for calendar year 2018. (Action)

Purpose
To establish rates and charges sufficient to meet the Water Authority’s revenue requirements in conformance with state law and board policies.

Staff recommendation
a. Conduct the Public Hearing;

b. Adopt Ordinance No. 2017-__ an ordinance of the Board of Directors of the San Diego County Water Authority setting rates and charges for the delivery and supply of water, use of facilities, and provision of services;

c. Adopt Resolution No. 2017-__ a resolution of the Board of Directors of the San Diego County Water Authority continuing the Standby Availability Charge;

d. Adopt Ordinance No. 2017-__ an ordinance of the Board of Directors of the San Diego County Water Authority amending and restating the System Capacity and Water Treatment Capacity Charges imposed by the Water Authority pursuant to Section 5.9 of the County Water Authority Act;

e. Find the actions exempt from CEQA pursuant to Public Resources Code § 21080(b)(8) and authorize the General Manager to file a notice of exemption.

Alternative
Direct staff to set a different time or date for the public hearing.

Fiscal Impact
The proposed water rates and charges, in combination with reserves, existing taxes, the System Capacity Charge, the Water Treatment Capacity Charge, the Infrastructure Access Charge (IAC), investment income, and the Standby Availability Charge are expected to raise revenues sufficient to meet the Water Authority’s revenue requirement, bond covenants and other key fiscal policy goals. The proposed M&I total cost of water increase for CY 2018 is $47/AF or 3.7% for untreated water and $57/AF or 3.7% for treated water. These increases are mitigated by rate relief measures that included debt refundings during the current budget period that have saved $78.3 million on a present value basis over the lifetime of the refunded bonds, and a projected draw of approximately $5 million from the Rate Stabilization Fund (RSF) in FY 2018.

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1 The total cost of water includes the Melded Supply, Melded Treatment and Transportation Rates and the fixed Customer Service, Storage and Supply Reliability Charges expressed as a $/AF cost. The total cost of water excludes the Water Authority’s IAC and MWD’s RTS and Capacity Charges.
Background
At the May 25, 2017 Board meeting, staff provided a report on the proposed CY 2018 rates and charges, as well as a draft of Carollo’s independent cost of service study. The report not only provided the proposed CY 2018 rates and charges but also discussed the primary drivers behind the proposed increases. The key rate and charge drivers identified in the board report are MWD’s supply and transportation rate increases, increased QSA water deliveries, and the reduced water sales environment. The Board memo associated with the report is provided as Attachment A.

Previous Board Actions
On May 25, 2017, the Board received the detailed staff report and Carollo’s draft cost of service study recommending the proposed CY 2018 rates and charges, and adopted Resolution 2017-09 setting the time and place for the public hearing on June 22, 2017 to receive comments on the proposed rates and charges.

Discussion
The June 22, 2017 Administrative and Finance Committee meeting has been scheduled as the time, date, and place to receive public comments regarding proposed rates and charges, including the information presented in connection with the May 25, 2017 meeting and the additional information provided in this memorandum, and any other matters pertinent to the Board’s setting of rates and charges. In addition, upon the Board’s May action, the Cost of Service Report from Carollo Engineers was finalized and is provided as Attachment B.

The proposed actions are exempt from CEQA as provided by statute under Public Resources Code §21080(b)(8). This Statutory Exemption is stipulated for actions involving the establishment of water rates, tolls, fares, or other charges for the purpose of meeting operating expenses, including employee wages and benefits; purchasing or leasing supplies, equipment, or materials; meeting financial reserve needs and requirements; or obtaining funds for capital projects within existing service areas. The General Manager is therefore authorized to file a Notice of Exemption pursuant to Public Resources Code §21152(b) and §15061(d) of the State CEQA Guidelines (Title 14, Chapter 3, California Code of Regulations).

The Water Authority has complied with the procedural requirements for continuing the Standby Availability Charge and increasing its rates and charges for water and other services. After consideration of public comments at the Public Hearing on June 22, 2017, the staff recommends that the Board adopt the ordinance setting the water rates and charges for CY 2018.

Prepared by: David G. Shank, Financial Planning Manager
Reviewed by: Lisa Marie Harris, Director of Finance/Treasurer
Approved by: Sandra L. Kerl, Deputy General Manager
Attachments:

A. May 17, 2017 Board Memo on setting the public hearing for proposed CY 2018 rates and charges
B. Carollo Engineers’ Cost of Service Study dated May 2017
C. Ordinance No. 2017-__ an ordinance of the Board of Directors of the San Diego County Water Authority setting rates and charges for the delivery and supply of water, use of facilities, and provision of services.
D. Resolution No. 2017-__ a resolution of the Board of Directors of the San Diego County Water Authority continuing the Standby Availability Charge.
E. Ordinance No. 2017-__ an ordinance of the Board of Directors of the San Diego County Water Authority amending and restating the System Capacity and Water Treatment Capacity Charges imposed by the Water Authority pursuant to Section 5.9 of the County Water Authority Act;
May 17, 2017

Attention: Administrative and Finance Committee

Resolution setting a Public Hearing date for the Water Authority’s proposed calendar year 2018 Rate and Charge increases (Action)

Purpose
The purpose of this report is to review the proposed rates and charges for calendar year 2018 and to adopt a resolution setting a time and place for a public hearing for the consideration and adoption of the proposed rate and charge increases for water, services and facilities.

Staff recommendation
1. Adopt Resolution Number 2017-__ setting the time and place for a public hearing on June 22, 2017, at or after 9:00 a.m., or as soon thereafter as may practicably be heard, during the Administrative and Finance Committee meeting, to receive comments regarding proposed rates and charges to be effective January 1, 2018.

Alternative
Direct staff to set a different time or date for the public hearing.

Fiscal Impact
The proposed water rates and charges, in combination with reserves, existing taxes, the System Capacity Charge, the Water Treatment Capacity Charge, the Infrastructure Access Charge (IAC), investment income, the Standby Availability Charge, and the Supply Reliability Charge (SRC), are expected to raise revenues sufficient to meet the Water Authority’s revenue requirement, bond covenants and other key fiscal policy goals. The proposed M&I total cost of water\(^1\) increase for CY 2018 is $47/AF or 3.7% for untreated water and $57/AF or 3.7% for treated water. These increases are mitigated by rate relief measures that included debt refundings during the current budget period that have saved $78.3 million on a present value basis over the lifetime of the refunded bonds, and a projected draw of approximately $5 million from the Rate Stabilization Fund (RSF) in FY 2018.

Background
**Metropolitan Water Rate Increases**
On April 12, 2016, MWD’s Board of Directors adopted rate and charge increases for calendar years 2017 and 2018 resulting in a reported 4% annual “average” rate increase in each year. Based upon MWD’s adopted rate and charge schedule, the cost of treated and untreated water in CY 2018 will increase by 3.7% and 4.4%, respectively (this excludes the impact of MWD’s fixed charges). While

\(^{1}\) The total cost of water includes the Melded Supply, Melded Treatment and Transportation Rates and the fixed Customer Service, Storage and Supply Reliability Charges expressed as a $/AF cost. The total cost of water excludes the Water Authority’s IAC and MWD’s RTS and Capacity Charges.
Administrative and Finance Committee
May 17, 2017
Page 2 of 12

the overall cost of MWD supplies increased 4%, the costs of transporting the Quantification Settle Agreement (QSA) water to the region will increase by 4.5% in CY 2018.

Prudent Financial Management and Long-Range Planning
The Water Authority has a long history of prudent financial planning. In 2006, the Board strengthened the Water Authority’s key financial ratios by setting a Senior Lien Debt Service Coverage Ratio (DSCR) target of 1.50x and establishing a target funding level for the RSF that better protects the Water Authority against the financial impact of 2.5 years of wet weather (3.5 years max). These early actions reduced rate and charge volatility, increased protection against wet weather and mandatory water use restrictions, created a transparent and flexible RSF framework, and increased cash funding of the CIP just prior to the great recession of 2008. These early actions helped the Water Authority navigate the recession and continue to support the maintenance of the Water Authority’s AAA/Aa2/AA+ credit ratings and access to lower interest rates.

In 2014, the Board, member agencies and Water Authority staff engaged in an 18-month collaborative process that identified issues related to the long-term fiscal sustainability of the Water Authority. Central to this effort was a detailed review of the Water Authority’s revenue structure and evaluating potential enhancements that would further strengthen the Water Authority’s future fiscal health. One of the key actions taken as part of the fiscal sustainability review was the creation of the Supply Reliability Charge (SRC). This charge, implemented in CY 2016, recognizes the importance of equitably recovering the cost of the Water Authority’s investments in long-term water supply reliability in accordance with cost of service principals and California law. As adopted by the Board, the SRC recovers a portion of the water supply costs associated with the Carlsbad Desalination Plant (the Plant) and the Imperial Irrigation District’s (IID) water transfers. In addition to recovering a proportionate share of the cost of water supply reliability, the SRC also helps to reduce water sales revenue volatility by increasing the amount of fixed revenues.

In January 2016, the Board adopted the 2015 Long-Range Financing Plan (LRFP). The 2015 LRFP highlights the Water Authority’s transition to an operations and asset management focused agency from a construction oriented agency. The baseline $582 million ten-year CIP is a much more modest spending level when compared to the 2008 LRFP. The largest component of the CIP is Asset Management, which makes up more than 40% of the ten-year CIP. The Asset Management program includes the Relining and Pipe Replacement Program and other infrastructure rehabilitation.

The Water Authority’s 2015 LRFP requires the revenues of the Water Authority be sufficient to; pay operating expenses, provide for maintenance and repair of facilities, provide for payment of principal and interest on debt, and provide reasonable reserves consistent with bond covenants and sound fiscal management. As a public agency enterprise, the Water Authority does not generate a profit. Revenues are set to meet the reasonably anticipated costs of providing service to the member agencies and do not generate revenues that are unrelated to the accomplishment of the Water Authority’s purposes. While there are a large number of assumptions embedded in the 2015 LRFP, the core assumptions are those that have significant financial impacts and include water
sales, local supplies, cost of imported water and transportation and the CIP. These assumptions are incorporated into the high and low rate and charge guidance provided in the document.

**Comprehensive Cost of Service Reviews**
Consistent with best management practices, the Water Authority retained Carollo to perform four independent comprehensive cost of service studies. The first engagement with Carollo included a comprehensive cost of service study to determine the Water Authority’s CY 2014 rates and charges. The second engagement with Carollo included a comprehensive cost of service study to ensure proper implementation of the Board policies for the recovery of the costs related to the Carlsbad Desalination Project and setting CY 2015 rates and charges. The third Carollo engagement was the comprehensive cost of service study to ensure the proper implementation of the Fiscal Sustainability policy recommendations and the setting of CY 2016 rates and charges. The fourth and final Carollo engagement was to ensure the proper implementation of the updated annexation and capacity charges, as well as the setting of the CY 2018 rates and charges.

In each of these engagements, Carollo independently verified that the rates and charges were established in compliance with California legal requirements, cost of service standards, and Water Authority Board policies.

**Special Agricultural Water Rate Program**
On March 26, 2015, the Board approved the extension of the TSAWR program through December 31, 2020 based on the recommendation to continue the TSAWR program for the next five years and revisit the value of the program in conjunction with the review of the new Supply Reliability Charge. The recommendation recognized: 1) the benefits the M&I customers have been paying for by supporting the TSAWR program occur during supply shortages; 2) the new Supply Reliability Charge allocation methodology is impacted by the treatment of agricultural water demands; and 3) addressing the issue in one year increments is not efficient and doesn’t provide a sufficient planning window for customers. The five-year period will also provide a track record to ascertain what the frequency of shortage cutbacks would be over an extended time period (since the 2009 cutbacks) and allow for a better understanding of the cost and benefits of the program.

**Annexation Fees**
The current annexation fee structure includes two components; the Administrative Fee and the Annexation Fee. The Administrative Fee, which was last adjusted in 1983, is a flat $3,000 charge per annexation application intended to recover the Water Authority’s administrative costs associated with processing an annexation. The Annexation Fee is currently $2,929/Acre of land annexed and recovers the cost of the existing system capacity. System and Treatment Capacity charges for meters that serve the annexed land receive a credit for any Annexation Fee paid. To streamline the administration of the annexation process and reduce member agency administrative activities, the Annexation Fee will be discontinued and the Administrative Fee replaced by the Annexation Application Fee. While the former Administrative Fee will increase from the $3,000 set in 1983 to an updated $10,340 Annexation Application Fee. Under the new system, persons seeking annexation do not pay an Annexation Fee ($2,929/per acre) as they would have under the prior system. In the past, the Annexation Fee generally resulted in a majority of fees being collected at the time the annexation was approved. Now, the cost of the
Water Authority’s existing system capacity will only be recovered via the System and Treatment Capacity Charges when meter charges are imposed.

A task by task based cost of service analysis was conducted and the administrative costs associated with processing an annexation application was on average $10,340. Therefore, the proposed Annexation Application Fee is $10,340 per application. The proposed fee is expected to fully recover the Water Authority’s costs associated with processing an annexation application and is a non-refundable fee paid when the application is filed with the Water Authority. The Water Authority’s Annexation Policy Guidelines will be updated at the July Board meeting.

Previous Board Actions
On June 23, 2016, the Board Adopted Ordinance No. 2016-02 setting rates and charges for the delivery and supply of water, use of facilities, and provision of services; adopted Resolution No. 2016-08 continuing the Standby Availability Charge.

Discussion
There are three primary drivers behind the recommended CY 2018 rate and charge increases. The drivers are:

- **MWD rate and charge increases** – While MWD’s rates and charges are reported to be going up an average of 4%, the cost of untreated water increased 4.4% or $29/AF and the cost to transport QSA water to the service area went up 4.5% or $21/AF. Combined MWD’s CY 2018 rates increased the Water Authority’s untreated cost of water by approximately 2.1%

- **Increase in QSA water deliveries** – Starting in CY 2018, the IID water transfer deliveries will begin the final ramp up from 100,000 AF to 200,000 AF. In CY 2018, the IID water transfer deliveries will increase 30,000 AF. The increased level of deliveries results in an increase of the total cost of water.

- **Reduced water sales environment** – The CY 2018 water sales projection is for sales to have a modest 4.3% increase over CY 2017 levels. Demand is expected to remain flat over the near term due to the long-term impact of the emergency water use regulations and member agency local supply and development will mitigate any near term rebound in water demand.

The recommended CY 2018 rate and charge increase is being mitigated by a projected $5M draw from the RSF in FY 2018, which is approximately $13/AF of rate relief. The draw is offsetting both the impact of a continued reduced sales environment and cost impact of increased QSA deliveries. Additional rate relief is also being realized from the debt refundings executed during the current budget cycle that have reduced debt service payments by $78.3 million on a present value basis over the life of the refinanced bonds.

As part of the 2015 LRFP, staff developed a high/low rate and charge forecast to support member agency financial planning efforts. The high/low rate and charge forecasts were based upon scenarios varying the level of water sales, MWD rate and charge increases, and CIP
expenditures. The rate guidance assumed a resolution of the MWD lawsuit and a MWD rate restructuring in CY 2018. Given a decision on the lawsuit is still pending, the rate guidance has been modified to assume a resolution of the lawsuit and rate restructuring in CY 2019. The CY 2018 proposed rates and charges are within that guidance. The Water Authority’s total cost of untreated water is increasing by 3.7% and the cost for treated water is increasing by 3.7%. It should be noted that the actual cost of water will vary by member agency based upon each agency’s fixed charge allocations.

Setting Water Rates and Charges
On an annual basis, the Water Authority staff develops proposed water rates and charges, which it presents to the Board of Directors for adoption. Water rates and charges include the Melded Supply, Melded Treatment, Transportation rates and the Customer Service, Storage and Supply Reliability charges. Each year the Water Authority undertakes the following cost of service analysis to determine water rates and charges.

- Step 1. Establish the revenue requirement—determine the total amount of revenue needed to recover the Water Authority’s annual operating (operations and maintenance of facilities, cost of water, treatment costs, etc.) and capital expenditures (cash and short and long-term debt)
- Step 2. Allocate the revenue requirement and offsetting non-commodity revenues (i.e. investment income, property tax, IAC, etc.) to rate categories (Melded Supply, Melded Treatment, Transportation, Storage, Customer Service and SRC) to determine the net revenue requirement for each rate category
- Step 3. Determine rates and charges based upon the net revenue requirements, water sales projections and other key financial management metrics (i.e. senior lien debt service coverage, fund deposits and withdrawals)
- Step 4. Allocate fixed charges (Storage, Customer Service and SRC) to member agencies based on specified allocation methodologies

Consistent with best management practices, the Water Authority retained Carollo to perform a comprehensive and independent Cost of Service Study to determine CY 2018 rates and charges to ensure that they are set in compliance with California legal requirements, cost of service standards, and Water Authority Board policies. The Carollo report is provided as Attachment B.

Description of Proposed Rates and Charges
Table 1 summarizes the Water Authority’s proposed CY 2018 rates and charges. A description of the Water Authority’s rates and charges is provided in subsequent sections. In addition to the Water Authority’s rates and charges shown in Table 1, certain MWD rates and charges are passed through to the member agencies.
Table 1 – Summary of Water Authority Rates and Charges

<table>
<thead>
<tr>
<th>Water Authority Rates and Charges</th>
<th>CY 2016 Previous</th>
<th>CY 2017 Current</th>
<th>CY 2018 Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Melded Supply Rate ($/AF)</td>
<td>$780</td>
<td>$855</td>
<td>$894</td>
</tr>
<tr>
<td>Melded Treatment Rate ($/AF)</td>
<td>$280</td>
<td>$290</td>
<td>$300</td>
</tr>
<tr>
<td>Transportation Rate ($/AF)</td>
<td>$105</td>
<td>$110</td>
<td>$115</td>
</tr>
<tr>
<td>Untreated Transitional Special Agricultural Water Rate ($/AF)¹</td>
<td>$594</td>
<td>$666</td>
<td>$695</td>
</tr>
<tr>
<td>Treated Transitional Special Agricultural Water Rate ($/AF)¹</td>
<td>$874</td>
<td>$956</td>
<td>$995</td>
</tr>
<tr>
<td>Infrastructure Access Charge</td>
<td>$2.76/ME⁴</td>
<td>$2.87/ME</td>
<td>$3.01/ME</td>
</tr>
<tr>
<td>Customer Service Charge</td>
<td>$26,400,000</td>
<td>$26,400,000</td>
<td>$26,400,000</td>
</tr>
<tr>
<td>Storage Charge</td>
<td>$63,200,000</td>
<td>$65,000,000</td>
<td>$65,000,000</td>
</tr>
<tr>
<td>Supply Reliability Charge²</td>
<td>$26,000,000</td>
<td>$24,800,000</td>
<td>$28,600,000</td>
</tr>
<tr>
<td>Standby Availability Charge per parcel or acre, whichever is greater³</td>
<td>$10</td>
<td>$10</td>
<td>$10</td>
</tr>
<tr>
<td>System Capacity Charge</td>
<td>$4,840/ME</td>
<td>$5,029/ME</td>
<td>$5,099/ME</td>
</tr>
<tr>
<td>Treatment Capacity Charge</td>
<td>$123/ME</td>
<td>$128/ME</td>
<td>$141/ME</td>
</tr>
<tr>
<td>Annexation Application Fee (Per Application)⁵</td>
<td>$3,000</td>
<td>$3,000</td>
<td>$10,340</td>
</tr>
</tbody>
</table>

¹ Per current Board Policy, TSAWR is set to end December 31, 2020.
² The Supply Reliability Charge was effective January 1, 2016.
³ Fiscal Year Charge.
⁴ ME means meter equivalent as defined in the resolution establishing the Infrastructure Access Charge.
⁵ New fee is effective July 1, 2017.

Table 2 summarizes MWD’s rates and charges that the Water Authority passes through to its member agencies.

Table 2 – Summary of Water Authority Pass Through Rates and Charges

<table>
<thead>
<tr>
<th>MWD Rates and Charges</th>
<th>CY 2016 Previous</th>
<th>CY 2017 Current</th>
<th>CY 2018 Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Untreated Tier 2 Supply Rate $/AF¹</td>
<td>$728</td>
<td>$760</td>
<td>$781</td>
</tr>
<tr>
<td>Replenishment Water Rate Untreated ($/AF)²</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Replenishment Water Rate Treated ($/AF)²</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>MWD Capacity Charge</td>
<td>$12,406,380</td>
<td>$9,105,600</td>
<td>$9,902,340</td>
</tr>
<tr>
<td>Readiness-to-Serve Charge³</td>
<td>$22,145,912</td>
<td>$18,623,577</td>
<td>$16,291,858</td>
</tr>
</tbody>
</table>

¹ Agencies exceeding their Tier 1 allocation are subject to the MWD Tier 2 Supply Rate.
² Discussions on the future of the replenishment program are continuing.
³ Fiscal Year Charge.
The following rates and charges will be effective July 1, 2017:

**Standby Availability Charge.** The County Water Authority Act limits the maximum annual Standby Availability Charge to $10 per acre or parcel, whichever is greater. Beginning before November 6, 1996, the Water Authority has determined that the maximum annual Standby Availability Charge should be levied on property within the Water Authority’s service area. To provide necessary funding for the CIP, the General Manager recommends that the charge continue at the $10 maximum for fiscal year 2017-2018. The Standby Availability Charge rate is effective July 1, 2017.

**Annexation Application Fee.** The Annexation Application Fee recovers the full administrative cost of service associated with an application for annexation and recovers the costs incurred throughout the annexation process. The Annexation Application Fee has not been adjusted since 1983. The Water Authority retained Carollo to conduct a review and update of the fee. The updated Annexation Processing Fee of $10,340 per application will go into effect July 1, 2017.

The following rates and charges are being proposed effective on January 1, 2018:

**Melded Untreated Supply Rate (exclusive of TSAWR deliveries).** The Melded Untreated Supply Rate (Melded Supply Rate) will be set to recover the costs of purchasing Tier 1 water from MWD, water purchases from IID, payments in connection with the All-American and Coachella Canal lining projects, payments to MWD under the 2003 Exchange Agreement for conveyance of IID and Canal Lining water, desalinated water and the portion of the Water Authority’s revenue requirement allocated to the supply rate. The revenue requirement may include other costs specifically associated with the acquisition of the IID supply source, cost recovery for supply costs previously incurred but not charged, reserve withdrawals/deposits and coverage requirements. Table 3 on the following page shows the calculation of the Melded Supply Rate.
Table 3 – Untreated Melded Supply Rate Calculation

<table>
<thead>
<tr>
<th>Acre-Foot Sales (000's)</th>
<th>CY 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>MWD Tier I Deliveries</td>
<td>141.8</td>
</tr>
<tr>
<td>IID Deliveries</td>
<td>130.0</td>
</tr>
<tr>
<td>Canal Water Deliveries</td>
<td>78.7</td>
</tr>
<tr>
<td>Operational Storage Utilization</td>
<td>10.0</td>
</tr>
<tr>
<td>Carlsbad Desalination Production</td>
<td>42.0</td>
</tr>
<tr>
<td>TOTAL A/F SALES</td>
<td>402.5/AF</td>
</tr>
</tbody>
</table>

Water Purchase Cost (in Millions)

<table>
<thead>
<tr>
<th>Water Purchase Cost</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>MWD Tier I Water Purchases</td>
<td>$98.6</td>
</tr>
<tr>
<td>QSA Exchange with MWD Costs</td>
<td>101.4</td>
</tr>
<tr>
<td>IID Water Purchases</td>
<td>85.9</td>
</tr>
<tr>
<td>Canal Water Purchases</td>
<td>1.1</td>
</tr>
<tr>
<td>Operational Storage Utilization</td>
<td>5.9</td>
</tr>
<tr>
<td>Desalinated Water Supply Costs</td>
<td>85.0</td>
</tr>
<tr>
<td>Subtotal Water Purchases</td>
<td>$377.9</td>
</tr>
</tbody>
</table>

Additional Costs (in Millions)

<table>
<thead>
<tr>
<th>Additional Costs</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Supply Revenue Requirement</td>
<td>$16.3</td>
</tr>
<tr>
<td>QSA Environmental*</td>
<td>0.0</td>
</tr>
<tr>
<td>Groundwater Storage</td>
<td>0.5</td>
</tr>
<tr>
<td>Subtotal Other Costs</td>
<td>$16.8</td>
</tr>
</tbody>
</table>

Offsetting Revenues (in Millions)

<table>
<thead>
<tr>
<th>Offsetting Revenues</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Supply Reliability Charge Revenues</td>
<td>($28.6)</td>
</tr>
<tr>
<td>Cash and Reserves</td>
<td>(6.1)</td>
</tr>
<tr>
<td>Total Net Supply Costs</td>
<td>$360.0</td>
</tr>
</tbody>
</table>

A/F RATE (Total Net Supply Cost /Total AF Sales) $894/AF

*Cost recovery deferred to provide CY 2018 rate relief.

Based upon these options, the Melded Supply Rate will increase from its current level of $855/AF to $894/AF in CY 2017.

**Transitional Special Agricultural Water Program Rates.**

With the extension of the TSAWR program through December 31, 2020, the untreated TSAWR will be set to MWD’s Tier 1 rate and increase from its current level of $666/AF to $695/AF in CY 2018. In addition, the treated TSAWR will increase from $956AF in CY 2017 to $995/AF in CY 2018. The TSAWR program rates correspond to a lower level of water supply reliability for its participants.

**Melded Treatment Rate.** The Melded Treatment Rate will be set to recover the costs of treating water for the Water Authority and may include costs of purchasing treated water from MWD, the Levy and Olivenhain treatment plants, the Water Authority’s Twin Oaks Valley Water Treatment...
Plant, desalinated water costs allocated to this rate and may recover certain other costs associated with the delivery of treated water. For CY 2018, the Melded Treatment Rate will increase from its current level of $290/AF to $300/AF. Table 4 shows the calculation of the Melded Treatment Rate.

### Table 4 – Melded Treatment Rate Calculation

<table>
<thead>
<tr>
<th>Acre-Foot Sales (A/F) (000's)*</th>
<th>CY 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>MWD</td>
<td>49.0</td>
</tr>
<tr>
<td>Water Authority</td>
<td>51.8</td>
</tr>
<tr>
<td>Helix</td>
<td>16.0</td>
</tr>
<tr>
<td>Carlsbad Desalination Production</td>
<td>42.0</td>
</tr>
<tr>
<td><strong>TOTAL A/F SALES</strong></td>
<td><strong>158.8</strong>/AF</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cost (in Millions)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>MWD</td>
<td>$15.7</td>
</tr>
<tr>
<td>Water Authority</td>
<td>16.1</td>
</tr>
<tr>
<td>Helix</td>
<td>3.3</td>
</tr>
<tr>
<td>Desalinated Water**</td>
<td>12.6</td>
</tr>
<tr>
<td><strong>TOTAL TREATMENT COSTS</strong></td>
<td><strong>$47.7</strong></td>
</tr>
</tbody>
</table>

**A/F RATE (Total Treatment Costs/Total A/F Sales)** $300/AF

*Includes treated water deliveries intended for agriculture

**Based on proposed cost of treated water (42,000AF*$300 = $12.6M)

**Transportation Rate.** The Transportation rate is set to recover capital, operating, and maintenance costs of Water Authority-owned water delivery facilities, including facilities used to physically transport the water to member agency meters. The Transportation Rate is charged to each acre-foot of water delivered by the Authority as it occurs. For CY 2018, the Transportation Rate will increase from its current level of $110/AF to $115/AF.

**Infrastructure Access Charge.** The infrastructure access charge is imposed on member agencies as a condition of maintaining connections to Water Authority facilities. It is apportioned based on water meters within each member agency. For CY 2018, the infrastructure access charge will increase from its current level of $2.87/ME to $3.01/ME.

**Customer Service Charge.** The Customer Service Charge is set to recover costs that are necessary to support the functioning of the Water Authority. The Customer Service Charge will be allocated among the member agencies on the basis of each agency’s three-year rolling average of member agency supply purchases from the Water Authority. For CY 2018, the Customer Service Charge will remain unchanged at $26.4M.

**Storage Charge.** The Storage Charge is set to recover costs associated with the Emergency Storage Program and the Carryover Storage Program. Because agricultural users that participate in the SAWR program agree to reduced or interrupted service during times of water emergencies, they will not receive benefit from the storage program; therefore, the Storage Charge is based on all non-SAWR water deliveries and will be allocated among the member agencies using a pro rata share of
each agency’s three-year rolling average deliveries. For CY 2018, the Storage Charge will remain constant at its CY 2017 level of $65.0M.

Supply Reliability Charge. The Supply Reliability Charge (SRC) is a fixed charge established in 2016 to recover a portion of the costs associated with the Water Authority’s highly reliable water supplies, which includes desalinated and IID transfer waters. The charge is allocated to member agencies based upon their pro rata share of the Water Authority’s 5-year rolling M&I deliveries (agricultural deliveries are not included). For CY 2018, the SRC will increase from its current level of $24.8M to $28.6M.

Capacity Charges. Capacity charges are one time fees charged to new system connections. The fee is set to recover the proportionate cost of the system necessary to serve that connection.

System Capacity Charge. This charge recovers a portion of the capital costs for the conveyance and storage facilities necessary to operate the delivery system. The current charge of $5,029/ME for each new meter equivalent will be administratively adjusted to $5,099/ME for effective January 1, 2018.

Water Treatment Capacity Charge. This charge recovers a portion of the regional water treatment facility to be collected from all future users of the facility. In keeping with the Water Authority’s policy of exempting agencies that cannot benefit from a service, the Water Treatment Capacity Charge excludes customers from the City of Del Mar, City of Escondido, and City of Poway. The current charge of $128/ME for each new meter equivalent will be administratively adjusted to $141/ME effective January 1, 2018.

Table 5 presents a summary of the CY 2018 Capacity Charge schedule that will be go in effect January 1, 2018.

<table>
<thead>
<tr>
<th>Meter Size (Inches)</th>
<th>Factor</th>
<th>System Capacity Charge</th>
<th>Water Treatment Capacity Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 1&quot;</td>
<td>1</td>
<td>$5,099</td>
<td>$141</td>
</tr>
<tr>
<td>1&quot;</td>
<td>1.6</td>
<td>8,158</td>
<td>226</td>
</tr>
<tr>
<td>1.5&quot;</td>
<td>3</td>
<td>15,297</td>
<td>423</td>
</tr>
<tr>
<td>2&quot;</td>
<td>5.2</td>
<td>26,515</td>
<td>733</td>
</tr>
<tr>
<td>3&quot;</td>
<td>9.6</td>
<td>48,950</td>
<td>1,354</td>
</tr>
<tr>
<td>4&quot;</td>
<td>16.4</td>
<td>83,624</td>
<td>2,312</td>
</tr>
<tr>
<td>6&quot;</td>
<td>30</td>
<td>152,970</td>
<td>4,230</td>
</tr>
<tr>
<td>8&quot;</td>
<td>52</td>
<td>265,148</td>
<td>7,332</td>
</tr>
<tr>
<td>10&quot;</td>
<td>78</td>
<td>397,722</td>
<td>10,998</td>
</tr>
<tr>
<td>12&quot;</td>
<td>132</td>
<td>673,068</td>
<td>18,612</td>
</tr>
</tbody>
</table>
The following MWD rates and charges are passed on directly or allocated to the Water Authority’s member agencies in the same manner as MWD applies them to the Water Authority.  

MWD Capacity Charge.  For CY 2018, the Capacity Charge is $8,700 per cubic foot second (cfs) of maximum daily flow requested by a MWD member agency.  The Capacity Charge is a fixed charge levied on an agency’s maximum daily flows over the three previous fiscal years.  It recovers the cost of providing peak capacity within the distribution system, and is designed to encourage member agencies to shift demands and avoid placing large daily peaks on the MWD system during the summer months.  Daily flow measured between May 1 and September 30 for purposes of billing the Capacity Charge will include deliveries (except long-term seasonal storage deliveries) made by MWD to a member agency or member agency customer including water transfers, exchanges and agricultural deliveries.  As part of a separate surface storage operating agreement to manage seasonal peaking, the Authority is expected to reserve its full available capacity.  The Capacity Charge will be set at $9,902,340.  The Authority’s Board has directed that the Capacity Charge will be recovered proportionally based on a five-year rolling average of member agency flows during coincident peak weeks.

Readiness-to-Serve Charge.  MWD’s Readiness-to-Serve Charge differs from the other MWD charges in that it is set on a Fiscal Year basis.  The total Readiness-to-Serve Charge will increase from its current level of $135 million to $137.5 million.  The Authority’s share is set at $28,956,726 for Fiscal Year 2017-2018.  After credits from the MWD Standby Charge, and administrative costs, the net Water Authority share is $16,291,858.  MWD’s Readiness-to-Serve Charge will recover costs associated with standby and peak conveyance capacity and system emergency storage capacity.  The Readiness-to-Serve Charge will be allocated among MWD member agencies on the basis of each agency’s ten-year rolling average of firm demands (including water transfers and exchanges conveyed through system capacity).  This allocation will be revised each year.  Revenues equal to the amount of MWD Standby Charges will continue to be credited against the member agency’s Readiness-to-Serve Charge obligation unless a change is requested by the member agency.  The Board has directed that the Authority’s Readiness-to-Serve Charge will be passed through proportionally to member agencies on the basis of each agency’s ten-year rolling average of firm demands (including water transfers and exchanges conveyed through system capacity).

Summary
Staff is seeking Board direction for which rate and charge increases should be considered at the Public Hearing on June 22, 2017.

Prepared by:  David G. Shank, Financial Planning Manager
Reviewed by:  Lisa Marie Harris, Director of Finance/Treasurer
 Approved by:  Sandra L. Kerl, Deputy General Manager

---

2 The Water Authority has opposed MWD’s cost of service methodology associated with these charges.
Attachments:

A) Resolution of the Board of Directors of the San Diego County Water Authority fixing the time and place for a public hearing to consider: (1) Changes to the rates and charges for delivery and supply of water; (2) Continuing the existing Standby Availability Charge; and (3) Changes to the system and treatment capacity charges.

B) Carollo’s Cost of Service Study for Calendar Year 2018 Rates and Charges
# TABLE OF CONTENTS

## CONTENTS

1. **Executive Summary** ................................................................. 1
   1.1 Fiscal Sustainability Process .................................................. 1
   1.2 Rate and Charges ....................................................................... 2
   1.3 Water Authority Rate-Setting Process ...................................... 2
   1.4 Carollo Independent Review Process ........................................ 2
   1.5 Summary of Findings ................................................................. 2
2. **Introduction** ................................................................................. 3
   2.1 Background on Existing Rates and Charges ............................. 3
   2.2 Criteria for Findings and Recommendations ........................... 4
   2.3 Key Governing Board Policies ............................................... 4
   2.4 Overview of Legal Cost of Service Requirements .................. 6
   2.5 Overview of Generally Accepted Rate-Setting Standards ........ 7
3. **Revenue Requirements** ............................................................. 8
   3.1 Operations and Maintenance Costs ........................................... 9
   3.2 Miscellaneous Cost Recovery ................................................ 9
   3.3 Capital Costs ............................................................................. 10
   3.4 Offsetting Revenues to Reduce Revenue Requirements .......... 11
   3.5 Infrastructure Access Charge .................................................. 13
   3.6 Revenue Sufficiency ................................................................. 15
   3.7 Financial Policies ...................................................................... 15
4. **Allocation of Revenue Requirements to Functional Categories** ... 17
   4.1 Allocation Categories ............................................................... 17
   4.2 Allocation Summary ................................................................. 18
5. **Water Rates and Charges** ......................................................... 24
   5.1 Commodity Based Fixed Charges ............................................ 24
   5.2 Commodity Based Variable Rates .......................................... 27
   5.3 Special Agricultural Water Rate Program ............................... 30
# Table of Contents

6 Findings ........................................................................................................ 32
7 Capacity Charge Study .................................................................................. 33
  7.1 Background ................................................................................................. 33
  7.2 Overview .................................................................................................... 33
  7.3 Statutory Requirements ............................................................................ 34
8 Capacity Charge Overview ............................................................................. 35
  8.1 Buy-In Cost Basis ........................................................................................ 35
  8.2 Future Cost Basis ........................................................................................ 36
  8.3 Existing and Future Customer Base ............................................................ 36
9 System Capacity Charge Calculation ............................................................... 38
  9.1 Existing System Cost Basis .......................................................................... 38
  9.2 Future System Cost Basis ............................................................................ 39
  9.3 Existing and Future Customer Base ............................................................ 39
  9.4 System Capacity Charge Calculation .......................................................... 40
10 Treatment Capacity Charge ........................................................................... 41
  10.1 Existing System Cost Basis .......................................................................... 41
  10.2 Future System Cost Basis ............................................................................ 41
  10.3 Meter Equivalents ...................................................................................... 41
  10.4 Treatment Capacity Charge Calculation ................................................... 42
11 Findings and Recommendations ................................................................... 43
12 Annexation Application Fee - Introduction .................................................... 44
13 Annexation Application Fee Calculation ........................................................ 45
14 Survey of Annexation Fees ........................................................................... 48
15 Conclusion and Recommendation .................................................................. 50
16 Appendix ....................................................................................................... 16-1
  A. Infrastructure Access Charge Resolution .................................................... 16-1
  B. Ordinance No. 2002-03 .............................................................................. 16-2
  C. Financial Policy Amendment ....................................................................... 16-3
  D. General Resolution 89-91 (w/ Amendments) ............................................. 16-4
  E. A&N Technical Services, Inc – Supply Reliability Charge Memo ................ 16-5
# Table of Tables

<table>
<thead>
<tr>
<th>Table</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Table 1-1</td>
<td>Summary of Proposed CY 2018 Water Rates and Charges</td>
<td>2</td>
</tr>
<tr>
<td>Table 3-1</td>
<td>Revenue Requirements Summary ($ in millions)</td>
<td>8</td>
</tr>
<tr>
<td>Table 3-2</td>
<td>Determination of Operating Cost</td>
<td>9</td>
</tr>
<tr>
<td>Table 3-3</td>
<td>Offsetting Revenues ($ in Millions)</td>
<td>12</td>
</tr>
<tr>
<td>Table 3-4</td>
<td>Infrastructure Access Charge Calculation ($ in Millions)</td>
<td>14</td>
</tr>
<tr>
<td>Table 4-1</td>
<td>Allocation of Calendar Year 2018 Operating Budget (in $ Million)</td>
<td>19</td>
</tr>
<tr>
<td>Table 4-2</td>
<td>Debt Service Allocation Summary ($ in Millions)</td>
<td>19</td>
</tr>
<tr>
<td>Table 4-3</td>
<td>Allocation Factors for Offsetting Revenues</td>
<td>20</td>
</tr>
<tr>
<td>Table 4-4</td>
<td>Offsetting Revenues (in $ Million)</td>
<td>21</td>
</tr>
<tr>
<td>Table 4-5</td>
<td>Additional Expenses (in $ Million)</td>
<td>22</td>
</tr>
<tr>
<td>Table 4-6</td>
<td>Remaining Coverage &amp; Reserve Allocation Summary (in $ Million)</td>
<td>22</td>
</tr>
<tr>
<td>Table 4-7</td>
<td>Revenue Requirements Summary (in $ Million)</td>
<td>22</td>
</tr>
<tr>
<td>Table 5-1</td>
<td>CY 2018 Customer Service Revenue Requirement (in $ Million)</td>
<td>23</td>
</tr>
<tr>
<td>Table 5-2</td>
<td>CY 2018 Storage Revenue Requirement (in $ Million)</td>
<td>24</td>
</tr>
<tr>
<td>Table 5-3</td>
<td>Proposed Calendar Year 2018 Supply Reliability Charge (in $ Million)</td>
<td>25</td>
</tr>
<tr>
<td>Table 5-4</td>
<td>CY 2018 Melded Supply Revenue Requirement (in $ Million)</td>
<td>26</td>
</tr>
<tr>
<td>Table 5-5</td>
<td>Proposed Calendar Year 2018 Melded Supply Rate</td>
<td>27</td>
</tr>
<tr>
<td>Table 5-6</td>
<td>Proposed Calendar Year 2018 Melded Treatment Rate</td>
<td>28</td>
</tr>
<tr>
<td>Table 5-7</td>
<td>CY 2018 Melded Treatment Revenue Requirement (in $ Million)</td>
<td>29</td>
</tr>
<tr>
<td>Table 5-8</td>
<td>Proposed CY 2018 Melded Treatment Rate</td>
<td>29</td>
</tr>
<tr>
<td>Table 5-9</td>
<td>Proposed Calendar Year 2018 Transportation Rate (in $ Million)</td>
<td>30</td>
</tr>
<tr>
<td>Table 8-1</td>
<td>Projection of Added Equivalent Meters</td>
<td>37</td>
</tr>
<tr>
<td>Table 9-1</td>
<td>System Capacity Charge Summary</td>
<td>40</td>
</tr>
<tr>
<td>Table 10-1</td>
<td>Treatment Capacity Charge Summary</td>
<td>42</td>
</tr>
<tr>
<td>Table 12-1</td>
<td>Current Processing Fee</td>
<td>44</td>
</tr>
<tr>
<td>Table 13-1</td>
<td>Administrative Hours by Task</td>
<td>46</td>
</tr>
<tr>
<td>Table 13-2</td>
<td>Administrative Cost Calculation</td>
<td>46</td>
</tr>
<tr>
<td>Table 13-3</td>
<td>Application Fee Calculation</td>
<td>47</td>
</tr>
<tr>
<td>Table 14-1</td>
<td>Survey Results</td>
<td>48</td>
</tr>
</tbody>
</table>
1 Executive Summary

The San Diego County Water Authority (Water Authority, or SDCWA) is a public agency serving the San Diego region as a wholesale supplier of water. The Water Authority’s mission is to provide a safe and reliable supply of water to its 24 member agencies. The Water Authority purchases water from the Metropolitan Water District of Southern California (MWD), and obtains and produces additional supplies pursuant to agreements commonly referred to as the Quantification Settlement Agreement (QSA). The Water Authority also has a water purchase agreement with Poseidon Resources, LLC, for desalinated water produced at Poseidon’s Carlsbad Desalination Plant.

The Water Authority engaged Carollo Engineers (Carollo) to perform a Cost of Service Study to review and validate the Proposed Calendar Year (CY) 2018 water rates and charges. In meeting this scope, Carollo developed an independent rate model and reviewed the Water Authority’s existing cost of service methodology and financial model for compliance with American Water Works Association (AWWA) cost of service standards, industry best practices, Board policies, as described in Report Section 2.3, and California legal requirements, as described in Report Section 2.4. Together, these establish the cost of service standard that is referenced throughout this report.

Based on Carollo’s independent review, Carollo has determined that the amount of money reasonably anticipated to be generated through the Water Authority’s proposed CY 2018 water rates and charges, when combined with other Water Authority revenues, is reasonable to recover the costs of the Water Authority’s activities. This is consistent with the findings of Carollo’s 2014 and 2016 Cost of Service Reports. It is Carollo’s professional opinion that the Water Authority’s allocation of rates and charges to each of the member agencies bears a fair, reasonable, and logical relationship to each member agency’s burdens on or benefits from Water Authority services. This allocation complies with legal requirements, cost of service standards, industry best practice, and Board policy requirements as discussed in this report.

1.1 Fiscal Sustainability Process

The SDCWA Board of Directors, member agencies, and Water Authority staff engaged in an 18-month collaborative process to identify and address issues necessary to maintain the long-term fiscal sustainability of the Water Authority. A detailed review of the Water Authority’s revenue structure, and evaluation of potential enhancements that would strengthen the Water Authority’s future fiscal health, was central to this effort. From this process, three rates and charges recommendations were unanimously approved by the Board and were implemented in CY 2016. The modifications are as follows:

Supply Reliability Charge (SRC) – This charge recognizes the importance of equitably recovering the cost of the Water Authority’s investments in long-term water supply reliability in accordance with cost of service principals and California law. As adopted by the Board, the SRC recovers a portion of the water purchase agreement costs associated with the Carlsbad Desalination supply and the Imperial Irrigation District’s (IID) water transfers. In summary, the SRC is designed to:

- Recognize the cost and benefit of supply diversification
- Balance with local supply development
Ensure member agency and inter-generational equity

The adopted SRC establishes a rate that benchmarks the cost differential between MWD water, the Water Authority’s least reliable water supply, and the new, firm supply.

**Non-Commodity Revenue Offsets** – The CY 2014 Cost of Service recommended that the Treatment Rate should proportionally benefit from offsetting revenues to which the rate contributes. The Treatment Rate was implemented after the other four rate categories had been established and was originally considered as a separate, stand-alone charge. Beginning in CY 2016, the Treatment Rate receives a revenue offset similar to all other rate categories.

**Transitional Special Agricultural Water Rate (TSAWR) Program** – The TSAWR provides a discounted cost of water to participating agricultural customers in exchange for a reduced level of water reliability. There are two special components to the TSAWR rates – an exemption of the storage charge; and a supply discount. TSAWR participants are exempt from funding the storage charge as they have agreed to curtail water demands during shortages. The supply discount also allows participants to purchase water at MWD’s Tier 1 rate, because these customers would be required to reduce demands to stay within the Tier 1 allocation.

Based on Carollo’s review of the three rates and charges recommendations proposed as part of the Fiscal Sustainability Process, and adopted by the Board, the Water Authority’s rates align with cost of service principles, and reflect the cost of providing services to different system users.

### 1.2 RATE AND CHARGES

The Water Authority imposes several different types of water rates and charges that are collected from the member agencies. These include volumetric commodity rates that are collected monthly per unit of metered water delivered to each agency (e.g., the supply, transportation, and treatment rates) and service charges that are apportioned among the member agencies according to their respective three or five-year rolling average of water purchases from the Water Authority (e.g., three years for customer service and storage, and five years for supply reliability charges). The water rates are set as a unit price per acre-foot for actual water delivered. The customer service and storage charges recover costs for facilities and services that are provided generally and are apportioned in a manner that is designed to account for annual fluctuations in water demands and demand patterns commonly resulting from weather conditions and conservation requirements.  

In addition to these water rates and charges, the Water Authority recovers at least 25 percent of fixed annual expenditures through a combination of ad valorem property taxes and water availability standby charges imposed on properties within the Water Authority’s service area; and an Infrastructure Access Charge (IAC). The IAC is an annual service charge imposed on member agencies and apportioned based on their respective total connected meter capacity, a measure of an agency’s maximum potential to take

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1 Customer Service Charge allocation excludes member agency wheeled water.
water from the Water Authority. The Water Authority also imposes System Capacity and Treatment
Capacity Charges on ultimate users of water obtaining new and updated water meters which fairly and
reasonably recovers the cost to provide system capacity for new users and collects revenues through the
Standby Availability Charge and property taxes.

A description of each water rate and charge category is as follows:

**Customer Service:**
The Customer Service charge is a commodity-based fixed charge set to recover costs that are
necessary to support the functions of the Water Authority, to develop policies and to implement
system-wide programs.

**Storage:**
The Storage charge is a commodity-based fixed charge set to recover costs associated with the
Emergency Storage Program (ESP) and Carryover Storage Program (CSP). The ESP and CSP are a
system of reservoirs, interconnected pipelines, and pumping stations designed to make water available
to the San Diego region in the event of an interruption in imported water deliveries and in the case of
the CSP to provide operational flexibility and drought protection.

**Supply Reliability Charge:**
The Supply Reliability Charge is a new commodity-based fixed charge established to recover a
portion of the Carlsbad Desalination Plant and the IID transfer water costs. The charge is set equal to
the difference between the supply cost of desalination and IID transfer water purchases and a like
amount of water purchased at the MWD Tier 1 rate multiplied by 25 percent and apportioned
according to a five-year rolling average of water purchases.

**Supply:**
The Supply rate is a volumetric charge that recovers the cost of water supply incurred by the Water
Authority including the full cost of purchase of water from MWD at the delivery point, payments to the
IID for transfer of conserved water, costs associated with obtaining conserved water from the
Coachella and All-American Canal Lining Projects, costs of MWD wheeling for non-MWD water
supplies (e.g. QSA supply exchange costs), other costs associated with acquisition of supplies and
implementation of the Quantification Settlement Agreement (QSA), and supply and acquisition costs
related to the Poseidon water purchase agreement associated with the Carlsbad Desalination Project.

**Transportation:**
The Transportation rate is a volumetric charge set to recover capital, operating, and maintenance costs
of the Water Authority’s water delivery facilities including all facilities used to physically transport the
water to member agency meters. 2

**Treatment:**
The Treatment rate is a volumetric charge designed to recover the Water Authority’s cost of treating

2Costs associated with facilities covered by the East County Facility Agreements are not included in
Transportation, but relate to treatment services in connection with the Helix Water District’s Levy Water
Treatment Plant and are recovered through the Treatment rate.
water. The Melded M&I Treatment Rate includes the costs of purchasing treated water from MWD, the operating and capital costs associated with the Water Authority’s agreement with Helix Water District’s Levy Water Treatment Plant, operating costs associated with the Olivenhain Treatment Plant, and the operating and capital costs associated with the Twin Oaks Valley Treatment Plant.

1.3 WATER AUTHORITY RATE-SETTING PROCESS

The Water Authority develops proposed rates and charges on an annual basis, which it presents to the Board of Directors for adoption. Each year, the Water Authority undertakes the following cost of service processes to determine water rates and charges:

- **Step 1:** Establish the revenue requirement – determine the total amount of revenues needed to recover the Water Authority’s annual operating and capital expenditures.
- **Step 2:** Allocate the revenue requirement and offsetting non-commodity revenues to rate categories to determine the net revenue requirement for each category.
- **Step 3:** Determine the legal rates and charges based upon the net revenue requirements, water sales projections, and other key financial management metrics.
- **Step 4:** Allocate fixed charges to member agencies based on specific allocation methodologies.

The Water Authority’s methodology and application remains consistent with the American Water Works Association (AWWA) cost of service guidelines, as well as existing Board policies and legal requirements stated herein. Rates are designed to recover all direct, indirect, and other costs of providing water and water services that are not recovered through other revenues such as taxes, assessments, or other charges. Throughout the process, the Water Authority identifies major cost drivers and allocates them to specific rate and charge categories.

1.4 CAROLLO INDEPENDENT REVIEW PROCESS

Carollo independently performed Steps 2 through 4 above, when developing the proposed CY 2018 rates and charges. The purpose of this cost of service process is to: (1) identify which costs are recovered through water rates and charges; (2) allocate the Water Authority costs into functional rate categories; (3) update the rates and use of offsetting revenues to fairly and reasonably recover system expenditures from member agencies; and, (4) appropriately calculate non-commodity revenues.
In order to determine the costs to be recovered by water rates and charges, Carollo relied upon cost projections, reserve requirements, and revenue policies provided by the Water Authority. Source data for this review included the proposed Fiscal Years (FY) 2018 and 2019 budget cost projections provided by the Water Authority’s Finance Department; the 2016 Comprehensive Annual Financial Report; debt service schedules and bond official statements; Board policy documents; and summary outputs from the Water Authority’s rate model. Additionally, Carollo worked with the Water Authority’s Finance staff to review the cost of service methodology and process.

In Carollo’s 2014 and 2016 Cost of Service reviews, Carollo conducted interviews with select divisions within the Water Authority to discuss the functional allocation approach and metrics for assigning operating costs to rate categories. While the overall percentages will change from year-to-year, the Water Authority’s allocation approach remains consistent and continues to be valid.

The results of this independent review and analysis confirm the CY 2018 rates and charges calculated by the Water Authority. The details of this analysis are presented within the body of this report.

1.5 SUMMARY OF FINDINGS

The Water Authority has developed a clear and defensible process to allocate system expenditures to rate categories and fairly and reasonably recover those expenditures from member agencies. The analysis performed by Carollo has confirmed that the Water Authority’s cost of service approach and the proposed CY 2018 rates and charges as determined in this report comply with cost of service principles, industry best practices, and applicable legal requirements.

Based on Carollo’s independent review and rate development, the proposed CY 2018 cost of service water rates and charges are illustrated in Table 1-1 below.

<table>
<thead>
<tr>
<th>Table 1-1</th>
<th>Summary of Proposed CY 2018 Water Rates and Charges</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Service Charge ($M)</td>
<td>$26.4</td>
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<td>Storage Charge ($M)</td>
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<tr>
<td>Supply Reliability Charge ($M)</td>
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<tr>
<td>Melded M&amp;I Supply Rate ($/AF)</td>
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<tr>
<td>Melded M&amp;I Treatment Rate ($/AF)</td>
<td>$300</td>
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<tr>
<td>Transportation Rate ($/AF)</td>
<td>$115</td>
</tr>
</tbody>
</table>
Carollo conducted an independent review of the Water Authority’s CY 2018 water rates and charges. The purpose of this Cost of Service Study was to calculate and affirm the proposed CY 2018 water rates and charges consistent with cost of service principles and the AWWA M1 guidelines, Board policy, and legal requirements. The results of this study are outlined within the body of this report.

The cost of service and rate development review process consisted of the following steps:

- **Revenue Requirement Analysis**
  - Reviewed the total revenues required to fund operations, capital, debt service and coverage, and policy requirements.

- **Functional Allocation by Rate Category**
  - Allocate the revenue requirements and offsetting revenues to the Water Authority’s five water rate and charge categories in a fair and equitable manner.

- **Water Rates and Charges**
  - Set rates to recover the revenue requirements from member agencies based on water sales projections.

- **Member Agency Allocation**
  - Allocate expenditures to each member agency based on water demand patterns and other key metrics.

Based on this study review and in Carollo’s professional opinion, the Water Authority’s CY 2018 rates and charges are consistent with AWWA cost of service principles, Board policies and legal requirements, and appropriately recover costs from Member Agencies as described herein.

### 2.1 BACKGROUND ON EXISTING RATES AND CHARGES

The Water Authority sets water rates and charges which, when combined with other revenues, are sufficient to pay operating expenses, provide for maintenance and repair of facilities, provide for payment of principle and interest on debt, and provide reasonable reserves consistent with bond covenants and sound fiscal management. As a public agency, the Water Authority sets rates and collects other revenues to meet all reasonably anticipated costs of its operations as required by law.

On June 27, 2002, the Water Authority adopted Ordinance No. 2002-03 establishing the current revenue structure, which consists of ad valorem property taxes, including payments of member agencies in-lieu of taxes; a Water Standby Availability Charge levied pursuant to § 5.2 of the County Water Authority Act;
an Infrastructure Access Charge imposed on member agencies as a condition of maintaining connections to
Water Authority facilities; a capacity charge levied pursuant to § 5.9 of the County Water Authority Act;
and rates and charges for delivery and supply of water, use of facilities, and provision of other services.
This revenue structure is reflected in § 5.00.050 of the Water Authority Administrative Code.

The June 2002 Board action unbundled the then uniform commodity rate, creating separate commodity
rates and charges for customer service, storage, supply, and transportation. This action was the result of a
multi-year work effort involving the member agencies, Water Authority staff, and consultants. The
unbundled rates and charges took effect January 1, 2003. With the development of the Twin Oaks Water
Treatment Plant, treatment was later added as the final functional rate category in 2006. In March 2015,
the Board added a Supply Reliability Charge as described in this report.

2.2 CRITERIA FOR FINDINGS AND RECOMMENDATIONS

To confirm the appropriateness and general application of AWWA cost of service principles, Board
policies, and legal requirements, Carollo applied the following framework throughout the review:

- Does the cost allocation approach result in a fair, reasonable, and quantifiable connection
  between the cost of services made available, and the benefits received by each ratepayer?
- Is the allocation approach and methodology consistent with standards established in the AWWA
  M1 manual, meet Board policies, and adhere to applicable legal requirements?
- Have the policies and standards been applied consistently by the Water Authority? Is it likely that
  the allocation approach will be appropriate for use by the Water Authority in the future?
- Are there issues or processes that may be appropriate to highlight for possible financial review?

The review presented in this report applies these criteria to the existing revenue requirement and water
rate and charge methodology utilized by the Water Authority.

2.3 KEY GOVERNING BOARD POLICIES

In setting its rates and charges, the Water Authority must first meet cost of service requirements, in which
rates and charges may not exceed the reasonable cost of providing the services, as well as clearly
demonstrate the nexus between the costs allocated and services provided to customers. As this requirement
is achieved, the rates must also adhere to adopted Board policies, which serve as the basis for the
determination of the total revenue requirement as well as the proportion of the revenue requirement to be
recovered by fixed charges and variable commodity rates. Several key Board Policies are highlighted
below and can be found in the appendix of this report.

2.3.1 Infrastructure Access Charge

In 1998, under Resolution No. 98-26, the Board established the Infrastructure Access Charge (IAC). The
intent of the IAC is to provide the Water Authority with a more appropriate balance of fixed and
commodity revenues. Prior to the implementation of the IAC, the Water Authority's revenues had a greater
dependency on variable revenues that fluctuated with demand and did not adequately align with the
existing cost structure. As such, the IAC was designed to be independent of commodity sales and the new
business development cycle and generate a minimum 25 percent ratio of fixed revenues to fixed expenditures. Resolution No. 98-26 is included as Appendix A.

2.3.2 Ordinance No. 2002-03
Following development and implementation of the IAC, the Water Authority reviewed the existing rate structure and redesigned the rate structure in 2002. Ordinance No. 2002-03 transitioned the rate structure from a historical unit price ("postage stamp") water rate to assigning the revenue requirements to functional categories. The rate structure was split into fixed and variable components. The fixed water rate categories are comprised of the Storage and Customer Service charges. The variable water rate categories encompass the Transportation, Melded M&I Treatment, and Melded M&I Supply rates. This transition further aligned the Authority’s expenditure and cost recovery nexus. The ordinance in its entirety is included as Appendix B.

2.3.3 Financial Management Amendment (2006)
In 2006, following the recommendations of the Rate Model Workgroup (RMWG) and Administrative and Finance Committee, the Board amended the Water Authority’s financial policies regarding the Rate Stabilization Fund (RSF) and Debt Service Coverage Ratio (DSCR). As part of the amendments, the Board established a target funding level for the RSF that better protects the Water Authority against the financial impact of 2.5 years of wet weather (3.5 years max) where water sales are moderated. In addition, it established a target DSCR of 1.50x, which is above the minimum legal bond covenant of 1.20x.

The overall benefits of the amendments include reduced rate volatility, increased protection against wet weather, a transparent and flexible RSF framework, and increased cash funding of the Capital Improvement Program (CIP). The RSF also provides a mechanism for rate smoothing and source of emergency funding, as necessary. Furthermore, it strengthened key financial ratios—higher debt service coverage ratio, decreased debt ratio and increased cash days—to support the maintenance of the Water Authority’s AA+ credit ratings and access to lower rates. The Board Action, implementing the RMWG Financial Policy Proposal is included as Appendix C.

2.3.4 Administrative and Finance Committee Recommendations (2015)
Following a collaborative effort over the previous 18 months, the Board approved the Administrative and Finance Committee’s Fiscal Sustainability and Transitional Special Agricultural Water Rate Program recommendations on March 26, 2015. The committee was tasked with identifying issues related to the long-term fiscal sustainability of the Water Authority’s revenue structure and evaluating enhancements that would strengthen the Water Authority’s fiscal health.

The resulting and approved recommendations included: (1) the addition of the Supply Reliability Charge, as defined in the A&N Technical Services memorandum to the Water Authority’s rate and charge structure; (2) the allocation of non-commodity revenues to all rate and charge categories including treatment, as recommended in the 2014 Cost of Service Report; (3) the permanent application of the debt and equity payments for the Carlsbad Desalination Plant to the Supply Rate; and (4) the extension of the Transitional Special Agricultural Water Rate Program through December 31, 2020.
2.4 OVERVIEW OF LEGAL COST OF SERVICE REQUIREMENTS

The Water Authority’s rates must adhere to California constitutional and statutory requirements. California law requires agencies imposing water rates and charge to demonstrate a nexus between the cost of providing services and the service or benefits received.

Beyond the cost of service requirements imposed by the constitution and general statutory law, the Water Authority must also adhere to the County Water Authority Act. Section 7 (j) of the County Water Authority Act states that the “board of directors, so far as practicable, shall fix such rate or rates for water as will result in revenue which will pay the operating expenses of the authority, provide for repairs and maintenance, and provide for the payment of interest and principal of the bonded debt.” The revenue requirement (e.g., “costs”) described in this report is grounded on this statutory requirement, the Water Authority’s General Resolution, and sound fiscal management. These costs are then apportioned to the member agencies through the allocation of fixed charges and variable rates described in the adopted rate structure according to service function. The apportionment is accomplished in accordance with standards established by California law, including the provisions summarized below which, while paraphrased, essentially describe the same cost of service standard.

Proposition 26

This proposition was adopted by the voters in November 2010. Among other things, it amended California Constitution article XIII C, section 1 to add a definition of “tax.” As defined by Proposition 26, a tax means “any levy, charge, or exaction of any kind imposed by a local government” with certain enumerated exceptions. There are two applicable exceptions:

- The exception for a “charge imposed for a specific benefit conferred or a privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege,” and
- The exception for a “charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product.”

Proposition 26 establishes that: “The local government bears the burden of proving by a preponderance of evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity.”

Government Code Section § 50076

This section of the Government Code was adopted in 1979, following the adoption of Proposition 13 in 1978. It provides that special taxes “shall not include any fee which does not exceed the reasonable cost of providing the service or regulatory activity for which the fee is charged.”

Government Code Section § 54999.7

This is another section that grounds public agency rate-setting on cost of service principles and states that fees “for public utility service, other than electricity or gas, shall not exceed the reasonable cost of
providing the utility service.” It also provides that the fees will be “established in consideration of service characteristics, demand patterns, and other relevant factors.”

**County Water Authority Act Section 5 (13)**

This provision of the County Water Authority Act provides that in setting rates, “the board may establish reasonable classifications among different classes and conditions of service, but rates shall be the same for similar classes and conditions of service.” The Water Authority’s General Counsel has advised Carollo that this provision requires that rates be non-discriminatory and that differences in rates or rate apportionment be based on service differences, such as with the non-allocation of storage charge to agricultural customers. The General Counsel has also advised that this section may be construed consistently with the Constitutional and statutory cost of service requirements described above.

### 2.5 OVERVIEW OF GENERALLY ACCEPTED RATE-SETTING STANDARDS

In addition to formal Board policies and objectives, the AWWA established a general set of principles used to guide the development of water rates. These principles were developed and published in the AWWA M1 Manual – Principles of Water Rates, Fees, and Charges (M1 Manual). These guiding principles outline a consistent, universal approach and minimum standard that is employed by most agencies when setting rates and charges. The M1 Manual denotes that there is no prescribed single approach for establishing cost-based rates. Rather, agencies must exercise judgment to align rates and charges with local conditions and requirements, as well as applicable state law.

These guidelines, along with applicable California law, the Board’s policies, and industry best practices have been utilized within the Water Authority’s rate-setting framework to help develop water rates and charges that are cost-based and fairly, reasonably, and lawfully quantified and allocated to comply with the legal requirements outlined in Report Section 2.4. Throughout this report, compliance with industry standards shall refer to the AWWA M1 manual and industry best practices.
# 3 Revenue Requirements

A revenue requirements analysis defines the annual system revenue needed to be recovered through water rates and charges. The revenue requirement is typically derived from five components: Operations & Maintenance Expenditures; Annual Debt Service; Policy Requirements & Coverage; Capital Expenditures; and, Offsetting Revenues.

Table 3-1 outlines the Water Authority’s CY 2018 revenue requirements.

<table>
<thead>
<tr>
<th>Revenue Component</th>
<th>CY 2018 Total</th>
<th>Description</th>
<th>Report Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Costs</td>
<td>$51.41</td>
<td>The Operating Departments Budget funds the day-to-day operations of the Water Authority.</td>
<td>3.1</td>
</tr>
<tr>
<td>Debt Service (LTD + STD)</td>
<td>$142.33</td>
<td>The Water Authority uses debt to fund capital and refund previous debt (long-term debt only).</td>
<td>3.3.1</td>
</tr>
<tr>
<td>Offsetting Revenues</td>
<td>$(83.52)</td>
<td>Additional revenues generated from sources, outside traditional water rates and charges are applied as a credit to reduce required rates and charges revenues. Includes the IAC, standby availability charges, system and treatment capacity charges, property taxes, interest earnings, and miscellaneous revenues.</td>
<td>3.4</td>
</tr>
<tr>
<td>Operating Rev Req Before Coverage</td>
<td>$110.22</td>
<td>Revenue requirements associated with the Water Authority’s operating costs, debt service, and offsetting revenues.</td>
<td></td>
</tr>
<tr>
<td>Misc. Cost Recovery</td>
<td>$17.99</td>
<td>Miscellaneous Cost Recovery includes seepage and evaporation, recovery of working capital for the San Vicente dam raise, local supply development, and Twin Oaks Valley WTP reimbursement.</td>
<td>3.2</td>
</tr>
<tr>
<td>Rev Req Before Coverage</td>
<td>$128.21</td>
<td>Revenue requirements including miscellaneous cost recovery.</td>
<td>3.7</td>
</tr>
<tr>
<td>Remaining Coverage &amp; Reserve Driven Needs</td>
<td>$24.99</td>
<td>Revenue requirements associated with meeting the Water Authority’s Financial Management Policies.</td>
<td>3.7</td>
</tr>
<tr>
<td>Water Sales Rev Req</td>
<td>$153.20</td>
<td>Total required revenues including coverage and reserve needs.</td>
<td>3.7</td>
</tr>
</tbody>
</table>

The following section of this report delineates the cost categories included in the Water Authority’s annual revenue requirement analysis.
3.1 OPERATIONS AND MAINTENANCE COSTS

As part of the multi-year budget, an operating forecast is developed by the Water Authority’s various departments. For the Water Authority, operating budget expenditures account for most of the day-to-day expenditures for operation. The operating budget expenditures include: Administrative Services, Colorado River Program, Engineering, Finance, General Counsel, General Manager, MWD Program, Operations and Maintenance, Public Outreach and Conservation, and Water Resources. For CY 2018, the Water Authority’s operating costs are projected to be $51.41 million.

<table>
<thead>
<tr>
<th>DEPARTMENT</th>
<th>FY 2018 &amp; 2019 EXPENDITURES(^{(1)})</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2018 Operating Budget</td>
<td>$51.10</td>
</tr>
<tr>
<td>FY 2019 Operating Budget</td>
<td>51.72</td>
</tr>
<tr>
<td>Total FY 2018 and 2019 Operating Costs used for rates and charges</td>
<td>$102.82</td>
</tr>
<tr>
<td>Calculated CY 2018 Operating Costs(^{(2)})</td>
<td>$51.41</td>
</tr>
</tbody>
</table>

Notes:

(1) Presented in million dollars, calculations in tables may not sum due to rounding.
(2) CY 2018 Operating Costs are calculated by dividing the Total FYs 2018 and 2019 Operating Costs used for rates and charges by two, as the calendar year rates will collect half of each fiscal year costs.

3.2 MISCELLANEOUS COST RECOVERY

Miscellaneous Cost Recovery consists of expenses not included in annual Operating Costs and other cost recoveries to the Water Authority. Miscellaneous Cost Recovery is an important element of the Water Authority’s annual revenue requirements.

Miscellaneous Cost Recovery totals $17.99 million in CY 2018, which is allocated to rate categories based on the nature of the cost that was incurred. Miscellaneous Cost Recovery includes the following:

**Stored Water Fund:** This is the working capital cost to purchased water for the filling of the San Vicente Dam. Due to the long-term benefit of water reliability, the cost of the dam fill is amortized over 6 years in order to fairly and reasonably spread the expenditure across member agencies based on a multi-year water demand trend. Costs are allocated to the storage rate component to adequately recover the associated cost while mitigating the overall rate impact. A total of $3.68 million will be recovered through the CY 2018 rates.

**Emergency Storage Project Evaporation:** This cost accounts for the cost of purchased water that is lost due to surface water evaporation. As this is a function of storage, the $8.15 million cost has been allocated to the storage rate component and will be recovered through the CY 2018 rates.

**Local Water Supply Development:** This is the cost to implement local water supply projects within the Water Authority’s service area in order to provide a long-term reliable and sustainable supply. The cost is recovered through the Customer Service charge to recognize the general region benefit. A total of $5.42 million will be recovered through the CY 2018 rates.

**Twin Oaks Reimbursement:** This reimbursement reflects a 25-year payback to customer service for the upfront investment in the implementation of the Twin Oaks Valley Water Treatment Plant. This original
investment was funded through use of Pay-as-you-Go (PAYGO) funds, which had been historically collected from the non-treatment functional rate categories. The cost is recovered through the treatment charge. A total of $0.74 million will be recovered through the CY 2018 rates.

3.3 CAPITAL COSTS

The Water Authority’s existing CIP is based on the results of planning studies, including the 2015 Urban Water Management Plan (UWMP) and the 2003 Regional Water Facilities Master Plan and extends through 2030. The CIP is also based on the Water Authority’s 2013 Regional Water Facilities Optimization and Master Plan Update, the agency’s new roadmap for infrastructure investments through 2035. These CIP projects include a mix of new facilities that will add capacity to existing conveyance, storage, and treatment facilities, as well as repair and replace aging infrastructure. The Water Authority utilizes both PAYGO and debt financing to fund capital improvements.

3.3.1 Annual Debt Service

The Water Authority has adopted a comprehensive set of financial policies. During the current year, three of these policies were of most significance. The Debt Management Policy sets forth comprehensive guidelines for the issuance and management of the Water Authority’s debt. Guided by this policy, in Fiscal Year 2016 the Board approved the issuance of $50 million in extendable commercial paper, $184,795,000 of Senior Lien Water Revenue Refunding Bonds Series 2015A, $87,685,000 of Subordinate Lien Water Revenue Refunding Bonds Series 2016S-1, and $296,340,000 of Water Revenue Refunding Bonds, Series 2016AB.

The Water Authority finances major capital improvements, in part, by issuing debt for two primary reasons. First, given the size of recent capital projects, the Water Authority does not have the financial reserves available that would otherwise be required to solely fund the CIP nor would it be reasonable to increase the water rates and charges in order to cash fund these improvements. Secondly, spreading the debt service costs for the project over the repayment period provides intergenerational equity by effectively spreading the financial burden between both existing and future users of the system. This approach allows the Water Authority to better match the cost of improvements with those benefitting from the improvements. This methodology is internally consistent with the development of the Water Authority’s System and Treatment Capacity Charges.

Finally, as an auxiliary benefit to the use of debt, the cash generated from meeting the Water Authority’s coverage requirements provides additional cash that can be used to fund PAYGO projects.

Excluding the Build America Bonds (BABs) subsidy and Helix apportioned debt, the net FY 2018 long-term debt service expenditure for allocation is $102.16 million. Short-term debt service expenditures, excluding Helix, for FY 2018 are projected at $10.10 million. Helix related debt is $1.35 and $0.21 million for long-term and short-term debt service, respectively. The sum of these debt obligations reflect the Water Authority’s recent debt restructuring and ability to take advantage of optimal market conditions in order to reduce its debt burden.

3.3.2 Non-Debt Capital Expenditures

To maintain its targeted capital structure, the Water Authority augments its use of short and long-term debt by funding a portion of its capital program with cash through its PAYGO Funds. The Water Authority
amortizes the cash funds used for capital to reduce the immediate and cyclical impact on rates. In addition, as stated above, excess funds derived from meeting the Water Authority’s targeted debt coverage ratio enables cash funding of capital projects. The Water Authority is projecting an estimated $27.90 million in cash expenditures for capital projects.

3.3.3 Depreciation and System Replacement

The Water Authority does not adjust rates to recover system depreciation. Rather, the Water Authority operates on a cash basis and the cost to rehabilitate and improve the system is accounted for through direct capital reinvestments. The cost of renewing the system over time is captured in the on-going renewal and replacement related CIP as included in the 30-year budget. This approach also creates consistency with the Water Authority’s capacity charge methodology, which excludes depreciated asset values from the buy-in cost basis of the charge, and then recovers a proportionate share of the CIP through the charge. It is important to note that once a meter is connected to the system, the user is then obligated to fund a proportionate share of future capital improvements and ongoing debt obligations through the water rates and charges.

3.4 OFFSETTING REVENUES TO REDUCE REVENUE REQUIREMENTS

Beyond water rates and charges, the Water Authority collects revenues through other various funding sources. These revenues provide a credit against the total revenues that must otherwise be collected annually from rates. Offsetting revenues include the IAC, standby availability charges, system and treatment capacity charges, property taxes, interest earnings, and miscellaneous revenues.
Table 3-3 details the offsetting revenues and provides a brief description of the source of revenue.

<table>
<thead>
<tr>
<th>REVENUE COMPONENT</th>
<th>CY 2018 REVENUES</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Capital Offsets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>System Capacity Charge</td>
<td>$16.29</td>
<td>The charge is designed to recover a proportionate share of the capital costs associated with providing services to new connections in the Water Authority’s service area.</td>
</tr>
<tr>
<td>Treatment Capacity Charge</td>
<td>$0.72</td>
<td>Helps fund the Water Authority’s regional water treatment facility. The charge recovers a portion of the capital costs from the future users of the Treatment facility.</td>
</tr>
<tr>
<td>Standby Availability Charge</td>
<td>$11.12</td>
<td>This fixed charge, which is in the nature of a special assessment, is limited by statute and funds some of the capital costs associated with maintaining the system and is $10 per acre per year, or $10 for a parcel less than one acre per year. The charge was first established prior to the adoption of Proposition 218, and has been continuously levied pursuant to law at pre-Proposition 218 levels.</td>
</tr>
<tr>
<td>PAYGO Earnings</td>
<td>$1.69</td>
<td>Interest earnings on the Water Authority’s PAYGO Fund.</td>
</tr>
<tr>
<td><strong>Operating Offsets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property Tax</td>
<td>$12.68</td>
<td>The Water Authority receives a portion of the 1% property tax pursuant to the Revenue and Taxation Code.</td>
</tr>
<tr>
<td>IAC</td>
<td>$33.14</td>
<td>The IAC is an annual service charge that is imposed on member agencies and apportioned based on all retail water meters within the Water Authority’s service area. The IAC maintains a minimum ratio of projected fixed revenues to projected fixed expenditures of 25% in any future fiscal year, excluding fixed water rate revenues.</td>
</tr>
<tr>
<td>Interest Earnings</td>
<td>$3.40</td>
<td>Interest earnings on operating funds.</td>
</tr>
<tr>
<td>Twin Oak Reimbursement</td>
<td>$0.74</td>
<td>Cost reflects a 25-year payback to customer service for the upfront investment in the implementation of the Twin Oaks Valley Water Treatment Plant.</td>
</tr>
<tr>
<td>Misc. Revenue</td>
<td>$3.80</td>
<td>Misc. Revenues primarily consists of revenues from the Water Authority’s long-term agreements to sell hydroelectric power generated from two locations to San Diego Gas and Electric (SDG&amp;E). In addition, it includes reimbursements for operating grants and other nominal revenues.</td>
</tr>
<tr>
<td><strong>Total Offsets</strong></td>
<td>$83.59</td>
<td></td>
</tr>
</tbody>
</table>
3.5 INFRASTRUCTURE ACCESS CHARGE

In addition to revenues generated through the five rate and charge categories, the Water Authority have additional revenues used to meet the annual rate revenue requirements. The most significant of these offsetting revenues is the IAC. The IAC was implemented in 1998 by Board policy to reduce financial vulnerability due to fluctuations in annual Water Authority revenues. This is accomplished by increasing the amount of fixed expenditures recovered through fixed charges. The IAC was designed to generate a minimum 25 percent ratio of fixed revenues to fixed expenditures.

Consistent with the Board policy, the IAC is comprised of 25 percent of the forecasted four-year average of debt service (long- and short-term debt) and 80 percent of forecasted four-year average O&M costs, times 110 percent. Based on the results of an expenditures analysis at the time of implementation, the Water Authority concluded that roughly 80 percent of the agency’s operating costs were fixed (e.g., personnel costs) and did not vary based on water sales. Additionally, the level of fixed expenditures to be recovered through the IAC was established to mitigate fluctuations in net revenues due to water sales volatility that the Water Authority had experienced. Finally, in establishing the IAC Policy, the Board increased the 25 percent fixed expenditure recovery by 10 percent to account for potential fluctuations in expenditures and offsetting revenues, as well as cost yet to be identified in the four-year budget forecast.

From this, the forecasted four-year average of the Water Authority’s Standby Availability Charge and property tax revenues are credited to recognize other fixed revenues. As detailed below, the IAC provides $33.14 million in revenue offsets against the required water rate and charges required revenues. The IAC is allocated to each member agency based upon the previous year’s total household meter equivalents (as reported by the member agencies). A meter equivalent is based on a meter size less than one-inch. For CY 2018, the monthly IAC is proposed at $3.01 per household meter equivalent.
Table 3-4 illustrates the calculation of the proposed IAC.

<table>
<thead>
<tr>
<th>TABLE 3-4 INFRASTRUCTURE ACCESS CHARGE CALCULATION ($ IN MILLIONS)</th>
<th>4-YEAR AVERAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-Term Debt Service</td>
<td>$125.77</td>
</tr>
<tr>
<td>Misc. LTD Fees</td>
<td>0.02</td>
</tr>
<tr>
<td>Total Short Term Debt Service and Costs</td>
<td>17.72</td>
</tr>
<tr>
<td>Administration and Maintenance times 80%</td>
<td>42.19</td>
</tr>
<tr>
<td>Total Local Supply Development Costs times 80%</td>
<td>4.19</td>
</tr>
<tr>
<td>ESP Evaporation and System Losses times 80%</td>
<td>8.81</td>
</tr>
<tr>
<td>Desalination FY Pipeline Cost</td>
<td>9.40</td>
</tr>
<tr>
<td><strong>Total Fixed Costs</strong></td>
<td><strong>$208.10</strong></td>
</tr>
<tr>
<td>Total Fixed Costs Times 110% Times 25%</td>
<td><strong>$57.23</strong></td>
</tr>
<tr>
<td><strong>Less:</strong></td>
<td></td>
</tr>
<tr>
<td>Other Tax Receipts</td>
<td>($12.94)</td>
</tr>
<tr>
<td>Standby Availability Charge Rev</td>
<td>(11.15)</td>
</tr>
<tr>
<td><strong>Remaining Fixed Cost Need (IAC Revenue)</strong></td>
<td><strong>$33.14</strong></td>
</tr>
<tr>
<td>Average Number of Meters Used in Calculation</td>
<td>917,831</td>
</tr>
<tr>
<td>Proposed CY 2018 IAC Per Meter Equivalent (Monthly in dollars)</td>
<td>$3.01</td>
</tr>
</tbody>
</table>
3.6 REVENUE SUFFICIENCY

Water Authority revenues must be sufficient on a fiscal year basis to meet two tests – (1) cash flow and (2) bond coverage. These sufficiency tests are commonly used to determine the amount of annual revenue that must be generated from an agency’s rates.

- **Cash Flow Sufficiency Test:**
  The cash flow test defines the amount of annual revenues that must be generated in order to meet annual expenditure obligations of the utility. These needs can include direct cash expenditures as well as planned transfers or additions to reserves.

- **Bond Coverage Sufficiency Test:**
  Bond coverage refers to the collection in revenues to meet all operating expenses and debt service obligations plus an additional multiple of that debt service. The Water Authority has a legally required minimum bond coverage ratio of 1.20x and a policy target of 1.50x. The Water Authority, as do many utilities, established a policy target in excess of legal requirements to retain or attain high bond ratings with correspondingly lower interest costs.

The revenue requirement analysis sets water rate and charge revenues at a level sufficient to pass both tests. Revenue requirements are considered to be driven by either “cash flow” or “coverage” based on the test that requires a greater adjustment. The Water Authority’s current annual revenue requirements are coverage driven – it must generate revenues in excess of its cash needs in order to meet its legal and policy debt requirements. These excess revenues then become available to fund future capital projects, non-cash items, and reserves.

3.7 FINANCIAL POLICIES

The Water Authority has a legally required minimum bond coverage ratio of 1.20x on senior lien debt service. In order to maintain strong bond ratings and mitigate the impacts of annual water demand fluctuations, the Board sets rates to meet a senior lien debt service coverage target of 1.50x, inclusive of RSF transfers, and 1.00x excluding capacity charge revenues.

As shown on the figure below, the Water Authority is projected to meet the Board policy target of 1.50x for FY 2018 after having allowed short-term deviations from the Board target in order to mitigate rate increases due to water demand reductions associated with statewide drought conditions and water pumping restrictions from the Bay-Delta. Although the coverage ratio fell below the Board target, the Water Authority’s coverage ratio remained above its legal requirement.

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3 This requirement is established by the Water Authority General Resolution as amended. This resolution and amendments are attached as Appendix D of this report.
In addition to annual bond coverage requirements, the Water Authority sets aside money into the RSF (as available), which, by covenant, may be used to meet the Water Authority’s legal bond coverage requirement in a year that other revenues are insufficient. Use of the RSF is a critical short-term water rate management tool and helps the Water Authority manage weather and timing related revenue risks and stabilize annual revenue needs through rate smoothing. As a result of continued dampened water demands, increase in QSA supply costs, and an extended timeframe for MWD lawsuit resolution, the Water Authority has forecasted a withdrawal of nearly $5.0 million in FY 2018. This equates to roughly $13 per acre foot of rate relief.

Finally, for CY 2018, the Water Authority’s revenue requirements are coverage driven. In order to meet this policy bond coverage target, the Water Authority must collect an additional $24.99 million above its operating costs and debt service obligations. The bond coverage target is calculated based on net revenues, excluding capital expenses and policy requirements, such as additions to reserves. Revenues collected to fund these excluded expenditures help to meet the annual bond coverage requirement.

Rate setting cannot be viewed as a single year process nor in a vacuum. There are many variables that fluctuate from year-to-year causing changes to demands as well as expenditures. Additionally, there may be known costs in the future that need to be proactively funded to prevent rate shock. Reserve and rate smoothing policies provide a mechanism to normalize and smooth rates over a multi-year process. These policies prevent a whipsaw effect of rates and provide greater predictably to its member agencies.
4 Allocation of Revenue Requirements to Functional Categories

The purpose of a cost of service analysis is to provide a reasonable basis for distributing the full costs of the Water Authority’s operations and capital investments to rate categories and then the member agencies in proportion to the demands placed on or benefits received from the system. The Water Authority currently maintains five functional rate categories. These components are developed and designed to mirror the nature in which expenditures are incurred. The Water Authority’s operating budget is allocated, by division, to a specific rate category as a part of the development of the two-year budget process. This process is based on clear, concise, and consistent rate and charge category definitions. In the allocation process, if work performed in a department or program is not specifically applicable to one of the five rate categories defined below, it is considered General and Administrative (G&A). This category is applicable to departments that support the internal operations of the Water Authority, such as Finance and Administrative Services.

Debt issuances and the associated annual debt services are allocated to rate categories based on the specific capital improvement projects financed through bond sales. Additionally, the Water Authority utilizes a combination of cash and PAYGO reserves to pay for capital projects. However, in an effort to minimize the immediate impact to rates, the Water Authority amortizes cash expenditures directly to the related rate category. The Water Authority uses its calculated weighted cost of capital as the interest rate on cash used for capital expenditures in each respective year. The Water Authority assumes a 1.5 percent reserve factor and a 30-year amortization term to calculate the projected annual cash payment stream. The annual cash payments are allocated to rate categories based on the same percentages developed to allocate long-term debt service.

4.1 Allocation Categories

The Water Authority allocates its annual operating budget to the five functional rate categories. As applicable and identifiable, these expenditures are assigned directly to rate categories. For expenditures incurred for the general operations of the Water Authority, costs are allocated to G&A and then redistributed to five functional categories based on their weighted average of directly assignable operating costs. A description of each category is as follows:

4.1.1 Customer Service

The Customer Service charge is set to recover costs that are necessary to support the functioning of the Water Authority, to develop policies and to implement system-wide programs. Cost recovered through the customer service charge include, but are not limited to customer billing, public relations, and expenses associated with the Board of Directors.

4.1.2 Storage

The Storage charge is set to recover costs associated with the ESP and CSP. The ESP is a system of reservoirs, interconnected pipelines, and pumping stations designed to make water available to the San Diego region in the event of an interruption in imported water deliveries. An example of expenditures or programs allocated to this category would be a division which works in support of the ESP projects such as...
Olivenhain Dam and Reservoir Operations in the Operations and Maintenance Department. Agriculture customers do not benefit from the Storage charge as addressed in Report Section 5.3.

4.1.3 Supply
The Supply rate recovers the cost of water supply incurred by the Water Authority, including the purchase of water from MWD, the IID, the Coachella and the All-American Canals, costs of MWD wheeling for non-MWD water supplies, desalination water costs, and certain other costs associated with the Quantification Settlement Agreement (QSA).

4.1.4 Transportation
The Transportation rate is set to recover capital, operating, and maintenance costs of the Water Authority’s aqueduct system, including all facilities used to physically transport the water to member agency meters, excluding certain distribution facilities covered under the East County Treatment Agreement. An example of this category would be the maintenance division in the Operations & Maintenance Department. This division maintains the valves, pipelines, and facilities that are integral to the aqueduct system.

4.1.5 Treatment
The Treatment rate is designed to recover the Water Authority’s cost of treating water. The Melded M&I Treatment Rate includes the costs of purchasing treated water from MWD, the operating and capital costs associated with the Water Authority’s agreement with Helix Water District’s Levy Water Treatment Plant, operating costs associated with the Olivenhain Treatment Plant, and the operating and capital (debt service) costs associated with the construction of the Twin Oaks Valley Treatment Plant.

4.1.6 General & Administrative
Expenditures that cannot reasonably be allocated directly to a rate category are assigned to G&A, which supports the general function of the Water Authority. An example of a cost that is assigned to G&A is accounting. Approximately 27 percent of the operating budget is allotted to the G&A allocation category for the CY 2018 rates. As no rate component directly relates to G&A, these costs are reallocated to the other rate components based on total direct budget allocation to customer service, storage, supply, transportation, and treatment.

4.2 ALLOCATION SUMMARY
As part of the 2014 rate setting process, Carollo held interviews with select departments and divisions in order to confirm the methodology and the appropriateness of application of cost of service principals during the annual budget process. The interviews evaluated the methodology and basis of the percentage allocations and developed the reasoning that allocations varied from the previous process, if applicable. In most cases, costs were allocated based on the historical and forecasted employee utilization and direct expenditures.

As a part of the FY 2018 budget process, the allocations were updated consistent with historical practices; however, the updated allocations include the recent internal reorganization of various departments and divisions. This internal review accounted for changes in processes and day-to-day operations. Given changes to the organizational structure and a general review of the allocation methodology, allocations
shifted more than past updates. Based on Carollo’s review of FY 2018 and 2019 operating expenditures, the provided allocations appear reasonable and continue to be based on sound and defensible definitions.

4.2.1 Allocation of Operating Costs

Table 4-1 illustrates the allocation of CY 2018 operating costs to each rate category based upon the total weighted average FY 2018 and FY 2019 expenditure allocation.

<table>
<thead>
<tr>
<th>CY 2018 &amp; 19 ALLOCATION</th>
<th>CY 2018 EXPENDITURES</th>
<th>CUSTOMER SERVICE</th>
<th>STORAGE</th>
<th>SUPPLY</th>
<th>TRANSPORTATION</th>
<th>TREATMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent Allocation</td>
<td>100%</td>
<td>35.4%</td>
<td>8.1%</td>
<td>17.8%</td>
<td>37.1%</td>
<td>1.6%</td>
</tr>
<tr>
<td>Cost Allocation</td>
<td>$51.41</td>
<td>$18.22</td>
<td>$4.16</td>
<td>$9.14</td>
<td>$19.16</td>
<td>$0.84</td>
</tr>
</tbody>
</table>

4.2.2 Allocation of Debt Service

For each debt issuance, the Water Authority actively allocates its use of long-term and short-term debt. Each issuance is apportioned to rate components based on specific projects funded. As a result, the Water Authority’s debt service is allocated in a defensible and equitable manner. Table 4-2 provides a summary allocation of the total FY 2018 debt service by functional rate category.

<table>
<thead>
<tr>
<th>REVENUE REQUIREMENT</th>
<th>FY 2018 TOTAL</th>
<th>CUSTOMER SERVICE</th>
<th>STORAGE</th>
<th>SUPPLY</th>
<th>TRANSPORTATION</th>
<th>TREATMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>LTD Service</td>
<td>$113.70</td>
<td>$11.89</td>
<td>$50.03</td>
<td>$7.27</td>
<td>$38.91</td>
<td>$5.59</td>
</tr>
<tr>
<td>STD Service</td>
<td>9.10</td>
<td>0.78</td>
<td>3.98</td>
<td>0.96</td>
<td>2.38</td>
<td>0.99</td>
</tr>
<tr>
<td>Total Debt Service</td>
<td>$122.80</td>
<td>$12.67</td>
<td>$54.01</td>
<td>$8.24</td>
<td>$41.29</td>
<td>$6.59</td>
</tr>
</tbody>
</table>

Notes:
(1) Includes Super Subordinate rate for Desalination Pipeline (Transportation - LTD)

4.2.3 Allocation of Offsetting Revenues

Offsetting revenues provide a credit against rate revenue needs. Operating revenue offsets are allocated to each functional rate category proportionate to the two-year average expenditures by rate category. Based on the finding of the 2014 Report and the Board approved recommendations, these revenue offsets
now incorporate treatment. As the treatment rate was implemented after the other four rate categories had been established, it was originally considered as a separate, stand-alone charge. However, this rate is now handled in a similar fashion to all other rate components.

Table 4-4 provides the allocation factors that are used to distribute each offsetting revenue.

<table>
<thead>
<tr>
<th>METHODOLOGY</th>
<th>APPLICABLE OFFSETTING REVENUES</th>
<th>CUSTOMER SERVICE</th>
<th>STORAGE</th>
<th>SUPPLY</th>
<th>TRANSPORTATION</th>
<th>TREATMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Excluding Treatment</td>
<td>System Capacity Charges</td>
<td>9.63%</td>
<td>45.85%</td>
<td>8.96%</td>
<td>35.56%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Total Capital</td>
<td>Water Standby Charges</td>
<td>9.12%</td>
<td>43.42%</td>
<td>8.48%</td>
<td>33.67%</td>
<td>5.3%</td>
</tr>
<tr>
<td>Total Expenditures</td>
<td>IAC Property Taxes &amp; In-Lieu Charges</td>
<td>16.11%</td>
<td>38.07%</td>
<td>9.80%</td>
<td>31.88%</td>
<td>4.14%</td>
</tr>
<tr>
<td></td>
<td>Investment Income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Other Revenue</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Operating revenue offsets include property taxes, IAC revenue, interest earnings, and miscellaneous revenues. The Water Authority also accounts for system capacity charge revenue, water standby availability charges, and interest earning on PAYGO reserves. These capital related offsets are allocated to the Water Authority’s customer service, storage, supply, transportation, and treatment rate components based on its respective share of the total capital expenditures for the two-year budget period. System capacity charge revenue continues to exclude treatment as no treatment costs are recovered in this charge. Finally, treatment capacity charges are allocated directly to the Water Authority’s treatment rate category as a reimbursement for treatment-related capital expenditures.
Table 4-4 illustrates the offsetting revenues and allocated offsets to each rate component.

### TABLE 4-4 OFFSETTING REVENUES (IN $ MILLION)

<table>
<thead>
<tr>
<th></th>
<th>TOTAL REVENUE OFFSETS</th>
<th>CUSTOMER SERVICE</th>
<th>STORAGE</th>
<th>SUPPLY</th>
<th>TRANSPORTATION</th>
<th>TREATMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Capital Offset</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>System Capacity Charge</td>
<td>$16.29</td>
<td>$1.57</td>
<td>$7.47</td>
<td>$1.46</td>
<td>$5.79</td>
<td>-$</td>
</tr>
<tr>
<td>Standby Availability Charge</td>
<td>11.12</td>
<td>1.01</td>
<td>4.83</td>
<td>0.94</td>
<td>3.75</td>
<td>0.59</td>
</tr>
<tr>
<td>Treatment Capacity Charge</td>
<td>0.42</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.42</td>
</tr>
<tr>
<td>PAYGO Earnings</td>
<td>1.69</td>
<td>0.15</td>
<td>0.74</td>
<td>0.14</td>
<td>0.57</td>
<td>0.09</td>
</tr>
<tr>
<td><strong>Operating Offsets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property Tax</td>
<td>$12.68</td>
<td>$2.04</td>
<td>$4.83</td>
<td>$1.24</td>
<td>$4.04</td>
<td>$0.53</td>
</tr>
<tr>
<td>IAC</td>
<td>33.14</td>
<td>5.34</td>
<td>12.62</td>
<td>3.25</td>
<td>10.57</td>
<td>1.37</td>
</tr>
<tr>
<td>Interest Earnings</td>
<td>3.40</td>
<td>0.55</td>
<td>1.30</td>
<td>0.33</td>
<td>1.09</td>
<td>0.14</td>
</tr>
<tr>
<td>Twin Oak Reimbursement</td>
<td>0.74</td>
<td>0.74</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Misc. Revenue</td>
<td>3.80</td>
<td>3.58</td>
<td>0.10</td>
<td>0.03</td>
<td>0.08</td>
<td>0.01</td>
</tr>
<tr>
<td>Desal Offset</td>
<td>0.23</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Offsets</strong></td>
<td><strong>$83.52</strong></td>
<td><strong>$14.99</strong></td>
<td><strong>$31.87</strong></td>
<td><strong>$7.48</strong></td>
<td><strong>$26.00</strong></td>
<td><strong>$3.17</strong></td>
</tr>
</tbody>
</table>

#### 4.2.4 Additional Expenses

As described in Report Section 3.1, the Water Authority incurs costs beyond those captured within the core budget, such as expenditures which were initially funded using reserves and then recovered from member agencies over time through rates, such as with the filling of the San Vicente Dam. When developing the rates and charges, the Water Authority accounts for these additional expenditures separately from the base operating expenditures, allocating these expenditures directly to each rate category based on direct benefit.
Table 4-5 details the additional expenditures that are incurred by each rate category outside the operating budget.

### TABLE 4-5 ADDITIONAL EXPENSES (IN $ MILLION)

<table>
<thead>
<tr>
<th></th>
<th>TOTAL EXPENSE</th>
<th>CUSTOMER SERVICE</th>
<th>STORAGE</th>
<th>SUPPLY</th>
<th>TRANSPORTATION</th>
<th>TREATMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Twin Oak Reimbursement</td>
<td>$0.74</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$0.74</td>
</tr>
<tr>
<td>Local Water Supply</td>
<td>5.42</td>
<td>5.42</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Development</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ESP Evaporation</td>
<td>8.15</td>
<td>-</td>
<td>8.15</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Stored Water Fund</td>
<td>$3.68</td>
<td>-</td>
<td>3.68</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Expense</strong></td>
<td><strong>$17.99</strong></td>
<td><strong>$5.42</strong></td>
<td><strong>$11.83</strong></td>
<td><strong>$-</strong></td>
<td><strong>$-</strong></td>
<td><strong>$0.74</strong></td>
</tr>
</tbody>
</table>

#### 4.2.5 Coverage Driven Requirements

The bond coverage target is calculated based on net revenues, excluding capital expenses and policy requirements, such as additions to reserves. Although the bond coverage requirement applies to all Water Authority rates and charges revenues in aggregate, the Water Authority establishes rates to separately meet the 1.50x coverage test by rate category, proportionate to its share of overall debt. This approach is designed to fairly and reasonably recover bond coverage and reserve costs by rate category.

Based on the revenues requirements defined above, the Water Authority must generate an additional $21.43 million through rates to achieve a 1.50x debt service coverage ratio and provide funding for the RSF. This is illustrated in Table 4-6.

### TABLE 4-6 REMAINING COVERAGE & RESERVE ALLOCATION SUMMARY (IN $ MILLION)

<table>
<thead>
<tr>
<th>REVENUE REQUIREMENT</th>
<th>CY 2018 TOTAL</th>
<th>CUSTOMER SERVICE</th>
<th>STORAGE</th>
<th>SUPPLY</th>
<th>TRANSPORTATION</th>
<th>TREATMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remaining Coverage &amp; Reserve Driven Needs</td>
<td><strong>$24.99</strong></td>
<td><strong>$4.02</strong></td>
<td><strong>$15.61</strong></td>
<td><strong>$(7.42)</strong></td>
<td><strong>$9.23</strong></td>
<td><strong>$3.56</strong></td>
</tr>
</tbody>
</table>

#### 4.2.6 Summary of Allocation

Table 4-7 provides a summary of the Water Authority’s revenue requirements and rate component allocations. The water sales revenue requirements reflect only the portion of water rates and charges related to direct Water Authority operating activities and do not include expenditures such as purchased water costs.
### TABLE 4-7 REVENUE REQUIREMENTS SUMMARY (IN $ MILLION)

<table>
<thead>
<tr>
<th>REVENUE REQUIREMENT</th>
<th>CY 2018 TOTAL</th>
<th>CUSTOMER SERVICE</th>
<th>STORAGE</th>
<th>SUPPLY</th>
<th>TRANSPORTATION</th>
<th>TREATMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Costs</td>
<td>$51.41</td>
<td>$18.22</td>
<td>$4.16</td>
<td>$9.14</td>
<td>$19.06</td>
<td>$0.83</td>
</tr>
<tr>
<td>Debt Service (LTD + STD)</td>
<td>$142.33</td>
<td>$13.74</td>
<td>$65.27</td>
<td>$11.77</td>
<td>$45.52</td>
<td>$6.04</td>
</tr>
<tr>
<td>Offsetting Revenues</td>
<td>$(83.52)</td>
<td>$(14.99)</td>
<td>$(31.87)</td>
<td>$(7.48)</td>
<td>$(26.00)</td>
<td>$(3.17)</td>
</tr>
<tr>
<td>Operating Rev Req Before Coverage</td>
<td>$110.22</td>
<td>$16.97</td>
<td>$37.56</td>
<td>$13.42</td>
<td>$38.57</td>
<td>$3.70</td>
</tr>
<tr>
<td>Additional Expenses</td>
<td>$17.99</td>
<td>$5.42</td>
<td>$11.83</td>
<td>$-</td>
<td>$-</td>
<td>$0.74</td>
</tr>
<tr>
<td>O&amp;M Rev Req Before Coverage</td>
<td>$128.21</td>
<td>$22.38</td>
<td>$49.39</td>
<td>$13.42</td>
<td>$38.57</td>
<td>$4.44</td>
</tr>
<tr>
<td>Remaining Coverage &amp; Reserve Driven Needs</td>
<td>$24.99</td>
<td>$4.02</td>
<td>$15.61</td>
<td>$(7.42)</td>
<td>$9.23</td>
<td>$3.56</td>
</tr>
<tr>
<td>Water Sales Rev Req</td>
<td>$153.20</td>
<td>$26.40</td>
<td>$65.00</td>
<td>$6.00</td>
<td>$47.80</td>
<td>$8.00</td>
</tr>
</tbody>
</table>
5 WATER RATES AND CHARGES

Based on the resulting revenue requirements analysis and detailed cost of service allocations, the revenue requirements for each rate and charge category are recovered from the member agencies based on water demand and usage factors. The Water Authority serves two classes of customers: Full Service and Transitional Special Agricultural Water Rate (TSAWR) customers. The following section of this report summarizes the proposed CY 2018 water rates and charges and discusses the TSAWR rates.

5.1 COMMODITY BASED FIXED CHARGES

Fixed revenues are distinguished from variable revenues as they provide a known and predictable annual source of revenue for an upcoming calendar year. The fixed commodity charges are allocated to each agency based on their proportionate share of a three-year rolling average of water demands.

5.1.1 Customer Service Charge

Based on the cost of service analysis, $26.40 million must be recovered through the customer service water rate in CY 2018. These costs are recovered as an annual charge, as these costs do not vary based on current year water demand. Specifically, the costs are allocated among the member agencies based on each agency’s three-year rolling average of all deliveries, excluding member agency wheeled water.

<table>
<thead>
<tr>
<th>TABLE 5-1 CY 2018 CUSTOMER SERVICE REVENUE REQUIREMENT (IN $ MILLION)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Expenditures (LTD &amp; STD)</td>
</tr>
<tr>
<td>O&amp;M + Share of Agency Operating Expenditures</td>
</tr>
<tr>
<td>Gross Revenue Requirements</td>
</tr>
<tr>
<td>Less: Offsetting Revenues</td>
</tr>
<tr>
<td>Capital Related</td>
</tr>
<tr>
<td>Operating Related</td>
</tr>
<tr>
<td>Specific Offsets - Treatment Payback</td>
</tr>
<tr>
<td>RR before Coverage and RSF Support</td>
</tr>
<tr>
<td>Additional Coverage</td>
</tr>
<tr>
<td>Total Revenue Requirement</td>
</tr>
</tbody>
</table>
5.1.2 Storage

Based on the cost of service analysis, $65.00 million is to be recovered through the storage charge in CY 2018. The storage charge is a flat annual charge that is applied to non-agricultural water deliveries. The storage charge is allocated among the member agencies using a pro rata share of each agency’s three-year rolling average of non-agricultural deliveries (including all users, member agencies, and third-party wheeling throughput). In return for not paying for storage, agricultural customers agree to receive a level of service during an emergency that is less than that received by the Water Authority’s municipal and industrial (M&I) customers.

The Water Authority’s ESP and Carryover Projects are designed to make water available to the San Diego region in the event of an interruption in imported water deliveries. Because agricultural users that participate in the TSAWR program agree to reduced or interrupted service during times of water emergencies, they will not receive benefit from the Water Authority’s investment in its long-term storage program. It is therefore appropriate to exclude agricultural deliveries from the calculation of the storage rate.

<table>
<thead>
<tr>
<th>TABLE 5-2 CY 2018 STORAGE REVENUE REQUIREMENT (IN $ MILLION)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Expenditures (LTD + STD)</td>
</tr>
<tr>
<td>O&amp;M + Share of Agency Operating Expenditures</td>
</tr>
<tr>
<td>Gross Revenue Requirements</td>
</tr>
<tr>
<td>Less Offsetting Revenues</td>
</tr>
<tr>
<td>Capital Related</td>
</tr>
<tr>
<td>Operating Related</td>
</tr>
<tr>
<td>RR before Coverage and RSF Support</td>
</tr>
<tr>
<td>Additional Coverage</td>
</tr>
<tr>
<td>Total Revenue Requirement</td>
</tr>
</tbody>
</table>

5.1.3 Supply Reliability Charge

Based on recommendations from the A&F Committee and approval of the Board, the CY 2016 rates were adjusted to include the addition of a Supply Reliability Charge. This charge recovers the functional incremental supply costs allocated to enhanced supply reliability. The Committee recognized the importance of equitably recovering the cost of the Water Authority’s investments in long-term water supply reliability in accordance with the cost of service requirements. The concept of a fixed charge for supply reliability was to balance the impact of the fixed costs on member agencies with the allocation of costs associated with long-term investments in supply reliability to member agencies based on a rolling average of M&I deliveries. Access to reliable supply benefits all member agencies regardless of whether the agency uses water every day or intermittently.
The approved methodology for determining the Supply Reliability Charge is as follows:

\[
\text{Supply Reliability Charge} = \left[ \text{Desal Water Cost} + \text{IID Water Transfer Costs} \right] - \text{MWD Tier 1 Equivalent Cost} \times 25\%
\]

For a full detailing of the calculation, the Supply Reliability Charge Report prepared by A&N Technical Services, Inc. is provided as Appendix E. Following this methodology, Table 5-3 details calculation of the proposed CY 2018 Supply Reliability Charge.

| TABLE 5-3 PROPOSED CALENDAR YEAR 2018 SUPPLY RELIABILITY CHARGE (IN $ MILLION) |
|---------------------------------|-----------------|
| Desal Deliveries (TAF)          | 42.0            |
| IID Transfer Deliveries (TAF)   | 130.0           |
| Desal Supply Cost ($/AF)        | $2,024          |
| IID Transfer Cost ($/AF)        | $1,147          |
| MWD Tier 1 Untreated Rate ($/AF)| $695            |
| Reliable Water Cost ($M)        | $234.12         |
| MWD Comparison Cost ($M)        | $119.54         |
| Differential ($M)               | $114.58         |
| Supply Reliability Needs        | $28.60          |

As used in the above formula, Desalination Deliveries are 42,000 AF/Y and IID Water Transfer Deliveries are 130,000 AF/Y in CY 2018. The IID Deliveries will continue to ramp up to 200,000 AF/Y according to the transfer schedule in the Transfer Agreement.

The revenue generated from this charge will only be applied to the supply revenue requirement prior to determining the volumetric Melded Supply Rate. This charge will be allocated to member agencies based on a five-year rolling average of applicable historical water deliveries. This charge will be zero when MWD’s Tier 1 costs are equal or greater than the combined Desalination and IID Water Transfer Costs.

The calculated Supply Reliability Charge follows general water industry cost of service-based rate-setting principles. By design, it cannot recover more than the costs allocated to the supply functional costs, as it is calculated as a portion of those functional supply costs. Further, it constitutes a reasonable allocation of functional supply costs in that it better aligns the fixed incremental supply costs incurred by the Water Authority to make highly reliable potable water supplies available to its member agencies with the benefits available to all water customers connected to the Water Authority integrated water system.

As detailed in the A&F findings, the rate addresses fairness by allowing for predictability of incurred charges (based on a rolling five-year average of historical deliveries) and adjustments to future charges imposed on each member agency as demand requirements change in the future due to local supply development or demand management. As approved, the Water Authority spreads the Supply Reliability cost to member agencies based upon their share of the rolling five-year average M&I deliveries.
5.2 COMMODITY BASED VARIABLE RATES

The commodity based variable water rates and charges are distinguished from fixed revenues as they are recovered based on annual water sales.

5.2.1 Supply (Melded M&I Supply Rate)

The Melded Untreated M&I rate is a volume rate assessed on an acre-foot basis. The rate is a combination of direct and indirect costs. The revenue requirement apportioned to the supply rate component is $6.00 million and is detailed in Table 5-4.

<table>
<thead>
<tr>
<th>TABLE 5-4 CY 2018 MELDED SUPPLY REVENUE REQUIREMENT (IN $ MILLION)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Expenditures (LTD + STD)</td>
</tr>
<tr>
<td>O&amp;M + Share of Agency Operating Expenditures</td>
</tr>
<tr>
<td>Gross Revenue Requirements</td>
</tr>
<tr>
<td>Less Offsetting Revenues</td>
</tr>
<tr>
<td>Capital Related</td>
</tr>
<tr>
<td>Operating Related</td>
</tr>
<tr>
<td>RR before Coverage and RSF Support</td>
</tr>
<tr>
<td>Additional Coverage and RSF Support</td>
</tr>
<tr>
<td>Total Revenue Requirement</td>
</tr>
</tbody>
</table>

For CY 2018, the total supply costs are projected to total $351.05 million. The Water Authority projected sales of 402,500 acre-feet at a cost of $377.90 million. An additional $16.84 million must be recovered through rates to fund the supply’s revenue requirements and costs associated with the IID socioeconomic payment, storage, and QSA costs. Additionally, the Supply Reliability Charge provides a revenue offset of $28.6 million. The Water Authority also assumes a use of reserves of $6.14 million to provide rate smoothing. By dividing the total supply cost by total water sales, an acre-foot cost of $894 is calculated.
### TABLE 5-5 PROPOSED CALENDAR YEAR 2018 MELDED SUPPLY RATE

<table>
<thead>
<tr>
<th>Acre-Foot Sales (A/F) (000's)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>MWD Tier I Deliveries</td>
<td>141.80</td>
</tr>
<tr>
<td>Carlsbad Desalination Water Production</td>
<td>42.00</td>
</tr>
<tr>
<td>IID Deliveries</td>
<td>130.00</td>
</tr>
<tr>
<td>Operational Storage</td>
<td>10.00</td>
</tr>
<tr>
<td>Canal Water Deliveries</td>
<td>78.70</td>
</tr>
<tr>
<td>Total A/F Sales</td>
<td>402.55</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Water Purchase Costs ($ Millions)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>MWD Tier I Water Purchases</td>
<td>$98.58</td>
</tr>
<tr>
<td>Carlsbad Desalination Water Supply Cost</td>
<td>85.01</td>
</tr>
<tr>
<td>IID Water Purchases</td>
<td>85.92</td>
</tr>
<tr>
<td>Operational Storage</td>
<td>5.87</td>
</tr>
<tr>
<td>Canal Water Purchases</td>
<td>102.43</td>
</tr>
<tr>
<td>Subtotal Water Purchase Costs</td>
<td>$377.90</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Additional Costs ($ Millions)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>QSA Environmental</td>
<td>$0.0</td>
</tr>
<tr>
<td>Supply Revenue Requirement &amp; Canal Cost Differential</td>
<td>16.33</td>
</tr>
<tr>
<td>Supply Augmentation Costs (Short and Long Term)</td>
<td>0.51</td>
</tr>
<tr>
<td>Total Additional Costs</td>
<td>$16.84</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Offset Revenues ($ Millions)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Supply Reliability Credit</td>
<td>$(28.60)</td>
</tr>
<tr>
<td>Cash &amp; Reserves(1)</td>
<td>(6.14)</td>
</tr>
<tr>
<td>Total Supply Cost</td>
<td>$360.00</td>
</tr>
</tbody>
</table>

Proposed A/F Rate (Total Supply Cost /Total A/F Sales) $894/AF

Notes:
(1) Consists of operating funds and rate stabilization funds

### 5.2.2 Treatment (Melded M&I Treatment Rate)

The Treatment rate is a volumetric rate, assessed on an acre-foot basis, designed to recover the Water Authority’s cost of treating water. The Water Authority’s direct cost related to Treatment is $8.00 million. In addition, the rate will be set to recover the costs of purchasing treated water from MWD, the Levy and Olivenhain treatment plants, the Water Authority’s Twin Oaks Valley Water Treatment Plant, desalinated water costs allocated to this rate and may recover certain other costs associated with the delivery of treated water.
Table 5-6 outlines the Water Authority’s forecasted treated acre-foot demand, incurred treatment costs, and corresponding melded treatment rate. Similar to the melded supply rate, the costs associated with the operation of the Twin Oaks Water Treatment Plant ($8.10 million) will be recovered through the CY 2018 rates outside the revenue requirements outlined in Table 5-6.

Table 5-7 outlines the Water Authority’s forecasted treated acre-foot demand, incurred treatment costs, and corresponding melded treatment rate. Similar to the melded supply rate, the costs associated with the operation of the Twin Oaks Water Treatment Plant ($8.10 million) will be recovered through the CY 2018 rates outside the revenue requirements outlined in Table 5-6.

The Water Authority spreads the Melded Treatment costs over the forecasted acre-feet demands. The proposed CY 2018 Melded Treatment rate is $300 per acre-foot.
5.2.3 Transportation

The Transportation rate is a uniform rate set to recover capital, operating and maintenance costs of the Water Authority’s aqueduct system, including all facilities used to physically transport the water to member agency meters. The transportation rate is charged to member agencies based on water deliveries.

<table>
<thead>
<tr>
<th>TABLE 5-8 PROPOSED CALENDAR YEAR 2018 TRANSPORTATION RATE (IN $ MILLION)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Expenditures (LTD + STD)</td>
</tr>
<tr>
<td>O&amp;M + Share of Agency Operating Expenditures</td>
</tr>
<tr>
<td>Gross Revenue Requirements</td>
</tr>
<tr>
<td>Less Offsetting Revenues</td>
</tr>
<tr>
<td>Capital Related</td>
</tr>
<tr>
<td>Operating Related</td>
</tr>
<tr>
<td>RR before Coverage and RSF Support</td>
</tr>
<tr>
<td>Additional Coverage &amp; RSF Support</td>
</tr>
<tr>
<td>Total Revenue Requirement</td>
</tr>
</tbody>
</table>

The Water Authority spreads the Transportation cost over all forecasted acre-feet demands, less water taken directly from MWD, to generate the Transportation rate. The proposed CY 2018 Transportation rate is $115 per acre-foot.

5.3 SPECIAL AGRICULTURAL WATER RATE PROGRAM

In October 2008, faced with a prolonged drought and rising water costs, the MWD Board voted to terminate the Interim Agricultural Water Program (IAWP) through a five-year phase-out of the program ending December 31, 2012. The IAWP was discounted rate for surplus system supplies available for the purpose of growing agricultural, horticultural, or floricultural products.

In response to MWD’s phase-out of IAWP, in October 2008, the Water Authority Board approved the Transitional Special Agricultural Water Rate (TSAWR) and formed a SAWR Board Workgroup to develop a recommended permanent program. In March 2010, the Board approved the Workgroup recommendation for a permanent TSAWR that would begin January 1, 2013 and only include the storage charge exemption. On April 26, 2012, the Board voted to extend the TSAWR program for two additional years to provide agricultural customers with additional time to transition to the higher cost of water. On March 26, 2015, the Board again voted to extend the TSAWR program through December 31, 2020.

Agricultural customers participating in the TSWAR program receive a reduced melded supply rate by agreeing to reduce or suspend water usage during shortages. These customers pay the MWD Tier 1 rate and do not share in the benefits of the QSA or Carlsbad Desalination supplies during water shortages. The second component of the TSAWR exempts agricultural customers from being subject to a member agency’s share of the Storage Charge. In return, agricultural customers receive half the level of service under the Emergency Storage Program (ESP) and no service under the Carryover Storage Program (CSP). This approach of providing a rate reduction is consistent with cost of service principles, as the agricultural
customers receive a commensurate reduced level of service. The customers are not provided supply reliability and do not contribute to storage costs.

Under the TSAWR program, agricultural users receiving raw water are charged the MWD Full Service Untreated Tier 1 water rate. In CY 2018, this rate is $695 per acre-foot. Agricultural users receiving treated water are also charged the MWD rate plus the Water Authority’s Melded Treatment Charge, which is proposed at $300 per acre-foot in CY 2018, as shown above. Transportation and customer service related costs are recovered through each member agency’s Transportation and Customer Service rates.
6 Findings

Based on the independent review performed for this rate study, Carollo confirms the Water Authority’s existing methodology, cost allocations, rate-setting principles, and proposed CY 2018 rates are reasonable and consistent with the AWWA cost of service principles, Board policies, and California legal requirements. Carollo’s finding for this study are as follows:

- The Water Authority has significant detail and a sound basis for existing and proposed water rates and charges.
- The resulting cost of service allocations and existing methodology provide a clear, reasonable, and defensible nexus between the cost of service provided and rates charged.
- Board policies and cost of service guidelines are applied alongside industry best practices and AWWA M1 standards.
- The Water Authority’s rates and charges adhere to the legal requirements as described within this report.
- The IAC was calculated in compliance with Board policies and adheres to the legal requirements as described within this report.
- The existing methodology yields an appropriate and reasonable method for allocating costs, which could be sustained absent substantial changes in cost drivers or customer discharge patterns occur.
- Revenue adjustments are necessary to cover the Water Authority’s budget requirements. The revenue requirements for CY 2018 are coverage driven, as existing revenues fall below the desired DSCR target of 1.50x and necessary deposits into the RSF.
- The proposed CY 2018 water rates and charges necessitate roughly a $5.0 million utilization of the RSF and continue to meet the Board’s DSCR target of 1.50x.
7 CAPACITY CHARGE STUDY

7.1 BACKGROUND
As part of the Cost of Service process, Carollo was also tasked to review and update the Water Authority’s capacity charges. Building from Carollo’s 2013 review of the capacity charges, the objective of the capacity charge review process is to affirm the calculation methodology for the Water Authority’s System Capacity Charge and Treatment Capacity Charge, and to update the charges as appropriate based on current system values and proposed capital improvements. The capacity charge analysis is based upon a point in time calculated based on the 2016 Comprehensive Annual Financial Report (CAFR), the Water Authority’s current capital improvement program (CIP), and forecasted meter equivalents.

In order to determine conformance with industry standards and principles, legal requirements, and the Water Authority Board policy, Carollo developed the following criteria to use in evaluating specific issues examined during the review:

- Do the capacity charges represent a reasonable nexus to the costs incurred by the Water Authority on behalf of future customers and the benefits received?
- Is the capacity charge methodology consistent with standards established in the American Water Works Association (AWWA) M1 manual, and does it meet Board policies and adhere to applicable legal requirements?
- Is the allocation approach consistent with industry practices and California Government Code §54999.7 and §66013?
- Is it expected that the allocation approach will remain appropriate for use by the Water Authority in the future?

This report presents Carollo’s findings and proposed adjustment to the System and Treatment Capacity Charges.

7.2 OVERVIEW
The Water Authority is a public agency serving the San Diego region as a wholesale supplier of water from the Colorado River and Northern California. The Water Authority’s mission is to provide a safe and reliable supply of water to its 24 member agencies serving the San Diego region. The Water Authority owns, operates, and maintains a system comprised of pipelines, pumping stations, and storage facilities (including hydroelectric generation). Water customers connecting to or upsizing a connection within the Water Authority’s service area are assessed a System Capacity Charge in order to equitably recover a portion of the cost to provide capacity to serve that customer. Additionally, a Treatment Capacity Charge is imposed on new or expanded retail connections capable of receiving treated water from the Water Authority.

Section §5.9 of the County Water Authority Act permits the Water Authority to fix and impose capacity charges on each of its member agencies or upon ultimate users of water delivered by the Water Authority to the member agencies. Capacity charges are a one-time payment for new or upsized meters to fund the cost to construct capacity to serve that meter. These capacity charges may include components for water...
resources, production, storage, distribution, treatment, and financial reserves. However, the Water Authority must demonstrate a reasonable nexus between the amount of the charge and the cost of capacity to serve new development.

In May 1990, the Water Authority’s Board of Directors adopted a System Capacity Charge on all new or upsized retail water meters installed. The charge was designed to recover a proportionate share of future capacity related capital expenditures required to provide service to new connections in the Water Authority’s service area. In May 2005, the Board approved a change in the System Capacity Charge calculation methodology. The new methodology not only recovers the costs of future improvements, but accounts for unused capacity available within the existing system funded by existing customers and future capital improvements that will benefit future users. The Board also approved the creation of a Treatment Capacity Charge to help fund the Water Authority’s regional water treatment facility. The Treatment Capacity Charge was implemented in 2008 and recovers a proportionate share of capital expenditures incurred by the Water Authority for the Twin Oaks Valley and Levy Water Treatment Plants. Both the System and Treatment Capacity Charges are imposed based upon the size of the meter installed.

7.3 STATUTORY REQUIREMENTS

The Water Authority may levy a capacity charge pursuant to Section §5.9 of the County Water Authority Act. A capacity charge that is levied on ultimate users of water is subject to the requirements of Chapter 13.7 (commencing with Section §54999) of Part 1 of Division 2 of Title 5 of the California Government Code relating to the imposition of charges on customers that are public agencies, such as school districts. Capacity charges are also subject to the requirements of Government Code §66013. Capacity charges are “charges for facilities in existence at the time the charge is imposed or charges for new facilities to be constructed in the future which are of benefit to the person or property being charged.” Section §66013 provides that capacity charges “shall not exceed the estimated reasonable cost of providing the service for which the fee or charge is imposed.” Section §54999.7 establishes a similar cost of service requirement. Capacity charges are not subject to the provisions of California Constitution article XIII D (Proposition 218) (Richmond v. Shasta Community Services Dist. (2004) 32 Cal. 4th 409.). A capacity charge is imposed on new connections in order to recover a fair and equitable share of the costs of capacity within the utility facilities. A key tenet in adopting these connection fees is: “growth pays for growth.” This means that the costs associated with building excess capacity to serve new customers ultimately should be borne by those new users who benefit from this available capacity.
8 CAPACITY CHARGE OVERVIEW

Capacity charges are designed to recover a proportionate share of system capacity costs from future users. The Water Authority’s system currently has unused capacity that is available to serve future users. The Water Authority will also continue to maintain, improve, and expand the system with future capital improvements. The capacity charge methodology implemented by the Water Authority in 2005 accounts for the benefit that future users will receive from both the existing system and future improvements. This methodology was later affirmed in Carollo’s 2013 Capacity Charge Report.

There are two basic components to the Water Authority’s capacity charge – the “buy-in component” (or existing cost basis); and the “future component” (or future cost basis). For the purposes of this study, the term “buy-in component” shall refer to the value of existing system assets (i.e. facilities already in service) that may be recovered through the capacity charge. The term “future component” shall refer to future facilities (i.e., facilities in the CIP) that may be recovered through the capacity charge.

The buy-in component of the capacity charge is based on replacement cost new less depreciation (RCNLD). Outstanding debt principal and monetary reserves are also accounted for in this cost basis as described in Report Section 8.1 below. The future component incorporates the present value (in 2016 dollars) of the Water Authority’s CIP. Costs are fairly and reasonably spread over both existing and future users by dividing the total system value by the total number of equivalent household meters that are projected to receive water service through 2035. The methodology for calculating both the System and Treatment Capacity Charges is illustrated in Figure 2.1 below:

**Figure 2.1: Overview of Capacity Charge Calculation**

\[
\text{Capacity Charge} = \frac{\text{Adjusted RCNLD of Existing System + Present Value of Future CIP}}{\text{Existing + Future Customers}}
\]

RCNLD = Replacement Cost New Less Depreciation

8.1 BUY-IN COST BASIS

Utilities often construct excess infrastructure capacity to meet projected future demands. The purpose of the buy-in component of the Water Authority’s capacity charges is to recover costs that have already been incurred by the Water Authority. Existing customers have paid for this system over time through their user rates (through direct capital financing or retired debt). The buy-in component of a capacity charge provides a mechanism to reimburse existing system users for the carrying costs of constructing system capacity that is available to be used by future users.

There are further considerations when calculating the buy-in component of the capacity charge. Given that the existing system was constructed over time, the original cost of constructing the system does not accurately reflect its current value nor the cost to construct the facilities today. Consequently, original costs were escalated to 2016 dollars using the *Engineering News-Record Construction Cost Index (ENR CCI).*
Water Authority’s fixed asset records were used as the basis for this analysis, which included original costs, acquisition dates, and estimated useful lives.

Replacement costs alone might not be the best estimate of system value, because system assets have a finite lifespan and must be replaced and/or rehabilitated in time. The Water Authority adjusts the existing cost basis by deducting straight-line depreciation. Accumulated depreciation is determined by dividing the age of each asset by the projected useful life and reducing the asset value by that percentage. By accounting for accumulated depreciation in the buy-in cost basis, the Water Authority may recover a proportionate value of capital improvements that will replace depreciated assets or will be undertaken to extend the useful lives of these assets through the future cost component of the capacity charge.

The existing cost basis should not include costs of assets that were grant-funded or donated and should only include those costs incurred by the Water Authority’s ratepayers for the development of the existing system. For this reason, contributed assets are removed from the existing cost basis.

Finally, the buy-in component is reduced by outstanding debt principal on existing assets net of available reserves. While there is no statutory requirement to do so, the Water Authority recognizes that customers connecting to the system will pay for these assets through the debt service component of their utility rates and therefore deducts outstanding debt principal from the existing cost basis. However, because the Water Authority maintains reserves that are essentially assets in the form of cash that could also be used to retire outstanding debt service, reserves are accounted for as a credit against the outstanding debt principal.

8.2 FUTURE COST BASIS

In addition to the value of the existing system, the Water Authority recovers a proportionate share of future capital improvements that will benefit future customers. Projects included in the Water Authority’s CIP have two primary purposes – maintain reliability of existing infrastructure and increase system capacity. Existing and future users will benefit generally in the same manner and to the same extent from these projects. As noted above, accumulated depreciation is deducted from the buy-in component of the capacity charge. This allows for the inclusion of future rehabilitative and upgrade projects, in order to equitably recover system value from future users and prevent a double counting of assets through the buy-in and future components of the capacity charges.

The future cost basis accounts for capital improvements that will be constructed through 2035. The costs of these improvements are estimated based on mid-point of construction and stated in future dollars. Costs are brought back to present value terms (2016 dollars) using a capital discount rate.

8.3 EXISTING AND FUTURE CUSTOMER BASE

The capacity charge methodology spreads the buy-in and future cost bases over the projected customer base (existing and future) through 2035. As meter size dictates the maximum instantaneous water demand a customer can put on the system, it provides a reasonable estimate of the overall demand a new user will place on the system. As such, the Water Authority uses meter size as the basis for assessing capacity charges.
To accommodate for different sized meters and uses, meter equivalency factors are applied to larger meters to generate the number of Meter Equivalents (MEs) in the system. Existing MEs are based on each member agency’s total number of meters multiplied by the meter size’s corresponding equivalency factor.

The San Diego Association of Governments (SANDAG) Series 13 report projects an increase in population, reaching approximately 3.85 million by 2035. The Water Authority uses this population estimate to project the number of new meters and meter equivalents that will be installed within its service area through 2035. To forecast future MEs, the Water Authority utilizes a combination of SANDAG population forecasts and a calculated historic persons per meter charge metric.

Based on 2017 population estimates, the Water Authority provides service to an estimated 3.31 million residents. Based on nearly 690,000 meters, this equates to a ratio of 4.76 people per meter. By applying this metric forward and utilizing the projected SANDAG population growth of 0.54 million by 2035 (2017 to 2035), the Water Authority would expect 113,736 new meters or 151,401 new meter equivalents. The calculation of forecasting new meter equivalents is shown in Table 8-1.

<table>
<thead>
<tr>
<th>LINE</th>
<th>CALCULATION FACTOR</th>
<th>EQUIVALENT CALCULATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Estimated 2017 Population</td>
<td>3,312,000</td>
</tr>
<tr>
<td>B</td>
<td>Meters (as of 12/31/2016)</td>
<td>689,606</td>
</tr>
<tr>
<td>C</td>
<td>Persons Per Meter (Rounded) (A ÷ B)</td>
<td>4.76</td>
</tr>
<tr>
<td>D</td>
<td>Population Growth (SANDAG Estimate 2018-2035)</td>
<td>541,000</td>
</tr>
<tr>
<td>E</td>
<td>Persons Per Meter (as of 2016)</td>
<td>4.76</td>
</tr>
<tr>
<td>F</td>
<td>New Meters (D ÷ E)</td>
<td>113,736</td>
</tr>
<tr>
<td>G</td>
<td>Weighted Meter Factor (ME/Meters)</td>
<td>1.33</td>
</tr>
<tr>
<td>H</td>
<td>Forecasted Meter Equivalents (F × G)</td>
<td>151,401</td>
</tr>
</tbody>
</table>
9 SYSTEM CAPACITY CHARGE CALCULATION

The System Capacity Charge is applicable to any new development requiring water service or upsize in water meter within the Water Authority’s service area. The charge is designed to recover a proportionate share of the capital costs associated with providing water supplies and services, including storage and conveyance facilities. The System Capacity Charge excludes all treatment related costs.

9.1 EXISTING SYSTEM COST BASIS

The cost to buy into the existing system is determined based on the total value of existing assets, net of liabilities (the buy-in cost basis). The following items are included as part of the buy-in cost basis.

9.1.1 Value of Infrastructure in Service

The infrastructure portions of existing capital assets, excluding treatment plants, are valued based on the replacement cost of existing conveyance infrastructure (escalated to January 2017 dollars based on ENR-LA CCI), less straight-line depreciation. The Water Authority’s asset records, which provide the install date of each asset (prior to 2017), were used to determine the RCNLD of the following asset types:

- Pipelines
- Flow control facilities
- Tunnels
- Pump stations
- Hydroelectric
- Flow regulating structures
- Olivenhain Dam
- Rancho Penasquitos
- Miscellaneous

Updated through 2016, the RCNLD of existing system infrastructure is $5.1 billion.

9.1.2 Adjustments to Value of Water Infrastructure in Service

The value of system infrastructure in service is adjusted to account for land value and construction work in progress.

- The value of land owned by the Water Authority is added to the value of the existing system. This value includes land, easements, and mitigation banks.
- “Construction work in progress” (CWIP) is separately tracked and added to the value of the existing system to avoid double counting with the CIP.
- Contributed Capital, assets that were not funded by existing users, is deducted from existing assets to provide equal footing with existing users.

The total value of these adjustments is $208 million. This reflects a significant decrease from prior years as many of the high value CWIP projects have since been completed.
9.1.3 Liability and Asset Related Adjustments

The Water Authority’s outstanding debt principal is deducted from the asset base, as it represents an outstanding liability that will be paid by future ratepayers through the Water Authority’s annual rates and charges. Tax Exempt Commercial Paper (TECP) is also deducted as a liability. As an offset to these deductions, and as applicable, the Water Authority’s existing cash assets were added back. This approach assumes that the Water Authority could retire or defease the outstanding debt with their reserves/cash on hand. Existing cash assets include the following funds:

- Debt Service Reserve Fund
- Construction Fund (proceeds still available)
- PAYGO Fund (excluding Water Standby Availability Charge revenues)
- Operating Fund (Facilities portion)
- Rate Stabilization Fund

Additionally, non-infrastructure assets (e.g., Participation and Capacity Rights, and reserves) have been included as asset-related adjustments. As of June 30, 2016, there are $1.3 billion in total liability and asset related adjustments, accounting for the debt associated with the significant CIP undertaken by the Water Authority.

9.2 Future System Cost Basis

The future system cost basis of the System Capacity Charge is based on the Water Authority’s Board adopted CIP. The current list of projects included in the CIP is based on the results of planning studies, including the 2015 Urban Water Management Plan (UWMP) and the 2013 Regional Water Facilities Master Plan, and extends through 2035. These CIP projects include a mix of new facilities that will add capacity to existing conveyance, storage, and treatment facilities, as well as repair and replace aging infrastructure. The System Capacity Charge excludes any projects related to treatment improvements, which will be recovered through the Treatment Capacity Charge. Based on the existing information, future CIP (2017-2035) accounts for nearly $1.5 billion in costs. The CIP contains no forecasted capital costs associated with the Treatment Capacity Charge.

9.3 Existing and Future Customer Base

As discussed in Report Section 8.3 the capacity charges are calculated by dividing the total system value by the total number of existing and future equivalent meters projected to be served by the Water Authority’s system in 2035. Approximately 1.1 million meter equivalents are projected through 2035.
9.4 SYSTEM CAPACITY CHARGE CALCULATION

The table below summarizes the various inclusions and adjustments related to the development of the CY 2018 System Capacity Charge.

<table>
<thead>
<tr>
<th>LINE</th>
<th>SYSTEM CAPACITY CHARGE</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>RCNL of Water Infrastructure in Service</td>
<td>$5,100,558,005</td>
</tr>
<tr>
<td>B</td>
<td>Sub-Total of Adjustments</td>
<td>208,148,270</td>
</tr>
<tr>
<td>C</td>
<td>Total Value of Capital Assets ((A + B))</td>
<td>$5,308,706,274</td>
</tr>
<tr>
<td>D</td>
<td>Total Liability and Asset-Related Adjustments</td>
<td>(-1,331,594,114)</td>
</tr>
<tr>
<td>E</td>
<td>Total Value of Existing Assets Net of Liabilities ((C + D))</td>
<td>$3,977,12,161</td>
</tr>
<tr>
<td>F</td>
<td>Infrastructure Related Future CIP Costs</td>
<td>1,474,996,900</td>
</tr>
<tr>
<td>G</td>
<td>Total Value of Existing and Future Assets ((E + F))</td>
<td>$5,452,190,061</td>
</tr>
<tr>
<td>H</td>
<td>Total Number of Meter Equivalents ((Existing and Future))</td>
<td>1,069,232</td>
</tr>
<tr>
<td>I</td>
<td>Proposed System Capacity Charge (Per ME) ((G ÷ H))</td>
<td>$5,099</td>
</tr>
</tbody>
</table>

The System Capacity Charge is calculated to increase to $5,099 from the current charge of $5,029, an increase of $70 per meter equivalent.
10 Treatment Capacity Charge

The Treatment Capacity Charge is applicable to any new connection within the Water Authority service area that will receive treated water. The charge recovers a portion of the capital costs from the future users of treatment facilities. Similar to the System Capacity Charge, the charge is based upon the size of the meter installed.

10.1 Existing System Cost Basis

The existing capital assets are valued based on the replacement cost of existing treatment infrastructure (escalated to 2016 dollars based on ENR CCI), less straight-line depreciation and outstanding debt principal. Treatment capital costs include the leased capacity at the Levy Water Treatment Plant and the Twin Oaks Valley Water Treatment Plant. The Water Authority’s asset records were used to determine the depreciated replacement cost of leased capacity at the Levy Water Treatment Plant. The replacement value of the Twin Oaks Valley Water Treatment Plant was determined by escalating the 2008 construction cost through 2016 and deducting straight-line depreciation. The existing cost basis of the treatment facilities is $261 million.

10.1.1 Liability and Asset Related Adjustments

The Water Authority’s outstanding debt principal related to treatment is deducted from the asset base, as it represents an outstanding liability the will be paid for by future ratepayers through the Water Authority’s annual rates and charges. As of June 30, 2016, there is roughly $119 million in total liability and asset related adjustments. As the Water Authority continues to pay off treatment related debt, this value has decreased since the 2013 review.

10.2 Future System Cost Basis

The future system cost basis of the Treatment Capacity Charge is based on projected expansions in the Water Authority and member agency water treatment facilities and excludes all non-treatment costs that are otherwise recovered through the System Capacity Charge. The current list of projects included in the CIP is based on the results of planning studies, including the 2015 UWMP and the 2013 Regional Water Facilities Master Plan. Following the completion of the Twin Oaks Valley Water Treatment Plant, the Water Authority has no planned treatment related projects.

10.3 Meter Equivalents

The capacity charges are calculated by dividing the total treatment system value by the total number of existing and future equivalent meters projected to be served by the Water Authority’s treatment system in 2035. Meters from Escondido, Del Mar, and Poway that are not connected to the treated water system are excluded from the Treatment Capacity Charge calculation. Approximately 1,005,000 meter equivalents are projected through 2035.
10.4 TREATMENT CAPACITY CHARGE CALCULATION

The table below summarizes the various inclusions and adjustments related to the development of the CY 2018 Treatment Capacity Charge.

<table>
<thead>
<tr>
<th>LINE</th>
<th>TREATMENT CAPACITY CHARGE</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Total Existing Cost Basis</td>
<td>$261,148,151</td>
</tr>
<tr>
<td>B</td>
<td>Sub-Total of Adjustments</td>
<td>-</td>
</tr>
<tr>
<td>C</td>
<td>Total Value of Capital Assets (A + B)</td>
<td>$261,148,151</td>
</tr>
<tr>
<td>D</td>
<td>Total Liability and Asset-Related Adjustments</td>
<td>(118,851,946)</td>
</tr>
<tr>
<td>E</td>
<td>Total Value of Existing Assets Net of Liabilities (C + D)</td>
<td>142,460,021</td>
</tr>
<tr>
<td>F</td>
<td>Total Future Cost Basis</td>
<td>-</td>
</tr>
<tr>
<td>G</td>
<td>Total Value of Existing and Future Assets (E + F)</td>
<td>$142,460,021</td>
</tr>
<tr>
<td>H</td>
<td>Total Number of Meter Equivalents</td>
<td>1,005,826</td>
</tr>
<tr>
<td>I</td>
<td>Proposed System Capacity Charge (per ME) (G ÷ H)</td>
<td>$141</td>
</tr>
</tbody>
</table>

The Treatment Capacity Charge is calculated to increase to $141 from the current charge of $128, which is an increase of $13 per meter equivalent.
11 FINDINGS AND RECOMMENDATIONS

Carollo finds that the Water Authority methods for calculating the System Capacity Charge and the Treatment Capacity Charge continue to be consistent with applicable AWWA and industry standards, Board policy, and applicable legal requirements as defined in Report Section 7.3 above. The Water Authority capacity charge methodology spreads the value of the current system and future improvements fairly and reasonably to all customers, existing and future, creating a nexus between the cost of capacity and the benefit received. This approach accounts for the fact that all customers will benefit generally in the same manner and to the same extent from the current system and future CIP improvements. Future users are required to pay for a proportionate share of system costs through the capacity charges, while existing users have paid through their past rates and will continue to contribute through future rates.

In years between capacity charge reviews, Carollo recommends that the Water Authority continue its policy to escalate the implemented System and Treatment Capacity Charges by an appropriate inflationary metric such as the ENR CCI. As there is no ENR CCI for the San Diego region, we suggest that the Water Authority use 20-City Average as a reasonable proxy. The use of the 20-City average provides significantly less year-to-year volatility while providing near identical long-term averages.
12 Annexation Application Fee - Introduction

The final piece of the Cost of Service review was to conduct a review and update of the Water Authority’s Annexation Application Fee (currently referred to as a Processing Fee). The purpose of the Water Authority’s Annexation Application Fee is to recover the administrative costs incurred throughout the annexation process. The purpose of this study is to identify the costs associated with processing the application to annex and develop an updated Application Fee to equitably recover these costs from the applicant.

12.1.1 Background

Periodically, the Water Authority receives requests from its member agencies to expand the Water Authority’s boundary through the annexation of property. A property is annexed concurrently into the member agency, the Water Authority, and the Metropolitan Water District of Southern California (MWD), by meeting the terms and conditions fixed by each agency’s board or council and in accordance with each agency’s policies and procedures.

Table 12-1 provides a summary of the existing Processing (Application) Fee.

<table>
<thead>
<tr>
<th>TABLE 12-1</th>
<th>CURRENT PROCESSING FEE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>COST</td>
<td>UNIT</td>
</tr>
<tr>
<td>Processing Fee</td>
<td>$3,000</td>
</tr>
</tbody>
</table>

San Diego County Water Authority
Page 99 of 353
13 ANNEXATION APPLICATION FEE CALCULATION

Updating the Annexation Application Fee requires determining those direct costs (staff and materials) and indirect costs (overhead and other support services) that the Water Authority incurs during the annexation process. The Application Fee is a user fee, which recovers the cost to provide a service performed by an agency on behalf of a private individual or group. This approach assumes that those services directly benefit the individual – and not the overarching service area – and therefore should be fully borne solely by the individual receiving the benefit. The approach presented in the memorandum below is an industry accepted approach for calculation of user fees.

13.1.1 Methodology

For most development-related user fees, state law establishes that “fees may not exceed the estimated reasonable cost of providing the service for which the fee is charged.” Additionally, Proposition 26 states that the fee charged must “not exceed the reasonable costs” to provide the service. The methodology and other efforts of the study are intended to establish compliance with this principle. The costs identified in this study represent the estimated reasonable full cost and, therefore, the maximum fee the Water Authority may charge for processing the application.

The proposed Application Fee is based on Water Authority staff time and cost required to process a request for annexation. The Water Authority will accept applications for annexation upon payment of the required annexation Application Fee, and the Board of Directors retains discretion to consider each annexation on a case-by-case basis and approve, conditionally approve, or deny the annexation based on the circumstances at that time. Water Authority staff provided time estimates that reasonably represent an average level of effort to support the entire annexation process. The estimated time for the fee is then multiplied by an average hourly rate to determine the direct labor portion of the fee.

Two key concepts for the Application Fee calculations are direct costs and overhead (indirect) costs: Direct costs are the salaries and benefits of personnel directly involved in the annexation application process. Overhead costs could include the costs of division and department personnel who supervise and support the annexation process, portions of division and department operations costs, and the costs of central service functions (such as accounting and information technology). For the purposes of this analysis only direct labor costs were included in the proposed Application Fee calculation.

13.1.2 Application Fee Calculation

Staff reviewed the existing annexation process and provided estimated hours by task. These estimated hours reflect the average staff time required during an annexation process and are not expected to vary significantly between typical annexations. As the average annexation is completed over an approximate 18-month process, the primary effort is related to meetings, coordination, and confirmation of the accuracy of the application.
Table 13-1 details the time estimates as provided by Water Authority staff.

**TABLE 13-1  ADMINISTRATIVE HOURS BY TASK**

<table>
<thead>
<tr>
<th>STEP</th>
<th>TASK DESCRIPTION</th>
<th>ESTIMATED HOURS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Initial Meeting/Discussion/Travel Time</td>
<td>4</td>
</tr>
<tr>
<td>2</td>
<td>File set-up and initial emails</td>
<td>4</td>
</tr>
<tr>
<td>3</td>
<td>Coordination with Member Agency (MA) to pull annexation package together, obtain needed documents from applicant (back and forth to establish Terms &amp; Conditions (T&amp;C))</td>
<td>40</td>
</tr>
<tr>
<td>4</td>
<td>Coordination with MWD</td>
<td>15</td>
</tr>
<tr>
<td>5</td>
<td>Board Memo #1 preparation/presentation/meeting (for SDCWA T&amp;C)</td>
<td>25</td>
</tr>
<tr>
<td>6</td>
<td>Prepare letter and package to send to MWD with SDCWA resolutions</td>
<td>2</td>
</tr>
<tr>
<td>7</td>
<td>Coordination with MWD (MWD Board adopts resolution)</td>
<td>20</td>
</tr>
<tr>
<td>8</td>
<td>Review of next set of documents submitted by MA to meet T&amp;C</td>
<td></td>
</tr>
<tr>
<td>8a</td>
<td>- Core and misc. documents review/coordination</td>
<td>20</td>
</tr>
<tr>
<td>8b</td>
<td>- CEQA (possibly NEPA) Review</td>
<td>15</td>
</tr>
<tr>
<td>9</td>
<td>Preparation of Board memo #2, presentation, meeting etc. for SDCWA Board to approve annexation</td>
<td>20</td>
</tr>
<tr>
<td>10</td>
<td>LAFCO Approval</td>
<td>2</td>
</tr>
<tr>
<td>11</td>
<td>Final administrative tasks/notifications/organization</td>
<td>2</td>
</tr>
</tbody>
</table>

**Total Estimated Water Resource Department Staff Time** 169

In order to calculate the total administrative cost to process an annexation, Carollo multiplied the total time required by the Water Authority’s average hourly wage plus benefits. Average retirement and health care costs are added to the base hourly wage; however, this does not reflect a “fully burdened” hourly rate \(^4\) as overhead costs were not identified. This approach yields an average hourly rate of $60 \(^5\). As detailed in Table 13-2, applying this hourly rate to the estimated staff time yields a cost of $10,140.

**TABLE 13-2  ADMINISTRATIVE COST CALCULATION**

<table>
<thead>
<tr>
<th>CALCULATION</th>
<th>UNIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Estimated Water Resource Staff Time</td>
</tr>
<tr>
<td>B</td>
<td>Average Hourly Rate</td>
</tr>
<tr>
<td>C</td>
<td>Annexation Application Fee (A × B)</td>
</tr>
</tbody>
</table>

\(^4\) Includes cost of overhead and indirect costs (such as printing, technology, etc.), above salary and benefits.

\(^5\) State Controller’s Government Compensation in California website identified an average salary of $90,375 and retirement and health costs of $32,599. Dividing by 2,080 annual work hours yields $60/hour.
In addition to the Water Resource staff costs, Legal Counsel reviews the annexations. Based on a typical process, this time is minimal. The Water Authority estimates that the total costs for legal review is $200 based on one hour review at $200 per hour. As a result, the total Application Fee totals $10,340 per annexed parcel. This fee is shown in Table 13-3 below:

<table>
<thead>
<tr>
<th>Calculation</th>
<th>Calculation</th>
<th>Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>A Administrative Costs</td>
<td>$10,140</td>
<td></td>
</tr>
<tr>
<td>B Legal Review</td>
<td>$200</td>
<td></td>
</tr>
<tr>
<td>C Total Application Fee</td>
<td>$10,340</td>
<td>Per Application</td>
</tr>
</tbody>
</table>
14 Survey of Annexation Fees

As part of the review process, Carollo surveyed other agencies throughout California, both retail and wholesale, which maintain an application fee (or similar 6) associated with the annexation process. The fees are outlined in the table below.

<table>
<thead>
<tr>
<th>AGENCY</th>
<th>APPLICATION (OR SIMILAR) FEE</th>
</tr>
</thead>
<tbody>
<tr>
<td>San Diego County Water Authority (existing)</td>
<td>$3,000 per application</td>
</tr>
<tr>
<td>Metropolitan Water District</td>
<td>$5,000 per application</td>
</tr>
<tr>
<td>East Bay Municipal Utilities District</td>
<td>$1,060 per application</td>
</tr>
<tr>
<td>Calleguas Municipal Water District</td>
<td>$74.77/hour Staff</td>
</tr>
<tr>
<td></td>
<td>$235/hour Legal</td>
</tr>
<tr>
<td>Western Municipal Water District (Type A)</td>
<td>$3,750 per application</td>
</tr>
<tr>
<td>Vallecitos Water District</td>
<td>$1,000 for 0 -10 acres</td>
</tr>
<tr>
<td></td>
<td>$2,000 for 11-50 acres</td>
</tr>
<tr>
<td></td>
<td>$3,000 for 50+ acres</td>
</tr>
<tr>
<td>Los Angeles County Sanitation District</td>
<td>$1,450 for 0-1.5 acres</td>
</tr>
<tr>
<td></td>
<td>$1,950 for &gt;1.5-5.0 acres</td>
</tr>
<tr>
<td></td>
<td>$390/acre for &gt;5-20 acres</td>
</tr>
<tr>
<td></td>
<td>$7,900 +$75/acre over 20 acres</td>
</tr>
</tbody>
</table>

As the survey reveals, not only do the fees vary but the collection methodology varies. The most common Application Fee methodology is a flat fee per application. This is likely due to the simple and clear nature of the fee.

Both Vallecitos Water District and Los Angeles County Sanitation District graduate the fee based on the size (number or acres) of the annexation, albeit with varying levels of granularity. As discussed above, this approach was evaluated; however, for the Water Authority’s specific process, it was the consensus of staff that there was no strong correlation between size of the annexation and time required for processing. Instead, they noted the greatest reason for variation (additional effort) was the quality of the application.

Yet another approach is an hourly (or time and materials) approach utilized by Calleguas Municipal Water District. This approach might yield greater cost recovery; however, additional effort is required to track time. Also additional uncertainty for the applicant is created as there is no limit or upfront understanding of the effort required. The Agency does address this in their fee schedule by suggesting a

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6 The survey revealed there is no consistent naming convention. Agencies may refer to the Application Fee as an “administrative” or “processing” or “annexation” fee. In all cases the fee is designed to recover the costs associated with review and processing of the submitted annexation application.
“simple” annexation may require 35 hours of staff time (35 hours * $74.77 = $2,625) plus legal review (6 hours * $235 = $1,410). They do, however, include the caveat hours may vary widely.

Based on the results of the survey and discussions with staff, no changes to the collection methodology are recommended at this time. The Water Authority should continue to monitor the staff time necessary to perform this function and process required.
15 Conclusion and Recommendation

The calculated Application Fee of $10,340 reflects the identified full administrative cost of service associated with an application for annexation. Based on the identified effort at this time, this indicates the maximum fee that the Water Authority Board could enact for the administrative costs of processing a potential annexation. While this is an increase from the existing $3,000 charge, the existing fee has not been adjusted since 1983. If the fee had been adjusted annually by inflation (US CPI), it would be nearly $8,300. Furthermore, it is not known what level of cost recovery was identified in 1983. It is also recommended that in between periodic fee analyses, the Water Authority should annually index the Application Fee based on the change in the CPI index for San Diego as of January of each year.
A. INFRASTRUCTURE ACCESS CHARGE RESOLUTION
RESOLUTION NO. 98-26

RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN DIEGO COUNTY WATER AUTHORITY SETTING THE AMOUNT OF THE INFRASTRUCTURE ACCESS CHARGE PURSUANT TO SECTION 15.3.5 OF THE ADMINISTRATIVE CODE

WHEREAS, on January 8, 1998, the Board of Directors adopted an Implementation Plan for Proposed Changes to the Authority's Revenue Structure; and

WHEREAS, on March 12, 1998, the Board of Directors conducted a public hearing duly noticed by publication to consider a revised revenue structure including a proposed infrastructure access charge; and

WHEREAS, on March 26, 1998, the Board of Directors adopted Resolution No. 98-10, amending Article 15 of the Administrative Code adding Section 15.3.5 establishing an infrastructure access charge the amount of which would be determined by later action of the Board of Directors; and

WHEREAS, Section 15.3.5 of the Administrative Code provides that the infrastructure access charge shall be set at an amount which, when added to the Authority's Water Standby Availability Charge and property tax revenues, will provide funding for at least 25 per cent of the Authority's estimated annual fixed costs, and further, that member agencies shall pay the infrastructure access charge based on the number and size of retail water meter connections within their respective jurisdictions; and

WHEREAS, on April 9, 1998, the Board of Directors established June 11, 1998, as the date for a public hearing to consider protests to the infrastructure access charge; and

WHEREAS, notice of the hearing to consider protests regarding the amount of the infrastructure access charge was mailed to owners of real property, as referred to in Articles XIIIC and XIIID of the California Constitution, not less than 45 days prior to the public hearing; and

WHEREAS, on June 11, 1998, the Board of Directors held a public hearing and considered the protests regarding the amount of the infrastructure access charge; and

WHEREAS, the Board of Directors did not receive a majority protest to the amount of the infrastructure access charge; and

WHEREAS, pursuant to Section 15.3.5 of the Administrative Code and as recommended by the "Final Report, Revenue Plan Review (Including Implementation
Steps dated December 1997 prepared by R. W. Beck, consulting engineers, the Board of Directors hereby declares that the annual fixed costs of the Authority for the purposes of calculating the infrastructure access charge shall include annual payments of principle and interest on debt of the Authority, eighty percent of all operation and maintenance expenses as established by the Board in the annual budget, and payments to member agencies for generation of reclaimed water.

WHEREAS, the Board of Directors has considered the information relating to the infrastructure access charge and has determined that the revenue derived from the charge will, when combined with standby charges and property tax revenues, provide the sum necessary to pay at least twenty-five percent of the estimated annual fixed costs of the Authority, including but not limited to debt service; and

WHEREAS, the Board of Directors has determined that the amount of the infrastructure access charge for each member agency charge as set forth in this resolution complies with the requirements of Section 15.3.5 of the Authority's Administrative Code; and

NOW, THEREFORE, IT IS HEREBY RESOLVED by the Board of Directors of the San Diego County Water Authority as follows:

1. The foregoing recitations are true and correct.

2. The monthly amount of the infrastructure access charge to be collected from each member agency pursuant to Section 15.3.5 of the Authority's Administrative Code, commencing on January 1, 1999, is established as follows:

| Carlsbad Municipal Water District    | $ 25,385 |
| City of Del Mar                      | $ 2,442  |
| City of Escondido                    | $ 30,744 |
| Fallbrook Public Utilities District  | $ 10,261 |
| Helix Water District                 | $ 62,433 |
| City of National City               | (See Sweetwater Authority) |
| City of Oceanside                   | $ 49,222 |
| Olivenhain Municipal Water District | $ 17,125 |
| Otay Water District                 | $ 37,988 |
| Padre Dam Municipal Water District  | $ 24,678 |
| City of Poway                       | $ 14,829 |
| Pendleton Military Reservation      | $ -0-    |
| Rainbow Municipal Water District    | $ 11,157 |
| Ramona Municipal Water District     | $ 9,967  |
| Rincon del Diablo Municipal Water District | $ 8,938 |
| City of San Diego                   | $354,539 |
| San Dieguito Water District         | $ 14,591 |
| Santa Fe Irrigation District        | $ 10,269 |
South Bay Irrigation District (See Sweetwater Authority)
Sweetwater Authority $ 43,373
Vallecitos Water District $ 17,194
Valley Center Municipal Water District $ 12,889
Vista Irrigation District $ 31,946
Yuima Municipal Water District $ 564

Pursuant to Section 15.3.5 of the Administrative Code, the Board of Directors, by resolution, may establish a system of credits that member agencies may offset against the charge set by this section.

3. The amount of the monthly infrastructure access charge for each member agency has been determined based upon information provided by member agencies summarized in the table attached hereto as Attachment 1, and is apportioned based upon anticipated water delivery measured by the number of “household meter equivalents” served by each member agency. The infrastructure access charge for the Pendleton Military Reservation has been established at $0.00 due to the unique circumstances and limitations of its current receipt of service from the Authority.

4. The General Manager shall require each member agency to provide sufficient information to permit the Manager, or the Manager’s designee, to evaluate the water use potential of a member agency based upon the number and types of water meters within the member agency as of December 31 of each year. Thereafter the General Manager shall determine the infrastructure access charge according to the procedures set forth in Attachment 2 to this resolution and shall recommend any adjustments to the charge to the Board of Directors.

5. The Board of Directors, by resolution, may from time-to-time adjust the infrastructure access charge to account for changes in capital improvement costs, operation and maintenance expenses, and other fixed costs to assure revenue from the charge, when combined with revenue from property taxes and stand-by charges, is sufficient to pay at least twenty-five percent of the Authority’s fixed costs as defined in this resolution. Based upon current capital improvement plans, it is estimated that the infrastructure access charge will increase to $2.00 per month per household meter equivalent over the next ten years. Further, the charge is subject to future adjustments for inflation and modifications of capital improvement plans. The procedure by which the Board of Directors established and set the infrastructure access charge, or adopted this resolution, shall not be deemed to establish a precedent for future proceedings of the Authority to establish, levy, set, or increase any fee or charge.

PASSED, APPROVED, AND ADOPTED this 11th day of June, 1998.

AYES: Unless noted below, all Directors voted aye.
NOES:  Chenelle, Mason, & Pocklington

ABSTAIN:

ABSENT: Fowler, Krauel, Madigan, & McMillan

Chris Frahm, Chair
Board of Directors

ATTEST:

Harold W. Ball, Secretary
Board of Directors

I, Janet R. Maltman, Board Secretary of the Board of Directors of the San Diego County Water Authority, do hereby certify that the above and foregoing is a full, true and correct copy of said resolution No. 98-26 of said Board and that the same has not been amended or repealed.

Janet R. Maltman, Board Secretary
Board of Directors
### SDCWA Active Retail Meters Equivalent to 3/4” or Smaller (as of 12/31/97)

<table>
<thead>
<tr>
<th>Agency ID</th>
<th>C. Yr.</th>
<th>Multiplier</th>
<th>5/8&quot;</th>
<th>3/4&quot;</th>
<th>1&quot;</th>
<th>1 1/2&quot;</th>
<th>2&quot;</th>
<th>2 1/2&quot;</th>
<th>3&quot;</th>
<th>4&quot;</th>
<th>5&quot;</th>
<th>6&quot;</th>
<th>8&quot;</th>
<th>10&quot;</th>
<th>12&quot;</th>
<th>16&quot;</th>
<th>Subtotal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carlsbad</td>
<td>1997</td>
<td>14,340</td>
<td>1,374</td>
<td>1,174</td>
<td>1,503</td>
<td>5,892</td>
<td>0</td>
<td>230</td>
<td>394</td>
<td>0</td>
<td>270</td>
<td>208</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>25,385</td>
<td></td>
</tr>
<tr>
<td>Del Mar</td>
<td>1997</td>
<td>1,151</td>
<td>314</td>
<td>258</td>
<td>150</td>
<td>333</td>
<td>0</td>
<td>29</td>
<td>0</td>
<td>0</td>
<td>52</td>
<td>156</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<tr>
<td>Escondido</td>
<td>1997</td>
<td>18,712</td>
<td>323</td>
<td>3,360</td>
<td>2,352</td>
<td>4,020</td>
<td>0</td>
<td>499</td>
<td>738</td>
<td>0</td>
<td>480</td>
<td>260</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>30,744</td>
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<tr>
<td>Fallbrook</td>
<td>1997</td>
<td>0</td>
<td>5,468</td>
<td>2,184</td>
<td>1,134</td>
<td>1,056</td>
<td>0</td>
<td>125</td>
<td>115</td>
<td>0</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>10,261</td>
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</tr>
<tr>
<td>Helix</td>
<td>1997</td>
<td>46,802</td>
<td>3,164</td>
<td>2,195</td>
<td>2,814</td>
<td>6,594</td>
<td>0</td>
<td>163</td>
<td>49</td>
<td>0</td>
<td>600</td>
<td>52</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>62,433</td>
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<td>Oceanside</td>
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<td>33,311</td>
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<td>6,193</td>
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<td>Olivenhain</td>
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<td>1,937</td>
<td>9,549</td>
<td>1,901</td>
<td>1,602</td>
<td>1,690</td>
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<td>154</td>
<td>262</td>
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<td>0</td>
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<tr>
<td>Otay</td>
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<td>3</td>
<td>28,129</td>
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<td>269</td>
<td>607</td>
<td>0</td>
<td>390</td>
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<td>624</td>
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<td>0</td>
<td>37,986</td>
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</tr>
<tr>
<td>Padre Dam</td>
<td>1997</td>
<td>16,750</td>
<td>1,753</td>
<td>1,715</td>
<td>1,014</td>
<td>2,356</td>
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<td>269</td>
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<td>234</td>
<td>0</td>
<td>0</td>
<td>24,678</td>
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<tr>
<td>Poway</td>
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<td>723</td>
<td>1,238</td>
<td>0</td>
<td>144</td>
<td>49</td>
<td>0</td>
<td>90</td>
<td>104</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>14,829</td>
<td></td>
</tr>
<tr>
<td>Rainbow</td>
<td>1997</td>
<td>387</td>
<td>1,758</td>
<td>3,371</td>
<td>1,833</td>
<td>3,042</td>
<td>0</td>
<td>490</td>
<td>246</td>
<td>0</td>
<td>30</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<td>Ramona</td>
<td>1997</td>
<td>425</td>
<td>6,937</td>
<td>525</td>
<td>336</td>
<td>978</td>
<td>0</td>
<td>701</td>
<td>66</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>9,967</td>
<td></td>
</tr>
<tr>
<td>Rincon</td>
<td>1997</td>
<td>5,541</td>
<td>7</td>
<td>1,554</td>
<td>546</td>
<td>785</td>
<td>0</td>
<td>221</td>
<td>82</td>
<td>0</td>
<td>150</td>
<td>52</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>8,938</td>
<td></td>
</tr>
<tr>
<td>San Diego</td>
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<td>215,194</td>
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<td>6,846</td>
<td>4,056</td>
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<td>572</td>
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<td>San Diego</td>
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<td>52</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>14,591</td>
<td></td>
</tr>
<tr>
<td>Santa Fe</td>
<td>1997</td>
<td>49</td>
<td>3,358</td>
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<td>2,436</td>
<td>1,342</td>
<td>0</td>
<td>77</td>
<td>115</td>
<td>0</td>
<td>90</td>
<td>52</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>10,269</td>
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</tr>
<tr>
<td>Sweetwater</td>
<td>1997</td>
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Attachment 2 to Resolution No. _____

PROCEDURES FOR DETERMINING THE INFRASTRUCTURE ACCESS CHARGE

The Infrastructure Access Charge shall be adjusted each year to maintain an estimated income, when combined with estimate income from taxes and standby charges, sufficient to pay at least twenty-five percent of the Authority’s annual fixed costs. The annual fixed costs of the Authority for the purposes of calculating the infrastructure access charge shall include annual payments of principle and interest on debt of the Authority, eighty percent of all operation and maintenance expenses as established by the Board in the annual budget, and payments to member agencies for generation of reclaimed water. The adjustment shall occur as a part of, and in the same manner as, the Authority’s regular rate-setting process.

The steps for setting the IAC will be as follows:

1) In January of each year, the Authority will request each member agency to provide a count of retail water meters serviced by that agency and active as of December 31 of the previous year. The meter count shall be based on the number of equivalent household meters, using multiplication factors established by the Authority’s Director of Engineering for each meter size to determine the number of household meter equivalents. (Criteria for including a meter in the active retail meter count are given later.)

2) The estimated average annual fixed capital and operating expenditures for the following four fiscal years will be established through the annual budgeting process by the end of March of each year.

3) The estimated average annual fixed capital and operating expenditures for the next four years will be multiplied by 25% to establish the minimum level of fixed revenues required for the next fiscal year. Since actual expenditures can vary from the budget estimates upon which the IAC will be based, the estimate of the minimum level of required fixed revenues will be increased by 10% to provide increased assurance that actual fixed revenues will be at least 25% of actual fixed expenditures.

4) Estimated income from the Authority’s other fixed income sources (standby charges and property taxes) will be subtracted from the estimated minimum level of fixed revenues to establish the total revenue required from the IAC.

5) The total revenue required from the IAC will be divided by the sum of the meter counts of all the member agencies to establish the IAC for a household meter equivalent (the per-meter IAC).
6) The amount of the IAC charge to be levied against each member agency will be established by multiplying the member agency's meter count times the per-meter IAC.

7) The Board will adopt the fixed IAC charge for each member agency and the per-meter IAC at the same time the capacity charge and the water rate is set, typically in April.

8) Changes in the IAC will be effective the same date in the fiscal year that changes in the commodity rate are normally effective.

9) Meters will be counted using the following criteria and definitions:

- All active retail water meters will be included in the meter count.
- The meter count will be expressed as the number of household meter equivalents based on the same factors used for the capacity charge to compute the household meter equivalent for meters 1-inch and larger.
- Active meters are defined as those meters which took water at any time during the preceding 12 months. If a meter is officially listed as inactive on a member agency's books on December 31, but has taken any amount of water during the previous 12 months, it must be included in the meter count.
- Fire service and similar types of emergency meters are not counted, even if they have taken water during the previous 12 months.
- Reclaimed water meters are not counted unless they are connected to a reclaimed water system that has used water from the Authority's system to meet more than 20% of that reclaimed water system's total demand during the past 12 months.
- Meters of local distributors other than member agencies which receive water through a master meter from a member agency are not separately counted if the annual amount of water attributable to the Authority is less than or equal to 20% of the total annual amount of water distributed by the local distributor.
- Mutual support meters between member agencies are not counted.
- Master meters within a member agency are counted if they are used by a member agency to bill retail customers.
- Individual meters within a master metered area are not counted unless they are used by the member agency to bill retail customers in lieu of the master meter.
- Meters in areas outside the Authority's service area are not counted unless they are a net recipient of imported water through one of the member agencies.
- Meters receiving the Special Agricultural Rate will be counted.
B. ORDINANCE NO. 2002-03
ORDINANCE NO. 2002-03

AN ORDINANCE OF THE BOARD OF DIRECTORS OF THE SAN DIEGO COUNTY WATER AUTHORITY SETTING RATES AND CHARGES FOR THE DELIVERY AND SUPPLY OF WATER, USE OF FACILITIES AND PROVISION OF SERVICES

WHEREAS, Subdivision (13) of Section 5 of the County Water Authority Act provides that the Authority may: "Fix, revise, and collect rates or other charges for the delivery of water, use of any facilities or property, or provision of services. In fixing rates the board may establish reasonable classifications among different classes and conditions of service, but rates shall be the same for similar classes and conditions of service." and

WHEREAS, Subdivision (11) of Section 5 of the County Water Authority Act provides, in part that, the Authority's Board of Directors, "as far as practicable, shall provide each of its member agencies with adequate supplies of water to meet their expanding and increasing needs;" and

WHEREAS, the Long-Range Financing Plan adopted by the Board of Directors contemplates the establishment of sufficient rates and charges, when considered along with taxes and other revenues of the Authority, to provide revenues for accomplishment of the Authority's purposes and programs as determined by the Board of Directors; and

WHEREAS, pursuant to the County Water Authority Act, the Board of Directors has adopted ordinances and resolutions levying and fixing property taxes, water availability standby charges and other rates and charges for delivery and supply of water, use of facilities and provision of other services by the Authority, including, without limitation, a capacity charge, an infrastructure access charge, a readiness to serve charge and a water rate; and

WHEREAS, under direction of the Board and its Rate Structure Subcommittee, the Authority's staff and consultants have been working with member agencies over the past several years to develop a new rate structure; and

WHEREAS, the Rate Structure Subcommittee has recommended a new structure of rates and charges is designed to ensure that the Authority has sufficient revenue to fulfill its role as the regional wholesale water provider, support local resources development and provide a new class of service for agencies with connections not using Authority facilities; and

WHEREAS, under the new structure of rates and charges, taxes, the water availability standby charge, the infrastructure access charge, and the capacity charge are not affected and will continue as currently levied; and

WHEREAS, under the new structure revenue formerly collected from a uniform water rate for raw and treated water of $95 per acre foot and a special agricultural water rate of $80 per acre foot will instead be collected from rates and charges fixed according to four categories called: Customer Service, Storage, Transportation, and Supply; and
WHEREAS, pursuant to Resolution No. 2002-06 adopted May 23, 2002, the Clerk of the Board has caused legal notice of a public hearing to hear objections protests or comments from the public about the proposed new rate structure; and

WHEREAS, the Director of Finance has presented a report dated June 19, 2002 describing the proposed structure of fees and charges, including, without limitation, the revenue requirement, the reasonable allocation of the revenue requirement among the appropriate functional categories, and the reasonable apportionment of revenue requirement allocated to the four functional categories to rates and charges to be collected from the member agencies (the "Report"); and

WHEREAS, the Director of Finance has recommended approval of the new structure of rates and charges as set forth in the Report; and

WHEREAS, on May 21, 2002 the Authority filed a Notice of Exemption pursuant to the California Environmental Quality Act for the project described as "Establishment of water supply and delivery rates and charges including: Customer Service Charge, Emergency Storage Program Charge, Transportation Rate and Supply Service Charge, Capacity Reservation Charge and Readiness-to-Serve Charge, and maintaining the Infrastructure Access Charge and Standby Availability Charge" stating the project is exempt from the requirements of CEQA pursuant to the statutory exemption of Public Resources Code Section 21080(b)(8) and stating as the reason therefore: "Project involves establishment of water rates, tolls, fares, or other charges for the purpose of meeting operating expenses, including employee wages and benefits; purchasing and leasing supplies, equipment, or materials; meeting financial reserve needs and requirements; or obtaining funds for capital projects within existing service areas.", and

WHEREAS, the Board of Directors has considered the information contained in the Report, the testimony and other evidence presented during the public hearing, the recommendations of the Rate Study Subcommittee, the recommendations of the Fiscal Policy Committee, and other information presented to the Board during its consideration of a new rate structure; and

WHEREAS, the Board of Directors hereby makes the following legislative findings and determinations:

1. The foregoing recitals are true and correct;
2. The rates and charges as proposed and recommended in the Report are exempt from the requirements of the California Environmental Quality Act pursuant to Public Resources Code Section 21080(b)(8);
3. Any and all protests to the rates and charges as proposed and recommended in the Report are overruled;
4. The Report is approved;
5. The rates and charges as proposed and recommended in the Report are reasonable, fair, proper and necessary to meet the Authority's revenue requirements and fund its capital, operation, maintenance and other costs.

NOW, THEREFORE, the Board of Directors of the San Diego County Water Authority does ordain as follows:
1. The Authority's revenues from taxes, water rates and charges consists of: ad valorem property taxes, including payments of member agencies in lieu of taxes; a standby availability charge levied pursuant to Section 5.2 of the County Water Authority Act, including payments of such charges pursuant to Section 5.3 if the County Water Authority Act; an infrastructure access charge levied and established pursuant to Resolution No. 98-10; a capacity charge levied pursuant to Section 5.9 of the County Water Authority Act and established by Ordinance No. 97-1 in an amount as amended by Ordinance No. 99-2; and water rates and charges having the following components as described in this ordinance: customer service, storage, transportation and supply.

2. Ad valorem taxes, the standby availability charge and the capacity charge are not affected by this ordinance. All other water rates and charges shall continue to be paid pursuant to existing authority until January 1, 2003.

3. Pursuant to Resolutions Nos. 98-10 and 2001-26, the Infrastructure Access Charge is based on a fixed amount per month per equivalent meter. The current charge of $1 per month per equivalent meter unit is not changed by this ordinance. Commencing January 1, 2003, the amount of the infrastructure access charge to be paid monthly by each member agencies of the Authority, shall be determined according to Table 1 attached hereto and made a part hereof.

4. Effective January 1, 2003, the Customer Service Charge is fixed at $13,753,401. Commencing January 1, 2003 the amount of the monthly Customer Service Charge to be paid by each member agency shall be determined according to Table 2 attached hereto and made a part hereof.

5. Effective January 1, 2003, the Storage Charge is fixed at $13,375,295. Commencing January 1, 2003 the amount of the monthly Storage Charge to be paid by each rate to the Authority for Storage as set forth in Table 3 attached hereto and made a part hereof.

6. Effective January 1, 2003, the Transportation Rate is fixed at $55 per acre-foot of water delivered by the Authority through Authority facilities. Member agencies shall pay the Transportation Rate in accordance with the procedures and processes of the Administrative Code relating to billing and payment of the Municipal and Industrial Water Rate.

7. (a) Effective January 1, 2003, as a Supply Charge, each member agency shall reimburse the Authority on a per-acre foot of water delivered basis, except as otherwise provided in subdivisions (b) and (c), for rates, fees and charges of the Metropolitan Water District of Southern California.

(b) Effective January 1, 2003 as part of the Supply Charge, each member agency shall pay to the Authority a Capacity Reservation Charge determined according to Table 4 attached hereto and made a part hereof.

(c) Effective July 1, 2002 to January 1, 2003 each member agency shall pay a Readiness-to-Serve Charge determined according to Table 5 attached hereto and made a part hereof, and effective January 1, 2003 as part of the Supply Charge, each member agency shall pay a Readiness-to-Serve Charge determined according to Table 5.
(d) The Authority has apportioned the Capacity Reservation Charge and the Readiness-to-Serve charge to member agency based upon historic water delivery information provided by the Metropolitan water district and historic water delivery information of the Authority. Any member agency, by October 1, 2002, may submit information to the Authority challenging the basis upon which the Capacity Reservation Charge and the Readiness-to-Serve Charge have been allocated. If justified by the information submitted by an agency, the board of directors may adjust the amount charged the agency. The information used to make an adjustment shall be used as the basis for future allocations.

(e) This section shall be administered in accordance with the Report approved by this Ordinance.

8. For the purposes of this ordinance, including the tables, the City of National City and the South Bay Irrigation District are collectively referred to as Sweetwater Authority. Any reference in this ordinance to Sweetwater Authority as a member agency shall be construed as a reference to the City of National City and the South Bay Irrigation District.

9. This ordinance shall be effective upon adoption. In lieu of publication of the text of this ordinance, the Clerk of the Board may publish a summary prepared by the General Counsel.

10. The provisions of this ordinance shall prevail over any provisions of the Administrative Code relating to rates and charges to the extent of any conflict. All existing rates and charges shall continue in effect until superseded on January 1, 2003 as provided in this ordinance.

11. To the greatest extent possible the provisions of this ordinance shall be construed to be compatible with the provisions of Section 8.2 (e) of the Agreement Between the San Diego County Water Authority and the City of San Diego for the Emergency Storage Project (Joint Use of Lake Hodges Dam and Reservoir and of Section 8.2 (e) of the Agreement Between the San Diego County Water Authority and the City of San Diego for the Emergency Storage Project (Expansion of San Vicente Reservoir; however, the contract provisions shall control in the event of a conflict.

12. For the purposes of Section 6 of this ordinance, water delivered by the Authority through the following turnouts is deemed not to be "water delivered by the Authority through Authority facilities" -- DeLuz 1, Fallbrook 3, Fallbrook 6, Rainbow 1, Rainbow 8, Rainbow 9 and Rainbow 10.

[Space intentionally left blank.]
PASSED, APPROVED AND ADOPTED, this 27th day of June 2002.

AYES:  Unless noted below all Directors voted aye.
   Broomell,
   Knutson, Mason, Quist, Williams

NOES:  

ABSTAIN:  Lewinger

ABSENT:  Croucher, Haddad, Irvin, Jacob, Lopez, Tu

James F. Turner, Chairman
Board of Directors

ATTEST:

James Bond, Secretary

I, Vernice R. Hartman, Clerk of the Board of the San Diego County Water Authority, do hereby certify that the above and foregoing is a full, true and correct copy of Ordinance No. 2002-03b of said Board and that the same has not been amended or repealed.

Vernice R. Hartman
Clerk of the Board
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**Grand Totals**  
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<td>Santa Fe I.D.</td>
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Note: Values in table contain greater precision than displayed.
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**TOTALS** $7,905,600 $658,800

Note: Values in table contain greater precision than displayed.
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<th>Net Stand-by Charge Credit*</th>
<th>Net Fiscal Year 2002-2003 RTS Charge</th>
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**TOTALS** $10,774,798 $10,141,374 $20,918,172 ($12,153,428) $8,762,744

*Net of MWD Standby Charge Program Administrative Costs of $175,689.
Note: Values in table contain greater precision than displayed.
C. FINANCIAL POLICY AMENDMENT
August 16, 2006

Attention: Board of Directors

Adopt the Rate Model Work Group Financial Policy Proposal. (Action)

Purpose
To amend Water Authority financial policies regarding the Rate Stabilization Fund (RSF) and Debt Service Coverage Ratio (DSCR) as recommended by the Rate Model Work Group Proposal and the Administrative and Finance Committee.

Administrative and Finance Committee Recommendation
Adopt the Rate Model Work Group Proposal to amend financial policies regarding the RSF and DSCR.

Fiscal impact
The Rate Model Work Group (RMWG) Proposal will be phased in over a three-year period starting January 1, 2008. The phase-in will require that by June 30, 2011, the RSF have a balance approximately $10 million higher than the projected balance under the current policy. Starting January 1, 2008, water rates will need to include an additional increase of approximately one percent per year on average for the next three years; however, Infrastructure Access Charges (IAC) will decrease by approximately $3 per year per meter. Looking out to 2020-2021, the IAC will be approximately $6 per year per meter lower than projected under current policies, and the average annual increase in the water rate will decrease by approximately 0.40 percent.

Background
In December 2004, the Water Authority created the RMWG to promote financial transparency, to foster member agency relations and to create an open and collaborative process for discussing financial and rate management issues. The RMWG is made up of member agency general managers and finance officers. In 2005, the RMWG's focus centered on understanding the inputs and outputs of the Financial Rate Modeling Program and how these were used to set rates and charges and prepare the Long Range Financing Plan. A workshop was then conducted with the member agencies to share this information. From this process, a list of parking lot items resulted. The analytical work surrounding these items formed the basis of the Proposal currently before the Board.

The Proposal is the result of six months of intensive, collaborative work among RMWG members, staff and Water Authority financial advisors. RMWG members included: Keith Lewinger (Fallbrook); Joe Beachem (Otay); Augie Caires and Doug Wilson (Padre Dam); Tom Brammell (Ramona); Charles Yackly, Christine Ruess and Cathy Pieroni (San Diego); Dennis Bostad and Debra Farrow (Sweetwater); Eldon Boone and Farrokh Shahamiri (Vista); and Linden Burzell (Yuima). The group met six times between January and June 2006. In these meetings, the group analyzed quantitative data related to Water Authority financial risks, reviewed studies of comparable agency financial ratios, evaluated 35 rate runs, identified common interests and barriers regarding policy development, developed and voted on specific recommendations, and drafted the policy recommendations contained in Attachment A. Staff presented the RMWG Proposal at the member agency general managers’ meeting on July 18, 2006 and at the quarterly meeting of member agency finance officers on August 3, 2006. Staff
also held a workshop on the RMWG Proposal at a special meeting of the Administrative and Finance Committee on August 10, 2006. At this meeting, by a unanimous vote, the Committee recommended adoption of the RMWG Proposal to the Board.

Previous Board Action: On August 10, 2006, the Administrative and Finance Committee recommended adoption of the RMWG Proposal.

Discussion
The key findings that drove the development of the Proposal are the result of a comprehensive risk analysis (including quantitative hydrologic data) and a comparative analysis of the financial ratios of other AA-rated water agencies. The risk analysis showed not only that hydrologic risk was significant, but also that the existing RSF minimum provides only one year of protection against the negative financial impacts of extreme wet weather. The RMWG considered this level of protection to be insufficient and chose to implement a target funding level that provides 2.5 years of protection against wet weather. In addition to the risk analysis, the comparative financial analysis revealed that with respect to the three financial ratios of greatest importance to investors and rating agencies, the Water Authority placed below the average of its AA rating category. After analyzing different scenarios and with extensive input from the Water Authority’s financial advisor, the RMWG recommended a DSCR policy target of 1.50x.

Attachment A contains the RMWG recommendations relating to the RSF and DSCR policies. In addition to policy statements, the attachment provides edited sections of the Water Authority’s Long Range Financing Plan which demonstrate how the policies will be “operationalized.” The primary elements of the RMWG Proposal are to:

- Establish a target funding level for the RSF that protects the Water Authority against the financial impact of 2.5 years of wet weather;
- Decrease the maximum funding level for the RSF to protect the Water Authority against the financial impact of 3.5 years of wet weather;
- Phase in the new target funding level of the RSF over three years and replenish any target level deficits over the same time period;
- Provide for the use of RSF funds to pay for O&M and debt service expenses, to smooth water rates and meet Operating Fund and DSCR targets;
- Establish a separate fund for known, specific future expenses such as dam fills; and
- Establish a target DSCR of 1.50x, which is above the minimum bond covenant of 1.20x.

Benefits of the RMWG Proposal include reduced rate volatility, increased protection against wet weather, a transparent and flexible RSF framework, increased cash funding of the CIP and less outstanding debt. Moreover, the strengthening of key financial ratios—higher debt service coverage ratio, decreased debt ratio and increased cash days—support the maintenance of the Water Authority’s AA credit ratings.

Prepared by: Eric Sandler, Deputy Director of Finance
Reviewed by: Karen P. Brust, Director of Finance/Treasurer
Approved by: Paul A. Lanspery, Deputy General Manager

Attachment(s):
Attachment A - Rate Model Work Group Recommended Adjustments to Existing Water Authority Financial Policies
ATTACHMENT—A
RATE MODEL WORK GROUP RECOMMENDED ADJUSTMENTS TO EXISTING WATER AUTHORITY FINANCIAL POLICIES RELATED TO THE RATE STABILIZATION FUND AND DEBT SERVICE COVERAGE

Rate Stabilization Fund Policy Statement
The target funding level for the RSF is equal to the financial loss resulting from 2.5 years of above average rainfall, calculated at a 95% exceedence level. The maximum funding level for the RSF is equal to the financial loss resulting from 3.5 years of above average rainfall.

Transfers from the RSF to the Operating Fund may be made to meet annual O&M expenses, debt service expenses, stabilize water rates or to comply with debt service coverage and operating fund policies. Transfers from the Operating Fund to the RSF will be made as a closing audit adjustment if the Operating Fund maximum balance has been met.

Balances below the RSF target level are to be replenished within three years. The Board may also choose to budget for RSF deposits resulting in balances in excess of the target level but below the maximum level to provide for rate smoothing. The RSF is managed so that any funds above the maximum balance will be transferred to the Operating Fund—Operating Fund balances above the existing 45-day policy are subject to discretionary use by the Board.

Funds committed to specific future non-operating expenditures such as dam fills or QSA water pre-payments will be set-aside in either the Dam Fill Fund or QSA Commitment Fund.

Rate Stabilization Fund
Red-lined text from Water Authority’s Long Range Financing Plan for fiscal year 2004-2005
The Rate Stabilization Fund (RSF) was created in Fiscal Year 1989-1990 for the purpose of collecting amounts of water revenues greater than expenditures in years of strong water sales. Funds can then be used to mitigate “rate shock” in years of weak water sales, and/or to manage debt service coverage, or to smooth out water rate increases. The RSF is a critical short-term water rate management tool that provides the necessary funds to maintain a smooth water rate pattern over a long period of time. With the new melded supply rate, and the expansion of the Water Authority’s functional areas with treatment and desalination, the RSF will have an increasingly important role in managing hydrology risk and stabilizing annual revenue needs.

The RSF has served the Water Authority well since it was created, providing a vehicle that collected approximately $60 million in the first three years of its existence. Revenues greater than expenditures were generated in those years from strong water sales during the drought, combined with relatively low debt service requirements because major funding for the CIP was just beginning. In Fiscal Year 1994-1995, approximately $6 million was withdrawn from the RSF to supplement operating revenues and mitigate the need for water rates to rise above $80 per acre-foot. A transfer of $19 million was made from the RSF to the Operating Fund, as directed by the Board in Fiscal Year 1996-1997, to more efficiently balance Rate Stabilization and Operating Funds. The RSF will supply approximately $10 million in water purchases for the Olivenhain reservoir in Fiscal Year 2003-2004. In addition, in Fiscal Year 2003-2004, $10 million of this fund has been placed in restricted investments to fund the IID socioeconomic payment obligation. As a part of the Long Range Financing Plan process, a “QSA Commitment Fund” will be established to recognize that these restricted investments are no longer available for rate stabilization purposes. The RSF is anticipated to have an ending balance of $55.7 million (inclusive of the remaining $8 million in IID-restricted investments), and a permitted maximum balance of $86.1 million at the close of Fiscal Year 2003-2004.
For long-range financial planning purposes, Board policy requires that the sets a target funding level for the RSF be maintained at a minimum balance of at least 25 percent of the Water Authority's net water sales revenue, defined as total Water Authority water sales revenue less Water Authority water purchases from Metropolitan Water District. The RSF also has a maximum balance of 100 percent of the average annual water sales projected over the proceeding four years, equal to the financial loss resulting from 2.5 years of above average rainfall, calculated at a 95% exceedence level. Additionally, it establishes a maximum funding level equal to the financial loss resulting from 3.5 years of above average rainfall. The four-year forward-rolling average allows the RSF to gradually increase or decrease with respect to revenue coverage needs. Defining the target and maximum funding levels of the RSF in terms of the financial impact of above average rainfall matches the size of the fund to the primary risk it is designed to mitigate and provides additional capacity for rate smoothing.

As a general rule, the Water Authority will transfer portions of its net water revenues not required to meet either its debt service coverage ratio requirement or operating fund requirement into the RSF. The Board may choose to budget for RSF deposits resulting in balances in excess of the target level but not in excess of the maximum level for the purposes of rate smoothing. Balances below the target level are to be replenished within three years. As necessary, the Water Authority will transfer amounts from its RSF into net water revenues to meet its debt service coverage requirements, Operating Fund requirements or to smooth rate increases. Interest earnings accrue to the Rate Stabilization Fund unless the maximum balance is achieved, at which point they will be deposited into the Operating Fund. The RSF is managed so that any funds above the maximum balance will be transferred to the Operating Fund—Operating Fund balances above the existing 45-day policy are subject to discretionary use by the Board deposits are not made into the fund if the fund is at its maximum permitted balance.

In Fiscal Year 2003-2004, $10 million of the RSF was placed in restricted investments to fund the IID socioeconomic payment obligation. As a part of the Long-Range Financing Plan process, a “QSA Commitment Fund” was established to recognize that these balances are no longer available for rate stabilization purposes. Similarly, funds committed to specific future non-operating expenditures such as dam fills or QSA water pre-payments are to be set aside in the Dam Fill Fund or the QSA Commitment Fund. Planned non-operating expenditures in the future include San Vicente and Lake Hodges dam fill payments scheduled for 2012-2016 and a QSA Water Prepayment due in 2008.

The RSF was created to provide funds that would mitigate the need for an unanticipated rate increase in the event of an unexpected decline in water sales. As a result, the RSF is a critical short-term water rate management tool that provides the necessary funds to maintain a smooth water rate pattern over a long period of time.

With the new melded supply rate, and the expansion of the Water Authority’s functional areas with treatment and desalination, the RSF will have an increasingly important role in stabilizing annual revenue needs.
Debt Service Coverage Policy Statement
The Board will set rates to meet a senior lien debt service coverage target inclusive of RSF transfers of 1.50x as well as a senior lien debt service coverage target (excluding capacity charge revenues) of 1.00x. The 1.50x senior lien debt service coverage target is above the existing 1.20x bond covenant.

Debt Service Coverage
Red-lined text from Water Authority’s Long Range Financing Plan for fiscal year 2004-2005
Debt service coverage is another key constraint in the FRMP, and is mandated by the legal documents that govern the Water Authority’s outstanding debt issues. The Water Authority’s debt service coverage covenants require that the Water Authority’s net operating revenues, defined as operating revenues less operations and maintenance expenditures, equal a minimum of 120 percent of debt service on senior lien debt. The Water Authority has also covenanted to provide gross revenues of at least 100 percent of debt service on all Water Authority obligations. Senior lien refers to debt that has a legal first priority repayment after the Water Authority first pays its operations and maintenance expenditures. At the present time, all of the Water Authority’s outstanding fixed-rate debt is senior lien debt.

The projected senior lien debt service ratio, and overall debt service ratio are presented in Figures 5-3 and 5-4 respectively. The obligations that are subject to the 100 percent debt service coverage requirement consist of all Water Authority obligations, including operations and maintenance expenditures, long-term debt service, short-term debt service and any other obligations (e.g., leases, contracts, etc.).

In addition to the 120 percent and 100 percent requirements, the Water Authority has the ability to issue an intermediate lien that would require 110 percent coverage after the payment of senior lien obligations. The Water Authority currently has no intermediate lien obligations outstanding and no plan to issue such debt.

Highly-rated water utilities generally have actual debt service coverage ratios in excess of their legal obligations. The maintenance of the Water Authority’s high credit ratings requires debt service coverage ratios that generally exceed the minimum requirement. Though not a legal commitment, the Board has established that inclusive of RSF transfers, the Water Authority will maintain senior lien debt service coverage of 150% and senior lien debt service coverage of 100% after excluding capacity charge revenues.
D. GENERAL RESOLUTION 89-91 (W/ AMENDMENTS)
SAN DIEGO COUNTY WATER AUTHORITY

RESOLUTION NO. 89-21

A Resolution of the Board of Directors of the San Diego County Water Authority Providing for the Allocation of Water System Revenues and Establishing Covenants to Secure the Payment of Obligations Payable from Net Water Revenues

(General Resolution)

 Adopted May 11, 1989
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>RECITALS</td>
<td>1</td>
</tr>
<tr>
<td><strong>ARTICLE I</strong></td>
<td></td>
</tr>
<tr>
<td>DEFINITIONS</td>
<td></td>
</tr>
<tr>
<td>SECTION 1.01. Definitions</td>
<td>1</td>
</tr>
<tr>
<td><strong>ARTICLE II</strong></td>
<td></td>
</tr>
<tr>
<td>WATER REVENUES</td>
<td></td>
</tr>
<tr>
<td>SECTION 2.01. Establishment of Funds</td>
<td>11</td>
</tr>
<tr>
<td>SECTION 2.02. Allocation of Water Revenues</td>
<td>11</td>
</tr>
<tr>
<td>SECTION 2.03. Rate Stabilization Fund</td>
<td>12</td>
</tr>
<tr>
<td>SECTION 2.04. Installment Payment Fund</td>
<td>13</td>
</tr>
<tr>
<td>SECTION 2.05. Subordinate Obligation Payment Fund</td>
<td>13</td>
</tr>
<tr>
<td>SECTION 2.06. General Reserve Fund</td>
<td>13</td>
</tr>
<tr>
<td><strong>ARTICLE III</strong></td>
<td></td>
</tr>
<tr>
<td>BONDS AND CONTRACTS; OBLIGATIONS</td>
<td></td>
</tr>
<tr>
<td>SECTION 3.01. 1989 Installment Sale Agreement; 1989 Contract of Indebtedness</td>
<td>13</td>
</tr>
<tr>
<td>SECTION 3.02. Additional Bonds and Contracts</td>
<td>13</td>
</tr>
<tr>
<td>SECTION 3.03. Obligations</td>
<td>15</td>
</tr>
<tr>
<td><strong>ARTICLE IV</strong></td>
<td></td>
</tr>
<tr>
<td>COVENANTS OF THE AUTHORITY</td>
<td></td>
</tr>
<tr>
<td>SECTION 4.01. Against Encumbrances</td>
<td>15</td>
</tr>
<tr>
<td>SECTION 4.02. Against Sale or Other Disposition of Property</td>
<td>16</td>
</tr>
<tr>
<td>SECTION 4.03. Maintenance and Operation of the Water System; Budgets</td>
<td>16</td>
</tr>
<tr>
<td>SECTION 4.04. Compliance with Contracts</td>
<td>16</td>
</tr>
<tr>
<td>SECTION 4.05. No Superior Liens</td>
<td>16</td>
</tr>
<tr>
<td>SECTION 4.06. Insurance</td>
<td>17</td>
</tr>
<tr>
<td>SECTION 4.07. Accounting Records and Financial Statements</td>
<td>17</td>
</tr>
<tr>
<td>SECTION 4.08. Payment of Taxes and Compliance with Governmental Regulations</td>
<td>18</td>
</tr>
<tr>
<td>SECTION 4.09. Amount of Rates, Fees and Charges</td>
<td>18</td>
</tr>
<tr>
<td>SECTION 4.10. Collection of Rates, Fees and Charges</td>
<td>18</td>
</tr>
<tr>
<td>SECTION 4.11. Eminent Domain and Insurance Proceeds</td>
<td>19</td>
</tr>
</tbody>
</table>
ARTICLE V
MISCELLANEOUS

SECTION 5.01. Benefits of Resolution Limited to Parties .......................... 19
SECTION 5.02. Successor Is Deemed Included in all References to Predecessor .......... 19
SECTION 5.03. Article and Section Headings, Gender and References ..................... 19
SECTION 5.04. Partial Invalidity ......................................................... 20
SECTION 5.05. Funds ................................................................. 20
SECTION 5.06. Investments .......................................................... 20
SECTION 5.07. Repeal of Inconsistent Resolutions ........................................ 20
SECTION 5.08. Effective Date ....................................................... 20

EXECUTION ........................................................................ 21
SAN DIEGO COUNTY WATER AUTHORITY

RESOLUTION NO. 89-21

A Resolution of the Board of Directors of the San Diego County Water Authority Providing for the Allocation of Water System Revenues and Establishing Covenants to Secure the Payment of Obligations Payable from Net Water Revenues

(General Resolution)

WHEREAS, the San Diego County Water Authority owns and operates the Water System;

WHEREAS, the Authority expects to issue Bonds and enter into Contracts, including the 1989 Installment Sale Agreement and the 1989 Contract of Indebtedness, the obligations of the Authority under which will be payable from Net Water Revenues;

WHEREAS, the Authority now desires to provide for the allocation of revenues of the Water System; and

WHEREAS, the Authority also desires to establish covenants to secure the payment of obligations payable from Net Water Revenues;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SAN DIEGO COUNTY WATER AUTHORITY AS FOLLOWS:

ARTICLE I

DEFINITIONS

SECTION 1.01. Definitions. Unless the context otherwise requires, the terms defined in this section shall for all purposes hereof and of any amendment hereof or supplement hereto and of any opinion or report or other document mentioned herein or therein have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein:

Accreted Value

"Accreted Value" means, with respect to any Capital Appreciation Bonds or Capital Appreciation Certificates, as of
the date of calculation, the initial amount thereof plus the
interest accrued thereon to such date of calculation,
compounded from the date of initial delivery at the
approximate interest rate thereof on each semiannual date
specified with respect thereto, as determined in accordance
with the table of accreted values for any Capital Appreciation
Bonds or Capital Appreciation Certificates prepared by the
Authority at the time of sale thereof, assuming in any year
that such Accreted Value increases in equal daily amounts on
the basis of a year of three hundred sixty (360) days composed
of twelve (12) months of thirty (30) days each.

**Accreted Value Payment Date**

"Accreted Value Payment Date" means any Installment
Payment Date on which Accreted Value is payable.

**Authority**

"Authority" means the San Diego County Water
Authority, a county water authority duly organized and
existing under and by virtue of the laws of the State of
California.

**Bond or Contract Reserve Fund**

"Bond or Contract Reserve Fund" means any debt
service reserve fund established to secure the payment of Bond
Payments or Installment Payments.

**Bond Payments**

"Bond Payments" means the principal and interest
payments scheduled to be paid by the Authority on Bonds.

**Bonds**

"Bonds" means all revenue bonds of the Authority
authorized, executed, issued and delivered by the Authority
under and pursuant to applicable law, the interest and
principal and redemption premium, if any, payments under and
pursuant to which are payable from Net Water Revenues on a
parity with all other Bonds and Contracts.

**Capital Appreciation Bonds**

"Capital Appreciation Bonds" means any Bonds
described as such when issued.
Capital Appreciation Certificates

"Capital Appreciation Certificates" means any certificates of participation in Installment Payments described as such when issued.

Certificate of the Authority

"Certificate of the Authority" means an instrument in writing signed on behalf of the Authority by the Chairman of the Board of Directors of the Authority, or by any other officer of the Authority duly authorized by the Board of Directors of the Authority to sign documents on its behalf with respect to the matters referred to therein.

Certificates

"Certificates" means any certificates of participation representing interests in payments to be made by the Authority pursuant to Leases, Installment Sale Agreements or Contracts of Indebtedness.

Contract Payments

"Contract Payments" means the contract payments scheduled to be paid by the Authority under and pursuant to Contracts of Indebtedness.

Contracts

"Contracts" means all Installment Sale Agreements, Leases and Contracts of Indebtedness.

Contracts of Indebtedness; 1989 Contract of Indebtedness

"Contracts of Indebtedness" means contracts of indebtedness or similar obligations of the Authority authorized and executed by the Authority under and pursuant to applicable law, the interest and principal payments under and pursuant to which are payable from Net Water Revenues on a parity with all other Contracts and Bonds. "1989 Contract of Indebtedness" means the contract of indebtedness by and between the Authority and Security Pacific National Bank, dated as of May 1, 1989, as originally executed and as it may from time to time be amended or supplemented and which constitutes a Contract of Indebtedness hereunder.

Current Water Revenues

"Current Water Revenues" means all gross income and revenue received or receivable by the Authority from the
ownership or operation of the Water System, determined in accordance with Generally Accepted Accounting Principles, including all rates, fees and charges (including connection fees and charges and standby charges) received by the Authority for the Water Service and the other services of the Water System and all other income and revenue howsoever derived by the Authority from the ownership or operation of the Water System or arising from the Water System, and also including (1) all income from the deposit or investment of any money in the Water Revenue Fund, the General Reserve Fund and the Rate Stabilization Fund, and (2) all income from the deposit or investment of money held in the Installment Payment Fund, the Subordinate Obligation Fund or any Bond or Contract Reserve Fund or other fund established pursuant to a Trust Agreement to the extent such income will be available to pay Bond Payments or Installment Payments, but excluding any proceeds of taxes and any refundable deposits made to establish credit and advances or contributions in aid of construction.

Debt Service

"Debt Service" means, for any Fiscal Year or other period, the sum of (1) the interest accruing during such Fiscal Year or period on all outstanding Bonds, assuming that all outstanding serial Bonds are retired as scheduled and that all outstanding term Bonds are redeemed or paid from sinking fund payments as scheduled, (2) that portion of the principal amount of all outstanding serial Bonds maturing on the next succeeding principal payment date that would have accrued during such Fiscal Year or period if such principal amount were deemed to accrue daily in equal amounts from the next preceding principal payment date or during the year preceding the first principal payment date, as the case may be, (3) that portion of the principal amount of all outstanding term Bonds required to be redeemed or paid on the next succeeding redemption date (together with the redemption premiums, if any, thereon) that would have accrued during such Fiscal Year or period if such principal amount (and redemption premiums) were deemed to accrue daily in equal amounts from the next preceding redemption date or during the year preceding the first redemption date, as the case may be, and (4) that portion of the Installment Payments required to be made at the times provided in the Contracts that would have accrued during such Fiscal Year or period if such Installment Payments were deemed to accrue daily in equal amounts from, in each case, the next preceding Installment Payment Date of interest or principal or the date of the pertinent Contract, as the case may be; provided, that (a) if any of such Bonds are Capital Appreciation Bonds or if the Installment Payments due under any of such Contracts are evidenced by Capital Appreciation
Certificates, then the Accreted Value payment shall be deemed due on the scheduled redemption or payment date of such Capital Appreciation Bond or Capital Appreciation Certificate; (b) if any of such Bonds or if the Installment Payments due under any such Contracts bear interest payable pursuant to a variable interest rate formula, the interest rate on such Bonds or such Contracts for periods when the actual interest rate cannot yet be determined, shall be assumed to be equal to the greater of (1) the current interest rate calculated pursuant to the provisions of the terms of such Bonds or Contracts (with respect to the issuance of Bonds or the execution of Contracts pursuant to Section 3.02, the initial interest rate on such Bonds or Contracts), or, (2) if available, the average interest rate on such Bonds or Contracts during the thirty-six (36) months preceding the date of calculation or, (3) if such Bonds or Contracts have not been outstanding for such thirty-six month period (or with respect to the issuance of Bonds or the execution of Contracts pursuant to Section 3.02), such average interest rate on comparable debt of a state or political subdivision of a state which debt is then rated by the rating agencies rating such Bonds or Contracts in a rating category equivalent to the rating on such Bonds or Contracts; and (c) if 20% or more of the original principal of such Bonds or the Installment Payments due under such Contracts is not due until the final stated maturity of such Bonds or the Installment Payments due under such Contracts, such principal may, at the option of the Authority, be treated as if it were due based upon a level amortization of such principal over the term of such Bonds or Contracts or twenty (20) years, whichever is greater; provided further, that "Debt Service" shall not include (1) payments due on voter-approved general obligation bonds and other voter-approved general obligation debts for which taxes are then being levied and collected or (2) interest on Bonds or Contracts which are to be paid from amounts constituting capitalized interest held pursuant to a Trust Agreement.

Director of Finance

"Director of Finance" means the Director of Finance of the Authority or its successor designated by the Board of Directors of the Authority.

Fiscal Year

"Fiscal Year" means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other annual accounting period hereafter selected and designated by the Board of Directors of the Authority as the Fiscal Year of the Authority.
General Reserve Fund

"General Reserve Fund" means the fund by that name established pursuant to Section 2.01.

Generally Accepted Accounting Principles

"Generally Accepted Accounting Principles" means the uniform accounting and reporting procedures set forth in publications of the American Institute of Certified Public Accountants or its successor, or by any other generally accepted authority on such procedures, and includes, as applicable, the standards set forth by the Governmental Accounting Standards Board or its successor.

Installment Payment Date

"Installment Payment Date" means any date on which Bond Payments or Installment Payments are scheduled to be paid by the Authority under and pursuant to any Contract or Bonds.

Installment Payment Fund

"Installment Payment Fund" means the fund by that name established pursuant to Section 2.01.

Installment Payments

"Installment Payments" means Contract Payments, Installment Sale Payments or Lease Payments.

Installment Sale Agreements; 1989 Installment Sale Agreement

"Installment Sale Agreements" means installment sale agreements or similar obligations of the Authority authorized and executed by the Authority under and pursuant to applicable law, the interest and principal payments under and pursuant to which are payable from Net Water Revenues on a parity with all other Contracts and Bonds. "1989 Installment Sale Agreement" means the installment sale agreement by and between the Authority and Security Pacific National Bank, dated as of May 1, 1989, as originally executed and as it may from time to time be amended or supplemented and which constitutes an Installment Sale Agreement hereunder.

Installment Sale Payments

"Installment Sale Payments" means the installment sale or other periodic payments scheduled to be paid by the Authority under and pursuant to Installment Sale Agreements.
Interest Payment Date

"Interest Payment Date" means an Installment Payment Date on which interest is payable.

Law

"Law" means the County Water Authority Act, being California Water Code Appendix, Sections 45-1 et seq., and all laws amendatory thereof or supplemental thereto.

Lease Payments

"Lease Payments" means the rental payments scheduled to be paid by the Authority under and pursuant to Leases.

Leases

"Leases" means capital leases or similar obligations of the Authority authorized and executed by the Authority under and pursuant to applicable law, the interest and principal payments under and pursuant to which are payable from Net Water Revenues on a parity with the payment of all other Contracts and Bonds.

Maintenance and Operation Costs

"Maintenance and Operation Costs" means all costs paid or incurred by the Authority for maintaining and operating the Water System, determined in accordance with Generally Accepted Accounting Principles, including all costs of water purchased by the Authority for resale, and including all expenses of management and repair and other expenses necessary to maintain and preserve the Water System in good repair and working order, and including all administrative costs of the Authority, such as salaries and wages of employees, overhead, taxes (if any) and insurance premiums, and including all other costs of the Authority or charges required to be paid by it to comply with the terms hereof or of any resolution authorizing the execution of any Contract or of such Contract or of any resolution authorizing the issuance of any bonds or of such bonds, such as compensation, reimbursement and indemnification of the trustee for any such Contracts or bonds and fees and expenses of Independent Certified Public Accountants; but excluding in all cases (1) depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles, premiums and discounts, (2) interest expense and (3) amounts paid from other than Water Revenues (including, but not limited to, amounts paid from the proceeds of ad valorem property taxes).
Maximum Annual Debt Service

"Maximum Annual Debt Service" means the greatest total Debt Service payable in any Fiscal Year during the period commencing with the next ensuing Fiscal Year and terminating with the Fiscal Year in which payments are due under the last outstanding Bonds or the last outstanding Contract, whichever is later.

Monthly Accrued Debt Service

"Monthly Accrued Debt Service" means, with respect to any month, an amount equal to the sum of Debt Service with respect to all Bonds and Contracts accrued and to accrue to the end of such month; provided, in calculating the amount of Monthly Accrued Debt Service (i) Accreted Value with respect to Capital Appreciation Bonds and Capital Appreciation Certificates shall be deemed to accrue over the twelve-month period immediately preceding the scheduled redemption or prepayment date of such Capital Appreciation Bond or Capital Appreciation Certificate, (ii) the adjustment to principal described in provision (c) of the definition of Debt Service shall not be made and (iii) if the interest on any Bonds or Installment Payments due under any Contract bear interest payable pursuant to a variable rate formula, the amount of interest deemed to accrue during any period shall be the actual interest borne by such Bonds or Installment Payments during such period.

Net Water Revenues

"Net Water Revenues" means, for any Fiscal Year or other period, the Water Revenues during such Fiscal Year or period less the Maintenance and Operation Costs during such Fiscal Year or period.

Obligation

"Obligation" means any contract or lease for the purchase of any facilities, properties, structures, or works, or any loan of credit to or guaranty of debts, claims or liabilities of any other person for the purpose of obtaining any facilities, properties, structures or works, the final payments under which are due more than five years following the effective date thereof, so long as in each case the payments thereunder are to constitute Maintenance and Operations Costs.

Opinion of Counsel

"Opinion of Counsel" means a written opinion of counsel of national representation generally recognized to be
well qualified in the field of law relating to municipal bonds, retained by the Authority.

**Outstanding**

"outstanding" means with respect to any Bonds or Contracts, Bonds or Contracts the payment obligations of the Authority under which are not deemed paid in accordance with the terms of such Bonds or Contracts or applicable Trust Agreement.

**Principal Payment Date**

"Principal Payment Date" means any Installment Payment Date on which principal is payable.

**Rate Stabilization Fund**

"Rate Stabilization Fund" means the fund by that name established pursuant to Section 2.01.

**Reimbursement Agreement**

"Reimbursement Agreement" means an agreement between the Authority and a bank or financial institution providing for the issuance of a letter of credit, reserve fund insurance policy, guaranty or surety bond for the purpose of making Bond Payments or Installment Payments and requiring the Authority to make payments to reimburse or compensate such bank or financial institution for draws under such instruments from Net Water Revenues on a parity with all Contracts and Bonds.

**Reimbursement Payments**

"Reimbursement Payments" means amounts payable by the Authority as compensation or reimbursement for a draw on a letter of credit, reserve fund insurance policy, guaranty or surety bond for the purpose of making Bond Payments or Installment Payments in accordance with any Reimbursement Agreement.

**Subordinate Obligation Payment Fund**

"Subordinate Obligation Payment Fund" means the fund by that name established pursuant to Section 2.01.

**Subordinate Obligation Payments**

"Subordinate Obligation Payments" means the payments scheduled to be paid by the Authority under and pursuant to Subordinate Obligations.
Subordinate Obligations

"Subordinate Obligations" means obligations of the Authority authorized and executed by the Authority under applicable law, the interest and principal payments under and pursuant to which are payable from Net Water Revenues, from the Subordinate Obligation Payment Fund, subject and subordinate to Bond Payments and Installment Payments.

Trust Agreement

"Trust Agreement" means any indenture or trust agreement providing for the issuance of Bonds or Certificates.

Trustee

"Trustee" means the trustee under any Trust Agreement.

Water Revenue Fund

"Water Revenue Fund" means the San Diego County Water Authority Water Revenue Fund established pursuant to Section 2.01.

Water Revenues

"Water Revenues" means Current Water Revenues plus deposits to the Water Revenue Fund from amounts on deposit in the Rate Stabilization Fund, but only as and to the extent specified in Section 2.03, less amounts transferred to the Rate Stabilization Fund.

Water Service

"Water Service" means the water service furnished, made available or provided by the Water System.

Water System

"Water System" means all property rights, contractual rights and facilities of the Authority, including all facilities for the conservation, storage, transmission and distribution of water and the generation and delivery of hydroelectric power in connection therewith now owned by the Authority and all other properties, structures or works for the conservation, storage, transmission and distribution of water and the generation and delivery of hydroelectric power in connection therewith hereafter acquired and constructed by or for the Authority and determined by the Authority to be a part of the Water System; together with all additions,
betterments, extensions or improvements to such facilities, properties structures or works or any part thereof hereafter acquired and constructed.

ARTICLE II

WATER REVENUES

SECTION 2.01. Establishment of Funds. The Authority hereby establishes and agrees to maintain, so long as any Bonds, Certificates or Subordinate Obligations remain outstanding, the following funds, each such fund to be held by the Director of Finance:

(1) Rate Stabilization Fund;
(2) Water Revenue Fund;
(3) Installment Payment Fund;
(4) Subordinate Obligation Payment Fund; and
(5) General Reserve Fund.

Amounts in such funds shall be disbursed, allocated and applied solely to the uses and purposes hereinafter in this article set forth, and shall be accounted for separately and apart from all other accounts, funds, money or other resources of the Authority. The Authority will only have such beneficial right or interest in such money as is provided herein.

SECTION 2.02. Allocation of Water Revenues. In order to carry out and effectuate the obligations of the Authority to make Bond Payments, Installment Payments, Reimbursement Payments and Subordinate Obligation Payments, the Authority agrees and covenants that all Current Water Revenues received by it shall be deposited when and as received in the Water Revenue Fund. The Authority may, to the extent provided in Section 2.03, transfer amounts in the Water Revenue Fund to the Rate Stabilization Fund or from the Rate Stabilization Fund to the Water Revenue Fund.

The Authority shall pay all Maintenance and Operation Costs (including amounts reasonably required to be set aside in contingency reserves for Maintenance and Operation Costs the payment of which is not then immediately required) from the Water Revenue Fund as they become due and payable, and all remaining money on deposit in the Water Revenue Fund shall be set aside and deposited or transferred
by the Authority, as the case may be, at the following times in the following order of priority:

(a) Installment Payment Fund. On or before the last business day of each month, beginning in May, 1989, the Authority shall deposit in the Installment Payment Fund, a sum equal to the Monthly Accrued Debt Service for such month, plus a sum equal to all Reimbursement Payments then due and payable; provided that no such deposit need be made if amounts on deposit in the Installment Payment Fund equal the amount of Bond Payments or Installment Payments due with respect to all Bonds and Contracts on the next succeeding Interest Payment Date (with respect to interest), Principal Payment Date (with respect to principal) and Accreted Value Payment Date (with respect to Accreted Value) for such Bonds or Contract, and the Reimbursement Payments then due and payable.

(b) Bond or Contract Reserve Funds. On or before the last business day of each month, the Authority shall transfer to each Trustee for deposit in the applicable Bond or Contract Reserve Fund an amount equal to the amount, if any, required to be deposited therein to build up or replenish such Bond or Contract Reserve Fund as and to the extent required by the applicable Contract or Trust Agreement.

(c) Subordinate Obligation Payment Fund. On or before the last business day of each month, the Authority shall deposit in the Subordinate Obligation Payment Fund the sum or sums required to be deposited under or pursuant to the indenture, trust agreement or other instrument securing each Subordinate Obligation.

(d) Subordinate Obligation Reserve Funds. On or before the last business day of each month, the Authority shall transfer to each trustee with respect to Subordinate Obligations for deposit in the debt service reserve fund with respect to such Subordinate Obligations an amount equal to the amount, if any, required to be deposited therein to build up or replenish such debt service reserve fund as and to the extent required by the applicable Subordinate Obligation or the indenture, trust agreement or other instrument securing such Subordinate Obligation.

(e) General Reserve Fund. On the last business day of each month, the Authority shall, after making each of the foregoing deposits and transfer, transfer all money remaining in the Water Revenue Fund to the General Reserve Fund.

SECTION 2.03. Rate Stabilization Fund. From time to time the Authority may deposit in the Rate Stabilization Fund from Current Water Revenues such amounts as the Authority
shall determine. All amounts transferred by the Authority from the Rate Stabilization Fund to the Water Revenue Fund shall be used by the Authority solely to pay Maintenance and Operation Costs. All interest or other earnings upon deposits in the Rate Stabilization Fund shall be withdrawn therefrom and accounted for as Current Water Revenues.

SECTION 2.04. Installment Payment Fund. The Authority may withdraw amounts from the Installment Payment Fund solely for the purpose of paying Bond Payments, Installment Payments and Reimbursement Payments at the times and in the amounts required by applicable Bonds, Contracts, Trust Agreements and Reimbursement Agreements.

SECTION 2.05. Subordinate Obligation Payment Fund. The Authority may withdraw amounts from the Subordinate Obligation Fund solely for the purpose of paying or providing for the payment of Subordinate Obligation Payments at the times and in the amounts required by applicable Subordinate Obligations or trust agreement or indenture securing such Subordinate Obligations.

SECTION 2.06. General Reserve Fund. The Authority may withdraw money in the General Reserve Fund for any lawful purpose of the Authority except to make transfers to the Rate Stabilization Fund.

ARTICLE III

BONDS AND CONTRACTS; OBLIGATIONS

SECTION 3.01. 1989 Installment Sale Agreement; 1989 Contract of Indebtedness. (a) The Authority may execute the 1989 Installment Sale Agreement and the 1989 Contract of Indebtedness without the necessity of complying with Section 3.02.

(b) The Authority may not execute any amendment to the 1989 Installment Sale Agreement or the 1989 Contract of Indebtedness if such amendment would increase the amount of Installment Payments thereunder; provided, the Authority may execute such an amendment if the requirements of Section 3.02 will be satisfied in connection therewith.

SECTION 3.02. Additional Bonds and Contracts. The Authority may at any time issue any Bonds the payments under and pursuant to which or execute any Contract the Installment Payments under and pursuant to which, as the case may be, are payable from the Net Water Revenues on a parity with the 1989 Installment Sale Agreement, the 1989 Contract of Indebtedness and all other Contracts and Bonds; provided:
(a) For any period of twelve (12) consecutive calendar months within the twenty-four (24) calendar month period ending on the last day of the month preceding the date of issuance of such Bonds or execution of such Contract, as evidenced by a Certificate of the Authority (together with supporting calculations prepared by the Authority) to the effect that (1) the Net Water Revenues shall have been equal to at least one hundred twenty per cent (120%) of the Maximum Annual Debt Service on all Bonds and Contracts outstanding after the issuance of such Bonds or the execution of such Contract, as the case may be, and (2) the Net Water Revenues shall have been sufficient for the payment of all amounts payable from Net Water Revenues during such twelve-month period and at least equal to one hundred twenty percent (120%) of Debt Service on all Bonds and Contracts outstanding during such twelve-month period, or

(b) (i) For any period of twelve (12) consecutive calendar months within the twenty-four (24) calendar month period ending on the last day of the month preceding the date of issuance of such Bonds or the execution of such Contract, as evidenced by a Certificate of the Authority (together with supporting calculations prepared by the Authority) to the effect that the Net Water Revenues shall have been sufficient for the payment of all amounts payable from Net Water Revenues during such twelve-month period and at least equal to one hundred twenty percent (120%) of Debt Service on all Bonds and Contracts outstanding during such twelve-month period, and

(ii) As evidenced by a Certificate of the Authority (together with supporting calculations and assumptions prepared by the Authority) to the effect that, in each of the five succeeding Fiscal Years, projected Net Water Revenues shall be sufficient for the payment of all amounts to be payable from Net Water Revenues in each such Fiscal Year and at least equal to one hundred twenty percent (120%) of Debt Service on all Bonds and Contracts to be outstanding in each such Fiscal Year, and

(c) The Authority shall file a Certificate of the Authority to the effect that the Authority is not then in default under any Trust Agreement or with respect to any Bonds or Contracts, and

(d) Such Bond or Contract shall not allow the declaration of Bond Payments or Installment Payments
thereunder to be immediately due and payable in the event of a default by the Authority thereunder or under the applicable Trust Agreement unless such remedy is then allowed with respect to all Bonds and Contracts then outstanding.

Notwithstanding the foregoing provisions, there shall be no limitations on the ability of the Authority to execute any Contract or to issue any Bonds at any time to refund any outstanding Bonds or any outstanding Contract or to execute Reimbursement Agreements.

SECTION 3.03. Obligations. Amounts to be paid by the Authority with respect to any Obligation shall constitute Maintenance and Operation Costs only if at the time such Obligation is entered into the Authority shall deliver a Certificate of the Authority to the effect that (i) the making of payments on such Obligation as Maintenance and Operation Costs will not impair the Authority's ability to comply with the covenant set forth in Section 4.09 hereof during the next five Fiscal Years or five years beyond the commercial operation date of the project being financed with such Obligation, whichever is later and (ii) the properties, services or commodities to be furnished pursuant to such Obligation can be economically and beneficially utilized by the Authority. If the amounts to be paid by the Authority for an Obligation do not constitute Maintenance and Operation Costs, then such amounts shall be paid out of the Subordinate Obligation Payment Fund or the General Reserve Fund.

ARTICLE IV

COVENANTS OF THE AUTHORITY

SECTION 4.01. Against Encumbrances. The Authority will pay or cause to be paid when due all sums of money that may become due or purporting to be due for any labor, services, materials, supplies or equipment furnished, or alleged to have been furnished, to or for the Authority in, upon, about or relating to the Water System and will keep the Water System free of any and all liens against any portion of the Water System. In the event any such lien attaches to or is filed against any portion of the Water System, the Authority will cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that if the Authority desires to contest any such lien it may do so. If any such lien shall be reduced to final judgment and such judgment or any process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and such stay
thereafter expires, the Authority will forthwith pay or cause to be paid and discharged such judgment.

SECTION 4.02. Against Sale or Other Disposition of Property. The Authority will not sell, lease or otherwise dispose of the Water System or any part thereof essential to the proper operation of the Water System or to the maintenance of the Net Water Revenues, and will not enter into any agreement or lease which would impair the operation of the Water System or any part thereof necessary to secure adequate Net Water Revenues for the payment of Bond Payments, Installment Payments or Subordinate Obligation Payments, or which would otherwise impair the rights of the holders of Bonds or Certificates with respect to the Net Water Revenues or the operation of the Water System; provided, that any real or personal property which has become nonoperative or which is not needed for the efficient and proper operation of the Water System, or any material or equipment which has become worn out, may be sold if such sale will not reduce the Net Water Revenues below the requirements to be maintained under Section 4.09.

SECTION 4.03. Maintenance and Operation of the Water System; Budgets. The Authority will maintain and preserve the Water System in good repair and working order at all times and will operate the Water System in an efficient and economical manner and will pay all Maintenance and Operation Costs as they become due and payable.

Not later than September 1 of each year, the Authority will adopt and, if requested, make available to each Trustee, a budget approved by the Board of Directors of the Authority setting forth the estimated Maintenance and Operation Costs, the estimated payments for Debt Service and the estimated debt service payments on all Subordinate Obligations for the then current Fiscal Year; provided, that any such budget may be amended at any time during any Fiscal Year and, if requested, such amended budget shall be made available to each Trustee.

SECTION 4.04. Compliance with Contracts. The Authority will comply with, keep, observe and perform all agreements, conditions, covenants and terms, express or implied, required to be performed by it contained in all contracts for the use of the Water System and all other contracts affecting or involving the Water System to the extent that the Authority is a party thereto.

SECTION 4.05. No Superior Liens. The Authority will not create or allow any lien on or payment from the Net Water Revenues or any part thereof prior or superior to the
obligation to make the Bond Payments or Installment Payments as provided herein or which might impair the security of the Bond Payments or Installment Payments other than Subordinate Obligations.

SECTION 4.06. Insurance. The Authority will procure and maintain such insurance relating to the Water System which it shall deem advisable or necessary to protect its interests, which insurance shall afford protection in such amounts and against such risks as are usually covered in connection with facilities, properties, structures and works similar to the Water System; provided, the Authority shall not be required to procure or maintain any such insurance unless such insurance is commercially available at reasonable cost; provided, further, that any such insurance may be maintained under a self-insurance program so long as such self-insurance is maintained in the amounts and manner usually maintained in connection with facilities, properties, structures and works similar to the Water System. All policies of insurance required to be maintained herein shall provide that each Trustee shall be given thirty (30) days' written notice of any intended cancellation thereof or reduction of coverage provided thereby.


(a) The Authority will keep appropriate accounting records in which complete and correct entries shall be made of all transactions relating to the Water System, which records shall be available for inspection by each Trustee at reasonable hours and under reasonable conditions.

(b) The Authority will prepare and file with each Trustee annually within one hundred and twenty (120) days after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, 1989):

(1) financial statements of the Authority for the preceding Fiscal Year prepared in accordance with Generally Accepted Accounting Principles, certified by the Independent Certified Public Accountant who examined such financial statements stating that nothing came to his attention in connection with such examination that caused him to believe that the Authority was not in compliance with any of the agreements or covenants contained herein; and

(2) a detailed report as to all insurance policies maintained and self-insurance programs maintained by the Authority with respect to the Water
System as of the close of such Fiscal Year, including the names of the insurers which have issued the policies and the amounts thereof and the property or risks covered thereby.

(c) The Authority will prepare annually not more than one hundred twenty (120) days after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, 1989) a summary report showing in reasonable detail the results of the operations of the Authority for such Fiscal Year and containing a general statement of the physical condition of the facilities, properties, structures or works of the Authority. The Authority will furnish a copy of such summary report to each Trustee.

SECTION 4.08. Payment of Taxes and Compliance with Governmental Regulations. The Authority will pay and discharge all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon the Water System or any part thereof when the same shall become due. The Authority will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Water System or any part thereof, but the Authority shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith.

SECTION 4.09. Amount of Rates, Fees and Charges. The Authority will at all times fix, prescribe and collect or cause to be collected rates, fees and charges for the Water Service which are reasonably fair and nondiscriminatory and which will be at least sufficient to yield during the next succeeding Fiscal Year of the Authority Net Water Revenues sufficient for the payment of all amounts payable from Net Water Revenues during such Fiscal Year and at least equal to one hundred twenty per cent (120%) of the Debt Service on all Bonds and Contracts for such Fiscal Year. The Authority may make adjustments from time to time in such rates, fees and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates, fees and charges then in effect unless the Net Water Revenues from such reduced rates, fees and charges will at all times be sufficient to meet the requirements of this section.

SECTION 4.10. Collection of Rates, Fees and Charges. The Authority will charge and collect or cause to be collected the rates, fees and charges applicable to the Water Service and will not permit any part of the Water System or any facility thereof to be used or taken advantage of free of charge by any corporation, firm or person, or by any public agency (including the United States of America, the State of
California and any city, county, district, political subdivision, public corporation or agency of any thereof); provided, that the Authority may without charge use the Water Service.

SECTION 4.11. Eminent Domain and Insurance Proceeds. If all or any part of the Water System shall be taken by eminent domain proceedings, or if the Authority receives any insurance proceeds resulting from a casualty loss to the Water System, the proceeds thereof shall be used to substitute other components for the condemned or destroyed components of the Water System.

ARTICLE V
MISCELLANEOUS

SECTION 5.01. Benefits of 1989 Resolution Limited to Parties. Nothing contained herein, expressed or implied, is intended to give to any person other than the Authority, the Trustees, the other parties to any Trust Agreement, Contract or Reimbursement Agreement or the holder of any Bonds, Certificates or Subordinate Obligations any right, remedy or claim under or pursuant hereto, and any agreement or covenant required herein to be performed by or on behalf of the Authority shall be for the sole and exclusive benefit of such other party.

SECTION 5.02. Successor Is Deemed Included in all References to Predecessor. Whenever the Authority is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the Authority, and all agreements and covenants required hereby to be performed by or on behalf of the Authority shall bind and inure to the benefit of the successors thereof whether so expressed or not.

SECTION 5.03. Article and Section Headings, Gender and References. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof, and words of any gender shall be deemed and construed to include all genders. All references herein to "Articles," "Sections," "Exhibits" and other subdivisions or clauses are to the corresponding articles, sections, exhibits, subdivisions or clauses hereof; and the words "hereby," "herein," "hereof," "hereto," "herewith" and other words of similar import refer to this Resolution as a whole and not to any particular article, section, exhibit, subdivision or clause hereof.
SECTION 5.04. Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the Authority shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof. The Authority hereby declares that it would have adopted this Resolution, and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

SECTION 5.05. Funds. Any fund required to be established and maintained herein by the Director of Finance may be established and maintained in the accounting records of the Director of Finance either as an account or a fund, and may, for the purpose of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund; but all such records with respect to any such fund shall at all times be maintained in accordance with sound accounting practice and with due regard for the protection of the security of the rights of the holders of Bonds, Certificates and Subordinate Obligations.

SECTION 5.06. Investments. Any money held by the Authority in any of the funds provided herein shall be invested in lawful investments of Authority funds, provided that money held in the Installment Payment Fund and the Subordinate Obligation Payment Fund shall be invested in lawful investments which will, as nearly as practicable, mature on or before the dates on which such money is anticipated to be needed to pay Bond Payments, Installment Payments, Reimbursement Payments or Subordinate Obligation Payments.

SECTION 5.07. Repeal of Inconsistent Resolutions. Any resolution of the Authority and any part of any resolution inconsistent herewith is hereby repealed to the extent of such inconsistency.

SECTION 5.08. Effective Date. This Resolution shall take effect from and after its passage and approval.
PASSED AND ADOPTED this 11th day of May, 1989, by
the following vote:

AYES: 29

NOES: 0

ABSENT: 6

Approved:

[Signature]
Chairman of the Board of Directors
of the San Diego County Water
Authority

[SEAL]

Attest:

[Signature]
Secretary of the Board of Directors
of the San Diego County Water
Authority
RESOLUTION NO. 97-52

RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN DIEGO COUNTY WATER AUTHORITY PLEDGING NET WATER REVENUES TO SECURE THE PAYMENT OF OBLIGATIONS PAYABLE FROM NET WATER REVENUES

WHEREAS, the San Diego County Water Authority, a county water authority duly organized and existing under and pursuant to the Constitution and laws of the State of California (the "Authority"), is authorized under provisions of the Constitution and laws of the State of California, and in accordance therewith, to incur indebtedness and to purchase real and personal property as the Authority may determine is necessary or proper; and

WHEREAS, the Board of Directors of the Authority adopted, on May 11, 1989, Resolution No. 89-21 of the Authority providing for the allocation of water system revenues and establishing covenants to secure the payment of obligations payable from the net water revenues of the Authority (the "General Resolution"); and

WHEREAS, it is now desirable to amend the General Resolution to pledge net water revenues to secure the payment of Bonds, Contracts, Reimbursement Payments and Subordinate Obligations (as defined in the General Resolution);

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the San Diego County Water Authority, as follows:

Section 1. The Authority hereby specifically finds and declares that the statements, findings and determinations of the Authority set forth above are true and correct.

Section 2. Section 2.07 is hereby added to the General Resolution to read in full as follows:

Section 2.07 Pledge of Net Water Revenues. Net Water Revenues are hereby pledged to secure the payment of all Bond Payments, Installment Payments and Reimbursement Payments and, subordinate thereto, the payment of all Subordinate Obligations."

Section 3. This resolution shall take effect upon receipt of the consent of all parties from whom consent is required for amendments to the General Resolution.
PASSED, APPROVED and ADOPTED this 11th day of December, 1997.

AYES:

NOES: Manning

ABSTAIN:

ABSENT: Broomell, Chenelle, Davis, Newton, Balist, Slater, R. Williams

Chris Frahm, Chair

ATTEST:

Harold W. Ball, Secretary

I, Janet R. Maltman, Board Secretary of the San Diego County Water Authority, do hereby certify that the above and foregoing is a full, true and correct copy of said resolution No. 97-5 of said Board and that the same has not been amended or repealed.

Janet R. Maltman, Board Secretary

njs
RESOLUTION NO. 09-23

RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN DIEGO COUNTY WATER AUTHORITY ADDRESSING THE TREATMENT OF INTEREST SUBSIDY PAYMENTS UNDER RESOLUTION 89-21

WHEREAS, the San Diego County Water Authority, a county water authority duly organized and existing under and pursuant to the Constitution and the laws of the State of California (the "Water Authority"), is authorized under provisions of the Constitution and the laws of the State of California, and in accordance therewith, to incur indebtedness and to purchase real and personal property as the Water Authority may determine is necessary or proper; and

WHEREAS, the Board of Directors of the Authority adopted, on May 11, 1989, Resolution No. 89-21 of the Water Authority, amended by Resolution No. 97-52 of the Board of Directors of the Water Authority adopted on December 11, 1997, providing for the pledge and allocation of water system revenues and establishing covenants to secure the payment of obligations payable from the net water revenues of the Water Authority (the "General Resolution"); and

WHEREAS, the Water Authority may, from time to time, issue Bonds (as defined in the General Resolution) or execute Contracts (as defined in the General Resolution) with respect to which the Water Authority will be entitled to receive cash subsidy payments from the United States Treasury, such as "Build America Bonds" issued under the provisions of the American Recovery and Reinvestment Act of 2009 ("Interest Subsidy Payments"); and

WHEREAS, it is now desirable to amend the General Resolution to provide that Interest Subsidy Payments not constitute Current Water Revenues (as defined in the General Resolution) but instead constitute reductions in Debt Service (as defined in the General Resolution).

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the San Diego County Water Authority, as follows:

Section 1. The Water Authority hereby specifically finds and declares that the statements, findings and determinations of the Water Authority set forth above are true and correct.

Section 2. Section 1.01 of the General Resolution is hereby amended to add the following definition:

Interest Subsidy Payments

"Interest Subsidy Payments" means cash subsidy payments entitled to be received by the Authority from the United States Treasury with respect to Bonds issued and Contracts executed by the Authority, including, but not limited to, "Build America Bonds" issued as contemplated by the American Recovery and Reinvestment Act of 2009.
PASSED, APPROVED and ADOPTED this 17th day of December, 2009.

AYES: Unless noted below, all Directors present voted aye.

NOES:

ABSTAIN: Wornham

ABSENT: Bowersox (p)
       Johnson
       Martin
       Watton (p)

ATTEST:

Thomas V. Wornham, Secretary

I, Doria F. Lore, Board Secretary of the San Diego County Water Authority, do hereby certify that the above and foregoing is a full, true and correct copy of said resolution No. 09-23 of said Board and that the same has not been amended or repealed.

Doria F. Lore, Board Secretary
Section 3. The definition of “Current Water Revenues” in Section 1.01 of the General Resolution is hereby amended to read in full as follows:

Current Water Revenues

“Current Water Revenues” means all gross income and revenue received or receivable by the Authority from the ownership or operation of the Water System, determined in accordance with Generally Accepted Accounting Principles, including all rates, fees and charges (including connection fees and charges and standby charges) received by the Authority for the Water Service and the other services of the Water System and all other income and revenue howsoever derived by the Authority from the ownership or operation of the Water System or arising from the Water System, and also including (1) all income from the deposit or investment of any money in the Water Revenue Fund, the General Reserve Fund and the Rate Stabilization Fund, and (2) all income from the deposit or investment of money held in the Installment Payment Fund, the Subordinate Obligation Fund or any Bond or Contract Reserve Fund or other fund established pursuant to a Trust Agreement to the extent such income will be available to pay Bond Payments or Installment Payments, but excluding any Interest Subsidy Payments, any proceeds of taxes and any refundable deposits made to establish credit and advances or contributions in aid of construction.

Section 4. The definition of “Debt Service” in Section 1.01 of the General Resolution is hereby amended to read in full as follows:

Debt Service

“Debt Service” means, for any Fiscal Year or other period, the sum of (1) the interest accruing during such Fiscal Year or period on all outstanding Bonds, assuming that all outstanding serial Bonds are retired as scheduled and that all outstanding term Bonds are redeemed or paid from sinking fund payments as scheduled, (2) that portion of the principal amount of all outstanding serial Bonds maturing on the next succeeding principal payment date that would have accrued during such Fiscal Year or period if such principal amount were deemed to accrue daily in equal amounts from the next preceding principal payment date or during the year preceding the first principal payment date, as the case may be, (3) that portion of the principal amount of all outstanding term Bonds required to be redeemed or paid on the next succeeding redemption date (together with the redemption premiums, if any, thereon) that would have accrued during such Fiscal Year or period if such principal amount (and redemption premiums) were deemed to accrue daily in equal amounts from the next preceding redemption date or during the year preceding the first redemption date, as the case may be, and (4) that portion of the Installment Payments required to be made at the times provided in the Contracts that would have accrued during such Fiscal Year or period if such Installment Payments were deemed to accrue daily in equal amounts from, in each case, the next preceding Installment Payment Date of interest or principal or the date of the pertinent Contract, as the case may be, provided, that (a) if any of such Bonds are Capital Appreciation Bonds or if the Installment Payments due under any of such Contracts are evidenced by Capital Appreciation Certificates, then the Accreted Value payment shall be deemed due on the
scheduled redemption or payment date of such Capital Appreciation Bond or Capital Appreciation Certificate; (b) if any of such Bonds or if the Installment Payments due under such Contracts bear interest payable pursuant to a variable interest rate formula, the interest rate on such Bonds or such Contracts for periods when the actual interest rate cannot yet be determined, shall be assumed to be equal to the greater of (1) the current interest rate calculated pursuant to the provisions of the terms of such Bonds or Contracts (with respect to the issuance of Bonds or the execution of Contracts pursuant to Section 3.02, the initial interest rate on such Bonds or Contracts), or, (2) if available, the average interest rate on such Bonds or Contracts during the thirty-six (36) months preceding the date of calculation or, (3) if such Bonds or Contracts have not been outstanding for such thirty-six month period (or with respect to the issuance of Bonds or the execution of Contracts pursuant to Section 3.02), such average interest rate on comparable debt of a state or political subdivision of a state which debt is then rated by the rating agencies rating such Bonds or Contracts in a rating category equivalent to the rating on such Bonds or Contracts; and (c) if 20% or more of the original principal of such Bonds or the Installment Payments due under such Contracts is not due until the final stated maturity of such Bonds or the Installment Payments due under such Contracts, such principal may, at the option of the Authority, be treated as if it were due based upon a level amortization of such principal over the term of such Bonds or Contracts or twenty (20) years, whichever is greater; provided further, that “Debt Service” shall not include (1) payments due on voter-approved general obligation bonds and other voter-approved general obligation debts for which taxes are then being levied and collected, (2) interest on Bonds or Contracts which is to be paid from amounts constituting capitalized interest held pursuant to a Trust Agreement or (3) interest on Bonds or Contracts which is to be paid from Interest Subsidy Payments.

Section 5. This resolution shall take effect upon receipt of the consent of all parties from whom consent is required for amendments to the General Resolution.
PASSED, APPROVED and ADOPTED this 17th day of December, 2009.

AYES: Unless noted below, all Directors present voted aye.

NOES:

ABSTAIN: Wornham

ABSENT: Bowersox (p)
        Johnson
        Martin
        Watton (p)

ATTEST:

Thomas V. Wornham, Secretary

I, Doria F. Lore, Board Secretary of the San Diego County Water Authority, do hereby certify that the above and foregoing is a full, true and correct copy of said resolution No. 09-23 of said Board and that the same has not been amended or repealed.

Doria F. Lore, Board Secretary
RESOLUTION NO. 09-23

RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN DIEGO COUNTY WATER AUTHORITY ADDRESSING THE TREATMENT OF INTEREST SUBSIDY PAYMENTS UNDER RESOLUTION 89-21

WHEREAS, the San Diego County Water Authority, a county water authority duly organized and existing under and pursuant to the Constitution and the laws of the State of California (the “Water Authority”), is authorized under provisions of the Constitution and the laws of the State of California, and in accordance therewith, to incur indebtedness and to purchase real and personal property as the Water Authority may determine is necessary or proper; and

WHEREAS, the Board of Directors of the Authority adopted, on May 11, 1989, Resolution No. 89-21 of the Water Authority, amended by Resolution No. 97-52 of the Board of Directors of the Water Authority adopted on December 11, 1997, providing for the pledge and allocation of water system revenues and establishing covenants to secure the payment of obligations payable from the net water revenues of the Water Authority (the “General Resolution”); and

WHEREAS, the Water Authority may, from time to time, issue Bonds (as defined in the General Resolution) or execute Contracts (as defined in the General Resolution) with respect to which the Water Authority will be entitled to receive cash subsidy payments from the United States Treasury, such as “Build America Bonds” issued under the provisions of the American Recovery and Reinvestment Act of 2009 (“Interest Subsidy Payments”); and

WHEREAS, it is now desirable to amend the General Resolution to provide that Interest Subsidy Payments not constitute Current Water Revenues (as defined in the General Resolution) but instead constitute reductions in Debt Service (as defined in the General Resolution).

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the San Diego County Water Authority, as follows:

Section 1. The Water Authority hereby specifically finds and declares that the statements, findings and determinations of the Water Authority set forth above are true and correct.

Section 2. Section 1.01 of the General Resolution is hereby amended to add the following definition:

Interest Subsidy Payments

“Interest Subsidy Payments” means cash subsidy payments entitled to be received by the Authority from the United States Treasury with respect to Bonds issued and Contracts executed by the Authority, including, but not limited to, “Build America Bonds” issued as contemplated by the American Recovery and Reinvestment Act of 2009.
Section 3. The definition of "Current Water Revenues" in Section 1.01 of the General Resolution is hereby amended to read in full as follows:

Current Water Revenues

"Current Water Revenues" means all gross income and revenue received or receivable by the Authority from the ownership or operation of the Water System, determined in accordance with Generally Accepted Accounting Principles, including all rates, fees and charges (including connection fees and charges and standby charges) received by the Authority for the Water Service and the other services of the Water System and all other income and revenue howsoever derived by the Authority from the ownership or operation of the Water System or arising from the Water System, and also including (1) all income from the deposit or investment of any money in the Water Revenue Fund, the General Reserve Fund and the Rate Stabilization Fund, and (2) all income from the deposit or investment of money held in the Installment Payment Fund, the Subordinate Obligation Fund or any Bond or Contract Reserve Fund or other fund established pursuant to a Trust Agreement to the extent such income will be available to pay Bond Payments or Installment Payments, but excluding any Interest Subsidy Payments, any proceeds of taxes and any refundable deposits made to establish credit and advances or contributions in aid of construction.

Section 4. The definition of "Debt Service" in Section 1.01 of the General Resolution is hereby amended to read in full as follows:

Debt Service

"Debt Service" means, for any Fiscal Year or other period, the sum of (1) the interest accruing during such Fiscal Year or period on all outstanding Bonds, assuming that all outstanding serial Bonds are retired as scheduled and that all outstanding term Bonds are redeemed or paid from sinking fund payments as scheduled, (2) the principal amount of all outstanding serial Bonds maturing on the next succeeding principal payment date that would have accrued during such Fiscal Year or period if such principal amount were deemed to accrue daily in equal amounts from the next preceding principal payment date or during the year preceding the first principal payment date, as the case may be, (3) that portion of the principal amount of all outstanding term Bonds required to be redeemed or paid on the next succeeding redemption date (together with the redemption premiums, if any, thereon) that would have accrued during such Fiscal Year or period if such principal amount (and redemption premiums) were deemed to accrue daily in equal amounts from the next preceding redemption date or during the year preceding the first redemption date, as the case may be, and (4) that portion of the Installment Payments required to be made at the times provided in the Contracts that would have accrued during such Fiscal Year or period if such Installment Payments were deemed to accrue daily in equal amounts from, in each case, the next preceding Installment Payment Date of interest or principal or the date of the pertinent Contract, as the case may be; provided, that (a) if any of such Bonds are Capital Appreciation Bonds or if the Installment Payments due under any of such Contracts are evidenced by Capital Appreciation Certificates, then the Accreted Value payment shall be deemed due on the
scheduled redemption or payment date of such Capital Appreciation Bond or Capital Appreciation Certificate; (b) if any of such Bonds or if the Installment Payments due under such Contracts bear interest payable pursuant to a variable interest rate formula, the interest rate on such Bonds or such Contracts for periods when the actual interest rate cannot yet be determined, shall be assumed to be equal to the greater of (1) the current interest rate calculated pursuant to the provisions of the terms of such Bonds or Contracts (with respect to the issuance of Bonds or the execution of Contracts pursuant to Section 3.02, the initial interest rate on such Bonds or Contracts), or, (2) if available, the average interest rate on such Bonds or Contracts during the thirty-six (36) months preceding the date of calculation or, (3) if such Bonds or Contracts have not been outstanding for such thirty-six month period (or with respect to the issuance of Bonds or the execution of Contracts pursuant to Section 3.02), such average interest rate on comparable debt of a state or political subdivision of a state which debt is then rated by the rating agencies rating such Bonds or Contracts in a rating category equivalent to the rating on such Bonds or Contracts; and (c) if 20% or more of the original principal of such Bonds or the Installment Payments due under such Contracts is not due until the final stated maturity of such Bonds or the Installment Payments due under such Contracts, such principal may, at the option of the Authority, be treated as if it were due based upon a level amortization of such principal over the term of such Bonds or Contracts or twenty (20) years, whichever is greater; provided further, that “Debt Service” shall not include (1) payments due on voter-approved general obligation bonds and other voter-approved general obligation debts for which taxes are then being levied and collected, (2) interest on Bonds or Contracts which is to be paid from amounts constituting capitalized interest held pursuant to a Trust Agreement or (3) interest on Bonds or Contracts which is to be paid from Interest Subsidy Payments.

Section 5. This resolution shall take effect upon receipt of the consent of all parties from whom consent is required for amendments to the General Resolution.
PASSED, APPROVED and ADOPTED this 17th day of December, 2009.

AYES: Unless noted below, all Directors present voted aye.

NOES:

ABSTAIN: Wornham

ABSENT: Bowersox (p)
        Johnson
        Martin
        Watton (p)

ATTEST:

Thomas V. Wornham, Secretary

I, Doria F. Lore, Board Secretary of the San Diego County Water Authority, do hereby certify that the above and foregoing is a full, true and correct copy of said resolution No. 09-23 of said Board and that the same has not been amended or repealed.

Doria F. Lore, Board Secretary
Memorandum

To: Lisa Marie Harris, Director of Finance  
   Dan Hentschke, General Counsel

From: Thomas W. Chesnutt, Ph.D., CAP®

Date: March 2, 2015

Re: Review of Proposed SDCWA - Supply Reliability Charge

Purpose

A & N Technical Services, Inc. has been retained by the San Diego County Water Authority to independently review and provide a professional opinion of whether the proposed Supply Reliability Charge as described later in this memorandum is consistent with recognized cost-of-service based rate setting principles, that the amount expected to be generated by the charge is no more than necessary to cover the reasonably anticipated revenue requirement (“costs”) for governmental services or products for which the charge is imposed, and that the manner in which the costs are generally allocated by the charge bears a fair or reasonable relationship to the payor’s burdens on or benefits received from the governmental services or products.1

Findings

The proposed Supply Reliability Charge comports with water industry cost-of-service-based rate-setting principles. By design, it cannot recover more than the costs allocated to the supply functional costs, since it is computed as a portion of those functional supply costs. Further, it constitutes a reasonable allocation of functional supply costs in that it better aligns the fixed incremental supply costs taken on by the Water Authority to make highly reliable potable water supplies available to its member agencies within the County of San Diego with the benefits available to all water customers connected to the SDCWA integrated water system.

The proposal addresses fairness by allowing for predictability of charge incidence (based on a rolling five year average of historical deliveries) and adjustments to future charge incidence if demand requirements of member agencies change in the future due to local supply

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1 This analysis is limited to a review of the proposed charge in the context of the Water Authority rates structure. It does not include allocation of individual costs to functional rate categories. That aspect of the cost-of-service study for the determination and setting of the amount of the charge will be performed by others.
development or demand management. This reviewer approves of the stated intention to re-examine the Supply Reliability Charge in five years and to embed it as a fixed charge in fiscal procedures and policies intended to assure the SDCWA’s fiscal sustainability objectives².

**Description of the Supply Reliability Charge**

The proposed Supply Reliability Charge will create a new fixed charge for the functional incremental supply costs³ allocated to enhanced supply reliability. Under the proposed methodology the charge would be set annually. First the difference between the combined Desalination and IID Water Transfer Costs and a like amount of water purchased at the MWD Tier 1 Full Service Untreated Rate is determined. The calculated difference is then multiplied by 25% to determine the calendar year Supply Reliability Charge. A detailed calculation methodology is shown below:

³ Functional incremental supply costs for this purpose are understood to be associated with the two highly reliable supplies available to the San Diego County Water Authority that constitute the new and forward-looking supplies—i.e., the supply costs incidental to IID Transfer water supply and the Carlsbad Desalination plant; these are a subset of SDCWA’s overall functional supply costs. The overall supply costs for the Water Authority, include the Tier 1 full service water rate payments made to MWD for purchase of MWD water (currently the total of MWD’s Tier 1 supply rate, system access rate, system power rate, and water stewardship charge), the cost of payments made to IID for transferred water under the IID/SDCWA Agreement for Transfer of Conserved Water plus the payments made to MWD for transportation of that water to the Water Authority service territory under the Exchange Agreement, the payments made for desalinated water under the Water Authority/Poseidon Water Purchase Agreement, and certain other costs of water. Because the Water Authority provides both treated and untreated water, its functional supply costs, by definition, exclude other functional costs such as the functional cost of treatment. The Water Authority’s functional cost categories are currently described in Water Authority Administrative Code section 5.00.050 and Water Authority Ordinance No. 2014-01.
Supply Reliability Charge = [(Desalination Water Cost + IID Water Transfer Cost) – MWD Tier 1 Equivalent Cost] × 25%

Desalination Water Cost = (Water Purchase Agreement Contract Price + Melded Treatment Rate) × Desalination Deliveries

IID Water Transfer Cost = (IID Water Contract Price + MWD Transportation Rate) × IID Water Deliveries

MWD Tier 1 Equivalent Cost = (MWD Tier 1 Full Service Untreated Rate × Total Reliability Deliveries)

Total Reliability Deliveries = Desalination Deliveries + IID Water Transfer Deliveries.

As used in this formula, Desalination Deliveries are 42,000 AF/Y and IID Water Transfer Deliveries are 100,000 AF/Y in 2016 and ramp up to 200,000 AF/Y according to the transfer schedule in the Transfer Agreement.

The revenue generated from this charge will only be applied to the supply revenue requirement prior to determining the volumetric Melded Supply Rate. This charge will be allocated to member agencies based on a five year rolling average of applicable historical water deliveries. This charge will be zero when MWD’s Tier 1 costs are equal or greater than the combined Desalination and IID Water Transfer Costs.

Criteria for Evaluation of the Supply Reliability Charge

This independent review will use the CUWA Public Investment Principles in its analysis of the Supply Reliability Charge. These principles were the product of a multiple agency working group at the California Urban Water Agencies and includes the following principles for publicly financed water projects:

4 The desalinated water contract price includes the following components:
WPA Article 17.4 Capital Charges
   (Debt Service Charge + Equity Return Charge)
WPA Article 17.5 Operating Charge
   (Fixed Operating Charge + Variable Operating Charge)
WPA Article 17.6 Electricity Charge
   (Fixed Electricity Charge + Variable Electricity Charge)
WPA Article 8.14 Poseidon Management Fee
   (Annual Management Fee)

5 A & N Technical Services has been informed by Water Authority staff that discussions regarding the future of the Transitional Special Agricultural Water Rate (TSAWR) are ongoing and may impact the allocation of the charge to member agencies.

6 See the CUWA Public Investment White Papers found at http://www.cuwa.org.
1. *Inclusive* of all beneficiaries
2. A *clear nexus* between charges and benefits received
3. *Specificity*, based on defined projects and costs
4. *Transparency* of benefit and cost allocation decisions, *understandable* to beneficiaries funding the efforts
5. *Strict dedication* of funds
6. *Reasonable assurances* that benefits will be delivered

**AWWA Manual M1. On Rate Making Objectives:** Accurate attribution of costs of service is not the only objective of water utility ratemaking. Derived from Bonbright et al. (1961, 1988) the *Principles of Water Rates, Fees, and Charges, AWWA Manual M1, Sixth Edition* (2012, p. 4) provides a more complete list of typical ratemaking objectives:

- Effectiveness in yielding total revenue requirements (full cost recovery)
- Revenue stability and predictability
- Stability and predictability of the rates themselves from unexpected or adverse changes
- Promotion of efficient resource use (conservation and efficient use)
- Fairness in the appointment of total costs of service among the different ratepayers
- Avoidance of undue discrimination (subsidies) within the rates
- Dynamic efficiency in responding to changing supply and demand patterns
- Freedom from controversies as to proper interpretation of the rates
- Simple and easy to understand
- Simple to administer
- Legal and defendable

**Analysis**

The *Supply Reliability Charge* reasonably comports with the CUWA principles cited above. The charge is *inclusive* of all customers that have recently taken SDCWA deliveries and could reasonably be expected to benefit from highly reliable incremental water supplies. There is a *clear nexus* between this fixed charge and the benefits of highly reliable incremental supplies received by SDCWA customers. The charge is quite *specific*, being based on two incremental water supplies (Carlsbad Desalination and IID Transfer) defined by contract and imported supplies from MWD (though currently non-contractual, these supply costs are specific.) The multiple year public process (Board hearings, Board Fiscal Sustainability Task Force, Member Agency Managers Workgroup, and public outreach) have provided *transparency* of benefit and cost allocation deliberation with ample opportunity to improve *understanding* to SDCWA member agencies and their customers (beneficiaries) about the funding of these highly reliable incremental water supplies. Funds collected from the charge are *dedicated* to recovering a
subset of functional supply costs and cannot be used for other purposes. The contracts for incremental supplies provide reasonable assurances that the benefits of highly reliable incremental supplies will be delivered.

The Supply Reliability Charge makes reasonable tradeoffs among cost-of-service-based ratemaking objectives cited above.

Precedence for Fixed Charges. The concept of levying fixed charges to recover the costs required for the capacity to deliver public service has a long history (Dupuit, 1844 and more recently Kahn, 1991) and is familiar to anyone who has paid access, standby, or “demand” capacity charges.
Bibliography


ORDINANCE NO. 2017-____

AN ORDINANCE OF THE BOARD OF DIRECTORS OF THE SAN DIEGO COUNTY WATER AUTHORITY SETTING RATES AND CHARGES FOR THE DELIVERY AND SUPPLY OF WATER, USE OF FACILITIES, AND PROVISION OF SERVICES

WHEREAS, Subdivision (11) of Section 5 of the County Water Authority Act provides, in part that, the Authority's Board of Directors, "as far as practicable, shall provide each of its member agencies with adequate supplies of water to meet their expanding and increasing needs;" and

WHEREAS, Subdivision (13) of Section 5 of the County Water Authority Act provides that the Authority may: "Fix, revise, and collect rates or other charges for the delivery of water, use of any facilities or property, or provision of services. In fixing rates, the Board may establish reasonable classifications among different classes and conditions of service, but rates shall be the same for similar classes and conditions of service"; and

WHEREAS, Subdivision (j) of Section 7 of the County Water Authority Act provides in part, that the Authority’s Board of Directors, “as far as practicable, shall fix such rate or rates for water as will result in revenues which will pay the operating expenses of the Authority, provide for required maintenance, and provide for the payment of the interest and principal of the bonded debt;” and

WHEREAS, the Long-Range Financing Plan adopted by the Board of Directors contemplates the establishment of sufficient rates and charges, when considered along with taxes and other revenues of the Authority, to provide revenues for accomplishment of the Authority’s purposes and programs as determined by the Board of Directors; and

WHEREAS, pursuant to the County Water Authority Act, the Board of Directors has adopted ordinances and resolutions levying and fixing property taxes, water standby availability charges and other rates and charges for delivery and supply of water, use of facilities and provision of other services by the Authority, including, without limitation, a System Capacity Charge, water Treatment Capacity Charge, an Infrastructure Access Charge, a Readiness-to-Serve Charge and water rates and charges; and

WHEREAS, the Board of Directors, upon recommendation of the Rate Study Subcommittee and the Fiscal Policy Committee, enacted Ordinance 2002-03, “An Ordinance of the Board of Directors of the San Diego County Water Authority Setting Rates and Charges for the Delivery and Supply of Water, Use of Facilities and Provision of Services”, which established a new structure for water rates and charges; and

WHEREAS, the rate structure is incorporated into the Water Authority’s Administrative Code as section 5.00.050 of chapter 5.00; and

WHEREAS, the Board of Directors, on June 23, 2016, adopted Ordinance No. 2016-02 setting rates and charges currently in effect; and

WHEREAS, since 2002, the Water Authority board of directors has regularly reviewed its budget, fiscal policies, revenue requirements, cost allocations, rates, and charges, and has adopted
ordinances and resolutions establishing appropriate rates and charges for delivery and supply of water, use of facilities, and provision of services; and

WHEREAS, the adoption of this ordinance is exempt from CEQA as provided by statute under Public Resources Code §21080(b)(8) because it involves the establishment of water rates, tolls, fares, or other charges for the purpose of meeting operating expenses, including employee wages and benefits; purchasing or leasing supplies, equipment, or materials; meeting financial reserve needs and requirements; or obtaining funds for capital projects within existing service areas. The General Manager is, therefore, authorized to file a Notice of Exemption pursuant to Public Resources Code §21152(b) and §15061(d) of the State CEQA Guidelines (Title 14, Chapter 3, California Code of Regulations).

WHEREAS, the Finance Department has presented reports dated May 17, 2017 and June 14, 2017 to the Administrative and Finance Committee (the “Reports”) along with a Cost of Service Rate Study Report dated May 2017 by Carollo Engineers (the “Study”) describing the proposed rates and charges to be collected from the member agencies; and

WHEREAS, as detailed in the May 17, 2017 Report;

“The current annexation fee structure includes two components; the Administrative Fee and the Annexation Fee. The Administrative Fee, which was last adjusted in 1983, is a flat $3,000 charge per annexation application intended to recover the Water Authority’s administrative costs associated with processing an annexation. The Annexation Fee is currently $2,929/Acre of land annexed and recovers the cost of the existing system capacity. System and Treatment Capacity charges for meters that serve the annexed land receive a credit for any Annexation Fee paid. To streamline the administration of the annexation process and reduce member agency administrative activities, the Annexation Fee will be discontinued and the Administrative Fee replaced by the Annexation Application Fee. While the former Administrative Fee will increase from the $3,000 set in 1983 to an updated $10,340 Annexation Application Fee. Under the new system, persons seeking annexation do not pay an Annexation Fee ($2,929/ per acre) as they would have under the prior system. In the past, the Annexation Fee generally resulted in a majority of fees being collected at the time the annexation was approved. Now, the cost of the Water Authority’s existing system capacity will only be recovered via the System and Treatment Capacity Charges when meter charges are imposed.”

WHEREAS, on June 22, 2017 a duly noticed public hearing was held by the Administrative and Finance Committee which thereafter recommended the adjustments to the Water Authority’s rates and charges as set forth in this ordinance; and

WHEREAS, the Board has considered the recommendations of the Administrative and Finance Committee and is fully informed; and

WHEREAS, the Board of Directors has considered its budget, fiscal policies, and prior rate setting actions, the information contained in the Report and the Study, the testimony and other evidence presented during the public hearing, and the recommendations of the Administrative and Finance Committee; and
WHEREAS, the Board of Directors hereby makes the following legislative findings and determinations:

1. The foregoing recitals are true and correct;
2. The rates and charges as proposed and recommended in the Reports are exempt from the requirements of the California Environmental Quality Act pursuant to Public Resources Code Section 21080(b)(8);
3. Any and all protests, if any, to the rates and charges as proposed and recommended in the Reports are overruled;
4. The Reports and Study are approved;
5. The rates and charges as proposed and recommended in the Report and Study are reasonably expected to generate revenues that meet, but do not exceed, the Authority's revenue requirements to fund its capital, operation, maintenance, and other costs, and the allocation of those costs to the member agencies and others through the rates and charges are reasonable, fair, and proper.

NOW, THEREFORE, the Board of Directors of the San Diego County Water Authority does ordain as follows:

1. The Authority's revenues from taxes, water rates and charges consists of: ad valorem property taxes, including payments of member agencies in lieu of taxes; a standby availability charge levied pursuant to Section 5.2 of the County Water Authority Act, including payments of such charges pursuant to Section 5.3 of the County Water Authority Act; an infrastructure access charge levied pursuant to Section 5.00.050 (c) of the Administrative Code; a System Capacity Charge and a water Treatment Capacity Charge levied pursuant to Section 5.9 of the County Water Authority Act and Ordinance No. 2014-03; and water rates and charges having the following components as described in this ordinance: Customer Service, Storage, Transportation, Treatment and Supply.

2. Ad valorem taxes, the standby availability charge and the system and water treatment capacity charges are not affected by this ordinance. All other water rates and charges shall continue to be paid pursuant to existing authority until increased or adjusted as provided in this ordinance.
3. Commencing January 1, 2018, the amount of the Infrastructure Access Charge to be paid monthly by each member agency of the Authority, shall be $3.01 per equivalent meter within the territory of the member agency and determined according to Table 1 below.

<table>
<thead>
<tr>
<th>Member Agency</th>
<th>IAC Equivalent Meters (ME) as of 12/31/16¹</th>
<th>Monthly Rate ($/ME)</th>
<th>CY18 Annual Charge</th>
<th>Monthly Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carlsbad M.W.D.</td>
<td>35,896</td>
<td>$3.01</td>
<td>$1,296,564</td>
<td>$108,047</td>
</tr>
<tr>
<td>Del Mar, City of</td>
<td>2,491</td>
<td>3.01</td>
<td>89,976</td>
<td>7,498</td>
</tr>
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<td>Escondido, City of</td>
<td>35,019</td>
<td>3.01</td>
<td>1,264,884</td>
<td>105,407</td>
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<tr>
<td>Fallbrook P.U.D.</td>
<td>12,349</td>
<td>3.01</td>
<td>446,040</td>
<td>37,170</td>
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<td>Helix W.D.</td>
<td>65,028</td>
<td>3.01</td>
<td>2,348,808</td>
<td>195,734</td>
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<tr>
<td>Lakeside W.D.</td>
<td>8,049</td>
<td>3.01</td>
<td>290,724</td>
<td>24,227</td>
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<td>Oceanside, City of</td>
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<td>3.01</td>
<td>2,069,352</td>
<td>172,446</td>
</tr>
<tr>
<td>Olivenhain M.W.D.</td>
<td>28,046</td>
<td>3.01</td>
<td>1,013,016</td>
<td>84,418</td>
</tr>
<tr>
<td>Otay W.D.</td>
<td>58,820</td>
<td>3.01</td>
<td>2,124,576</td>
<td>177,048</td>
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<tr>
<td>Padre Dam M.W.D.</td>
<td>26,405</td>
<td>3.01</td>
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</tr>
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<td>Pendleton Military Reservation</td>
<td>-</td>
<td>3.01</td>
<td>-</td>
<td>-</td>
</tr>
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<td>Poway, City of</td>
<td>16,630</td>
<td>3.01</td>
<td>600,672</td>
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<td>14,108</td>
<td>3.01</td>
<td>509,580</td>
<td>42,465</td>
</tr>
<tr>
<td>Ramona M.W.D.</td>
<td>10,245</td>
<td>3.01</td>
<td>370,044</td>
<td>30,837</td>
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<tr>
<td>Rincon Del Diablo M.W.D.</td>
<td>9,733</td>
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<tr>
<td>San Dieguito W.D.</td>
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<td>Santa Fe I.D.</td>
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<td>43,076</td>
<td>3.01</td>
<td>1,556,908</td>
<td>129,659</td>
</tr>
<tr>
<td>Vallecitos W.D.</td>
<td>26,628</td>
<td>3.01</td>
<td>961,800</td>
<td>80,150</td>
</tr>
<tr>
<td>Valley Center M.W.D.</td>
<td>14,750</td>
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<tr>
<td>Vista I.D.</td>
<td>35,510</td>
<td>3.01</td>
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<td>106,885</td>
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<td>Yuima M.W.D.</td>
<td>512</td>
<td>3.01</td>
<td>18,492</td>
<td>1,541</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>917,831</strong></td>
<td><strong>$33,152,016</strong></td>
<td><strong>$2,762,668</strong></td>
<td></td>
</tr>
</tbody>
</table>

¹Equivalent meters rounded to nearest whole meter; annual and monthly charges rounded to nearest dollar.
4. Effective January 1, 2018, the Customer Service Charge is fixed at $26,400,000. Commencing January 1, 2018 the amount of the monthly Customer Service Charge to be paid by each member agency shall be determined according to Table 2 below.

### Table 2 - Customer Service Charge Allocation

<table>
<thead>
<tr>
<th>Member Agency</th>
<th>3-Year Average Deliveries (AF)</th>
<th>CY18 Annual Charge</th>
<th>Monthly Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carlsbad M.W.D.</td>
<td>15,916</td>
<td>$ 887,701</td>
<td>$ 73,975</td>
</tr>
<tr>
<td>Del Mar, City of</td>
<td>982</td>
<td>$ 54,770</td>
<td>$ 4,564</td>
</tr>
<tr>
<td>Escondido, City of</td>
<td>20,648</td>
<td>1,151,624</td>
<td>95,969</td>
</tr>
<tr>
<td>Fallbrook P.U.D.</td>
<td>11,614</td>
<td>647,760</td>
<td>53,980</td>
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<tr>
<td>Helix W.D.</td>
<td>30,295</td>
<td>1,689,676</td>
<td>140,806</td>
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<tr>
<td>Lakeside W.D.</td>
<td>2,998</td>
<td>167,211</td>
<td>13,934</td>
</tr>
<tr>
<td>Oceanside, City of</td>
<td>22,509</td>
<td>1,255,419</td>
<td>104,618</td>
</tr>
<tr>
<td>Olivenhain M.W.D.</td>
<td>19,216</td>
<td>1,071,755</td>
<td>89,313</td>
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<tr>
<td>Otay W.D.</td>
<td>29,736</td>
<td>1,658,499</td>
<td>138,208</td>
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<tr>
<td>Padre Dam M.W.D.</td>
<td>10,363</td>
<td>577,987</td>
<td>48,166</td>
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<td>Pendleton Military Reservation</td>
<td>53</td>
<td>2,956</td>
<td>246</td>
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<td>Poway, City of</td>
<td>10,820</td>
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<td>50,290</td>
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<td>Rainbow M.W.D.</td>
<td>20,126</td>
<td>1,122,509</td>
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<td>Ramona M.W.D.</td>
<td>6,008</td>
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<td>27,924</td>
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<td>Rincon Del Diablo M.W.D.</td>
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<td>27,111</td>
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<td>San Diego, City of</td>
<td>177,996</td>
<td>9,927,566</td>
<td>827,298</td>
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<td>San Dieguito W.D.</td>
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<td>282,328</td>
<td>23,527</td>
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<td>8,926</td>
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<td>Sweetwater Authority</td>
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<td>Vista I.D.</td>
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<td>75,737</td>
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<td>Yuima M.W.D.</td>
<td>4,210</td>
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<td>Contract Water</td>
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<td>781</td>
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<td><strong>473,338</strong></td>
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<td><strong>$ 2,200,000</strong></td>
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</table>

1Three-year rolling average of M&I, SAWR and agricultural MWD deliveries (excludes wheeled water) based on FY14-FY16 period. Rounded to nearest acre-foot. Annual and monthly charges are rounded to nearest dollar.
5. Effective January 1, 2018, the Storage Charge is fixed at $65,000,000. Commencing January 1, 2018 the amount of the monthly Storage Charge to be paid by each member agency shall be determined according to Table 3 below.

<table>
<thead>
<tr>
<th>Member Agency</th>
<th>3-Year Average Deliveries (AF)</th>
<th>CY18 Annual Charge</th>
<th>Monthly Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carlsbad M.W.D.</td>
<td>15,916</td>
<td>$2,390,397</td>
<td>$199,200</td>
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<td>Del Mar, City of</td>
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<td>147,485</td>
<td>12,290</td>
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<td>Escondido, City of</td>
<td>17,971</td>
<td>2,699,034</td>
<td>224,920</td>
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<td>Fallbrook P.U.D.</td>
<td>7,719</td>
<td>1,159,304</td>
<td>96,609</td>
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<td>Helix W.D.</td>
<td>30,295</td>
<td>4,549,955</td>
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<td>Lakeside W.D.</td>
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<td>450,265</td>
<td>37,522</td>
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<td>Oceanside, City of</td>
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<td>663</td>
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<td>Poway, City of</td>
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<td>Rainbow M.W.D.</td>
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<td>1,565,713</td>
<td>130,476</td>
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<td>Ramona M.W.D.</td>
<td>4,752</td>
<td>713,695</td>
<td>59,475</td>
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<tr>
<td>Rincon Del Diablo M.W.D.</td>
<td>5,721</td>
<td>859,227</td>
<td>71,602</td>
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<td>San Diego, City of</td>
<td>177,872</td>
<td>26,714,297</td>
<td>2,226,190</td>
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<td>San Dieguito W.D.</td>
<td>5,062</td>
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<td>63,354</td>
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<td>Santa Fe I.D.</td>
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<tr>
<td>Vallecitos W.D.</td>
<td>14,303</td>
<td>2,148,143</td>
<td>179,012</td>
</tr>
<tr>
<td>Valley Center M.W.D.</td>
<td>8,035</td>
<td>1,206,763</td>
<td>100,564</td>
</tr>
<tr>
<td>Vista I.D.</td>
<td>16,220</td>
<td>2,436,054</td>
<td>203,005</td>
</tr>
<tr>
<td>Yuima M.W.D.</td>
<td>591</td>
<td>88,761</td>
<td>7,397</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>432,790</strong></td>
<td><strong>$65,000,000</strong></td>
<td><strong>$5,416,667</strong></td>
</tr>
</tbody>
</table>

1Three-year rolling average of firm, non-agricultural MWD deliveries based on FY14-FY16 period. Rounded to the nearest acre-foot. Annual and monthly charges are rounded to nearest dollar.
6. Effective January 1, 2018, the Supply Reliability Charge is fixed at $28,600,000. Commencing January 1, 2018 the amount of the monthly Supply Reliability Charge to be paid by each member agency shall be determined according to Table 4 below.

<table>
<thead>
<tr>
<th>Member Agency</th>
<th>5-Year Average Deliveries (AF)¹</th>
<th>CY18 Annual Charge</th>
<th>Monthly Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carlsbad M.W.D.</td>
<td>16,220</td>
<td>$1,083,500</td>
<td>$90,292</td>
</tr>
<tr>
<td>Del Mar, City of</td>
<td>1,035</td>
<td>69,138</td>
<td>5,762</td>
</tr>
<tr>
<td>Escondido, City of</td>
<td>17,563</td>
<td>1,173,213</td>
<td>97,768</td>
</tr>
<tr>
<td>Fallbrook P.U.D.</td>
<td>7,730</td>
<td>516,366</td>
<td>43,031</td>
</tr>
<tr>
<td>Helix W.D.</td>
<td>28,688</td>
<td>1,916,366</td>
<td>159,697</td>
</tr>
<tr>
<td>Lakeside W.D.</td>
<td>3,207</td>
<td>214,228</td>
<td>17,852</td>
</tr>
<tr>
<td>Oceanside, City of</td>
<td>22,659</td>
<td>1,513,627</td>
<td>126,136</td>
</tr>
<tr>
<td>Olivenhain M.W.D.</td>
<td>19,453</td>
<td>1,299,466</td>
<td>108,289</td>
</tr>
<tr>
<td>Otay W.D.</td>
<td>30,327</td>
<td>2,025,852</td>
<td>168,821</td>
</tr>
<tr>
<td>Padre Dam M.W.D.</td>
<td>10,470</td>
<td>699,399</td>
<td>58,283</td>
</tr>
<tr>
<td>Pendleton Military Reservation</td>
<td>52</td>
<td>3,474</td>
<td>290</td>
</tr>
<tr>
<td>Poway, City of</td>
<td>11,063</td>
<td>739,011</td>
<td>61,584</td>
</tr>
<tr>
<td>Rainbow M.W.D.</td>
<td>11,063</td>
<td>739,011</td>
<td>61,584</td>
</tr>
<tr>
<td>Ramona M.W.D.</td>
<td>4,865</td>
<td>324,983</td>
<td>27,082</td>
</tr>
<tr>
<td>Rincon Del Diablo M.W.D.</td>
<td>5,878</td>
<td>392,652</td>
<td>32,721</td>
</tr>
<tr>
<td>San Diego, City of</td>
<td>176,768</td>
<td>11,808,151</td>
<td>984,011</td>
</tr>
<tr>
<td>San Dieguito W.D.</td>
<td>4,049</td>
<td>270,474</td>
<td>22,540</td>
</tr>
<tr>
<td>Santa Fe I.D.</td>
<td>7,669</td>
<td>512,291</td>
<td>42,691</td>
</tr>
<tr>
<td>Sweetwater Authority</td>
<td>9,579</td>
<td>639,880</td>
<td>53,323</td>
</tr>
<tr>
<td>Vallecitos W.D.</td>
<td>14,880</td>
<td>993,988</td>
<td>82,832</td>
</tr>
<tr>
<td>Valley Center M.W.D.</td>
<td>8,482</td>
<td>566,600</td>
<td>47,217</td>
</tr>
<tr>
<td>Vista I.D.</td>
<td>15,658</td>
<td>1,045,959</td>
<td>87,163</td>
</tr>
<tr>
<td>Yuima M.W.D.</td>
<td>435</td>
<td>29,058</td>
<td>2,422</td>
</tr>
<tr>
<td>Contract Water - South Coast</td>
<td>349</td>
<td>23,313</td>
<td>1,943</td>
</tr>
<tr>
<td>Totals</td>
<td>428,142</td>
<td>$28,600,000</td>
<td>$2,383,334</td>
</tr>
</tbody>
</table>

¹Five-year rolling average of firm, non-agricultural MWD deliveries based on FY12-FY16 period. Rounded to the nearest acre-foot. Annual and monthly charges are rounded to nearest dollar.

7. Effective January 1, 2018, the Transportation Rate is fixed at $115 per acre-foot of water delivered by the Authority through Authority facilities. Member agencies shall pay the Transportation Rate for deliveries of Water Authority supplies in accordance with the procedures and processes of the Administrative Code relating to billing and payment of the Municipal and Industrial Water Rate. Payment of the Transportation Rate in connection with the wheeling of third-party water (non-Water Authority supplies) will be determined by an agreement approved by the Board of Directors. Wheeling of third-party water is also subject to a separate administration fee as stated in the agreement.

8. Effective January 1, 2018, the Melded Treatment Rate is fixed at $300 per acre-foot.
9. (a) Each member agency shall reimburse the Authority on a per-acre foot of water delivered basis, except as otherwise provided in subdivisions (b) and (c), for rates, fees and charges of the Metropolitan Water District of Southern California, the Imperial Irrigation District, or other sources of supply that may become available to the Authority (collectively the Supply Charges). It is the intent of the Authority to charge the melded rate for supply representing the cost of water to the Authority for the appropriate class of service. Effective January 1, 2018, the Melded Untreated Supply Rate (Melded Supply Rate) is $894 per acre-foot to reflect the cost of the supply of untreated municipal and industrial water to the Water Authority.

(b) Effective January 1, 2018 as part of the Supply Charges, each member agency shall pay to the Authority a MWD Capacity Charge determined according to the method set forth in Table 5 below.

Table 5 - Calendar Year 2018 MWD Capacity Charge Allocation
(Capacity Charge)

<table>
<thead>
<tr>
<th>Member Agency</th>
<th>Coincident Peak Week Deliveries (AF)¹</th>
<th>5-year average share²</th>
<th>CY2018 Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carlsbad M.W.D.</td>
<td>451.6</td>
<td>2.5</td>
<td>$331,757</td>
</tr>
<tr>
<td>Del Mar, City of</td>
<td>32.2</td>
<td>0.1</td>
<td>18,069</td>
</tr>
<tr>
<td>Escondido, City of</td>
<td>532.3</td>
<td>3.1</td>
<td>409,560</td>
</tr>
<tr>
<td>Fallbrook P.U.D.</td>
<td>226.9</td>
<td>1.4</td>
<td>281,694</td>
</tr>
<tr>
<td>Helix W.D.</td>
<td>891.4</td>
<td>5.6</td>
<td>635,146</td>
</tr>
<tr>
<td>Lakeside W.D.</td>
<td>88.4</td>
<td>0.5</td>
<td>93,386</td>
</tr>
<tr>
<td>Oceanside, City of</td>
<td>608.5</td>
<td>3.9</td>
<td>478,883</td>
</tr>
<tr>
<td>Olivenhain M.W.D.</td>
<td>604.2</td>
<td>3.9</td>
<td>425,746</td>
</tr>
<tr>
<td>Otay W.D.</td>
<td>1,088.4</td>
<td>6.8</td>
<td>758,866</td>
</tr>
<tr>
<td>Padre Dam M.W.D.</td>
<td>454.8</td>
<td>3.0</td>
<td>306,071</td>
</tr>
<tr>
<td>Pendleton M.R.</td>
<td>0.7</td>
<td>0.0</td>
<td>1,141</td>
</tr>
<tr>
<td>Poway, City of</td>
<td>287.0</td>
<td>1.7</td>
<td>231,313</td>
</tr>
<tr>
<td>Rainbow M.W.D.</td>
<td>708.1</td>
<td>4.5</td>
<td>512,219</td>
</tr>
<tr>
<td>Ramona M.W.D.</td>
<td>204.7</td>
<td>1.3</td>
<td>131,010</td>
</tr>
<tr>
<td>Rincon Del Diablo M.W.D.</td>
<td>170.0</td>
<td>1.2</td>
<td>126,018</td>
</tr>
<tr>
<td>San Diego, City of</td>
<td>4,673.9</td>
<td>33.6</td>
<td>3,330,455</td>
</tr>
<tr>
<td>San Dieguito W.D.</td>
<td>32.1</td>
<td>0.2</td>
<td>99,882</td>
</tr>
<tr>
<td>Santa Fe I.D.</td>
<td>136.1</td>
<td>1.0</td>
<td>206,969</td>
</tr>
<tr>
<td>Sweetwater Authority</td>
<td>-</td>
<td>-</td>
<td>107,811</td>
</tr>
<tr>
<td>Vallecitos W.D.</td>
<td>419.5</td>
<td>3.1</td>
<td>319,760</td>
</tr>
<tr>
<td>Valley Center M.W.D.</td>
<td>791.4</td>
<td>5.0</td>
<td>621,665</td>
</tr>
<tr>
<td>Vista I.D.</td>
<td>348.8</td>
<td>2.3</td>
<td>317,013</td>
</tr>
<tr>
<td>Yulma M.W.D.</td>
<td>47.5</td>
<td>0.4</td>
<td>108,084</td>
</tr>
<tr>
<td>Totals</td>
<td>12,758.5</td>
<td>100.0</td>
<td>$9,902,340</td>
</tr>
</tbody>
</table>

¹ Charge is allocated based on five-year rolling average of member agency deliveries during regional peak weeks. Annual charges and totals may not foot due to rounding.

² Percentages shown are rounded. Totals may not foot.

(c) Effective July 1, 2017 as part of the Supply Charges, each member agency shall pay a MWD Readiness-to-Serve Charge determined according to Table 6 below.
Table 6 - Readiness-to-Serve Charge Allocation

<table>
<thead>
<tr>
<th>Member Agency</th>
<th>10-Year Average Deliveries (AF)¹</th>
<th>FY18 RTS Charge²</th>
<th>Net Stand-By Charge Credits³</th>
<th>FY18 RTS Net Charge</th>
<th>Monthly Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carlsbad M.W.D.</td>
<td>17,507</td>
<td>$1,063,028</td>
<td>($392,057)</td>
<td>$670,971</td>
<td>$55,914</td>
</tr>
<tr>
<td>Del Mar, City of</td>
<td>1,127</td>
<td>68,432</td>
<td>(24,793)</td>
<td>43,639</td>
<td>3,637</td>
</tr>
<tr>
<td>Escondido, City of</td>
<td>19,443</td>
<td>1,180,582</td>
<td>(227,408)</td>
<td>953,174</td>
<td>79,431</td>
</tr>
<tr>
<td>Fallbrook P.U.D.</td>
<td>10,576</td>
<td>642,177</td>
<td>(284,979)</td>
<td>357,198</td>
<td>29,767</td>
</tr>
<tr>
<td>Helix W.D.</td>
<td>30,770</td>
<td>1,688,360</td>
<td>(778,097)</td>
<td>1,090,263</td>
<td>90,855</td>
</tr>
<tr>
<td>Lakeside W.D.⁴</td>
<td>3,546</td>
<td>215,314</td>
<td>(164,806)</td>
<td>50,508</td>
<td>4,209</td>
</tr>
<tr>
<td>Oceanside, City of</td>
<td>25,204</td>
<td>1,530,391</td>
<td>(665,866)</td>
<td>864,525</td>
<td>72,044</td>
</tr>
<tr>
<td>Olivenhain M.W.D.</td>
<td>20,663</td>
<td>1,254,661</td>
<td>(396,021)</td>
<td>858,640</td>
<td>71,553</td>
</tr>
<tr>
<td>Otay W.D.</td>
<td>32,739</td>
<td>1,987,918</td>
<td>(938,826)</td>
<td>1,049,092</td>
<td>87,424</td>
</tr>
<tr>
<td>Padre Dam M.W.D.⁴</td>
<td>12,004</td>
<td>728,885</td>
<td>(529,068)</td>
<td>199,817</td>
<td>16,651</td>
</tr>
<tr>
<td>Pendleton Military Reservation</td>
<td>61</td>
<td>3,704</td>
<td>(36)</td>
<td>3,668</td>
<td>300</td>
</tr>
<tr>
<td>Poway, City of</td>
<td>12,016</td>
<td>729,614</td>
<td>(263,194)</td>
<td>446,420</td>
<td>37,202</td>
</tr>
<tr>
<td>Rainbow M.W.D.</td>
<td>16,760</td>
<td>1,017,670</td>
<td>(521,960)</td>
<td>495,710</td>
<td>41,309</td>
</tr>
<tr>
<td>Ramona M.W.D.</td>
<td>6,053</td>
<td>367,539</td>
<td>(402,913)</td>
<td>(35,374)</td>
<td>(2,948)</td>
</tr>
<tr>
<td>Rincon Del Diablo M.W.D.</td>
<td>6,386</td>
<td>387,759</td>
<td>(309,941)</td>
<td>77,818</td>
<td>6,485</td>
</tr>
<tr>
<td>San Diego, City of</td>
<td>187,022</td>
<td>11,356,010</td>
<td>(4,391,390)</td>
<td>6,964,619</td>
<td>580,385</td>
</tr>
<tr>
<td>San Dieguito W.D.</td>
<td>3,827</td>
<td>232,376</td>
<td>(166,411)</td>
<td>65,965</td>
<td>5,497</td>
</tr>
<tr>
<td>Santa Fe I.D.</td>
<td>7,834</td>
<td>463,538</td>
<td>(151,850)</td>
<td>311,688</td>
<td>25,974</td>
</tr>
<tr>
<td>Sweetwater Authority</td>
<td>10,499</td>
<td>637,501</td>
<td>(428,128)</td>
<td>209,373</td>
<td>17,448</td>
</tr>
<tr>
<td>Vallecitos W.D.</td>
<td>16,504</td>
<td>1,002,126</td>
<td>(436,184)</td>
<td>565,942</td>
<td>47,162</td>
</tr>
<tr>
<td>Valley Center M.W.D.</td>
<td>18,769</td>
<td>1,139,657</td>
<td>(663,757)</td>
<td>475,900</td>
<td>39,658</td>
</tr>
<tr>
<td>Vista I.D.</td>
<td>15,886</td>
<td>964,601</td>
<td>(412,733)</td>
<td>551,868</td>
<td>45,989</td>
</tr>
<tr>
<td>Yuima M.W.D.</td>
<td>1,331</td>
<td>80,819</td>
<td>(94,508)</td>
<td>(13,689)</td>
<td>(1,141)</td>
</tr>
<tr>
<td>Contract Water</td>
<td>561</td>
<td>34,064</td>
<td>59</td>
<td>34,123</td>
<td>2,844</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>476,888</strong></td>
<td><strong>28,956,726</strong></td>
<td><strong>(12,664,867)</strong></td>
<td><strong>16,291,858</strong></td>
<td><strong>1,357,655</strong></td>
</tr>
</tbody>
</table>

¹10-year rolling average of firm MWD deliveries based on FY07-FY16 period and rounded to nearest acre-foot. Annual and monthly charges are rounded to nearest dollar.

²Effective date is July 1, 2017.

³Net of $12,715,329 in stand-by charge credits and $50,462 in MWD administrative fees.

⁴Lakeside W.D. is allocated 23.83% of Padre Dam M.W.D.’s deliveries prior to January 2008. Lakeside W.D.’s deliveries after January 2008 are being metered separately from Padre Dam M.W.D.’s deliveries. Lakeside W.D. is allocated 23.87% of Padre Dam M.W.D.’s stand-by charge credits based upon parcel count.

(d) This section shall be administered in accordance with the Report approved by this ordinance.

10. The Transitional Special Agricultural Water Rate Program was extended until December 31, 2020. The untreated TSAWR will be set to MWD’s Tier 1 rate and increase to $695/AF on January 1, 2018. The treated TSAWR will increase to $995/AF on January 1, 2018.

11. Effective July 1, 2018, the Annexation Application Fee which replaces the Annexation Administrative / Processing Fee will be set at $10,340 per application. The Annexation Fee, currently set at $2,929/per acre will be discontinued.

12. For the purposes of this ordinance, including the tables, the City of National City and the South Bay Irrigation District are collectively referred to as Sweetwater Authority. Any reference in this ordinance to Sweetwater Authority as a member agency shall be construed as a reference to the City of National City and the South Bay Irrigation District.

Page 182 of 353
13. This ordinance shall be effective upon adoption. In lieu of publication of the text of this ordinance, the Clerk of the Board may publish a summary prepared by the General Counsel.

14. The provisions of this ordinance shall prevail over any provisions of the Administrative Code relating to rates and charges to the extent of any conflict. All existing rates and charges shall continue in effect until adjusted as provided in this ordinance.

15. To the greatest extent possible the provisions of this ordinance shall be construed to be compatible with the provisions of Section 8.2 (e) of the Agreement Between the San Diego County Water Authority and the City of San Diego for the Emergency Storage Project (Joint Use of Lake Hodges Dam and Reservoir and of Section 8.2 (e) of the Agreement Between the San Diego County Water Authority and the City of San Diego for the Emergency Storage Project (Expansion of San Vicente Reservoir; however, the contract provisions shall control in the event of a conflict).

16. For the purposes of Section 6 of this ordinance, water delivered by the Authority through the following turnouts is deemed not to be “water delivered by the Authority through Authority facilities” – DeLuz 1, Fallbrook 3, Fallbrook 6, Rainbow 1, Rainbow 8, Rainbow 9 and Rainbow 10.

PASSED, APPROVED AND ADOPTED, this 22nd day of June, 2017 by the following vote:

AYES: Unless noted below all Directors voted aye.

NOES:

ABSTAIN:

ABSENT:

______________________________
Jim Madaffer, Vice Chair

ATTEST:

______________________________
Gary Croucher, Secretary

I, Melinda Cogle, Clerk of the Board of the San Diego County Water Authority, certify that the vote shown above is correct and this Ordinance 2017-_____ was duly adopted at the meeting of the Board of Directors on the date stated above.

______________________________
Melinda Cogle
Clerk of the Board
RESOLUTION NO. 2017-

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN DIEGO COUNTY WATER AUTHORITY CONTINUING THE WATER STANDBY AVAILABILITY CHARGE

The Board of Directors of the San Diego County Water Authority resolves as follows:

Pursuant to Government Code Section 54984.7 the Water Standby Availability Charge shall continue to be levied, imposed and administered as provided in Ordinance No. 2008-04 and Ordinance No. 2013-04 in fiscal year 2017-2018 and each successive year thereafter.

PASSED, APPROVED AND ADOPTED, this 22nd day of June, 2017 by the following vote:

AYES:    Unless noted below all Directors voted aye.

NOES:

ABSTAIN:

ABSENT:

Jim Madaffer, Vice Chair

ATTEST:

Gary Croucher, Secretary

I, Melinda Cogle, Clerk of the Board of the San Diego County Water Authority, certify that the vote shown above is correct and this Resolution No. 2017-_______ was duly adopted at the meeting of the Board of Directors on the date stated above.
ORDINANCE NO. 2017-____

AN ORDINANCE OF SAN DIEGO COUNTY WATER AUTHORITY
AMENDING AND RESTATING THE SYSTEM CAPACITY AND
WATER TREATMENT CAPACITY CHARGES IMPOSED BY THE
WATER AUTHORITY PURSUANT TO SECTION 5.9 OF THE
COUNTY WATER AUTHORITY ACT

WHEREAS, pursuant to Section 5.9 of the County Water Authority Act, the San
Diego County Water Authority ("Water Authority") may fix and impose Capacity Charges
upon the ultimate users of water delivered by the Water Authority to its member agencies
and to require its member agencies to collect the charges on behalf of the Water Authority;
and

WHEREAS, the Water Authority initially adopted a capacity charge in 1990 and
thereafter has continuously imposed a capacity charge through the adoption and amendment
of various ordinances; and

WHEREAS, the Water Authority’s capacity charges are nondiscriminatory and
imposed in accordance with applicable law as demonstrated by the various studies, reports,
budgets, and apportionment methodologies upon which they are and have been based; and

WHEREAS, the Water Authority Board of Directors has previously adopted
and 2014-03 the operative requirements of which, subject to adjustments in the amount of
the capacity charges imposed, are amended and restated in this ordinance; and

WHEREAS, at least fifteen (15) days prior to the meeting at which the System and
Water Treatment Capacity Charges were levied, the Water Authority made available to the
public data indicating the amount of cost, or estimated cost, required to provide the services
for which the charges are to be levied and the revenue sources anticipated to provide such
services, including general fund revenues; and

WHEREAS, the Water Authority has determined that imposition of the revised
System and Water Treatment Capacity Charges recommended by the Fixed Revenue Study
is exempt from CEQA under Section 15378(b)(5) of the State CEQA Guidelines regarding
the creation of government funding mechanisms that do not involve any commitment to any
specific project that may have potentially significant physical impacts on the environment.
Any project funded by this charge either has or will have appropriate CEQA documentation
completed prior to any activities that could result in physical impacts on the environment.

WHEREAS, pursuant to Resolution No. 2017-12 a duly noticed public hearing was
held by the Administrative and Finance Committee which thereafter recommended the
adjustments to the System Capacity Charge and Water Treatment Capacity Charge as set forth in this ordinance; and

WHEREAS, the Board has considered the recommendations of the Administrative and Finance Committee and is fully informed: and

NOW, THEREFORE, the Board of Directors of the San Diego County Water Authority does ordain as follows:

Section 1. Capacity charges imposed on ultimate users of water.

(a) A System Capacity Charge in the amount specified in section 2 is imposed on each person, corporation, partnership, public agency, entity, or other ultimate user of water within the territory of the Water Authority for the establishment of a new metered connection or the increase in capacity of an existing metered connection, except as provided in subdivision (d).

(b) A Water Treatment Capacity Charge in the amount specified in section 3 is imposed on each person, corporation, partnership, public agency, entity, or other ultimate user of water within the territory of the Water Authority for the establishment of a new metered connection or the increase in capacity of an existing metered connection within a member agency having an existing or planned connection to the Water Authority’s treated water system, except as provided in subdivision (d).

(c) “Establishment of a new metered connection” includes any act that results in, or is intended to result in the delivery of water to property through a water meter, including, without limitation receipt of a meter from a member agency or the installation of one or more water meters.

(d) The following are exempt from the capacity charges imposed by this section:

1. Sub-meters receiving service through a water meter for which a capacity charge is or has been imposed;

2. Water meters permanently connected to a reclaimed water system and measuring reclaimed water only;

3. Water meters used to measure water provided solely through a separately metered fire suppression system;

4. Water meters obtained for temporary service in connection with construction, preliminary land development, landscape installation and interim maintenance in connection with land development or habitat restoration, or similar temporary activities, and the member agency does not impose a capacity or connection
charge for the temporary service meter in accordance with its standard practices and procedures;

(5) Reinstallation or unlocking of a water meter for which a capacity charge was previously paid or that was installed before October 1, 1990, where the reinstallation or unlocking is required to restore service following a temporary disconnection or disruption of service;

(6) Replacement of a meter with one of the same or smaller size, provided, however, that no refund or credit for any capacity charge previously paid will be made for the installation of a smaller meter.

Section 2. Amount of System Capacity Charge.

(a) Effective January 1, 2018 amount of the System Capacity Charge will be determined according to the following schedule:

<table>
<thead>
<tr>
<th>Meter Size (Inches)</th>
<th>Factor</th>
<th>System Capacity Charge ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 1&quot;</td>
<td>1</td>
<td>5,099</td>
</tr>
<tr>
<td>1&quot;</td>
<td>1.6</td>
<td>8,158</td>
</tr>
<tr>
<td>1.5&quot;</td>
<td>3</td>
<td>15,297</td>
</tr>
<tr>
<td>2&quot;</td>
<td>5.2</td>
<td>26,515</td>
</tr>
<tr>
<td>3&quot;</td>
<td>9.6</td>
<td>48,950</td>
</tr>
<tr>
<td>4&quot;</td>
<td>16.4</td>
<td>83,624</td>
</tr>
<tr>
<td>6&quot;</td>
<td>30</td>
<td>152,970</td>
</tr>
<tr>
<td>8&quot;</td>
<td>52</td>
<td>265,148</td>
</tr>
<tr>
<td>10&quot;</td>
<td>78</td>
<td>397,722</td>
</tr>
<tr>
<td>12&quot;</td>
<td>132</td>
<td>673,068</td>
</tr>
</tbody>
</table>

(b) The Director of Finance may adjust the schedule established by this section as of January 1, 2014, and as of each January 1 thereafter, based on the annual percentage change in the Engineering News-Record Construction Cost Index for Los Angeles, California (ENR-CCI LA) for the calendar year immediately preceding the adjustment.
Section 3. **Amount of Water Treatment Capacity Charge.**

(a) Effective January 1, 2018 the amount of the Water Treatment Capacity Charge will be determined according to the following schedule:

<table>
<thead>
<tr>
<th>Meter Size (Inches)</th>
<th>Factor</th>
<th>Water Treatment Capacity Charge ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 1&quot;</td>
<td>1</td>
<td>141</td>
</tr>
<tr>
<td>1&quot;</td>
<td>1.6</td>
<td>226</td>
</tr>
<tr>
<td>1.5&quot;</td>
<td>3</td>
<td>423</td>
</tr>
<tr>
<td>2&quot;</td>
<td>5.2</td>
<td>733</td>
</tr>
<tr>
<td>3&quot;</td>
<td>9.6</td>
<td>1,354</td>
</tr>
<tr>
<td>4&quot;</td>
<td>16.4</td>
<td>2,312</td>
</tr>
<tr>
<td>6&quot;</td>
<td>30</td>
<td>4,230</td>
</tr>
<tr>
<td>8&quot;</td>
<td>52</td>
<td>7,332</td>
</tr>
<tr>
<td>10&quot;</td>
<td>78</td>
<td>10,998</td>
</tr>
<tr>
<td>12&quot;</td>
<td>132</td>
<td>18,612</td>
</tr>
</tbody>
</table>

(b) The Director of Finance may adjust the schedule established by this section as of January 1, 2018, and as of each January 1 thereafter, based on the annual percentage change in the Engineering News-Record Construction Cost Index for Los Angeles, California (ENR-CCI LA) for the calendar year immediately preceding the adjustment.

Section 4. **Collection of Charges.**

(a) Each Water Authority member agency is required to collect on behalf of the Water Authority the capacity charges imposed by Section 1, in the amounts determined according to Sections 2 and 3, and to pay to Water Authority, at least quarterly, on or before the 30th day of the months of January, April, July, and October of each year, the total amount of the capacity charges collected during the prior three calendar months. At the time of each payment, the member agency must report to the Water Authority the number and size of all meters supplied to water users within the territory of the member agency during the prior three calendar months, including meters for which a capacity charge is imposed and meters exempt from a capacity charge. A member agency is liable to the Water Authority for the full amount of any capacity charge for which the member agency provides a water meter to an ultimate user without having collected a required capacity charge.

(b) Water will be provided to an ultimate user of water within the territory of the Water Authority only through a metered connection. A Water Authority member agency shall not provide a water meter to an ultimate user of water within the territory of the Water Authority unless the user has paid the capacity charges imposed by the Water Authority.

(c) The size of the meter necessary or appropriate to serve an ultimate user of water will be determined by the member agency.
(d) When a water meter for a single-family residential property is required to provide standby capacity for a fire sprinkler system, the capacity charge may be determined according to the size of the meter necessary to meet the water use requirements for the property, as determined according to the rules of the member agency providing the meter, without consideration of additional size necessary to provide the standby capacity. Standby capacity for a fire sprinkler system is required when (1) the fire sprinkler system is required by law, including any requirement imposed by statute, ordinance, or as a condition of development, permit, or occupancy, and (2) the fire chief, fire marshal, or building official of the city, county, or special district responsible for fire protection service to the property has provided a written statement verifying the requirement for additional meter size. The determination under this subdivision will be made at the time of installation of the meter, including installation to replace a meter with one of greater size because of the later installation of a fire protection system. This subdivision does not apply to any meters greater than one inch in size.

(e) If a single meter is exchanged for more than one smaller meter to serve property that has been subdivided or otherwise developed, the capacity charges shall be determined based on the difference between the cumulative capacity charges for all the smaller meters according to the schedules set forth in sections 2 and 3 and the capacity charges for the exchanged single meter according to sections 2 and 3, regardless of the capacity charge, if any, in effect when the exchanged meter was first obtained; provided, however, that no credit or refund will be made if the cumulative capacity charges for the small meters is less than the capacity charges for the exchanged meter.

(f) No capacity charge will be collected for installation of a new water meter on a previous service connection for a parcel within the territory of the Water Authority if the member agency determines all of the following to exist: the parcel is receiving water from the member agency through a lawful connection; the new meter will not result in a material change in land use; the new meter will not result in a material increase in water use; and the member agency will not impose for its own account a capacity or connection charge for the new meter.

(g) Any interest earned by a member agency on capacity charges collected and held before payment to the Water Authority pursuant to subdivision (a) may be retained by the member agency as reimbursement for any costs incurred in collecting and remitting capacity charges for the Water Authority.

(h) In lieu of retaining interest, a member agency may apply for reimbursement of costs it reasonably incurs in collecting the Water Authority’s capacity charges. If a member agency intends to apply for reimbursement, it must remit the interest earned on capacity charges collected and held on behalf of the Water Authority at the time it makes its quarterly payments. The application for reimbursement shall be filed annually on or before September 1. The application may be in the form established by the Finance Director and must itemize the costs incurred and shall include supporting documentation and explanation to reasonably verify the amounts sought. The Finance Director may request supplemental information. After review and approval of the application and any supplemental
information, the Finance Director is authorized to reimburse a member agency in the amount of the reasonable costs incurred as determined by the Finance Director.

(i) Any member agency that wholesales or otherwise supplies water obtained from the Water Authority to another public agency, private water company, or mutual water company (each referred to as a “sub-agency”) shall, as a condition of service, require the sub-agency to collect from each ultimate water user within the sub-agency a capacity charge pursuant to this ordinance. The sub-agency, at its option, may remit the charges at least quarterly, on or before the 10th day of the months of January, April, July, and October of each year, or it may remit the charges to its supplying member agency, which shall then remit the charges to the Water Authority as provided in subdivision (a). At the time of each payment to either the Water Authority or the supplying member agency, the sub-agency must report the number and size of all meters supplied to water users within the territory of the member agency during the period for which the payment is made, including meters for which a capacity charge is imposed and meters exempt from a capacity charge. Any interest earned by a sub-agency on capacity charges collected and held before payment to the Water Authority pursuant may be retained by the sub-agency as reimbursement for any costs incurred in collecting and remitting capacity charges for the Water Authority. In lieu of retaining interest, a sub-agency may apply for reimbursement of costs it reasonably incurs in collecting the Water Authority’s capacity charges. If a sub-agency intends to apply for reimbursement, it must remit the interest earned on capacity charges collected and held on behalf of the Water Authority at the time it makes its quarterly payments. The application for reimbursement shall be filed annually on or before September 1. The application may be in the form established by the Finance Director and must itemize the costs incurred and shall include supporting documentation and explanation to reasonably verify the amounts sought. The Finance Director may request supplemental information. After review and approval of the application and any supplemental information, the Finance Director is authorized to reimburse a sub-agency in the amount of the reasonable costs incurred as determined by the Finance Director. If a sub-agency remits capacity charges through its supplying member agency, the sub-agency shall pay any administrative costs imposed by the member agency without reimbursement by the Water Authority. A member agency is liable to the Water Authority for an amount equal to any capacity charges for which its sub-agency fails to collect or pay under this subdivision.

(j) Notwithstanding anything in this section to the contrary, the Water Authority may, pursuant to a written agreement with a member agency or a member agency’s sub-agency, collect capacity charges directly from each ultimate user of water for the installation of a water meter. The written agreement must provide that the member agency or sub-agency will not provide or authorize the installation of a water meter within the territory of the Water Authority until the Water Authority provides written documentation of compliance with the requirements of this ordinance.

Section 5. Application of Government Code Section 54999.3.

The imposition of the Water Authority capacity charges on any school district, county office of education, community college district, the California State University, the
Section 6. Protests.

Any person, corporation, partnership, public agency, entity, or other ultimate user of water within the territory of the Water Authority may protest the application of this ordinance to the installation of a meter by filing of a written protest with the member agency and the Water Authority Director of Finance before payment of the charge, in which case the member agency will not provide or authorize the installation of a meter, or by payment of the charge and filing a written protest with the member agency and the Water Authority Finance Director not later than 10 days after payment of the charge. The protest will be reviewed by the Finance Director who will provide a written response within twenty days from the date of the protest. If the protester is not satisfied with the response by the Finance Director, a written appeal to the Water Authority General Manager may be filed within fifteen days of the date of the Finance Director’s response. The appeal shall provide a detailed explanation of the grounds for disagreement with the Finance Director’s response. The General Manager may determine the matter based on the written appeal and the Finance Director’s response. The final determination of the appeal will be provided by the General Manager in writing within thirty days of the date the appeal is filed. If the General Manager fails to provide a written determination within thirty days, the appeal is deemed denied on the grounds stated in the Finance Director’s response.

Section 7. Refunds for Conversion to Reclaimed Water Systems.

If a water user converts a water meter to permanently measure reclaimed water only, the capacity charges previously collected for the meter will be refunded, without interest, upon written request by the water user and written verification by the member agency of compliance with this subdivision. The request must be filed within 180 days of the connection of the meter to the reclaimed water system.

Section 8. Credit for Annexation Charge Paid

This section applies to property annexed to the territory of the Water Authority after November 17, 2005. Any person, corporation, partnership, public agency, entity, or other ultimate user of water that paid an annexation charge with respect to a parcel, or that is a successor-in-interest to the parcel for which an annexation charge was paid, may apply for a credit toward the System Capacity Charge imposed for that parcel or a subdivided portion of that parcel. The amount of the credit will be determined by the Water Authority before the capacity charge is paid and the meter provided. No credit will be provided for the charge
imposed to reimburse the Water Authority for the cost of processing the application for annexation. No refund will be made for any charge previously paid.

Section 9. Use of Funds

All funds received from the System Capacity Charge, and interest attributable to those funds, will be separately accounted and expended only for capital expenses of existing or new Water Authority system facilities as authorized by law. All funds from the Water Treatment Capacity Charge, and interest attributable to those funds, will be separately accounted and expended only for capital expenses of existing or new Water Authority treatment facilities as authorized by law.

Section 10. Indemnification

The Water Authority will defend and indemnify member agencies, and their officers, employees, and agents against and from all claims, expenses, and costs, including costs of defense and reasonable attorneys’ fees, arising from implementation or application of this ordinance, except a claim, expense, or cost caused solely the failure of a member agency, or its officers, employees, and agents to comply with the requirements of this ordinance.

PASSED, APPROVED AND ADOPTED, this 22nd day of June, 2017

AYES: Unless noted below all Directors voted aye.

NOES:

ABSTAIN:

ABSENT:

________________________________________________________________________

Jim Madaffer, Vice Chair

ATTEST:

________________________________________________________________________

Gary Croucher, Secretary

I, Melinda Cogle, Clerk of the Board of the San Diego County Water Authority, certify that the vote shown above is correct and this Ordinance No. 2017-______ was duly adopted at the meeting of the Board of Directors on the date stated above.

________________________________________________________________________

Melinda Cogle, Clerk of the Board
June 14, 2017

Attention: Administrative and Finance Committee

Agreement with Oracle USA, Inc. to renew the Enterprise Resource Planning System software annual maintenance and support agreements. (Action)

Staff recommendation
Authorize the General Manager to renew the Enterprise Resource Planning System software annual maintenance and support agreements with Oracle USA, Inc., for four fiscal years at a total cost of $899,085. The cost per fiscal year is $214,906 for 2018; $221,353 for 2019; $227,993 for 2020, and $234,833 for 2021.

Alternatives
1. Authorize the General Manager to renew the Enterprise Resource Planning System software annual maintenance and support agreements with Oracle USA, Inc. in the amount of $436,257 for fiscal years 2018 and 2019 only.
2. Do not renew the Enterprise Resource Planning System software annual maintenance and support agreements. The software would no longer be supported and would become obsolete. Software errors and missing functionality may impact the timely release and accuracy of financial documents, mandated reporting, payroll and Federal regulatory distributions or vendor payments.

Fiscal impact
Funds in the amount of $436,259 are included in the General Manager’s recommended budget for fiscal years 2018 and 2019 and would be contingent upon board approval. Funds in the amount of $462,826 would be contingent upon board approval of the fiscal years 2020 and 2021 budget. Customer Service is the related rate category.

Background
The Board approved the purchase of the PeopleSoft Enterprise Resource Planning (ERP) system in January 1996 to support our financial, human resources, and payroll activities. PeopleSoft was later acquired by Oracle USA, Inc. To ensure the software is kept current and does not become obsolete, the Water Authority has renewed its maintenance and support agreements each year.

Previous Board action:
In July 2013, the Board authorized the General Manager to renew the PeopleSoft Enterprise Resource Planning System annual maintenance and support agreements with Oracle USA, Inc., annually from 2014 through 2017, for a cumulative amount of $867,000.

Discussion
The ERP system software enables the Water Authority to meet its critical business needs, which include processing of financial transactions, complying with financial reporting requirements,
implementing the Long-Range Financing Plan, automating key human resources processes, keeping current with Federal payroll and tax regulations, and executing the Capital Improvement Program.

The ERP system software maintenance and support agreements help protect the Water Authority’s technology investment by keeping the software current with tax updates, bug fixes, and the latest upgrades and enhancements. The software and support agreements also include access to on-line websites, users groups, email technical support, and 24/7 telephone technical support for critical production problems.

Annual maintenance fees are calculated based on the particular software modules purchased and number of licenses issued, and include an annual inflationary adjustment.

Staff recommends renewing the Enterprise Resource Planning System software annual maintenance and support agreements with Oracle USA, Inc. for four fiscal years at a total cost of $899,085. Due to the special circumstances for this type of service, SCOOP outreach requirements were not applicable.

Prepared by: Kiely Keane-Alt, Information Systems Supervisor
Reviewed by: Matthew S. Brown, Director of Administrative Services
Approved by: Dennis Cushman, Assistant General Manager
June 14, 2017

Attention: Administrative and Finance Committee

Ordinance amending chapter 9.00 of the Administrative Code. (Action)

Staff recommendation
Adopt Ordinance No. 2017-___, an ordinance of the board of directors of the San Diego County Water Authority amending chapter 9.00 of the Administrative Code.

Alternative
Do not adopt the ordinance.

Fiscal Impact
Adoption of the ordinance has no identified fiscal impact.

Discussion
The General Counsel suggests the following changes to Administrative Code Section 9.00.030:

The Chair shall appoint the full number of representatives on the Metropolitan board of directors to which the Authority is entitled under the Metropolitan Water District Act, with such representatives to vote as provided under that Act. The Metropolitan Delegates are individually and collectively authorized to represent the Authority in all matters as determined by a majority of the Metropolitan Delegates.

The MWD Act governs how votes are counted at MWD, and specifies in Section 52(a) that “[R]epresentatives present at a meeting of the board of directors when a vote is taken shall cast, or may abstain from casting, an equal share of the total vote to which such member public agency is entitled.” Our Administrative Code Section 9.00.030 should comport with the MWD Act, under which our representatives vote. This amendment will make clear that the Water Authority representatives vote at MWD as provided under the MWD Act.

General Counsel recommends the board adopt Ordinance No. 2017-___, an ordinance of the board of directors of the San Diego County Water Authority amending chapter 9.00 of the Administrative Code.

Prepared by: Mark J. Hattam, General Counsel
Approved by: Maureen A. Stapleton, General Manager

Attachment: Ordinance No. 2017-___
ORDINANCE NO. 2017-___

AN ORDINANCE OF THE BOARD OF DIRECTORS OF THE SAN DIEGO COUNTY WATER AUTHORITY AMENDING CHAPTER 9.00 OF THE ADMINISTRATIVE CODE

The Board of Directors of the San Diego County Water Authority does ordain as follows:

1. Article 9, chapter 9.00 of the Administrative Code is amended by the amendment of section 9.00.030 to read as follows:

   The Chair shall appoint the full number of representatives on the Metropolitan board of directors to which the Authority is entitled under the Metropolitan Water District Act, with such representatives to vote as provided under that Act. The Metropolitan Delegates are individually and collectively authorized to represent the Authority in all matters as determined by a majority of the Metropolitan Delegates.

2. The General Counsel shall incorporate these changes into the Administrative Code. The highlighting of text in this ordinance is for convenience and will not be incorporated into the codified text.

3. This ordinance shall be effective upon adoption.

4. The Clerk of the Board shall cause this ordinance to be posted in full in a prominent location on the Water Authority’s website pursuant to section 1.00.040 of the Administrative Code.

   ADOPTED this ___ day of __________, 2017.

   AYES: __________________________

   NOES: __________________________

   ABSTAIN: _______________________

   ABSENT: _________________________

   ________________________________
   Jim Madaffer, Vice Chair

   ATTEST:

   ________________________________
   Gary Croucher, Secretary
I, Melinda Cogle, Clerk of the Board of the San Diego County Water Authority, certify that the vote shown above is correct and this Ordinance No. 2017-___ was duly adopted at the meeting of the Board of Directors on the date stated above.

Melinda Cogle, Clerk of the Board
June 14, 2017

Attention: Administrative and Finance Committee

Controller’s Report on Monthly Financial Reports. (Information)

Purpose
The purpose of the Controller’s Report is to provide monthly financial information to the Board of Directors.

Financial Reports
Attached for review by the Administrative and Finance Committee and the Board of Directors are the following financial reports:

1. Water Sales Volumes, in acre-feet
2. Water Sales Revenues, in millions
3. Water Purchases and Treatment Costs, in millions
4. Budget Status Report
5. Operating Departments Expenses, in millions
6. Schedule of Cash and Investments

The Budget Status Report (Attachment 4) compares actual revenues and expenses, on a budgetary basis, for the twenty-two month period of July 1, 2015 through April 30, 2017, to the period-to-date amended budget. Budgeted amounts for the twenty-two month period are presented on a straight-line basis unless noted herein. Water sales and purchases are budgeted based on projected monthly volume in acre-feet. Period-to-date budgeted revenue categories were all adjusted to reflect the expected timing of receipt. In addition, certain period-to-date budgeted expense categories were adjusted for periodic items and include the following: stored water purchases, debt service, QSA mitigation, annual insurance premiums, and contributions to the Six Agency Fund.

Net Water Sales Revenue¹
Net Water Sales Revenue is the Water Authority’s principal source of revenue and is the difference between the sale of water and the cost of that water. Sales include revenues from variable commodity charges for supply, treatment and transportation, as well as from fixed charges for customer service, emergency storage, infrastructure access charge, and supply reliability. Cost of water includes payments to water suppliers such as Metropolitan Water District (MWD), Imperial Irrigation District (IID), and Poseidon Resources (Channelside) LP.

¹ All information regarding water sales volumes, revenues and costs are based on the Adopted Multi-Year Budget for Fiscal Years 2016 and 2017.
Net Water Sales Revenue for the twenty-two months ended April 30, 2017 was $262.2 million, trending $20.4 million or 8 percent higher than the period-to-date budgeted amount of $241.8 million. Water Purchases and Treatment costs are trending below projections due to reduced water sales and later start-up of desalination than financially projected. Detailed information relating to Net Water Sales Revenue is described below and shown in Attachments 1, 2, and 3.

Total acre-feet (AF) of water sold were budgeted to be 779,224 AF for the twenty-two months ended April 30, 2017. The actual water sales volume was 751,471 AF, trending 27,753 AF or 4 percent lower than budgeted (Attachment 1). Total Water Sales Revenue for the twenty-two months ended April 30, 2017 was $1,001.3 million, trending $47.2 million or 5 percent lower than the period-to-date budgeted amount of $1,048.5 million (Attachment 2). The decrease was due to mandatory water-use restrictions, continued water conservation efforts across the region, and the reduced need for outdoor irrigation in response to the previous state-mandated conservation targets. Beginning June 2016 through January 2017, the San Diego region was no longer subject to state-mandated water-use reductions as determined by the State Water Resources Control Board. On February 8, 2017, the State Board re-adopted and extended the emergency drought regulation for another 270 days, and that remained in effect until April 7, 2017 after the Governor declared an end to the drought emergency.

Total Water Purchases and Treatment costs were budgeted at $806.7 million for the twenty-two months ended April 30, 2017. Actual costs were $739.1 million, trending $67.6 million or 8 percent lower than budgeted (Attachment 3). This cost category included $115.6 million for the 183,333 AF of water purchased from IID, and $143.8 million for MWD’s conveyance charges related to IID, Coachella Canal and All-American Canal water. Also reflected in actual costs was water purchased from Poseidon Resources (Channelside) LP of approximately $130.5 million for the twenty-two month period.

Revenues and Other Income
As shown in Attachment 4, total Revenues and Other Income were budgeted at $176.4 million for the twenty-two month period ended April 30, 2017. Actual revenues were $185.2 million, trending $8.8 million higher than budgeted. The variance is explained in detail below.

Categories of revenues in which actual revenues trended higher than the twenty-two month period-to-date budget included the following: Other Income, Grant Reimbursements, Capacity Charges, and Property Taxes and In-Lieu Charges. Actual Other Income was trending $4.6 million higher than period-to-date budgeted amount due to miscellaneous and intergovernmental revenue reimbursements. Actual Grant Reimbursements revenue for Integrated Regional Water Management Program Grants (IRWMP) was trending $3.8 million higher than the period-to-date budget as a result of the timing of reimbursement requests received from the granting agency. Capacity Charges are trending higher than budgeted by approximately $3.3 million due to an increase in the number of permits issued. Actual Property Taxes and In-Lieu Charges was trending higher than budgeted by $1.0 million due to more revenue than anticipated for the twenty-two months ended April 30, 2017.
Categories of revenues in which actual revenues trended lower than the twenty-two month period-to-date budget included the following: Contributions in Aid of Capital Improvement Program (CIAC), Investment Income, and Hydroelectric Revenue. Actual CIAC revenue was trending lower than budgeted by $2.6 million due to less than anticipated receipts during the twenty-two month period. Actual Investment Income was trending lower than the period-to-date budget by $1.0 million due to less than anticipated receipts. Hydroelectric Revenue was budgeted for the Lake Hodges Pumped Storage Facility (Hodges Hydro) and the Rancho Penasquitos Pressure Control and Hydroelectric Facility (Rancho Hydro). Actual hydroelectric revenues were trending lower than the period-to-date budget by $0.6 million because the sale of hydroelectric power generated by Rancho Hydro continues to be impacted by reduced water demand and the resulting low flows due to conservation efforts in the region.

Expenses
As shown in Attachment 4, total Expenses were budgeted at $432.1 million for the twenty-two month period ended April 30, 2017. Actual expenses were $408.8 million, trending $23.3 million lower than budgeted. The variance is explained in detail below.

Overall Operating Departments expenses shown in Attachment 5 were trending less than budgeted by $10.8 million for the twenty-two month period ended April 30, 2017 due to staff vacancies and the timing of expenses.

Debt Service expenses totaled $212.7 million for the twenty-two month period ended April 30, 2017, trending $11.4 million lower than budgeted. The variance was attributed to fees on short-term debt and commercial paper interest expense trending less than budgeted, in addition to the cash flow savings from the prior year refunding transactions. Actual Grant Expenses were trending $0.8 million lower than the period-to-date budget resulting from the timing in expense recognition of pass-through IRWMP grants. Actual Hodges Pumped Storage and Equipment Replacement were trending lower than budgeted by $0.5 million and $0.4 million, respectively, for the twenty-two months ended April 30, 2017.

Other Expenses were budgeted at $1.0 million from the approved prior year carryover of funds from the Fiscal Years 2014 and 2015 Public Outreach and Conservation (POC) budget for drought response outreach and water conservation, as approved by the Board in May 2015. Actual Other Expenses totaled $1.4 million for the twenty-two month period ended April 30, 2017, including $1.0 million for POC costs and $0.4 million for other miscellaneous costs.

CIP Expenses
Attachment 4 shows that CIP Expenses were budgeted at $134.8 million and actual expenses were $126.1 million for the twenty-two month period ended April 30, 2017, trending $8.7 million lower than budgeted.

Actual CIP expenses were funded 36 percent by Pay As You Go Fund and 64 percent by CIP/Bond Construction Fund for the twenty-two month period ended April 30, 2017. Bond proceeds from the Series 2010B Water Revenue Bonds (Build America Bonds) have been fully expended.
Cash and Investments

As of April 30, and March 31, 2017, the overall balance in the Water Authority’s cash and investments was $445.3 million and $419.6 million, respectively (Attachment 6). As of April 30, 2017, the cash and investments balance was approximately 59 percent unrestricted funds with the remaining 41 percent of funds restricted for specific purposes. To maximize investment returns, the Water Authority Treasurer pools the cash of the Pay As You Go Fund with total unrestricted funds. As of April 30, 2017, the Rate Stabilization Fund was funded at $126.2 million, approximately 93 percent of the maximum approved level of $136.4 million.

Prepared by: Jocelyn Matsuo, Senior Accountant
Reviewed by: Joy Kleber, Accounting Supervisor
Approved by: Chris Woidzik, Controller

Attachments:

Attachment 1 – Water Sales Volumes
Attachment 2 – Water Sales Revenues
Attachment 3 – Water Purchases and Treatment Costs
Attachment 4 – Budget Status Report
Attachment 5 – Operating Departments Expenses
Attachment 6 – Schedule of Cash and Investments
*Budgeted amounts are based on the Adopted Multi-Year Budget for Fiscal Years 2016 and 2017.

### Fiscal Year 2016 Cumulative Water Sales (AF)

<table>
<thead>
<tr>
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<th></th>
</tr>
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<td><em>Budget (a)</em></td>
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<td>99,581</td>
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<td>214,658</td>
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<td>266,410</td>
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<td>Actual</td>
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<td>217,409</td>
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<td>292,703</td>
<td>326,962</td>
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<tr>
<td>AF Difference (b)</td>
<td>(13,514)</td>
<td>(21,727)</td>
<td>(28,035)</td>
<td>(28,742)</td>
<td>(26,038)</td>
<td>(25,138)</td>
<td>(29,222)</td>
<td>(21,838)</td>
<td>(22,748)</td>
<td>(21,304)</td>
<td>(22,008)</td>
<td>(30,634)</td>
</tr>
<tr>
<td>Cum. Actual AF</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<td>-</td>
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<td>-</td>
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<td>-</td>
<td>-</td>
</tr>
<tr>
<td>% Difference (b/a)</td>
<td>-27%</td>
<td>-22%</td>
<td>-19%</td>
<td>-16%</td>
<td>-12%</td>
<td>-10%</td>
<td>-11%</td>
<td>-8%</td>
<td>-7%</td>
<td>-6%</td>
<td>-6%</td>
<td>-7%</td>
</tr>
</tbody>
</table>

### Fiscal Year 2017 Cumulative Water Sales (AF)

<table>
<thead>
<tr>
<th>Months</th>
<th>Jul-16</th>
<th>Aug-16</th>
<th>Sep-16</th>
<th>Oct-16</th>
<th>Nov-16</th>
<th>Dec-16</th>
<th>Jan-17</th>
<th>Feb-17</th>
<th>Mar-17</th>
<th>Apr-17</th>
<th>May-17</th>
<th>Jun-17</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>Budget (a)</em></td>
<td>49,647</td>
<td>99,083</td>
<td>143,809</td>
<td>182,364</td>
<td>213,584</td>
<td>241,335</td>
<td>265,078</td>
<td>286,807</td>
<td>313,873</td>
<td>346,524</td>
<td>384,894</td>
<td>430,537</td>
</tr>
<tr>
<td>Actual</td>
<td>46,252</td>
<td>95,043</td>
<td>138,751</td>
<td>183,297</td>
<td>222,475</td>
<td>250,236</td>
<td>270,866</td>
<td>291,691</td>
<td>313,022</td>
<td>349,405</td>
<td>-</td>
<td>-</td>
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<tr>
<td>AF Difference (b)</td>
<td>(3,395)</td>
<td>(4,040)</td>
<td>(5,058)</td>
<td>933</td>
<td>8,891</td>
<td>8,901</td>
<td>5,908</td>
<td>4,884</td>
<td>(851)</td>
<td>2,881</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cum. Actual AF</td>
<td>-7%</td>
<td>-4%</td>
<td>-4%</td>
<td>1%</td>
<td>4%</td>
<td>4%</td>
<td>2%</td>
<td>2%</td>
<td>0%</td>
<td>1%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>% Difference (b/a)</td>
<td>-7%</td>
<td>-4%</td>
<td>-4%</td>
<td>1%</td>
<td>4%</td>
<td>4%</td>
<td>2%</td>
<td>2%</td>
<td>0%</td>
<td>1%</td>
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### Summary

<table>
<thead>
<tr>
<th>Budget</th>
<th>FY16</th>
<th>FY17 through Apr-17</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual</td>
<td>432,700</td>
<td>346,524</td>
<td>779,224</td>
</tr>
<tr>
<td>Difference</td>
<td>(30,634)</td>
<td>2,881</td>
<td>(27,753)</td>
</tr>
<tr>
<td>% Difference</td>
<td>-7%</td>
<td>1%</td>
<td>-4%</td>
</tr>
</tbody>
</table>
*Budgeted amounts are based on the Adopted Multi-Year Budget for Fiscal Years 2016 and 2017.

**WATER SALES REVENUES**

Budget Versus Actual (in Millions $)
for the 22 Months Ended April 30, 2017

*Budget (a) 59.0           117.5         172.3         220.7         262.0         300.2         336.7         371.0         410.6         455.9         507.2         565.8
Actual 44.5           94.3           141.4         187.7         230.4         267.8         299.9         341.5         379.8         425.7         475.3         524.9
Difference (b) (14.5)         (23.2)         (30.9)         (33.0)         (31.6)         (32.4)         (36.8)         (29.5)         (30.8)         (30.2)         (31.9)         (40.9)
Cum. Actual
% Difference (b/a) -25% -20% -18% -15% -12% -11% -11% -8% -8% -7% -6% -7%

**Fiscal Year 2016 Cumulative Water Sales (in Millions $)**

<table>
<thead>
<tr>
<th>Months</th>
<th>Jul-16</th>
<th>Aug-16</th>
<th>Sep-16</th>
<th>Oct-16</th>
<th>Nov-16</th>
<th>Dec-16</th>
<th>Jan-16</th>
<th>Feb-16</th>
<th>Mar-16</th>
<th>Apr-16</th>
<th>May-16</th>
<th>Jun-16</th>
</tr>
</thead>
<tbody>
<tr>
<td>*Budget (a)</td>
<td>59.0</td>
<td>117.5</td>
<td>172.3</td>
<td>220.7</td>
<td>262.0</td>
<td>300.2</td>
<td>336.7</td>
<td>371.0</td>
<td>410.6</td>
<td>455.9</td>
<td>507.2</td>
<td>565.8</td>
</tr>
<tr>
<td>Actual</td>
<td>44.5</td>
<td>94.3</td>
<td>141.4</td>
<td>187.7</td>
<td>230.4</td>
<td>267.8</td>
<td>299.9</td>
<td>341.5</td>
<td>379.8</td>
<td>425.7</td>
<td>475.3</td>
<td>524.9</td>
</tr>
<tr>
<td>Difference (b)</td>
<td>(14.5)</td>
<td>(23.2)</td>
<td>(30.9)</td>
<td>(33.0)</td>
<td>(31.6)</td>
<td>(32.4)</td>
<td>(36.8)</td>
<td>(29.5)</td>
<td>(30.8)</td>
<td>(30.2)</td>
<td>(31.9)</td>
<td>(40.9)</td>
</tr>
<tr>
<td>Cum. Actual</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>% Difference (b/a)</td>
<td>-25%</td>
<td>-20%</td>
<td>-18%</td>
<td>-15%</td>
<td>-12%</td>
<td>-11%</td>
<td>-11%</td>
<td>-8%</td>
<td>-8%</td>
<td>-7%</td>
<td>-6%</td>
<td>-7%</td>
</tr>
</tbody>
</table>

**Fiscal Year 2017 Cumulative Water Sales (in Millions $)**

<table>
<thead>
<tr>
<th>Months</th>
<th>Jul-16</th>
<th>Aug-16</th>
<th>Sep-16</th>
<th>Oct-16</th>
<th>Nov-16</th>
<th>Dec-16</th>
<th>Jan-16</th>
<th>Feb-16</th>
<th>Mar-16</th>
<th>Apr-16</th>
<th>May-16</th>
<th>Jun-16</th>
</tr>
</thead>
<tbody>
<tr>
<td>*Budget (a)</td>
<td>63.2</td>
<td>126.1</td>
<td>183.9</td>
<td>235.2</td>
<td>279.4</td>
<td>320.3</td>
<td>358.4</td>
<td>394.2</td>
<td>435.5</td>
<td>482.7</td>
<td>536.0</td>
<td>597.0</td>
</tr>
<tr>
<td>Actual</td>
<td>58.1</td>
<td>118.4</td>
<td>173.7</td>
<td>229.7</td>
<td>280.3</td>
<td>319.8</td>
<td>354.2</td>
<td>388.0</td>
<td>424.4</td>
<td>476.4</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Difference (b)</td>
<td>(5.1)</td>
<td>(7.7)</td>
<td>(10.2)</td>
<td>(5.5)</td>
<td>0.9</td>
<td>(0.5)</td>
<td>(4.2)</td>
<td>(6.2)</td>
<td>(11.1)</td>
<td>(6.3)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cum. Actual</td>
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<td></td>
</tr>
<tr>
<td>% Difference (b/a)</td>
<td>-8%</td>
<td>-6%</td>
<td>-6%</td>
<td>-2%</td>
<td>0%</td>
<td>0%</td>
<td>-1%</td>
<td>-2%</td>
<td>-3%</td>
<td>-1%</td>
<td>-1%</td>
<td>-1%</td>
</tr>
</tbody>
</table>

**Fiscal Year 2016 Cumulative Water Sales (in Millions $)**

<table>
<thead>
<tr>
<th></th>
<th>FY16</th>
<th>FY17 through Apr-17</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget</td>
<td>565.8</td>
<td>482.7</td>
<td>1,048.5</td>
</tr>
<tr>
<td>Actual</td>
<td>524.9</td>
<td>476.4</td>
<td>1,001.3</td>
</tr>
<tr>
<td>Difference (b)</td>
<td>(40.9)</td>
<td>(6.3)</td>
<td>(47.2)</td>
</tr>
<tr>
<td>% Difference</td>
<td>-7%</td>
<td>-1%</td>
<td>-5%</td>
</tr>
</tbody>
</table>
**WATER PURCHASES AND TREATMENT COSTS**

*Budget Versus Actual (in Millions $)*

for the 22 Months Ended April 30, 2017

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget (a)</td>
<td>40.9</td>
<td>82.8</td>
<td>127.6</td>
<td>166.8</td>
<td>200.2</td>
<td>231.3</td>
<td>258.8</td>
<td>284.1</td>
<td>313.6</td>
<td>348.2</td>
<td>387.9</td>
<td>432.9</td>
</tr>
<tr>
<td>Actual</td>
<td>40.3</td>
<td>64.5</td>
<td>96.7</td>
<td>127.2</td>
<td>205.0</td>
<td>225.0</td>
<td>243.0</td>
<td>311.6</td>
<td>352.3</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Difference (b)</td>
<td>(0.6)</td>
<td>(18.3)</td>
<td>(30.9)</td>
<td>(39.6)</td>
<td>(44.0)</td>
<td>(26.3)</td>
<td>(33.8)</td>
<td>(41.1)</td>
<td>(36.6)</td>
<td>(35.6)</td>
<td>(35.6)</td>
<td>(45.8)</td>
</tr>
<tr>
<td>Cum. Actual</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>% Difference (b/a)</td>
<td>-1%</td>
<td>-22%</td>
<td>-24%</td>
<td>-24%</td>
<td>-22%</td>
<td>-13%</td>
<td>-14%</td>
<td>-13%</td>
<td>-11%</td>
<td>-9%</td>
<td>-9%</td>
<td>-11%</td>
</tr>
</tbody>
</table>

**Fiscal Year 2016 Cumulative Cost of Water Purchases and Treatment (in Millions $)**

<table>
<thead>
<tr>
<th>Months</th>
<th>Jul-16</th>
<th>Aug-16</th>
<th>Sep-16</th>
<th>Oct-16</th>
<th>Nov-16</th>
<th>Dec-16</th>
<th>Jan-16</th>
<th>Feb-16</th>
<th>Mar-16</th>
<th>Apr-16</th>
<th>May-16</th>
<th>Jun-16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget (a)</td>
<td>50.6</td>
<td>100.4</td>
<td>145.7</td>
<td>185.2</td>
<td>219.0</td>
<td>250.2</td>
<td>279.3</td>
<td>306.1</td>
<td>337.4</td>
<td>373.8</td>
<td>415.1</td>
<td>463.0</td>
</tr>
<tr>
<td>Actual</td>
<td>38.9</td>
<td>91.9</td>
<td>133.6</td>
<td>176.3</td>
<td>217.0</td>
<td>244.9</td>
<td>268.6</td>
<td>290.4</td>
<td>318.4</td>
<td>352.0</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Difference (b)</td>
<td>(11.7)</td>
<td>(8.5)</td>
<td>(12.1)</td>
<td>(8.9)</td>
<td>(2.0)</td>
<td>(5.3)</td>
<td>(10.7)</td>
<td>(15.7)</td>
<td>(19.0)</td>
<td>(21.8)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cum. Actual</td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% Difference (b/a)</td>
<td>-23%</td>
<td>-8%</td>
<td>-8%</td>
<td>-5%</td>
<td>-1%</td>
<td>-2%</td>
<td>-4%</td>
<td>-5%</td>
<td>-6%</td>
<td>-6%</td>
<td>-6%</td>
<td>-6%</td>
</tr>
</tbody>
</table>

**Fiscal Year 2017 Cumulative Cost of Water Purchases and Treatment (in Millions $)**

<table>
<thead>
<tr>
<th>Months</th>
<th>Jul-16</th>
<th>Aug-16</th>
<th>Sep-16</th>
<th>Oct-16</th>
<th>Nov-16</th>
<th>Dec-16</th>
<th>Jan-16</th>
<th>Feb-16</th>
<th>Mar-16</th>
<th>Apr-16</th>
<th>May-16</th>
<th>Jun-16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget (a)</td>
<td>432.9</td>
<td>373.8</td>
<td>806.7</td>
<td>373.8</td>
<td>373.8</td>
<td>373.8</td>
<td>373.8</td>
<td>373.8</td>
<td>373.8</td>
<td>373.8</td>
<td>373.8</td>
<td>373.8</td>
</tr>
<tr>
<td>Actual</td>
<td>387.1</td>
<td>352.0</td>
<td>739.1</td>
<td>352.0</td>
<td>352.0</td>
<td>352.0</td>
<td>352.0</td>
<td>352.0</td>
<td>352.0</td>
<td>352.0</td>
<td>352.0</td>
<td>352.0</td>
</tr>
<tr>
<td>% Difference</td>
<td>-11%</td>
<td>-6%</td>
<td>-8%</td>
<td>-6%</td>
<td>-6%</td>
<td>-6%</td>
<td>-6%</td>
<td>-6%</td>
<td>-6%</td>
<td>-6%</td>
<td>-6%</td>
<td>-6%</td>
</tr>
</tbody>
</table>

*Budgeted amounts are based on the Adopted Multi-Year Budget for Fiscal Years 2016 and 2017, as amended by the Board.
San Diego County Water Authority  
Fiscal Years 2016 and 2017 Budget Status Report  
For the 22 Months Ended April 30, 2017

<table>
<thead>
<tr>
<th>(A)</th>
<th>(B) = [A * 92%]</th>
<th>(C)</th>
<th>Revenues = [D + E]</th>
<th>Expenditures = [E - C]</th>
<th>(C) / (A)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2016 &amp; 2017 Amended Budget</td>
<td>22 Months (92%)</td>
<td>FY 2016 &amp; 2017 Amended Budget</td>
<td>Period-to-Date Variance with Actual/Amended Budget</td>
<td>Positive (Negative) Budget</td>
<td></td>
</tr>
</tbody>
</table>

### Net Water Sales Revenue
- **Water Sales**
  - $1,162,792,404
  - $1,048,521,137 (b)
  - $1,001,256,361
  - (47,264,776)
  - 86%
- **Water Purchases & Treatment**
  - $855,904,361 (r)
  - $806,686,596 (b)
  - $739,087,860
  - 67,618,746
  - 82%
- **Total Net Water Sales Revenue**
  - $2,668,886,043
  - $2,418,834,541
  - $2,262,348,211
  - 20,353,970
  - 98%

### Revenues and Other Income
- **Infrastructure Access Charges**
  - $61,295,000
  - $56,087,563 (m)
  - $56,276,980
  - 189,417
  - 92%
- **Property Taxes and In-Lieu Charges**
  - $23,400,000
  - $22,126,000 (m)
  - $23,103,171
  - 977,171
  - 99%
- **Investment Income**
  - $9,233,000
  - $8,438,817 (m)
  - $7,409,303
  - (1,029,514)
  - 80%
- **Hydroelectric Revenue**
  - $7,000,000
  - $6,370,000 (m)
  - $5,803,664
  - 566,336
  - 83%
- **Grant Reimbursements**
  - $16,708,000
  - $15,107,803 (m)
  - $18,883,652
  - 3,775,849
  - 113%
- **Build America Bonds Subsidy**
  - $20,978,000
  - $19,229,760 (m)
  - $19,316,755
  - 86,995
  - 92%
- **Other Income**
  - $523,000
  - $348,370 (m)
  - $4,902,757
  - 4,554,387
  - 937%

### Total Revenues and Other Income
- $195,805,000
- $176,444,941
- $185,236,933
- $8,791,992
- 95%

### Total Revenues
- $462,693,043
- $418,279,482
- $447,425,444
- $29,145,962
- 97%

### Expenses
- **Stored Water Purchases**
  - $72,082,756
  - $72,082,756 (m)
  - $72,082,756
  - -
  - 100%
- **Debt Service**
  - $282,804,000
  - $224,068,480 (m)
  - $212,700,048
  - $11,368,432
  - 75%
- **QSA Mitigation**
  - $24,011,000
  - $21,071,000 (m)
  - $21,070,732
  - 268
  - 88%
- **Hodges Pumped Storage**
  - $4,204,000
  - $3,867,680 (m)
  - $3,411,388
  - 456,292
  - 81%
- **Equipment Replacement**
  - $4,261,065
  - $3,920,180 (m)
  - $3,560,666
  - 359,514
  - 84%
- **Grant Expenses**
  - $18,108,000
  - $16,659,360 (m)
  - $15,905,597
  - 753,763
  - 88%
- **Other Expenses**
  - $1,000,000
  - $920,000 (m)
  - $1,431,627
  - (511,627)
  - 143%

### Total Expenses
- $97,097,615
- $89,489,334
- $78,665,037
- $10,824,297
- 81%

### CIP Expenses
- $146,525,000
- $134,803,000
- $126,051,056
- $8,751,944
- 86%

### CIP Expenses by Funding Source
- **Pay As You Go Fund**
  - 36%
- **CIP/Bond Construction Fund**
  - 64%
- **Total CIP Expenses by Funding Source**
  - $126,051,056

### Operating Departments Detail (see Attachment 5)
- **Administrative Services**
  - $14,835,496
  - $13,777,367 (m)
  - $12,453,816
  - $1,317,551
  - 84%
- **Colorado River Program**
  - $3,223,420
  - $3,002,364 (m)
  - $2,517,589
  - 484,775
  - 78%
- **Engineering**
  - $7,306,798
  - $6,722,254
  - $6,049,885
  - 672,369
  - 83%
- **Finance**
  - $4,976,484
  - $4,578,365
  - $4,012,766
  - $565,599
  - 81%
- **General Counsel**
  - $7,391,815
  - $6,800,470
  - $5,144,826
  - 1,655,644
  - 70%
- **General Manager & Board of Directors**
  - $6,028,554
  - $5,547,624
  - $4,847,029
  - 687,601
  - 80%
- **MWD Program**
  - $4,869,529
  - $3,762,367
  - $3,283,574
  - 479,785
  - 80%
- **Operations & Maintenance**
  - $32,229,807
  - $29,647,742
  - $27,375,157
  - 2,272,585
  - 88%
- **Public Outreach and Conservation**
  - $8,764,660
  - $8,063,487
  - $6,417,288
  - 1,646,199
  - 73%
- **Water Resources**
  - $8,255,052
  - $7,594,648
  - $6,562,707
  - $1,031,941
  - 79%

### Total Operating Departments
- $97,097,615
- $89,489,334
- $78,665,037
- $10,824,297
- 81%
Notes to the Budget Status Report:

a) Period-to-date budgeted amounts are 22/24ths (92%) of Fiscal Years 2016 and 2017 amended budget unless noted.

b) Water sales and water purchases period-to-date budgeted amounts are based on projected acre-feet calculated per month.

c) Property taxes are primarily received in December and April. In-lieu charges in the amount of $499,986 for Fiscal Year 2016 and $524,106 for Fiscal Year 2017 are received quarterly from the City of San Diego.

d) Investment income excludes unrealized gains/losses, which are non-cash transactions.

e) Hydroelectric revenue budget amount includes Rancho Penasquitos Pressure Control and Hydroelectric Facility (Rancho Hydro) and Lake Hodges Pumped Storage Facility (Hodges Hydro). Power generating from both locations are sold to San Diego Gas and Electric.

f) Capacity charges are primarily received in July, October, January and April, after the quarterly period ends, and accrued revenue are recorded for the quarter ending June.

g) Water standby availability charges are primarily received in January and May.

h) Contributions in aid of capital improvement program include planned reimbursements for miscellaneous projects.

i) Bonds and Certificates of Participation debt service payments due semi-annually on November 1 and May 1. Pipeline Bonds, Series 2012 debt service payments due semi-annually on July 1 and January 1. Debt Service includes principal, interest expense, and debt service fees. Amortization expense relating to long-term debt, such as discounts, premiums, and deferred loss on refunding are excluded because they are non-cash transactions.

j) The QSA mitigation payments includes: QSA JPA Fiscal Year 2016 contributions of $2,000,000 due July 2015 and $6,076,346 due December 2015; QSA JPA Fiscal Year 2017 contributions of $1,800,000 due July 2016 and $8,254,386 due December 2016; IID Socioeconomic Mitigation Settlement payments of $2,940,000 due June 2016 and June 2017.

k) Amounts include capital equipment purchases.

l) Stored water purchases budgeted to purchase 19,000 AF and 38,000 AF in Fiscal Years 2016 and 2017, respectively, to fill San Vicente Reservoir.

m) Period-to-date budgeted amounts adjusted based on items occurring on a periodic basis.

n) Other Expenses were budgeted at $1 million from the approved prior year carryover of funds from the Fiscal Years 2014 and 2015 Public Outreach and Conservation (POC) budget. Actual expenses include POC costs of $983,349 and miscellaneous costs of $448,278, for total period-to-date costs of $1,431,627.

o) The semi-annual subsidy payments from the United States Treasury equal to 35 percent of the interest payable on the Series 2010B Bonds were reduced under Congressionally-mandated sequestration by $768,601 for Fiscal Year 2016 and $774,253 for Fiscal Year 2017.

p) Actual investment income includes the change in accruals for unrealized gains/losses and accrued interest.

q) The Stored Water Fund supports the purchase of water for inventory and storage, budgeted as Stored Water Purchases, to fill the San Vicente Reservoir as a result of raising the dam. The inventory may be resold in the future.

r) In June 2016, the Board approved the mid-term budget adjustments.

s) In September 2016, the Board amended the Capital Improvement Program two-year appropriation by an increase of $9.7 million.
San Diego County Water Authority
Comparison of Amended Budget and Period-to-Date Amended Budget (92% Overall) to Actual Operating Expenses by Departments
For the 22 Months Ended April 30, 2017

Actual Operating Expenses to Amended Budget in Percentages (%)
San Diego County Water Authority
Schedule of Cash and Investments
As of April 30, and March 31, 2017

<table>
<thead>
<tr>
<th>Fund</th>
<th>April</th>
<th>March</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Fund</td>
<td>$135,858,357</td>
<td>$112,986,327</td>
<td>$79,800,000</td>
</tr>
<tr>
<td>Stored Water Fund</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equipment Replacement Fund</td>
<td>1,384,452</td>
<td>1,437,040</td>
<td></td>
</tr>
<tr>
<td>Rate Stabilization Fund</td>
<td>126,193,291</td>
<td>125,854,227</td>
<td>$89,300,000</td>
</tr>
<tr>
<td><strong>Total Unrestricted Funds</strong></td>
<td><strong>59% 263,436,100</strong></td>
<td><strong>57% 240,277,594</strong></td>
<td><strong>89,300,000</strong></td>
</tr>
<tr>
<td>Pay As You Go Fund</td>
<td>$156,390,686</td>
<td>$153,882,780</td>
<td></td>
</tr>
<tr>
<td>CIP/Bond Construction Funds</td>
<td>2,959,898</td>
<td>2,958,306</td>
<td></td>
</tr>
<tr>
<td>Debt Service Reserve Funds</td>
<td>22,506,712</td>
<td>22,498,967</td>
<td></td>
</tr>
<tr>
<td><strong>Total Restricted Funds</strong></td>
<td><strong>41% 181,857,296</strong></td>
<td><strong>43% 179,340,053</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Total Cash and Investments</strong></td>
<td><strong>$445,293,396</strong></td>
<td><strong>$419,617,647</strong></td>
<td></td>
</tr>
</tbody>
</table>

Notes:

(1) Total Unrestricted Funds and the Pay As You Go Fund represent the Pooled Funds in the Treasurer's Report.

(2) The Operating Fund is set to equal 45-days of operating expenses.

(3) In 2006, the Board adopted the current policy governing the Rate Stabilization Fund (RSF) balances. The policy created a target and a maximum RSF balance. The RSF target balance is equal to the financial impact of 2.5 years of wet weather or mandatory drought regulations and the RSF maximum balance is set equal to the financial impact of 3.5 years of wet weather or mandatory drought regulations. The effect of the current policy is to create a target for fund balances that is tied to the real financial impacts/risks that the fund is designed to protect against. The current balance in this fund represents approximately 141% of the targeted value of $89,300,000 and 93% of the maximum balance of $136,400,000.

(4) No cash balance is required in the Stored Water Fund (SWF) at this time. In December 2016, the Board directed the SWF to only hold a cash position if the cost to replace the 70,000 target acre feet of water is below the current value in the Fund. (The fund is comprised of water inventory and cash, if needed.)
JULY 2017

• 05  MWD Delegates meeting at 11:00 a.m.
• 13  Cancelled – No Special Board Meeting
• 27  Committees begin at 9:00 a.m.
     Formal Board meeting begins at 3:00 p.m.

AUGUST 2017

• 09  MWD Delegates meeting at 11:00 a.m.
• 10  Tentative Special Board Meeting at 1:30 p.m.
• 24  Committees begin at 9:00 a.m.
     Formal Board meeting begins at 3:00 p.m.

SEPTEMBER 2017

• 06  MWD Delegates meeting at 11:00 a.m.
• 14  Special Imported Water Meeting at 1:30 p.m.
• 28  Committees begin at 9:00 a.m.
     Formal Board meeting begins at 3:00 p.m.
June 14, 2017

Attention: Administrative and Finance Committee

CLOSED SESSION:
Conference with Legal Counsel – Pending Litigation
Government Code §54956.9(d)(1)
Name of Case: San Diegans for Open Government v. SDCWA;
San Diego Superior Court Case No. 37-2017-00021082-CU-MC-CTL

Purpose
This memorandum is to recommend a closed session, pursuant to Government Code §54956.9(d)(1), to discuss the above-referenced matter at the June 22, 2017 meeting.

A closed session has also been included on the agenda of the formal Board of Directors’ meeting. Unless the Board desires additional discussion, it is not staff’s intention to ask for a closed session with the full Board at that time, but staff may request action to confirm directions given or action recommended by the committee.

Prepared by: Mark J. Hattam, General Counsel
ENGINEERING AND OPERATIONS COMMITTEE

AGENDA FOR

JUNE 22, 2017

Tony Heinrichs – Chair
Frank Hilliker – Vice Chair
Marty Miller – Vice Chair
Brian Boyle
Brian Brady
Jerry Butkiewicz
Lois Fong-Sakai
Michael Hogan
Ron Morrison
Ken Olson
Jose Preciado
Halla Razak
John Simpson
Tim Smith
Ron Watkins


2. Additions to Agenda (Government Code Section 54954.2(b)).

3. Public Comment – opportunities for members of the public to address the Committee on matters within the Committee’s jurisdiction.

   4-A Directors’ comments.

I. CONSENT CALENDAR

II. ACTION/DISCUSSION/PRESENTATION

1. Notice of Completion for the Nob Hill Improvements project.
   Staff recommendation: Authorize the General Manager to accept the Nob Hill Improvements project as complete, record the Notice of Completion, and release funds held in retention to L.H. Woods & Sons, Inc. following the expiration of the retention period. (Action)
   Gary Olvera

2. San Vicente Energy Storage Facility Study – Cost Sharing Agreement with the City of San Diego. (Action)
   (To Be Mailed Under Separate Cover)
   Michael Hogan / Kelly Rodgers

3. Annual Aqueduct Operating Plan. (Presentation)
   Jim Fisher

III. INFORMATION
IV. CLOSED SESSION

1. Conference with Legal Counsel – Anticipated Litigation
   Government Code §54956.9(d)(4)
   Deciding to Initiate Litigation – One Case

Mark Hattam

V. ADJOURNMENT

Melinda Cogle
Clerk of the Board

NOTE: This meeting is called as an Engineering & Operations Committee meeting. Because a quorum of the Board may be present, the meeting is also noticed as a Board meeting. Members of the Board who are not members of the Committee may participate in the meeting pursuant to Section 2.00.060(g) of the Authority Administrative Code (Recodified). All items on the agenda, including information items, may be deliberated and become subject to action. All public documents provided to the committee or Board for this meeting including materials related to an item on this agenda and submitted to the Board of Directors within 72 hours prior to this meeting may be reviewed at the San Diego County Water Authority headquarters located at 4677 Overland Avenue, San Diego, CA 92123 at the reception desk during normal business hours.
June 14, 2017

Attention: Engineering and Operations Committee

Notice of Completion for the Nob Hill Improvements project. (Action)

Staff recommendation:
Authorize the General Manager to accept the Nob Hill Improvements project as complete, record the Notice of Completion, and release funds held in retention to L.H. Woods and Sons, Inc. following the expiration of the retention period.

Alternative:
Do not approve staff recommendation and provide direction to staff relative to issues requiring resolution.

Fiscal Impact
There are sufficient funds to support this recommendation within both the project budget and the fiscal years 2016 and 2017 Capital Improvement Program appropriation. The rate category for this project is transportation.

Background
The Water Authority operates Pipelines 3, 4, and 4A within a 130-foot wide right of way, which crosses Nob Hill in the Scripps Ranch area of the city of San Diego, as shown in Figure 1. Hydraulic modeling showed a potentially significant hydraulic transient concern at Nob Hill in Pipelines 3 and 4 during certain operational scenarios. Hydraulic transients are short term pressure waves, sometimes referred to as water hammer, which result from sudden changes within the system, such as a power outage-induced pump shutdown or a sudden valve closure. If left unaddressed, the existing pipelines could be damaged during a transient event. This project lowered Pipelines 3 and 4 at the Nob Hill high point to avoid hydraulic transients by maintaining higher pressures in the area. The existing pressure in Pipeline 4A is sufficient to avoid significant hydraulic transients.

The Nob Hill Improvements project included replacing approximately 800 feet of Pipelines 3 and 4 with 96-inch pipe and constructing approximately 1,600 linear feet of new access road within the aqueduct right of way. Operation and Maintenance staff will use the newly completed access road for operation and maintenance activities.

Previous Board Action: On August 27, 2015, the Board authorized the General Manager to award a construction contract to L.H. Woods and Sons, Inc. in the amount of $9,987,970 for the Nob Hill Improvements project.

Discussion
Staff executed change orders 1 through 7 under staff’s authority for a cost of $118,837. These items are summarized below and detailed in Table 1.
Administrative: Staff executed change orders for a total credit of $202,769. The items included credits for in-plant fabrication inspection costs, partnering, and unused contract unit price bid items.

Design Modifications: Staff executed change orders for a total of $108,558. The items included modifying the bioretention basins to improve plant establishment, discharge flow based on field observations, and adding soil amendments for improved revegetation and slope protection, due to final field soils analysis.

Differing Site Conditions: Staff executed change orders for a total of $213,048. One item included removal of excess fill and oversized rock located in the access road right of way, due to actual field conditions being different than presented in the project geotechnical reports. Another item included removal of increased amounts of soil and placement of additional grouting material, due to softer than anticipated soils encountered during tunnel excavation.

The contractor has one open claim related to paving work in the amount of $40,782, which is unresolved but does not affect the Notice of Completion. This claim will be administered in consultation with General Counsel following acceptance of the project.

The final construction contract price, including change orders is $10,106,807; an increase of 1.2 percent from the original contract value. The small business participation for this project was 86 percent. Minority and women-owned business participation was 29.8 percent. This information is provided for statistical purposes.

During construction, staff retained 5 percent of the total contract amount in accordance with the contract terms. Staff will release withheld retention after the General Manager’s acceptance, expiration of the 60-day period following recording of the Notice of Completion, and receipt of a signed Conditional Waiver and Release of Liens and Claims from the contractor. L.H. Woods and Sons, Inc. provided a bond for faithful performance at the time of bidding, which will remain in full force and effect for the contract’s two-year post-construction warranty period.

Prepared by: Gary Olvera, Construction Manager
Reviewed by: Jerry Reed, Director of Engineering
Approved by: Sandra L. Kerl, Deputy General Manager

Attachments:
   Figure 1 – General Location Map
   Table 1 – Summary of Construction Change Orders
Pipeline Replacement and Staging Area

Access Road

Miramar Reservoir

San Diego County Water Authority
CAPITAL IMPROVEMENT PROGRAM

PROJECT:
NOB HILL IMPROVEMENTS
FIGURE 1
<table>
<thead>
<tr>
<th>Change Order</th>
<th>Item No.</th>
<th>Classification</th>
<th>Description</th>
<th>Amount</th>
<th>Time Extension</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1</td>
<td>Differing Site Condition</td>
<td>Remove existing unclassified fill prior to placing the proposed fill required for the access road</td>
<td>$18,896</td>
<td>0 days</td>
</tr>
<tr>
<td>1</td>
<td>2</td>
<td>Differing Site Condition</td>
<td>Remove oversize rock material not suitable for backfill</td>
<td>$59,975</td>
<td>0 days</td>
</tr>
<tr>
<td>1</td>
<td>3</td>
<td>Design Modification</td>
<td>Add spool piece to air vacuum valve assembly to prevent damage to butterfly valve</td>
<td>$4,884</td>
<td>0 days</td>
</tr>
<tr>
<td>1</td>
<td>4</td>
<td>Design Modification</td>
<td>Modify bioretention basin drainage flow line elevations to improve discharge flows</td>
<td>$36,187</td>
<td>0 days</td>
</tr>
<tr>
<td>1</td>
<td>5</td>
<td>Differing Site Condition</td>
<td>Relocate unmarked utility at new access road driveway</td>
<td>$902</td>
<td>0 days</td>
</tr>
<tr>
<td>1</td>
<td>6</td>
<td>Design Modification</td>
<td>Core new sump within existing structure to comply with current Water Authority standards</td>
<td>$2,250</td>
<td>0 days</td>
</tr>
<tr>
<td>1</td>
<td>7</td>
<td>Differing Site Condition</td>
<td>Repair and relocate unmarked 2-inch irrigation line at storage facility</td>
<td>$798</td>
<td>0 days</td>
</tr>
<tr>
<td>1</td>
<td>8</td>
<td>Design Modification</td>
<td>Adjust unmarked valve cans to grade at access road entrance</td>
<td>$3,663</td>
<td>0 days</td>
</tr>
<tr>
<td>1</td>
<td>9</td>
<td>Administrative Change</td>
<td>Revise milestone and shutdown dates due to delay impacts from differing site conditions</td>
<td>$-</td>
<td>0 days</td>
</tr>
<tr>
<td>1</td>
<td>10</td>
<td>Administrative Change</td>
<td>Inclement weather extension</td>
<td>$-</td>
<td>14 days</td>
</tr>
<tr>
<td>1</td>
<td>11</td>
<td>Administrative Change</td>
<td>Delete Partnering bid item not used</td>
<td>$(20,000)</td>
<td>0 days</td>
</tr>
<tr>
<td>2</td>
<td>1</td>
<td>Design Modification</td>
<td>Install plant palette at bioretention basin per RWQCB requirements</td>
<td>$3,569</td>
<td>0 days</td>
</tr>
<tr>
<td>2</td>
<td>2</td>
<td>Administrative Change</td>
<td>Reimbursement for Water Authority in-plant fabrication inspection costs</td>
<td>$(84,377)</td>
<td>0 days</td>
</tr>
<tr>
<td>2</td>
<td>3</td>
<td>Administrative Change</td>
<td>Reimbursement for construction water usage</td>
<td>$(329)</td>
<td>0 days</td>
</tr>
<tr>
<td>2</td>
<td>4</td>
<td>Administrative Change</td>
<td>Inclement weather extension</td>
<td>$-</td>
<td>1 day</td>
</tr>
<tr>
<td>3</td>
<td>1</td>
<td>Administrative Change</td>
<td>Reimbursement for construction water usage</td>
<td>$(511)</td>
<td>0 days</td>
</tr>
<tr>
<td>3</td>
<td>2</td>
<td>Design Modification</td>
<td>Reconcile soil amendments to cover larger disturbed area along new access road</td>
<td>$22,304</td>
<td>0 days</td>
</tr>
<tr>
<td>3</td>
<td>3</td>
<td>Differing Site Condition</td>
<td>Repair and relocate unknown 24-inch Storm Drain Line at Station 3838+00</td>
<td>$5,421</td>
<td>0 days</td>
</tr>
<tr>
<td>3</td>
<td>4</td>
<td>Administrative Change</td>
<td>Reimbursement for Water Authority in-plant fabrication inspection costs</td>
<td>$(136,183)</td>
<td>0 days</td>
</tr>
<tr>
<td>4</td>
<td>1</td>
<td>Administrative Change</td>
<td>Reimbursement for construction water usage</td>
<td>$(331)</td>
<td>0 days</td>
</tr>
<tr>
<td>4</td>
<td>2</td>
<td>Administrative Change</td>
<td>Credit for using a previously approved weld procedure</td>
<td>$(1,500)</td>
<td>0 days</td>
</tr>
<tr>
<td>4</td>
<td>3</td>
<td>Differing Site Condition</td>
<td>Remove additional material and install additional stabilizing grouting material within Reach 2 of the tunnel</td>
<td>$127,056</td>
<td>0 days</td>
</tr>
<tr>
<td>4</td>
<td>4</td>
<td>Design Modification</td>
<td>Reinstall existing survey monuments not shown on plans</td>
<td>$7,940</td>
<td>0 days</td>
</tr>
<tr>
<td>5</td>
<td>1</td>
<td>Administrative Change</td>
<td>Inclement weather extension</td>
<td>$-</td>
<td>17 days</td>
</tr>
<tr>
<td>6</td>
<td>1</td>
<td>Design Modification</td>
<td>Remove cement mortar from existing bulkheads not shown on original as-built drawings</td>
<td>$10,216</td>
<td>0 days</td>
</tr>
</tbody>
</table>
TABLE 1
SUMMARY OF CONSTRUCTION CHANGE ORDERS
NOB HILL IMPROVEMENTS PROJECT
SPECIFICATION 628

<table>
<thead>
<tr>
<th>Change Order</th>
<th>Item No.</th>
<th>Classification</th>
<th>Description</th>
<th>Amount</th>
<th>Time Extension</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>2</td>
<td>Design Modification</td>
<td>Reconcile soil amendments to cover larger disturbed area at the portal area</td>
<td>$17,545</td>
<td>0 days</td>
</tr>
<tr>
<td>6</td>
<td>3</td>
<td>Administrative Change</td>
<td>Inclement weather extension</td>
<td>$-</td>
<td>1 day</td>
</tr>
<tr>
<td>6</td>
<td>4</td>
<td>Administrative Change</td>
<td>Correct original completion date incorrectly stated on previous change orders</td>
<td>$-</td>
<td>0 days</td>
</tr>
<tr>
<td>7</td>
<td>1</td>
<td>Administrative Change</td>
<td>Reconcile fiber rolls final accounting</td>
<td>$(3,492)</td>
<td>0 days</td>
</tr>
<tr>
<td>7</td>
<td>2</td>
<td>Administrative Change</td>
<td>Reconcile move in/move out for erosion control final accounting</td>
<td>$(1,200)</td>
<td>0 days</td>
</tr>
<tr>
<td>7</td>
<td>3</td>
<td>Administrative Change</td>
<td>Reconcile temporary erosion control soil binder final accounting</td>
<td>$578</td>
<td>0 days</td>
</tr>
<tr>
<td>7</td>
<td>4</td>
<td>Administrative Change</td>
<td>Reconcile temporary silt fence final accounting</td>
<td>$2,175</td>
<td>0 days</td>
</tr>
<tr>
<td>7</td>
<td>5</td>
<td>Administrative Change</td>
<td>Reconcile temporary straw wattles final accounting</td>
<td>$5,100</td>
<td>0 days</td>
</tr>
<tr>
<td>7</td>
<td>6</td>
<td>Administrative Change</td>
<td>Reconcile temporary gravel-filled bag final accounting</td>
<td>$8,141</td>
<td>0 days</td>
</tr>
<tr>
<td>7</td>
<td>7</td>
<td>Administrative Change</td>
<td>Reconcile construction site maintenance final accounting</td>
<td>$27,000</td>
<td>0 days</td>
</tr>
<tr>
<td>7</td>
<td>8</td>
<td>Administrative Change</td>
<td>Reconcile Storm Water Pollution Prevention Plan administration final accounting</td>
<td>$1,500</td>
<td>0 days</td>
</tr>
<tr>
<td>7</td>
<td>9</td>
<td>Administrative Change</td>
<td>Reconcile prepare SWPPP amendment final accounting</td>
<td>$(1,000)</td>
<td>0 days</td>
</tr>
<tr>
<td>7</td>
<td>10</td>
<td>Administrative Change</td>
<td>Reconcile storm water sampling and analysis final accounting</td>
<td>$(6,500)</td>
<td>0 days</td>
</tr>
<tr>
<td>7</td>
<td>11</td>
<td>Administrative Change</td>
<td>Reconcile HOA private road pavement restoration final accounting</td>
<td>$27,375</td>
<td>0 days</td>
</tr>
<tr>
<td>7</td>
<td>12</td>
<td>Administrative Change</td>
<td>Reconcile storm water annual report final accounting</td>
<td>$(2,000)</td>
<td>0 days</td>
</tr>
<tr>
<td>7</td>
<td>13</td>
<td>Administrative Change</td>
<td>Reconcile temporary Best Management Practices (BMP) shared maintenance final accounting</td>
<td>$(17,215)</td>
<td>0 days</td>
</tr>
</tbody>
</table>

Total Change Order Amount: $118,837
Total Time Extension: 33 days
Original Board Authorized Contract Amount: $9,987,970
New Contract Amount: $10,106,807
June 14, 2017

Attention: Engineering and Operations Committee

Annual Aqueduct Operating Plan. (Information)

Background
This is the twelfth year that the annual Aqueduct Operating Plan has been published. It was developed in June 2006 to coordinate Water Authority and Member Agency regional operating activities, including the delivery of treated and untreated water, aqueduct and treatment plant shutdowns, energy production and consumption, reservoir storage summaries and storage opportunities. This plan covers July 1, 2017 to June 30, 2018.

Discussion
The Aqueduct Operating Plan is used as a planning document to optimize the delivery, treatment, and storage of water in the Water Authority’s service area by means of coordination and communication between the member agencies and Metropolitan Water District.

The Aqueduct Operating Plan includes a summary of the Water Authority’s scheduled shutdowns that impact the delivery of treated and untreated water to the region, Water Authority pump station operating schedules, member agency major maintenance information, and the production and consumption of energy for the Water Authority’s hydroelectric facilities, water treatment plant, and pump stations. The plan was developed based on information received from member agencies, historical delivery data, constraints in the aqueduct system, and scheduled shutdowns.

Based on the projected demand levels and the operation of the Carlsbad Desalination Plant, average aqueduct flows for the high-demand months of June through October are anticipated to range between 12 percent and 14 percent of the treated water capacity and 65 percent and 76 percent of the untreated water capacity of the aqueduct system.

The plan shows that, with effective communication and coordination, there is sufficient capacity to meet the region’s water supply demands for fiscal year 2018.

Prepared by: Chris Castaing, Operations and Maintenance Manager
Reviewed by: James E. Fisher, Director of Operations and Maintenance
Approved by: Sandra L. Kerl, Deputy General Manager

CC/JF:mmr
Attachment:
Attachment 1 - Aqueduct Operating Plan
AQUEDUCT OPERATING PLAN

JULY 1, 2017 to JUNE 30, 2018
On the Cover

- Operating crane during draindown of pipeline
- Replacement of flow control valve in SD12 facility
- Heavy equipment operation to remove pipeline segment for repair
- Moosa Creek improvements for erosion control along easement
- Performing regulatory sample on Olivenhain Reservoir
- Cutting pipe in preparation for replacement
- San Vicente Fill Chute from 2nd Aqueduct
- Inspecting Rancho Penasquitos Hydroelectric Turbine
Executive Summary

The annual Aqueduct Operating Plan (AOP) reflects on-going efforts to optimize the delivery, treatment, and storage of water in the San Diego region through coordination between member agency Operating Heads, Water Authority staff, and the Metropolitan Water District of Southern California (MWD). Staff has updated the AOP for fiscal year 2018 to reflect anticipated operational opportunities and constraints, and to evaluate our performance for fiscal year 2017.

The AOP includes the Water Authority’s anticipated pump station operating schedules and water treatment plant outages. The AOP was developed based on information received from member agencies, historical delivery/production data, capacity constraints within the Water Authority’s aqueduct system, and scheduled shutdowns. Highlights for fiscal year 2018 include:

- System capacity will not be an issue in meeting the region’s anticipated treated and untreated water requests.
- Treated water system utilization is anticipated to be between 12 and 14 percent of treated aqueduct capacity for the high demand months of June through October.
- Untreated water system utilization is anticipated to be between 65 and 76 percent of untreated aqueduct capacity for the high demand months of June through October.
- There will be six treated water shutdowns and two treated water outages*.
- There will be four untreated water shutdowns and two untreated water outages*.

*Shutdowns affect large portions of the system and affect deliveries to a significant number of metered connections; outages are more localized and have considerably smaller impact on aqueduct deliveries.
Based on the projected demands, it is expected that demand for both treated and untreated water for fiscal year 2018 will not exceed system capacity (see Figure 1 and Figure 2). These projections indicate that treated water deliveries for the high demand months of June through October 2017 should result in flows ranging from 12 percent to 14 percent of the 650 cfs treated water pipeline capacity (Figure 1). Likewise, untreated deliveries for the high demand months of June through October 2017 should result in flows between 65 percent and 76 percent of the 780 cfs untreated pipeline capacity (Figure 2).

Figure 1 - FY 2018 Projected Treated Water System Utilization

Figure 2 - FY 2018 Projected Untreated Water System Utilization
Fiscal year 2017 Water Authority demands for treated and untreated water have generally followed projected trends. Treated demands in April increased due to an algal bloom within the lagoon at the Carlsbad Desalination Plant which prevented the plant from producing treated water and Twin Oaks Treatment Plant was at reduced capacity with on-going membrane replacement. With the availability of additional water and lower demands, untreated water was placed into storage from November thru February for future use. For fiscal year 2017, both treated and untreated water volumes were below pipeline capacities (see Figure 3 and 4).

Figure 3 - FY 2017 AOP Treated Water Demand vs. Actual Deliveries

Figure 4 - FY 2017 AOP Untreated Water Demand vs. Actual Deliveries
Untreated Water Distribution Priorities

Through a series of discussions with member agency staff, key untreated operating concerns were identified and used to develop untreated water delivery priorities. These priorities are intended to provide a framework for Water Authority operators to deal with potential conflicts during untreated water high demand periods. The priorities agreed upon regarding untreated water distribution is shown in Figure 5.

Figure 5 - Untreated Water Delivery Priorities
The Water Authority conducts scheduled shutdowns of sections of pipeline and facilities for internal inspection, maintenance, and Capital Improvement Project connections on an annual basis. These shutdowns are coordinated with MWD, member agencies, and all Water Authority Departments. The schedule includes three years of shutdowns to allow for the proper planning of maintenance and CIP activities for both the Water Authority and its member agencies. This three-year schedule is updated each January to facilitate the compilation of the annual AOP. At that time, the next fiscal year’s (July to June) aqueduct shutdown schedules are made available to member agency personnel for review and comment, prior to inclusion in the AOP.

For fiscal year 2018, there are six treated water shutdowns, four untreated water shutdowns, two treated water outages, and two untreated water outages scheduled between October 2017 and June 2018. While the O&M Department will be involved in additional maintenance activities that will maximize the benefits of the shutdowns planned for fiscal year 2018, the primary reasons for these shutdowns are to support activities related to either asset management or warranty inspections. As noted in the Executive Summary, the difference between shutdowns and outages are a matter of “scale”, shutdowns affect large portions of the system and deliveries to a significant number of metered connections, while outages are more localized and have considerably smaller impact on aqueduct deliveries. A timeline and brief description of the shutdowns and outages are shown in Figure 6.
Figure 6 - Water Authority FY 2018 Pipeline Shutdowns and Outages
### October 2\textsuperscript{nd} through October 20\textsuperscript{th}, 2017 - Untreated Water

<table>
<thead>
<tr>
<th>Description</th>
<th>The isolation of Pipeline 3 in Mission Trails to allow for R0209 and R0214 reline projects to begin from Lake Murray to Sweetwater Reservoir. Pipeline 3 will remain out of service from October 2017 through June 2018. Coordination with impacted agencies to ensure sufficient storage is available for duration of shutdown. An internal condition assessment of previously relined sections of Pipeline 3 will take place while this section is out of service. Pipeline 4 through Mission Trails will have an internal condition assessment performed from Elliot Vent 1 to the Flow Balancing Structure.</th>
</tr>
</thead>
</table>
| **Shutdowns** | 1. Pipeline 3 Reline Project from Lake Murray to Sweetwater Reservoir  
2. Internal condition assessment of Pipeline 3  
3. Pipeline 4 through Mission Trails internal condition assessment |
| **Effects on MWD** | Reduction in untreated flow demands from MWD |
| **Member Agency Connections Affected** | The following connections will be out of service and unavailable during this shutdown – SD5A, SD5B, SD5C, SD12, NCSB1, NCSB3, SD7, SD20, SD6A, SD6B. |

### November 5\textsuperscript{th} through November 14\textsuperscript{th}, 2017 - Treated Water

<table>
<thead>
<tr>
<th>Description</th>
<th>A full treated shutdown of the 2\textsuperscript{nd} Aqueduct will be necessary to complete a warranty inspection of the desalination project system upgrades to be performed on the following completed projects: 1) Desal piping from Area 16 to Twin Oaks clearwells, including Area 13; 2) Desal Conveyance Pipeline from point of connection at plant to San Marcos Interconnect; and 3) San Marcos Interconnection Facility. Contractor to remove bulkheads on the existing CR1 turnout piping to Pipeline 3 and Pipeline 4 as part of the CR1 (future CR6) rehabilitation project and complete final tie-in.</th>
</tr>
</thead>
</table>
| **Shutdowns** | 1. Warranty inspection of Desal Conveyance Pipeline  
2. Warranty inspection of Twin Oaks Treatment Plant Desal Improvements  
3. CR1 Flow Control Facility final tie-in and bulkhead removal |
| **Effects on MWD** | Pipeline 4 will be isolated and unavailable for service (reduction in capacity of 450 cfs) |
| **Member Agency Connections Affected** | The following connections will be affected by this shutdown: DLZ1, RB9, FB6, RB8, RB7, FB4, RB6, VC8, RB3, RB11, NCDP1, VAL10, VID3, VAL9 VID8, VID9, VID10, CR3, CR4, OCS4, CR1, VAL7, OLIV1, OLIV3, OTP1, SDSF3, OLIV2; Ramona Pipeline – OLIV5, SD14, SD15, RAM 3; SD10. Coordination with Miramar Treatment Plant to utilize Miramar Pump Station will provide limited flow during the shutdown to the following connections: SD11, PD4, SD18, SD21, HLX5, OTAY11, SD19, NCSB4, OTAY10, OTAY12, OTAY13, OTAY13SR. Also, with assistance from Oceanside Treatment Plant, the following connections will have limited flow available during the shutdown – VAL8, OCS6, and VID11. |
### March 18th through March 27th, 2018 - Treated Water

<table>
<thead>
<tr>
<th>Description</th>
<th>The Valley Center Pipeline (P2A) will be isolated to allow for the warranty inspection of the Twin Oaks Expanded Service Area Improvements at the P2A Pump Station. The Ramona Pipeline will be required to perform a warranty inspection of the Ramona Pipeline Pumpwell Improvements and begin the Joint Bonding Project on the pipeline.</th>
</tr>
</thead>
</table>
| Shutdowns | 4. Warranty inspection of P2A improvements (Twin Oaks Expanded Service Area Project)  
5. Warranty inspection of Ramona Pipeline Pumpwell Improvement Project  
6. Ramona Pipeline Joint Bonding Project |
| Effects on MWD | Potential increase in treated flow demands due to Desal being offline |
| Member Agency Connections Affected | The following connections will be out of service and unavailable during this shutdown: VC8, Ramona Pipeline – OLIV5, SD14, SD15, RAM 3. |

### June 4th through June 7th, 2018 - Untreated Water

<table>
<thead>
<tr>
<th>Description</th>
<th>A shutdown of Pipeline 3 and 4 through Mission Trails to reinstall dismantling joint that was previously removed to allow for the R0209 and R0214 Reline Project of Pipeline 3 from Lake Murray to Sweetwater Reservoir to be completed.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shutdowns</td>
<td>4. Isolation removal and reactivation of Pipeline 3 from Mission Trails to Terminus</td>
</tr>
<tr>
<td>Effects on MWD</td>
<td>Reduction in untreated flow demands from MWD</td>
</tr>
<tr>
<td>Member Agency Connections Affected</td>
<td>The following connection will be out of service and unavailable during this shutdown: SD12, NCSB1, NCSB3, SD7, SD20, SD6A, and SD6B.</td>
</tr>
</tbody>
</table>

### November 5th through November 14th, 2017 – Treated Water

<table>
<thead>
<tr>
<th>Description</th>
<th>A 10-day outage of Carlsbad Desalination Plant for semi-annual maintenance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outage</td>
<td>1. Carlsbad Desalination Plant Semi-Annual Maintenance</td>
</tr>
<tr>
<td>Effects on MWD</td>
<td>None</td>
</tr>
<tr>
<td>Member Agency Connections Affected</td>
<td>The following connection will be affected by this shutdown: Desalination Conveyance Pipeline – VAL9 will not be able to receive desalinated water during shutdown.</td>
</tr>
</tbody>
</table>

### November 13th through November 22nd, 2017 – Treated Water

<table>
<thead>
<tr>
<th>Description</th>
<th>A 10-day outage of Lake Hodges Hydroelectric Facility for semi-annual maintenance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outage</td>
<td>2. Lake Hodges Hydroelectric Facility Semi-Annual Maintenance</td>
</tr>
<tr>
<td>Effects on MWD</td>
<td>None</td>
</tr>
<tr>
<td>Member Agency Connections Affected</td>
<td>None</td>
</tr>
<tr>
<td>Description</td>
<td>A 10-day outage of Carlsbad Desalination Plant for semi-annual maintenance</td>
</tr>
<tr>
<td>-------------</td>
<td>--------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Outage</td>
<td>3. Carlsbad Desalination Plant Semi-Annual Maintenance</td>
</tr>
<tr>
<td>Effects on MWD</td>
<td>Potential increase in treated flow demands due to Desal being offline</td>
</tr>
<tr>
<td>Member Agency Connections Affected</td>
<td>The following connection will be affected by this shutdown: Desalination Conveyance Pipeline – VAL9 will not be able to receive desalinated water during shutdown.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>A 10-day outage of Lake Hodges Hydroelectric Facility for semi-annual maintenance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outage</td>
<td>4. Lake Hodges Hydroelectric Facility Semi-Annual Maintenance</td>
</tr>
<tr>
<td>Effects on MWD</td>
<td>None</td>
</tr>
<tr>
<td>Member Agency Connections Affected</td>
<td>None</td>
</tr>
</tbody>
</table>
In order to optimize the delivery, treatment, and storage of water in San Diego County, a request was sent to the Member Agency Operating Heads to obtain schedules for member agency treatment plant expansions, CIP tie-ins, scheduled treatment plant maintenance, and shutdowns. The goal of this request is to facilitate the production of one schedule that the member agencies can use to schedule their work at times that will have the least impact on the region. Responses from member agencies confirmed upcoming maintenance activities including those shown in Figure 7. A number of other maintenance projects were also identified, but they either lacked firm schedules or did not have a significant operational impact to the region. These types of projects, as well as Treatment Plant Shutdown coordination, will be carried throughout the year as standing discussion items at the regularly scheduled Operating Head meetings.

Figure 7 - Scheduled Member Agency Maintenance Coordination
The Water Authority will have two power generation facilities operating during fiscal year 2018. The Water Authority will continue operation of the Rancho Peñasquitos Hydroelectric Facility and is currently evaluating the Lake Hodges Pumped Storage Facility operations. The Water Authority will be operating six pump stations and CH2M Hill/OMI will be operating the Twin Oaks Valley Water Treatment Plant in fiscal year 2018. Aqueduct operations also include over 100 small stations that consume energy. The following is a list of the larger facilities along with their anticipated operation schedules and costs:

- **Rancho Peñasquitos Pressure Control and Hydroelectric Facility**
  - Projected months of operation: July 2017 to June 2018
  - Power generating capacity: 4.5 megawatts
  - Estimated Power: 7,920 megawatt (MW) hours
  - Estimated Revenue: $316,800
  - Projected power consumption cost per month: $2,985
  - Total operational power consumption cost per year: $35,823

- **Lake Hodges Pumped Storage Facility**
  - Projected months of operation: As dispatched by SDG&E
  - Power generating capacity: 20 megawatts (single turbine operation), 40 megawatts (two turbine operation)
  - Estimated Power: On call, based on SDG&E demands
  - Estimated Revenue (for availability): $2,800,000
  - Projected auxiliary power consumption cost per month: $16,518
  - Projected pump cost per year: $0
  - Total operational power consumption cost per year: $198,212

- **Olivenhain Pump Station**
  - Projected months of operation: None (only planned to be operated for quarterly maintenance)
  - Pumps (three available): One pump operation
  - Projected base facility operational power cost per month: $4,356
  - Projected pump cost per month: $0 (runs on generators only)
  - Total operational power consumption cost per year: $52,276

- **Escondido Pump Station**
  - Projected months of operation: July 2017 through June 2018
  - Pumps: One pump operation
  - Projected base facility operational power cost per month: $218
  - Projected pump cost per month: $762
  - Projected pump cost for the year: $9,141
  - Total operational power consumption cost per year: $11,757
➢ Pipeline 2A Pump Station
  o Projected months of operation: July 2017 through June 2018
  o Pumps: One to three pump operation
  o Projected base facility operational cost per month: $327
  o Projected pump cost per month: $24,000
  o Projected pump cost for the year: $288,000
  o Total operational power consumption cost per year: $291,924

➢ Miramar Pump Station (paid by the City of San Diego)
  o Projected months of operation: November 2017 through June 2018
  o Pumps: One to three pump operation
  o Projected base facility operational cost per month: $0
  o Projected Water Authority pump cost per month: $0
  o Projected Water Authority pump cost for the year: $0
  o Total operational power consumption cost per year: $0

➢ San Vicente Pump Station
  o Projected months of operation: None (only planned to be operated for quarterly maintenance)
  o Pumps: One to two pump operation (three available)
  o Projected base facility operational cost per month: $4,017
  o Projected quarterly pump test cost for FY 2018: $74,631
  o Total operational power consumption cost per year: $122,835

➢ Twin Oaks Valley Pump Station
  o Projected months of operation: None (only planned to be operated for quarterly maintenance)
  o Projected base facility operational cost per month: $0 (included in Twin Oaks Valley Water Treatment Plant costs)
  o Projected pump test cost for FY 2018: $0 (runs on generators only)
  o Projected pump cost for the year: $0
  o Total operational power consumption cost per year: $0

➢ Twin Oaks Valley Water Treatment Plant
  o Projected months of operation: July 2017 to June 2018
  o Projected operational cost per month (average): $64,397
  o Total power consumption cost per year: $772,765

The total power cost to operate the Lake Hodges Pump Storage Facility, Rancho Peñasquitos Pressure Control and Hydroelectric Facility, the six pump stations, and Twin Oaks Valley Water Treatment Plant are estimated to be $1,485,592 for fiscal year 2018. The fiscal year 2018 revenue for all Water Authority hydroelectricity generation is estimated to be $3,116,800.
Rancho Peñasquitos Hydro Facility Power Purchase Agreement (PPA) with SDG&E expired January 27, 2017. As of the end of April, the Water Authority is projecting a $230,000 shortfall at the Rancho Hydro Facility from the fiscal year 2017 forecast due to low flows and the expiration of the PPA (see Figure 8 and Table 1). Energy sales options are currently being pursued with both SDG&E and other potential buyers or tariffs. Energy will be sold directly into the California Independent Service Operator (CAISO) wholesale market until a long-term arrangement is secured.

**Figure 8 - Rancho Hydro Revenues vs. Projections FY 2017**

**Table 1 - Rancho Hydro Revenues vs. Projections FY 2017**

<table>
<thead>
<tr>
<th>Month</th>
<th>Monthly Goal</th>
<th>Monthly Revenue</th>
<th>YTD Revenue</th>
<th>Goal</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>July</td>
<td>2200</td>
<td>$89,507</td>
<td>$89,507</td>
<td>13%</td>
<td>Low flows</td>
</tr>
<tr>
<td>Aug</td>
<td>2200</td>
<td>$124,472</td>
<td>$213,979</td>
<td>31%</td>
<td></td>
</tr>
<tr>
<td>Sep</td>
<td>2100</td>
<td>$128,915</td>
<td>$342,893</td>
<td>49%</td>
<td></td>
</tr>
<tr>
<td>Oct</td>
<td>1600</td>
<td>$123,825</td>
<td>$466,718</td>
<td>67%</td>
<td></td>
</tr>
<tr>
<td>Nov</td>
<td>500</td>
<td>$2,371</td>
<td>$469,089</td>
<td>67%</td>
<td></td>
</tr>
<tr>
<td>Dec</td>
<td>300</td>
<td>0</td>
<td>$469,089</td>
<td>67%</td>
<td>Low flows</td>
</tr>
<tr>
<td>Jan</td>
<td>0</td>
<td>0</td>
<td>$469,089</td>
<td>67%</td>
<td>Low flows, Contract end 1/27/17</td>
</tr>
<tr>
<td>Feb</td>
<td>0</td>
<td>0</td>
<td>$469,089</td>
<td>67%</td>
<td></td>
</tr>
<tr>
<td>Mar</td>
<td>300</td>
<td>0</td>
<td>$469,089</td>
<td>67%</td>
<td></td>
</tr>
<tr>
<td>Apr</td>
<td>436</td>
<td>0</td>
<td>$469,089</td>
<td>67%</td>
<td></td>
</tr>
<tr>
<td>May</td>
<td>1200</td>
<td>0</td>
<td>$469,089</td>
<td>67%</td>
<td></td>
</tr>
<tr>
<td>June</td>
<td>2200</td>
<td>0</td>
<td>$469,089</td>
<td>67%</td>
<td></td>
</tr>
</tbody>
</table>
The Lake Hodges Pump Storage Facility has operated as planned and is expected to achieve its revenue goal of $2,800,000 by the end of fiscal year 2017 (see Figure 9).

![Lake Hodges Pumped Storage Facility Revenue](image)

**Figure 9 - Annual Revenue Generated at Lake Hodges Pump Storage Facility**

**Solar Generation**

In October of 2010, a Solar Power and Services Agreement was signed between the Water Authority and Borrego Solar Systems Incorporated (Borrego) which allowed Borrego to install solar systems at the Kearny Mesa Headquarters, Escondido Operations Center, and the Twin Oaks Valley Water Treatment Plant. The Water Authority purchases the power generated at these sites at rates lower than the projected utility rate. The systems are owned, financed, and maintained by Borrego so that there are no expenses to the Water Authority other than the staff time required to monitor the agreements. As SDG&E rates have increased, the savings from solar have increased dramatically as the solar rate remains relatively stable. Following is a list of the three solar facilities along with their anticipated operation schedules, and estimated costs to the Water Authority based on Borrego’s contract:

- **Escondido Operations Center**
  - Projected Months of Operation: July 2017 to June 2018
  - Estimated Generation: 256,500 kWh
  - Estimated Cost: $38,961

- **Twin Oaks Valley Water Treatment Plant**
  - Projected Months of Operation: July 2017 to June 2018
  - Estimated Generation: 1,865,000 kWh
  - Estimated Cost: $296,187

- **Kearny Mesa Headquarters**
  - Projected Months of Operation: July 2017 to June 2018
  - Estimated Generation: 597,000 kWh
  - Estimated Cost: $103,779
Reservoirs and Storage Opportunities

Member agency and Water Authority reservoirs serve multiple functions including: surface water capture, seasonal shift water storage, carryover storage, and local sources of emergency water supplies. Member agency and Water Authority reservoirs function as system capacity buffers during peak demand periods and offer a level of security for short and long-term emergency situations. The size and location of each reservoir affects the extent to which it can perform the various functions, as does the individual agencies’ operational plan (see Figure 10, Figure 11, and Table 2).

Figure 10 - Location and Relative Capacities of San Diego County Reservoirs
<table>
<thead>
<tr>
<th>Reservoir</th>
<th>Total</th>
<th>Usable</th>
<th>Dead (unusable)</th>
<th>Storage as of May 9, 2017</th>
<th>Water Authority</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Member Agency</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Carryover</td>
<td>ESP</td>
<td>Operational</td>
</tr>
<tr>
<td>Henshaw</td>
<td>51,774</td>
<td>51,768</td>
<td>6</td>
<td>14,520</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wohlford</td>
<td>6,506</td>
<td>6,156</td>
<td>350</td>
<td>2,114</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dixon</td>
<td>2,606</td>
<td>2,541</td>
<td>65</td>
<td>2,358</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sutherland</td>
<td>29,508</td>
<td>29,396</td>
<td>112</td>
<td>13,814</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hodges</td>
<td>30,632</td>
<td>28,422</td>
<td>1,829</td>
<td>13,256</td>
<td>8,424</td>
<td></td>
</tr>
<tr>
<td>San Dieguito</td>
<td>883</td>
<td>717</td>
<td>166</td>
<td>560</td>
<td></td>
<td></td>
</tr>
<tr>
<td>San Vicente</td>
<td>249,358</td>
<td>244,130</td>
<td>5,228</td>
<td>58,316</td>
<td>98,444</td>
<td>33293</td>
</tr>
<tr>
<td>El Capitan</td>
<td>112,807</td>
<td>109,992</td>
<td>2,815</td>
<td>50,405</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Murray</td>
<td>4,684</td>
<td>4,292</td>
<td>392</td>
<td>4,136</td>
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<td></td>
</tr>
<tr>
<td>Cuyamaca</td>
<td>8,195</td>
<td>8,195</td>
<td></td>
<td>2,305</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jennings</td>
<td>9,790</td>
<td>9,790</td>
<td></td>
<td>8,784</td>
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<td></td>
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<tr>
<td>Loveland</td>
<td>25,400</td>
<td>25,225</td>
<td>175</td>
<td>13,987</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sweetwater</td>
<td>28,079</td>
<td>27,179</td>
<td>900</td>
<td>12,355</td>
<td>2,999</td>
<td></td>
</tr>
<tr>
<td>Morena</td>
<td>50,694</td>
<td>50,020</td>
<td>674</td>
<td>4,736</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Barrett</td>
<td>34,806</td>
<td>34,207</td>
<td>599</td>
<td>12,765</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lower Otay</td>
<td>49,849</td>
<td>46,026</td>
<td>3,823</td>
<td>44,941</td>
<td>821</td>
<td></td>
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<tr>
<td>Miramar</td>
<td>6,682</td>
<td>5,774</td>
<td>908</td>
<td>5,195</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Poway</td>
<td>3,330</td>
<td>2,560</td>
<td>770</td>
<td>2,958</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ramona</td>
<td>12,000</td>
<td>11,800</td>
<td>200</td>
<td>2,783</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Turner</td>
<td>1,612</td>
<td>1,552</td>
<td>60</td>
<td>1,612</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Olivenhain</td>
<td>24,774</td>
<td>24,731</td>
<td>43</td>
<td>18,000</td>
<td>1,164</td>
<td></td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td>743,969</td>
<td>724,473</td>
<td>19,115</td>
<td>269,432</td>
<td>98,444</td>
<td>51,293</td>
</tr>
</tbody>
</table>

**Notes:**

In addition to meeting local storage and operational demands, Olivenhain, San Vicente, and Hodges reservoirs play a significant role in the Water Authority’s Emergency & Carryover Storage Program (E&CSP), in response to regional emergency and drought situations related to water supply availability.
Figure 11- Regional Reservoir Levels (% of Capacity) as of May 9, 2017
(This figure represents the Water Authority Carryover Storage and Regional ESP Storage)
Asset Management and Major Maintenance Activities

In addition to ongoing corrective maintenance that is undertaken in response to specific needs or events, the O&M Department is also engaged in a rigorous program of predictive and preventative maintenance (that ensures optimal performance of Water Authority assets throughout their life cycles. These maintenance activities can include inspection, testing, calibration, operation, lubrication, and parts replacement/rehabilitation/upkeep. In addition to routine maintenance work, the O&M Department undertakes additional Asset Management projects and “major” projects that fall outside the scope of routine maintenance. Some of the activities undertaken during fiscal year 2017 included:

- Installed 38 new Sipos electric valve actuators as part of the Flow Control Facility Electric Actuator Replacement project
- Disconnected Padre 3, Padre 5, and Lakeside 3 Flow Control Facilities
- Tested and inspected all Water Authority fiber-optic cable and communication interconnections
- Upgraded the 2-way emergency radio system
- Painted Oceanside 5 and 6, Padre 4, Rainbow 11, Vista Irrigation District 11, and Helix 5 Flow Control Facilities, and the Pipeline 3/4 Intertie in Mission Trails
- Installed 5 online water quality analyzers to provide real-time monitoring of the treated water aqueduct
- Cathodic protection repair of Otay 13 Flow Control Facility and Pipeline 5E2
- Completed visual inspection and internal mortar repair of 10 miles of Pipeline 3 and La Mesa Sweetwater Extension pipeline
- La Mesa Sweetwater Extension Pipeline Comprehensive Condition Assessment using remote field technology (five miles) (see Figure 12)
  - During the inspection, O&M crews replaced a section of pipe in Slaughterhouse Canyon that was corroded and weeping water

Figure 12 – La Mesa Sweetwater Extension Pipeline Repair and Internal Inspection
The Asset Management and major maintenance activities planned by the O&M Department for fiscal year 2018 include:

- Visual inspection of 33 miles of pipeline including the Carlsbad Conveyance Pipeline (warranty) and Pipeline 4B1
- Comprehensive condition assessment of Pipeline 3 relined pipe in Spring Valley
- Replace 52 flow control facility electric actuators
- Replacement of three ultrasonic flow meters (see figure 13)
- Access road improvements at Otay 12 Flow Control Facility, Proctor Valley area, San Dieguito River blow-offs, and sections of the Tri-Agency and Valley Center pipelines
- Perform cyber security evaluation of the SCADA system
- Condition assessment of pumps and motors at Olivenhain and Escondido Pump Stations

Figure 13 – Ultrasonic Flow Meter at Olivenhain Dam
June 14, 2017

Attention: Engineering and Operations Committee

CLOSED SESSION:
Conference with Legal Counsel – Anticipated Litigation
Government Code §54956.9(d)(4)
Deciding to Initiate Litigation – One Case

Purpose
This memorandum is to recommend a closed session, pursuant to Government Code §54956.9(d)(4), to discuss the above-referenced matter at the June 22, 2017 meeting.

A closed session has also been included on the agenda of the formal Board of Directors’ meeting. Unless the Board desires additional discussion, it is not staff’s intention to ask for a closed session with the full Board at that time, but staff may request action to confirm directions given or action recommended by the committee.

Prepared by: Mark J. Hattam, General Counsel
IMPORTED WATER COMMITTEE

AGENDA FOR

JUNE 22, 2017

Mark Weston – Chair
Lois Fong-Sakai – Vice Chair
Tom Kennedy – Vice Chair
David Barnum
Kristin Gaspar
Michael Hogan
Keith Lewinger
Jim Madaffer

Marty Miller
Jim Murtland
Ken Olson
Elsa Saxod
Joel Scalzitti
Fern Steiner
Doug Wilson

1. Roll call – determination of quorum.
2. Additions to agenda (Government Code Section 54954.2(b)).
3. Public comment – opportunities for members of the public to address the Committee on matters within the Committee’s jurisdiction.
4. Chair’s report.
   4-A Directors’ comments.

I. CONSENT CALENDAR

II. ACTION/DISCUSSION/PRESENTATION

1. MWD issues and activities update.
   1-A Metropolitan Water District Delegates’ Report. (Supplemental Materials) (Discussion)
   1-B Update on Metropolitan Water District’s Integrated Water Resources Plan Policy Discussion. (Presentation)

2. Colorado River Programs.
   2-A Colorado River Board Representative’s Report. (Discussion) (Supplemental Materials)

3. Canal Lining Post Construction Mitigation Update. (Presentation)

MWD Delegates
Amy Chen
Doug Wilson
Mojgan Poursadighi
4. **Amend Existing Agreement to Allow for Temporary Use of a Portion of Water Authority’s Storage Capacity in Semitropic Water Bank.**

**Staff recommendations:**

1) Authorize the General Manager to amend the Water Authority’s existing recharge agreement with Homer LLC, a Delaware limited liability company (Homer) in Semitropic Water Storage District’s Stored Water Recovery Unit and Original Water Bank to also allow Homer the use a portion of the Water Authority’s storage capacity in calendar years 2017, 2018, and 2019; and

2) Find that the amendment to allow for storage use is not a new project under CEQA that would cause a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment. (Action)

III. **INFORMATION**

1. Metropolitan Water District Program Report.  

IV. **CLOSED SESSION**

1. Conference with Legal Counsel – Existing Litigation  
   Government Code §54956.9(d)(1)  
   SDCWA v. Metropolitan Water District of Southern California;  
   Case Nos. CPF-10-510830; CPF-12-512466; CPF-14-514004;  
   CPF-16-515282; CPF-16-515391; A146901; A148266; and  
   BS169881

2. Conference with Legal Counsel – Existing Litigation  
   Government Code §54956.9(d)(1)  
   State Water Resources Control Board Petition of Imperial Irrigation District for Modification of Revised Water Rights Order 2002-0013

V. **ADJOURNMENT**

NOTE: This meeting is called as an Imported Water Committee meeting. Because a quorum of the Board may be present, the meeting is also noticed as a Board meeting. Members of the Board who are not members of the Committee may participate in the meeting pursuant to Section 2.00.060(g) of the Authority Administrative Code (Recodified). All items on the agenda, including information items, may be deliberated and become subject to action. All public documents provided to the committee or Board for this meeting including materials related to an item on this agenda and submitted to the Board of Directors within 72 hours prior to this meeting may be reviewed at the San Diego County Water Authority headquarters located at 4677 Overland Avenue, San Diego, CA 92123 at the reception desk during normal business hours.
June 14, 2017

Attention: Imported Water Committee

Update on MWD Integrated Water Resources Plan Policy Discussion (Presentation).

Purpose
The purpose of this memo is to provide an update on Metropolitan Water District’s 2015 Integrated Water Resources Plan policy “implementation discussions.”

Background
MWD adopted its first Integrated Resources Plan in January 1996 (1996 IRP). The plan’s development followed a prolonged drought in 1987-1992 that forced MWD to impose in rapid succession an unprecedented series of increasingly severe water supply allocations. After an extensive stakeholder process, the IRP adopted a “Preferred Resource Mix” of imported and local supply development as a broad plan to meet the projected demand through 2020.

At the same time MWD conducted its IRP process in the 1990s, the MWD Board also formed a Blue Ribbon Task Force (Task Force) comprised of regional business, academic and civic leaders to conduct a review of MWD’s business practices and operational policies. The Task Force produced a report that raised several concerns about MWD’s IRP planning process.¹ One significant issue the Task Force raised was the need to link MWD’s IRP investments to “the willingness of MWD customers to pay for such services” and included a recommendation that MWD’s rate structure be designed to “ensure adequate coverage of fixed commitments for projects that generate additional fixed costs for Metropolitan.” Today, more than 20 years since the Task Force recommendations were made, MWD’s investment decisions continue to be disconnected from member agencies willingness to pay for the investments. Under current law, MWD is required to assign the cost of its IRP investments proportionally to the agencies that benefit; however, its planning process is based on the flawed assumption that every dollar MWD spends represents a “regional benefit” without demonstrable data and analysis. Because about 80 percent of MWD’s expenses are fixed, and yet less than 20 percent of its revenues are fixed, the situation presents a significant risk of stranded investments by MWD.²

MWD updated the IRP in 2004, which extended the planning timeframe to 2025. The 2004 IRP revealed forecasted demands for MWD water in 2020 declined by as much as 500,000 acre-feet compared to the 1996 IRP due to enhanced conservation and member agencies’ plans to develop local supplies. However, due to concern that all projects may not develop according to plans, the 2004 IRP added 500,000 acre-feet of new “buffer” planning supplies (half from imported, half from local) as added “insurance” to ensure projects would be in place ready for implementation. In its 2010 IRP, MWD stepped up its effort to hedge against uncertainties and adopted an “adaptive management” approach to adapt MWD’s plan to changed circumstances. It relied on a three-component approach that would: 1) continue meeting all of MWD’s projected dry-year demands through its “Core Resources” development; 2) implement up to 500,000 acre-feet of additional “Uncertainty Buffer” supplies; and 3) invest in additional “Foundational Actions”

² MWD’s treatment charge is 100 percent volumetric; in 2016 and again in 2017, the MWD Board twice rejected staff’s recommendations to collect a portion of treatment costs via a fixed charge.
research and legislative efforts to reduce the development time of even more water supplies. With the 2010 IRP, MWD moved from a strategy of having adequate supplemental water supplies to meet demands to one that intentionally overdevelops supplies to meet unidentified and unquantified supply risks. MWD also signaled its desire to expand its role from a supplemental imported water provider to a developer of local projects in the 2010 IRP.

In 2015, MWD initially bifurcated the IRP update into two parts: 1) a planned technical update; and 2) policy discussions following the technical update. However, in January 2016, when staff presented the “technical” update, it recommended its adoption as the 2015 IRP, thus, abandoning the original process to allow for policy input before the Plan adoption. The Water Authority’s Delegates raised several policy concerns related to such an approach and did not support the 2015 IRP adoption. Having adopted the 2015 IRP, MWD has been focusing its board discussion on “implementation” policy issues.

The 2015 IRP shifted MWD’s supply strategy once again. MWD now claims that it is not just meeting projected member agencies’ demand for its water, but it must also develop new water supplies in order to also “protect” and “maintain” 100 percent of existing local supplies throughout Southern California. Based on staff’s new interpretation of MWD’s role under the IRP, the new “target” for water supply development in 2040 is 2.4 million acre-feet and 1.5 million acre-feet for conservation (see Tables 4-3 and 4-4 below, excerpted from MWD 2015 IRP).

### TABLE 4-3

<table>
<thead>
<tr>
<th>CONSERVATION</th>
<th>2016</th>
<th>2020</th>
<th>2025</th>
<th>2030</th>
<th>2035</th>
<th>2040</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existing Conservation</td>
<td>1,026,000</td>
<td>1,056,000</td>
<td>1,127,000</td>
<td>1,200,000</td>
<td>1,263,000</td>
<td>1,359,000</td>
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<tr>
<td>New Savings</td>
<td>8,000</td>
<td>40,000</td>
<td>70,000</td>
<td>110,000</td>
<td>140,000</td>
<td>180,000</td>
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<td>Total Conservation Target</td>
<td>1,034,000</td>
<td>1,096,000</td>
<td>1,197,000</td>
<td>1,310,000</td>
<td>1,403,000</td>
<td>1,519,000</td>
</tr>
</tbody>
</table>

### TABLE 4-4

<table>
<thead>
<tr>
<th>LOCAL SUPPLIES</th>
<th>2016</th>
<th>2020</th>
<th>2025</th>
<th>2030</th>
<th>2035</th>
<th>2040</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existing and Under Construction Local Supplies</td>
<td>2,199,000</td>
<td>2,304,000</td>
<td>2,348,000</td>
<td>2,374,000</td>
<td>2,392,000</td>
<td>2,406,000</td>
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<tr>
<td>New Local Supply</td>
<td>0</td>
<td>3,000</td>
<td>8,000</td>
<td>12,000</td>
<td>16,000</td>
<td>20,000</td>
</tr>
<tr>
<td>Total Local Supply Target</td>
<td>2,199,000</td>
<td>2,307,000</td>
<td>2,356,000</td>
<td>2,386,000</td>
<td>2,408,000</td>
<td>2,426,000</td>
</tr>
</tbody>
</table>

**Discussion**

While the creation of MWD's IRP was intended to avoid the kind of supply allocations experienced in the early 1990s, since the inaugural plan in 1996, MWD has found it necessary to allocate supplies twice: in 2009 and 2015 due to prolonged droughts that impacted State Water Project production. Neither supply...
reduction was as severe as that experienced in the 1990s, and would not appear to justify MWD's reinvention of its role as a supplemental water supply, or, the extent of water supply development it is proposing.

It is instructive to evaluate the Water Authority’s supply development during the same timeframe. Similar to the IRP, the Water Authority’s supply diversification plan was conceived following the 1990 drought. When MWD imposed its supply allocation in 1991, the Water Authority was disproportionately impacted due to its heavy reliance on MWD. In 2009, as Water Authority and its member agencies had available greater San Diego regional supplies, MWD’s 13 percent cutback was managed by only an 8 percent demand reduction. By 2015, MWD’s 15 percent cutback equated to a 1 percent demand reduction for the San Diego region; with the state mandate, the Water Authority was positioned to store supplies for future use during the MWD supply cutback. Thus, after 1991, MWD supply cutbacks have been well managed by the Water Authority and its member agencies because the San Diego region made significant investments. In all, these investments increased the region’s combined supplies from 28,000 acre-feet in 1991 to 268,000 acre-feet today and reduced the associated MWD demand from 550,000 acre-feet to 187,000 acre-feet. Based on the Water Authority’s 2015 Urban Water Management Plan, which incorporated its own member agencies’ supply development plans, the region’s collective supplies will increase to 607,600 acre-feet and demand for MWD water will be further reduced to 111,140 acre-feet by 2040.

San Diego region’s collective investments in resilient supplies and projected reduction in MWD demands calls into question the value of MWD’s expanded role to maintain local supplies to Water Authority ratepayers, and how they would benefit from any costs incurred for that purpose. MWD’s self-proclamation that every acre-foot of water it produces provides an acre-foot of regional supply benefit is not supported by data or facts.

Before MWD adopted the 2015 IRP, the Water Authority Delegates repeatedly urged MWD to consider policy issues broader than those associated with IRP "implementation." Chief among these board member concerns is affordability and the potential for stranded costs due to the lack of coordination between MWD planning and that of its member agencies. The Delegates have reminded MWD of the Blue Ribbon Task Force’s caution more than 20 years ago, in 1994, to link supply investments to member agencies’ willingness to pay. The Delegates used the recently failed attempts to impose a treatment fixed charge as a case study and again urged MWD to tie its IRP spending decisions to how they will be paid for. Given the projections of demand for MWD water, there is serious doubt that MWD's existing volumetric sales-dependent rate structure will be sufficient to recover these multi-billion spending decisions to meet demand for MWD water that does not exist. To the extent MWD characterizes all of this proposed spending as "insurance," it must provide a risk and cost-benefit analysis to justify this level of investment, which it has not done.

At MWD’s May 23, 2017 IRP Committee meeting, staff once again ignored repeated requests for data and analysis to support its proposals -- including reliability and cost analyses, and proposed "policy principles" focused solely on how MWD should expand its role in the development of local resources and

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4 In 1991, MWD’s allocation was as high as 50 percent (although the actual implementation was at 31 percent); in contrast, the allocation in 2009 was at 13 percent, and in 2015 was at 15 percent.
5 Including Water Authority member agencies’ additional planned projects.
conservation, and how it should plan and participate with existing and expanding mandates. Costs and risks and affordability associated with the expanded mission were not analyzed nor discussed. See Attachment 1 for MWD's proposed policy principles on its role in local resources and conservation as well as on mandates.

Despite the urging of the Water Authority’s delegates, the 2015 IRP abandons the affordability requirement of its reliability goal by excluding any cost analysis of how its supply and conservation targets will impact the affordability of MWD’s water. As the IRP’s reliability goal has broadened, the expansion of MWD’s role beyond its historic one as a supplemental imported water provider to one where MWD engages in local supply development will increase both risks and costs of MWD water. As is, based on a recent Water Authority commissioned report by Gordon Hess & Associates, Inc., MWD’s 2015 UWMP projects significantly higher demands for MWD water than those cumulatively reported by its member agencies’ plans under all hydrologic conditions. If MWD continues to move forward to develop local supplies, such as the Regional Water Recycling Program under evaluation at the Los Angeles Sanitation Districts’ Carson Plant – in addition to investing in California WaterFix – and as the State continues on its path to increase water use efficiency and reduce per capita demand, the question of increasing MWD water cost to impact on its demand remains unaddressed by MWD. The reality is MWD has only 26 member agencies to support MWD’s expenditures, as MWD water costs continue to climb, those member agencies that have options will continue to evaluate their supply alternatives to meet their demands, and these alternatives may not include MWD. In that scenario, the MWD member agencies will be grappling with a problem far greater by order of magnitude than the stranded treated water costs they have been unable to manage.

There are many unanswered questions associated with MWD's new interpretation of its role as well as its expanded vision, including, among other things, how MWD plans to recover these costs – especially from those agencies that do not benefit from this expanded role, and the affordability of MWD water. The Water Authority will continue to raise these questions and seek satisfactory resolutions to these questions.

Next Steps
MWD plans to continue discussions in its IRP Committee and plans to adopt policy principles by in the June/July timeframe and incorporate policy directions in relevant future Board actions.

Prepared by: Liz Mendelson-Goossens, Water Resources Specialist
Reviewed by: Amy Chen, Director of MWD Program
Approved by: Dennis A. Cushman, Assistant General Manager

Attachment: Proposed Policy Principles presented at MWD’s May 23 2017 IRP Committee

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Proposed Policy Principles presented at MWD’s May 23 2017 IRP Committee

**MWD’s role in local resources and conservation:**

A. MWD should take an active role in identifying and evaluating potential local resource and conservation opportunities within its service area
B. MWD should have multiple approaches and avenues for developing and implementing local resources and conservation with local agencies and entities
C. MWD should, where appropriate, evaluate the feasibility and effectiveness of direct investment and development of regionally beneficial local resources and conservation
D. MWD’s involvement in the development of local resources and conservation should include consideration of maintaining or recovering existing projects and programs
E. Evaluations of regional investments in local resources and conservation and development of any priorities among potential projects should include consideration of
   a. Type and source of water supply
   b. Measurable water supply yield or demand reduction
   c. Impacts, positive or negative, to MWD’s system redundancy or emergency risk
   d. Impacts, positive or negative to existing MWD system investments and developed capacity
   e. Financial exposure and revenue recovery
F. MWD should ensure that its operational and administrative policies do not adversely impact regional efforts to encourage and develop local resource and conservation investments

**MWD’s role on mandates:**

A. MWD and the region has an interest in ensuring that local supply and conservation maintenance and development are achieved consistent with IRP targets
B. MWD should evaluate state and federal mandates on water resource and conservation development to determine intent and consistency of the mandate with regional IRP targets
C. If and when a mandate applies to a specific project or program within a member agency service area, MWD should collaborate with the member agency to determine the appropriate participation approach commensurate with the regional benefits provided by the project or program
June 14, 2017

Attention: Imported Water Committee

Canal Lining Post Construction Mitigation Update. (Presentation)

Purpose
This report provides an update on the status of post construction mitigation projects for the Canal Lining Projects.

Background
The Coachella Canal and All American Canal Lining Projects (CCLP and AACLP) are critical components of the Quantification Settlement Agreement (QSA) and the Water Authority’s long-term supply reliability and diversification efforts. Construction work on CCLP and AACLP was completed in 2007 and 2010, respectively. The Water Authority began receiving approximately 80,000 acre-feet of conserved water annually, which will represent 14% of the Water Authority’s supply by 2020 and is guaranteed for 110 years. The Water Authority does not pay a supply cost for water received; however approximately $13-$15 per acre-foot is necessary for operations and maintenance of both canals. The total project construction cost of the CCLP was $129 million of which $87 million was available from the State General Fund and Proposition 50 funds. The total project cost for the AACLP was $319 million of which $170 million was available from the State General Fund, Proposition 50 funds, and Proposition 87 funds. The Water Authority financed the costs that exceeded State funding, which are collected on the Melded M&I Supply Rate.

Although construction of canal linings is complete, mitigation measures required by the Environmental Impact Report / Environmental Impact Statement (EIR/EIS) continue to be implemented to mitigate project impacts. Those impacts were required to be mitigated by state and federal resource agencies and are identified in the Mitigation Monitoring and Reporting Program (MMRP) and Environmental Commitment Plan (ECP) adopted for the canal lining projects. Of the 73 original mitigation measures required for AACLP, only two remain to be completed. As for the CCLP, only five of the original 34 mitigation measures remain to be completed. Description and status of each of the remaining mitigation projects are provided below. It is the overall goal of the Water Authority to transfer the remaining seven projects to third-parties for long term maintenance and monitoring.

Discussion
As part of QSA, the Water Authority lined 23 miles of Coachella Canal and 35 miles of All American Canal in exchange for the conserved water previously lost to seepage. U.S. Bureau of Reclamation (USBR) approved the Final EIR/EIS Reports certified by Coachella Valley Water District (CVWD) for CCLP and Imperial Irrigation District (IID) for AACLP. These agencies also adopted the MMRP and ECP, which detail the project’s environmental mitigation commitments. Since the completion of CCLP and AACLP, the project has implemented the majority of the 107 mitigation commitments amongst the two projects, which include the planting of 2,468 mature trees adjacent to Coachella Canal, installation of safety ladders and buoys and successful monitoring of large mammals along All American Canal, construction of 60 miles of fencing and 57 wildlife watering ponds along the length of Coachella Canal, and construction of the 50-acre Wister Sport Fishery Pond in Imperial Valley.
The remaining elements of CCLP are primarily biological habitat preservation and restoration on public lands located in the Dos Palmas Area of Critical Environmental Concern (Dos Palmas), which is mostly managed by the U.S. Bureau of Land Management (BLM) and is located near the northeastern shore of the Salton Sea within Riverside County. Below is a description of the remaining CCLP biological resources mitigation requirements:

- **Dos Palmas Water Supply System**, consisting of a series of pipeline, valves, monitoring wells, and percolation ponds, which fulfills the requirement to develop a replacement water source to maintain the existing core marsh/aquatic habitat including various ponds, oases and springs, as well as newly created desert riparian and marsh habitat, as described below.

- **Preservation of 105 acres of existing Core Marsh/aquatic habitat** that supports two species of endangered rail birds is required. Annual monitoring of the Core Marsh over the past seven years has demonstrated the success of this mitigation requirement. However, continued annual monitoring is needed until the project receives regulatory wildlife agency approval.

- **Creation and preservation of 17 acres of marsh/aquatic habitat**: Construction and vegetation planting of the marsh was completed in 2010. Annual monitoring will continue in an effort to demonstrate sustainability of the project until regulatory wildlife agency approval is received.

- **Maintenance and preservation of existing aquatic habitat** that currently support endangered desert pupfish within Dos Palmas is required. All sites have maintained suitable habitat for pupfish with stable/increasing population numbers for the past seven years. Continued annual monitoring is required until the project is accepted by the regulatory wildlife agencies.

- **Creation of 352.5 acres of desert riparian habitat**, which is being implemented in partnership with the BLM through a 10-year Memorandum of Agreement. A combination of passive and active approaches has been utilized at identified restoration sites to encourage natural recruitment of desert riparian plants. So far, over 400 acres of non-native habitat (salt cedar) has been removed and approximately 240 acres of desert riparian habitat has been established through passive restoration methods. Staff continues work on identifying additional restoration areas to meet the required acreage.

Long-term management and maintenance activities associated with the above mitigation projects will begin once regulatory agency approval is obtained and the projects are deemed suitable for transition to a third-party. Because the preponderance of mitigation will involve water and habitat management on BLM property, BLM may be the logical entity to manage and monitor these sites in perpetuity through a project endowment.
As for the AACLP mitigation requirements, only two projects remain as described below:

- **Chanan Remington Memorial Wetland Enhancement**: A 44-acre riparian and wetland habitat created along the All American Canal and has been maintained and monitored since its completion in December 2007. After 2017, the responsibility for the long-term maintenance of this project will be turned over to California Department of Fish and Wildlife.

- **Dune Restoration**: A 45-acre portion of the abandoned alignment of the Canal was identified to create 30 acres of sand dune habitat. After three years of passive restoration, a project survey concluded that although the site met the minimum vegetation coverage, it didn’t meet the sand accumulation requirement of the performance criteria. Staff is currently exploring several options for meeting this requirement within the next couple of years, including the purchase of private dune parcels and an endowment to BLM for protection of existing critical habitat and target species.

Prepared by: Mojgan Poursadighi, Engineer P.E.
Reviewed by: Dan Denham, Colorado River Program Director
Approved by: Maureen A. Stapleton, General Manager
June 14, 2017

Attention: Imported Water Committee

Amend Existing Agreement to Allow for Temporary Use of a Portion of Water Authority’s Storage Capacity in Semitropic Water Bank (Action)

Staff recommendations
1) Authorize the General Manager to amend the Water Authority’s existing recharge agreement with Homer LLC, a Delaware limited liability company (Homer) in Semitropic Water Storage District’s Stored Water Recovery Unit and Original Water Bank to also allow Homer the use a portion of the Water Authority’s storage capacity in calendar years 2017, 2018, and 2019; and

2) Find that the amendment to allow for storage use is not a new project under CEQA that would cause a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment.

Alternative
Do not approve staff recommendation.

Fiscal Impact
Homer would provide a one time, non-refundable fee of $50,000 to hold space in a portion of the Water Authority’s Semitropic Storage banks; if Homer chooses to lease the full maximum storage capacity (up to 4,381 acre-feet), the Water Authority will receive maximum payment of up to $312,860.

Background
In 2008, the Water Authority obtained access to 70,000 acre-feet of groundwater storage in Central Valley through two agreements. These agreements expire December 31, 2035, unless they are renewed. The Water Authority currently has 16,117 acre-feet of water stored in Semitropic’s Original Water Bank. Table 1 summarizes the Water Authority’s storage, put, and take capacity associated with this out-of-region conjunctive use program.

As a result of member agencies’ extraordinary conservation efforts during the recent drought emergency, and the heavy precipitation in early 2017, the Water Authority, and its member agencies have replenished the region’s dry-year storage reserves significantly. Given the current availability of imported and local water supplies, the Water Authority determined that it does not need to increase its groundwater storage in the Central Valley at this time. In March 2017, the Board authorized a recharge capacity use agreement with Homer (a banking partner in the

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1 The agreement with Semitropic-Rosamond Water Bank Authority provides 15,000 acre-feet of storage right in the Stored Water Recovery Unit (SWRU) and 25,000 acre-feet of storage right in Antelope Valley Water Bank; the agreement with Semitropic’s Original Water Bank (OWB) provides 30,000 acre-feet of storage right.
Storage Water Recovery Unit, or SWRU) to allow use of the Water Authority’s recharge capacity in the SWRU and Original Water Bank (OWB) for calendar year 2017, and to defray part of the Water Authority’s operating costs.3

Table 1. Summary of Water Authority’s out-of-region Conjunctive Use Programs

<table>
<thead>
<tr>
<th>Storage Capacity (AF)</th>
<th>Put (AF)</th>
<th>Take (AF)</th>
<th>Water Currently Stored in Bank (AF)</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Semitropic (Original Water Bank)</td>
<td>30,000</td>
<td>2,715</td>
<td>4,200</td>
<td>16,117</td>
</tr>
<tr>
<td>Semitropic-Rosamond WBA (Storage Water Recovery Unit)</td>
<td>15,000</td>
<td>1,666</td>
<td>5,000</td>
<td>None</td>
</tr>
<tr>
<td>Semitropic-Rosamond WBA (Antelope Valley Water Bank)</td>
<td>25,000</td>
<td>5,000</td>
<td>5,000</td>
<td>None</td>
</tr>
</tbody>
</table>

Discussion

Homer recently informed the Water Authority that it has access to more supplies than it has in storage rights afforded under its SWRU agreement and requested to lease a portion (up to 4,381 acre-feet, same as the recharge capacity leased) of the Water Authority’s storage right in the Semitropic banks for calendar years 2017, 2018, and 2019. The Water Authority does not anticipate a need to use its storage capacity in Central Valley in the near future and can accommodate Homer’s request for temporary lease for a portion of storage capacity.

With this amendment, the Water Authority retains its recharge and take capacity for 2018 and 2019 and only a portion of its storage asset will be leased to Homer.

The proposed terms for each calendar year follows:

- 2017 space
  - July 3, 20174: nonrefundable deposit of $10,000 to hold storage space of up to 4,381 acre-feet for the remainder of calendar year 2017
  - July 3 through December 31, 2017: $10 per acre foot for water stored in any portion that period of time, up to a maximum of 4,381 acre-feet

- 2018 space
  - July 3, 2017: nonrefundable deposit of $20,000 to hold up to 4,381 acre-feet of storage space during calendar year 2018
  - December 15, 2017: Homer to notify the Water Authority for storage space desired (maximum of 4,381 acre-feet) and pay a nonrefundable option deposit of $5 per acre-foot for the noticed space; to the extent notice not provided as to any of that 4,381 acre-feet, such space is released for 2018
  - January 1 through December 2018: $20 per acre-foot for water stored in any portion of that period of time, up to the noticed space

4 The total nonrefundable deposit of $50,000 for 2017-2019 is due and payable upon written consent from Semitropic or July 3, 2017, whichever is later.
2019 space
- July 3, 2017: nonrefundable deposit of $20,000 to hold up to 4,381 acre-feet of storage space during calendar year 2019
- December 15, 2018: Homer to notify the Water Authority for storage space desired (maximum of 4,381 acre-feet) and pay a nonrefundable option deposit of $5 per acre-foot for the noticed space; to the extent notice not provided as to any of that 4,381 acre-feet, such space is released for 2019
- January 1 through December 2019: $20 per acre-foot for water stored in any portion of that period of time, up to the noticed space

Homer will be responsible for scheduling and causing recharge of Homer’s water. The water that is recharged in the proposed agreement will be credited to Homer’s account and not held in any of the Water Authority’s storage accounts. The amendment is subject to written consent in advance by the applicable Semitropic entities.

**California Environmental Quality Act (CEQA)**
Consistent with CEQA, Semitropic, acting as lead agency, completed an Environmental Impact Report (EIR) concerning its water banking and exchange program. Semitropic's Board of Directors, on July 13, 1994, certified the EIR as in compliance with CEQA. Additionally, Semitropic completed a supplemental EIR for the SWRU. On January 1, 2000, Semitropic's Board of Directors certified the EIR as in compliance with CEQA, which was then followed by subsequent approved Addendums. Finally, Kern County, acting as lead agency, completed an EIR for AVWB; on September 12, 2006, the Kern County Board of Supervisors certified the EIR as in compliance with CEQA.

The environmental effects of all water banking activities were thus contemplated in the above CEQA review processes. Assignment or subcontracting of water banking rights by the Water Authority to third parties was an activity contemplated and authorized under the reviewed water banking programs, and is shown in the contracts the Water Authority has with Semitropic Rosamond and through the Vidler-Semitropic Water Banking and Exchange Program, as earlier assigned to the Water Authority. Such assignment or subcontracting of previously reviewed water banking rights has no additional un-reviewed potential for either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment and is, therefore, not a new "Project" as defined by Public Resources Code §21065 and State CEQA Guidelines §15378, and thus does not require additional CEQA review. Homer is solely responsible for any CEQA compliance required in connection with the sources of water and the conveyance of water to and from the water bank, as to which the Water Authority does not have decision-making discretion or control.

Prepared by:  Anne Middleton, Water Resources Specialist
Reviewed by:  Amy Chen, Director of MWD Program
Approved by:  Dennis A. Cushman, Assistant General Manager
June 14, 2017

Attention: Imported Water Committee

Metropolitan Water District Program Report (Information)

Purpose
This report summarizes activities of interest associated with the Metropolitan Water District of Southern California (MWD) and MWD Member Agencies.

Discussion
This section provides a summary of key issues at the June 12 and 13, 2017 meetings of the MWD Board of Directors. The MWD Board will meet next on July 10 and 11, 2017.

Financial Items
The MWD Board adopted Ordinance No. 150 determining that MWD’s interests require the use of revenue bonds in the principal amount of $400 million to finance a portion of capital expenditures. MWD’s Ten-Year Financial Forecast estimated $2.1 billion of capital expenditures over the ten-year period (approximately $200 million per fiscal year) and assumed forty percent of those costs be funded by revenue bonds (approximately $80 million per fiscal year). MWD reported that the $400 million “represents an estimate of revenue bond financing currently anticipated for approximately five fiscal years.” In April 2014, MWD’s adopted biennial budget included cash funding all Capital Investment Program (CIP) capital expenditures for fiscal years 2015 and 2016; and in the same document it projected to largely cash fund CIP expenditures for fiscal years 2017 and 2018, with only a small portion to be bond funded. Having overspent on unbudgeted expenditures (such as increases to the turf replacement program and land purchases), MWD adopted the last revenue ordinance in October 2015 for the principal sum of $500 million to last through June 30, 2018. The bulk of revenue bonds were issued to fund unplanned expenditures leaving only $36.7 million left in that authorization and necessitated this action before June 2018.

In addition, using the authority afforded under Ordinance No. 150, the MWD Board also adopted a resolution authorizing the issuance of up to $80 million of Subordinate Water Revenue Bonds to fund a portion of the capital expenditures for fiscal year 2017/18.

Proposed International Boundary and Water Commission Minute and related agreements
MWD staff provided a progress report on the proposed International Boundary and Water Commission (IBWC) Minute and related agreements. Minute 319, which will expire in December 2017, established reservoir triggers for surplus and shortage conditions that are not defined in the 1944 Treaty between the U.S. and Mexico. While MWD is not a party to Minute 319, the U.S. negotiations have included the basin states and Colorado River contractors like MWD, because their involvement in several domestic agreements are necessary. MWD reports that Minute 32X continues to maintain and build on Minute 319’s shortage sharing programs and is envisioned to include even larger conservation projects in Mexico that water agencies would fund in exchange for the right to take delivery of a portion of the conserved water. MWD reports that it is evaluating participation in the proposed conservation projects and would consider recommending additional funding if the agreements are brought before the Board for approval.
The MWD Committees and Board also:

- Approved up to $1.173 million to purchase insurance coverage for Metropolitan’s Property and Casualty Insurance Program;
- Authorized revisions to Metropolitan Water District’s Conflict of Interest Code for approval by the Fair Political Practices Commission;
- Approved Metropolitan’s Statement of Investment Policy for fiscal year 2017/18, and delegated authority to the Treasurer to invest Metropolitan’s funds for fiscal year 2017/18;
- Approved Metropolitan’s Salary Schedule pursuant to CalPERS regulations;
- Expressed support for the Association of California Water Agencies Policy Statement on Bay-Delta Flow Requirements;
- Authorized payment of up to $688,000 for support of the Colorado River Board and Colorado River Authority for fiscal year 2017/18;
- Authorized payments of up to $3.79 million for participation in the State Water Contractors, Inc. and the State Water Project Contractors Authority for fiscal year 2017/18;
- Expressed support for the Brown Administration’s budget trailer bill regarding supervision of dam safety and express support, if amended, for AB 1270 (Gallagher, R-Yuba City) regarding inspection of dams and reservoirs;
- Heard oral reports on:
  - Water Surplus Drought Management update (MWD’s year-end water sales are now projected at 1.29 million acre-feet);
  - Headquarters building seismic upgrades;
  - Bay-Delta Reclamation Districts update; and
  - In closed session, the rate litigation.

Other Water Agencies.

Water Advisory Committee of Orange County (WACO)
At the June 2 WACO meeting, a presentation from Douglas Headrick, President of the State Water Contractors and General Manager of San Bernadino Valley Municipal Water District, emphasized the importance of Sites Reservoir. Headrick noted that Sites would work with or without the WaterFix.

Prepared by: Suki Chhokar, Assistant Management Analyst
Reviewed by: Amy Chen, Director of MWD Program
Approved by: Dennis A. Cushman, Assistant General Manager
June 14, 2017

Attention: Imported Water Committee

CLOSED SESSION:
Conference with Legal Counsel – Existing Litigation
Government Code §54956.9(d)(1)
Name of Case: SDCWA v. Metropolitan Water District of Southern California;
Case Nos. CPF-10-510830; CPF-12-512466; CPF-14-514004;
CPF-16-515282; CPF-16-515391; A146901; A148266; and BS169881

Purpose
This memorandum is to recommend a closed session, pursuant to Government Code §54956.9(d)(1), to discuss the above-referenced matter at the June 22, 2017 meeting.

A closed session has also been included on the agenda of the formal Board of Directors’ meeting. Unless the Board desires additional discussion, it is not staff’s intention to ask for a closed session with the full Board at that time, but staff may request action to confirm directions given or action recommended by the committee.

Prepared by: Mark J. Hattam, General Counsel
June 14, 2017

Attention: Imported Water Committee

CLOSED SESSION:
Conference with Legal Counsel – Existing Litigation
Government Code §54956.9(d)(1)
State Water Resources Control Board Petition of Imperial Irrigation District for
Modification of Revised Water Rights Order 2002-0013

Purpose
This memorandum is to recommend a closed session, pursuant to Government Code §54956.9(d)(1), to discuss the above-referenced matter at the June 22, 2017 meeting.

A closed session has also been included on the agenda of the formal Board of Directors’ meeting. Unless the Board desires additional discussion, it is not staff’s intention to ask for a closed session with the full Board at that time, but staff may request action to confirm directions given or action recommended by the committee.

General Counsel’s office will not be in attendance at this Closed Session. It will be conducted by outside Special Counsel.

Prepared by: Mark J. Hattam, General Counsel
LEGISLATION AND PUBLIC OUTREACH COMMITTEE

AGENDA FOR

JUNE 22, 2017

Christy Guerin – Chair
Matt Hall – Vice Chair
Yen Tu – Vice Chair
Gary Arant
Jerry Butkiewicz
Gary Croucher
Betty Evans
Ed Gallo
Kristin Gaspar
Frank Hilliker
Jim Madaffer
Ron Morrison
Mark Muir
Joel Scalzitti
Fern Steiner

1. Roll call – determination of quorum.

2. Additions to agenda (Government Code Section 54954.2(b)).

3. Public comment – opportunities for members of the public to address the Committee on matters within the Committee’s jurisdiction.

4. Chair’s report.
   4-A Directors’ comments.

I. CONSENT CALENDAR

1. Adopt positions on various state bills.
   Staff recommendation: Glenn Farrel

   1-A Adopt a position of Support and Seek Amendments on SB 100 (De Leon), relating to the California Renewable Portfolio Standards program.

   1-B Adopt a position of Oppose Unless Amended on SB 623 (Monning), as proposed to be amended, relating to a public goods charge on water. (Action)
II. ACTION/DISCUSSION/PRESENTATION

1. Agreement for Regulatory Advocacy Services with the firm of Smith, Watts & Hartmann. Selection Panel recommendation: The Water Authority regulatory advocacy services selection panel recommends the Board of Directors adopt an agreement with the firm of Smith, Watts & Hartmann for a period of 12 months, from July 1, 2017 through June 30, 2018, for a total amount not to exceed $93,500. (Action)

2. Recommendation of program goal for Small Contractor Outreach and Opportunities Program. Staff recommendation: Continue the SCOOP program goal of 20 percent for fiscal year 2018. (Action)

3. Community Outreach for Capital Improvement Projects. (Presentation)

4. Legislative issues.
   4-A Washington report by Ken Carpi. (In person report) (Supplemental Materials)

4-B Sacramento Report.
   1. Long-Term Water Use Efficiency. (Presentation)

5. 2017 Public Opinion Poll results. (Presentation)

III. INFORMATION

1. Government Relations Update.

2. Quarterly report on Public Outreach and Conservation activities.

IV. CLOSED SESSION

V. ADJOURNMENT

Melinda Cogle
Clerk of the Board

NOTE: This meeting is called as a Legislation and Public Outreach Committee meeting. Because a quorum of the Board may be present, the meeting is also noticed as a Board meeting. Members of the Board who are not members of the Committee may participate in the meeting pursuant to Section 2.00.060(g) of the Authority Administrative Code (Recodified). All items on the agenda, including information items, may be deliberated and become subject to action. All public documents provided to the committee or Board for this meeting including materials related to an item on this agenda and submitted to the Board of Directors within 72 hours prior to this meeting may be reviewed at the San Diego County Water Authority headquarters located at 4677 Overland Avenue, San Diego, CA 92123 at the reception desk during normal business hours.
June 14, 2017

Attention: Legislation and Public Outreach Committee

Adopt positions on various state bills. (Action)

Staff recommendation
• Adopt a position of Support and Seek Amendments on SB 100 (De Leon), relating to the California Renewable Portfolio Standards program.
• Adopt a position of Oppose Unless Amended on SB 623 (Monning), as proposed to be amended, relating to a public goods charge on water.

Alternatives
1. Do not adopt one or more of the recommended positions.
2. Modify one or more of the recommended positions.

Fiscal Impact
There is no direct fiscal impact associated with the consideration of adopting policy positions on legislation.

Discussion

**SB 100 (De Leon) – California Renewables Portfolio Standard Program: Emissions of Greenhouse Gases**
Under existing law, the California Renewables Portfolio Standard (RPS) Program requires all retail sellers of electricity to procure a minimum quantity of electricity from renewable energy sources so that the total amount of renewable energy sold to retail end-use customers achieve the following targets:

• 33 percent by December 31, 2020
• 40 percent by December 31, 2024
• 45 percent by December 31, 2027
• 50 percent by December 31, 2030

SB 100, as amended on May 26, 2017, would revise the above goals as follows:

• 50 percent renewable resources by December 31, 2026
• 60 percent renewable resources by December 31, 2030
• 100 percent renewable/zero-carbon resources by December 31, 2045
In addition, SB 100 would require the California Public Utilities Commission (CPUC), Energy Commission, and the Air Resources Board to incorporate the planning goal and regulatory requirement that eligible renewable energy resources and zero-carbon electric generating facilities supply all electricity procured to serve California end-use customers into all of the energy and climate programs subject to their jurisdiction.

In 2015, SB 350 (De Leon), was signed into law and requires each of California’s electric utilities to procure at least 50 percent of its electricity from renewable resources. The statute lists numerous goals of the RPS program, including meeting the state’s climate change goals by reducing emissions of greenhouse gases associated with electrical generation, meeting the state’s need for a diversified and balanced energy generation portfolio, displacing fossil fuel consumption within the state, and reducing air pollution.

From all indications, the state is well on its way to achieving the existing statutory RPS targets. As shown in the table below¹, the state’s largest electric utilities have generally met current procurement goals and anticipate exceeding future procurement goals:

<table>
<thead>
<tr>
<th>Progress towards Meeting RPS Procurement Mandates</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Existing statute requires each electric utility to procure 50 percent of electricity from eligible renewable energy resources by 2030, with interim goals of 25 percent by 2016 and 33 percent by 2020.</strong></td>
</tr>
<tr>
<td>2015</td>
</tr>
<tr>
<td>----------------</td>
</tr>
<tr>
<td>Pacific Gas and Electric¹)</td>
</tr>
<tr>
<td>Southern California Edison¹)</td>
</tr>
<tr>
<td>San Diego Gas and Electric¹)</td>
</tr>
<tr>
<td>Los Angeles Department of Water and Power²)</td>
</tr>
<tr>
<td>Sacramento Municipal Utilities District²)</td>
</tr>
</tbody>
</table>

¹) Source: CPUC (http://www.cpuc.ca.gov/RPS_Homepage/).
²) Source: California Municipal Utilities Association.

Importantly, SB 100 has been written in a manner that establishes the 100 percent renewable target as an “aspirational goal” rather than as a statutory mandate. The 100 percent renewable standard is outlined within the legislative findings and declarations of SB 100, rather than in the operational provisions. In terms of the operational statutory provisions of SB 100, the requirement is for the state agencies involved in energy matters to "incorporate into all their energy and climate programs the planning goal and regulatory requirement that eligible renewable energy resources and zero-carbon electric generating facilities supply all electricity..."
procured to serve California end-use customers no later than December 31, 2045.” The
terminology “zero-carbon electric generating facilities” is not defined in SB 100, although it
could certainly accommodate large hydropower facilities that do not currently qualify as
renewable energy resources under the state’s RPS. Allowing large hydropower facilities to meet
a substantial portion of the state’s demand for electricity along the path to 100 percent renewable
energy sources by 2045, would likely reduce customer costs of the state’s renewable energy
mandate and remedy some of the challenges relating to integration of renewable resources into
the state’s energy system. There should be clarity brought to SB 100 relative to the issue of
allowing large hydropower facilities to be considered as eligible renewable sources of power
under the state’s RPS.

With the raising of the San Vicente Dam, and more than doubling the reservoir size, it not only
provided additional emergency and carryover water storage capacity for the region, but also
provided an opportunity to serve as the lower reservoir for an up to 500 megawatt energy storage
facility. The energy storage facility would provide a means to generate revenue for the Water
Authority, owner of the additional water storage capacity, and the City of San Diego, owner and
operator of the dam and reservoir, helping to offset operational costs and moderate water rate
increases. As such, the Water Authority and City, joint project owners, are pursuing the study of
this potential project.

Recent consultant studies related to the viability of a potential San Vicente energy storage
facility concluded that:

- The project would be located in an energy load center and, therefore, would be a valuable
  resource to stabilize the energy transmission grid, operated by the California Independent
  System Operator, by relieving congestion as well as integrating new renewable energy
  resources.

- There is significant existing infrastructure in place to accommodate the project, including
  the San Vicente Dam and Reservoir and proximate high-voltage transmission line.

- The Owners are both public agencies seeking to develop this project for public good.

- A 500 megawatt project with five to eight hours of storage is a reasonable project size,
  given California’s mandate for investor owned utilities to procure 50 percent of their
  energy portfolio from renewable energy sources by 2030.

- Bulk storage such as pumped storage, and small-scale storage technologies such as
  batteries, are complementary and not in competition as they solve different energy
  problems specific to the location on the grid.

- The energy market is evolving and FERC is evaluating how to monetize the additional
  services that energy storage provides and are not currently valued in the wholesale energy
  market. These values are collectively called the “value of storage” and include helping to
  avoid renewables overbuild, and curtailment by storing excess renewable energy
  produced during low demand periods for later use in high demand periods.
These conclusions, coupled with the significant interest demonstrated in the San Vicente project through the Request for Letters of Interest process undertaken earlier this year, suggests that a broad expansion of the RPS and zero-carbon resources obligations to 100 percent by 2045 would make the San Vicente energy storage project even more attractive and well-positioned from an energy storage and potential renewable energy resource perspective.

The Water Authority’s legislative policy guidelines state that the Water Authority shall support legislation that:

- Promotes the classification of electricity generated by in-line hydroelectric and closed-loop pumped storage facilities as a clean, environmentally sound, and renewable energy resource.
- Promotes the expansion of closed-loop pumped storage facilities to provide a clean and environmentally sound energy resource.


**Staff recommends a position of Support and Seek Amendments on SB 100.**

**Suggested Amendments Include:** SB 100 should be amended to clarify the eligibility of large hydropower facilities as renewable sources of power under the state’s RPS to meet the measure’s 2045 goals.

**SB 623 (Monning) – Safe and Affordable Drinking Water Fund**
The California Safe Drinking Water Act requires the State Water Resources Control Board (SWRCB) to administer provisions relating to the regulation of drinking water to protect public health. Existing law also establishes the Office of Sustainable Water Solutions within the SWRCB with the purpose of promoting permanent and sustainable drinking water and wastewater treatment solutions to ensure the effective and efficient provision of safe, clean, affordable, and reliable drinking water and wastewater treatment services.

SB 623, as proposed to be amended, would establish a public goods charge on water in the amount of $1-$2 per residential service connection to create an ongoing sustainable revenue source for the Safe and Affordable Drinking Water Fund that would also be created by this measure. In addition, SB 623 would provide that the Fund would be administered by the SWRCB and funds would be used for grants, loans, contracts, or services to assist those without access to safe and affordable drinking water, and that the assistance could include:

- Provision of replacement water on an interim basis pending implementation of long-term solutions
- Planning costs for the development of long-term solutions
- Capital costs of implementing long-term solutions
Costs associated with maintaining and operating interim solutions and long-term solutions

Outreach and technical assistance to those without access to safe and affordable drinking water

During the week of May 29, Senator Monning and his staff began outreach to stakeholders within the water community, including the Water Authority, to indicate his plans to amend SB 623 to establish a “ratepayer assessment” (a water tax or public goods charge) on water as one of two funding sources for the measure. The other funding source was described as being agricultural-related, such as a fertilizer tax.

The Water Authority Board of Directors has long-held policy positions of opposing the imposition of water user fees, surcharges, or public goods charges. Just last year, the Board adopted an Oppose position on AB 2480 (Bloom), which would have placed tremendous pressure on the imposition of a public goods charge on water to fund watershed restoration projects.

Within the context of the most recent discussions relative to a public goods charge on water, a significant amount of work has been conducted on developing “needs assessments” to demonstrate the necessity for a sustainable, ongoing source of revenue to fund a variety of programs. The following represent some of the “needs assessments” that have been discussed relative to SB 623:

- Safe drinking water programs: Estimated at between $45 million to $200 million/year to fund capital and operations and maintenance for water treatment and distribution systems within disadvantaged communities

- Affordability of drinking water: Estimated at $500 million/year to provide low-income water rate assistance (the SWRCB estimates this could be necessary for up to 34 percent of California water bills)

- Watershed management and protection: Estimates from previous years indicated up to $3 billion would be necessary to improve watershed health, keep forests intact, and create greater resiliency to climate change

While SB 623 is presently focused on creating a revenue source to address the safe drinking water needs within disadvantaged communities, once a public goods charge on water is created, there will be ongoing pressure to expand it to become a funding source to address other needs relative to low-income water rate assistance and watershed protection, among others.

Other revenue sources remain as viable alternatives to provide funding assistance for these important programs. Given that these programs are all related to providing public benefits to broad groups of Californians, they are most appropriately funded through the state’s General Fund. Additionally, Proposition 1 – which is the water bond passed by voters in 2014 –
provided substantial funding for capital improvements for drinking water and wastewater treatment systems within disadvantaged communities. It is likely that any future water bond would provide similar funding opportunities to address safe drinking water capital needs.

The use of funds in the Greenhouse Gas Reduction Fund (also known as cap-and-trade funds) has been authorized for a number of purposes, including “to reduce the greenhouse gas emissions associated with water use and supply, land and natural resource conservation and management, forestry, and sustainable agriculture.” The Air Resources Board has conducted 17 quarterly cap-and-trade auctions since November 2012, and those auctions have generated approximately $4.4 billion in state revenue.

The state has used cap-and-trade auction revenue to fund various programs and projects. For revenue collected in 2015-16 and beyond, the statute continuously appropriates:

- 25 percent for the state’s high-speed rail project
- 20 percent for affordable housing and sustainable communities grants
- 10 percent for intercity rail capital projects
- 5 percent for low carbon transit operations
- Remaining 40 percent is available for annual appropriation by the Legislature

Cap-and-trade auction revenues should be considered as a viable alternative to address these significant unmet funding needs. SB 623 should be amended to remove any public goods charge or water user fee, and should instead focus on funding opportunities through cap-and-trade auction revenues and state General Fund sources.

The Water Authority’s legislative policy guidelines state that the Water Authority shall oppose legislation that:

- Imposes a water user fee on water agencies or water users that does not provide a commensurate and directly linked benefit in the local area or region from which the water user fee is collected.
- Imposes a water user fee for statewide projects or programs, for which the projects or programs are not clearly defined, the beneficiaries identified, and the reasonable costs identified.
- Imposes a water user fee in order to create a state fund that can be used to finance undefined future projects and programs.
- Imposes a “public goods charge” or “water tax” on public water agencies or their ratepayers.

Staff recommends a position of Oppose Unless Amended on SB 623.

Suggested Amendments Include: SB 623 should be amended to remove any public goods charge or water user fee, and should instead focus on funding opportunities through cap-and-trade auction revenues and state General Fund sources.

Prepared by: Ivy Ridderbusch, Assistant Management Analyst
Glenn Farrel, Government Relations Manager
Approved by: Dennis A. Cushman, Assistant General Manager
June 14, 2017

Attention: Legislation and Public Outreach Committee

Agreement for Regulatory Advocacy Services with the firm of Smith, Watts & Hartmann. (Action)

Selection Panel Recommendation
The Water Authority regulatory advocacy services selection panel recommends the Board of Directors adopt an agreement with the firm of Smith, Watts & Hartmann for a period of 12 months, from July 1, 2017 through June 30, 2018, for a total amount not to exceed $93,500.

Alternatives
1. Do not enter into the recommended contract.
2. Modify the terms of the contract.

Fiscal Impact
If the Water Authority regulatory advocacy services selection panel recommendation is approved, the amount of the contract for a period of 12 months would total a not to exceed amount of $93,500, which would include a $7,500 per month retainer and authorization for reimbursable expenses up to $3,500 for the year. There are sufficient funds included in the General Manager’s proposed FY 2018-19 budget to cover these projected costs. With the corresponding termination of the Water Authority’s legislative advocacy contract with V. John White & Associates as of July 1, 2017, there would be no net budget increase for these services.

Background
The Water Authority utilizes consultants to assist in accomplishing Board-directed priorities and programs. The Water Authority has existing professional services contracts with Lang, Hansen, O’Malley & Miller and with Gonzalez, Quintana, Hunter & Cruz for legislative advocacy services in Sacramento, and with Carpi & Clay for federal advocacy services in Washington, D.C.. Prior to this recommended action, the Water Authority has not contracted specifically for regulatory advocacy assistance in Sacramento.

The Water Authority issued a Request for Proposals on April 20, 2017 and advertised extensively within Sacramento for proposals. A regulatory advocacy services selection panel was convened, consisting of the following Board officers, LPO Committee leadership, and management staff:

- Water Authority Board Chair Mark Muir
- LPO Committee Chair Christy Guerin
- Assistant General Manager Dennis Cushman
- Government Relations Manager Glenn Farrel
- Water Resources Manager Toby Roy
The Water Authority received four proposals by the Request for Proposals deadline, and oral interviews of the four firms submitting proposals were conducted on May 18, 2017. Following the oral interviews and selection panel deliberations, the firm of Smith, Watts & Hartmann was selected for recommendation to the Board of Directors.¹

Discussion
The past several years have brought into stark focus the high level of activity on important water-related regulatory matters within the State Water Resources Control Board (SWRCB). On the issue of emergency drought regulations alone, over the period of the multi-year emergency drought declaration by the Governor, the SWRCB was the principal venue for all matters related to implementation of drought emergency Executive Orders and regulations. Additionally, the SWRCB adopted regulations in 2015 governing desalination plant intakes and discharges. The SWRCB has become the primary state agency responsible for a number of critical issues on which the Water Authority and its member agencies are routinely engaged, including:

- Oversight and implementation of the state’s Drinking Water Program
- Implementation of recycled water policies, regulations, and permitting for potable and non-potable reuse
- Salton Sea restoration and implementation of permit conditions related to the QSA water transfers
- Implementation of water quality programs (including total maximum daily loads and applying regulatory requirements to water bodies to prevent mercury contamination in fish)
- Drinking water affordability issues
- Implementation of the Human Right to Water statutes
- Water-related fee programs
- Water rights administration

The Water Authority and its member agencies have a direct interest in many SWRCB actions related to these policy areas. This may include actions that result in regulatory requirements that impact water supply development, system operations, drinking water standards, laboratory certification, human right to water, Water Authority/member agency financial conditions, wetlands protection, and water supply planning. The Water Authority also has interest in State Board actions that encourage protection and management of source water quality.

Ensuring a strong and consistent presence for the Water Authority within these regulatory activities, particularly at the SWRCB, will be necessary to advocate the Water Authority’s, the member agencies’, and the region’s priorities and to capitalize on opportunities that may be presented. The firm recommended for the Board’s consideration for regulatory advocacy services has a strong track record of success and engagement with state regulatory and administrative agencies, including within the SWRCB.

¹ Under the recommended proposal, the Water Authority would directly contract with the Smith, Watts & Hartmann firm, and that firm would be partnered with the firm of Niemela, Pappas & Associates to provide the full range of regulatory advocacy services on behalf of the Water Authority.
The Selection Panel recommends approval of a new agreement with Smith, Watts & Hartmann for a 12-month term beginning July 1, 2017.

Prepared by: Glenn A. Farrel, Government Relations Manager
Reviewed by: Toby Roy, Water Resources Manager
Robert R. Yamada, Director of Water Resources
Approved by: Dennis A. Cushman, Assistant General Manager
Staff recommendation
Continue the SCOOP program goal of 20 percent for fiscal year 2018.

Alternative
Direct staff to return to the Board to establish a different program goal.

Fiscal Impact
There is no fiscal impact associated with the recommended action.

Background
The purpose of SCOOP is to maximize small-business participation on the San Diego County Water Authority’s contracts and procurements. SCOOP provides small businesses with resources and information through training, networking, and technical assistance.

The current SCOOP goal is 20 percent, the SCOOP goal is based on potential small-business dollar awards as a percentage of estimated total dollars awarded. One component in developing the goal is to review forecasted contracting opportunities and procurements from each Water Authority department. Forecasts are reviewed for the type of work, industries, expertise and trades that may be needed and the disciplines that may be subcontracted. Other components in determining the goal include the availability of small businesses to perform the type of work needed for procurements, the business market, competition from other agencies and projects, and historical achievements. Figure 1 shows the dollar amounts awarded to small businesses on Water Authority procurement since 2006 versus total procurement dollars awarded.

Discussion
Staff evaluated the goal methodology, tabulations and industry trends, and recommends continuing the 20 percent SCOOP goal. The staff recommendation was based in part on the downsizing of the CIP program and continued increased competition from construction projects by other public agencies such as the city of San Diego and SANDAG. It was also based on the increased need for specialized services on Water Authority projects, which limits the number of businesses qualified to do the work. Staff also evaluated the current year procurements and small-business awards. The small-business achievement for fiscal year 2017 through the third quarter is 29 percent (see the attached SCOOP Quarterly Report for more details).

Although the goal is not a quota and does not apply specifically to individual projects, once approved by the Board, it will establish the small-business metric that is measured in staff quarterly reports.
Figure 1 – Small-Business Achievement from Fiscal Year 2006 to 2016.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Total $ Awarded</th>
<th>Small Business $</th>
<th>Small Business Achievement %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>$474,559,207</td>
<td>$76,299,845</td>
<td>16%</td>
</tr>
<tr>
<td>2007</td>
<td>$118,736,945</td>
<td>$20,883,056</td>
<td>18%</td>
</tr>
<tr>
<td>2008</td>
<td>$41,179,477</td>
<td>$15,744,673</td>
<td>38%</td>
</tr>
<tr>
<td>2009</td>
<td>$110,694,189</td>
<td>$27,466,923</td>
<td>25%</td>
</tr>
<tr>
<td>2010</td>
<td>$170,571,174</td>
<td>$21,167,391</td>
<td>12%</td>
</tr>
<tr>
<td>2011</td>
<td>$40,862,936</td>
<td>$16,805,729</td>
<td>41%</td>
</tr>
<tr>
<td>2012</td>
<td>$53,711,295</td>
<td>$13,728,837</td>
<td>26%</td>
</tr>
<tr>
<td>2013</td>
<td>$39,987,730</td>
<td>$12,614,158</td>
<td>32%</td>
</tr>
<tr>
<td>2014</td>
<td>$105,045,976</td>
<td>$41,392,762</td>
<td>39%</td>
</tr>
<tr>
<td>2015</td>
<td>$65,073,625</td>
<td>$41,171,177</td>
<td>63%</td>
</tr>
<tr>
<td>2016</td>
<td>$55,626,587</td>
<td>$15,585,755</td>
<td>28%</td>
</tr>
</tbody>
</table>

Previous Board action: On June 23, 2016 the Board approved the SCOOP goal of 20 percent.
June 14, 2017

Attention: Legislation and Public Outreach Committee

Small Contractor Outreach and Opportunities Program (SCOOP) Quarterly Report (Information)

Background
The purpose of SCOOP is to maximize small-business participation on the San Diego County Water Authority’s contracts and procurements. SCOOP provides small businesses with resources and information through training, networking, and technical assistance. This report provides a summary of SCOOP program metrics and activities from July 1, 2016 through March 31, 2017.

Discussion
Outreach Activities
During the second and third quarters, Water Authority representatives participated in six events with five business organizations and other government agencies.

A highlight of the outreach activities was the Caltrans Procurement Fair. The event brought in more than 250 attendees to learn more about business opportunities from Caltrans and other public agencies. Other activities included the Turner Construction School of Management, the Public Agency Consortium and Mana San Diego.

SCOOP Training
SCOOP training focuses on how to do business with the Water Authority. SCOOP offers six online courses via the Water Authority website that averages 96 page views per month.

Program Measurements
The Water Authority’s cumulative total of contract and purchase order awards through the second quarter was approximately $25 million. Small businesses received approximately $7.1 million, or 29 percent, of total dollars awarded. Small businesses received awards in several procurement sectors, with approximately $4.1 million awarded in construction, $2.1 million awarded for professional services, and $111,000 awarded for purchase orders. Minority- and women-owned businesses received approximately $2.8 million.

The number of companies receiving contract or purchase order awards was 418. Of those, 115, or 28 percent, were small businesses. Fifty-four, or 13 percent, were minority- and women-owned businesses.

Further details of SCOOP statistics are given in the attached exhibits. Information on minority-owned and women-owned businesses is made available to the Board for statistical purposes only.

Prepared by: Teresa Penunuri, Public Affairs Supervisor
Reviewed by: Jason Foster, Director of Public Outreach and Conservation
Reviewed by: Dennis A. Cushman, Assistant General Manager

Attachments:
1. Exhibit A – SCOOP Program Measurements Summary
2. Exhibit B – SCOOP Measurements Detail
EXHIBIT A

SCOOP Measurements Summary
July 1, 2016 – March 31, 2017

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>Small</td>
</tr>
<tr>
<td>1. Number of qualified small businesses capable of bidding on Water Authority projects</td>
<td>2274</td>
<td>662</td>
</tr>
<tr>
<td>2. Number of bidders submitting bids and proposals for contracts</td>
<td>258</td>
<td>107</td>
</tr>
<tr>
<td>3. Number of businesses participating on Water Authority procurements (contracts and purchase orders)</td>
<td>418</td>
<td>115</td>
</tr>
<tr>
<td>4. Number of contracting opportunities</td>
<td>172</td>
<td>67</td>
</tr>
<tr>
<td>5. Amount committed to small businesses</td>
<td>$24,921,314</td>
<td>$7,144,869</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>M/W</td>
</tr>
<tr>
<td>1. Number of qualified M/W businesses capable of bidding on Water Authority projects</td>
<td>2274</td>
<td>556</td>
</tr>
<tr>
<td>2. Number of bidders submitting bids and proposals for contracts</td>
<td>258</td>
<td>66</td>
</tr>
<tr>
<td>3. Number of businesses participating on Water Authority procurements (contracts and purchase orders)</td>
<td>418</td>
<td>54</td>
</tr>
<tr>
<td>4. Number of contracting opportunities</td>
<td>172</td>
<td>41</td>
</tr>
<tr>
<td>5. Amount committed to minority and women-owned businesses</td>
<td>$24,921,314</td>
<td>$2,819,792</td>
</tr>
</tbody>
</table>
1. **Number of qualified businesses capable of bidding on Water Authority projects.**

“The Network” is the Water Authority’s SCOOP database and online vendor registration, notification, and solicitation system. Of the 2,274 total businesses currently in the system, 662 (29 percent) are small businesses, and 556 (24 percent) are minority- and women-owned businesses. This measurement forms a baseline of small businesses that are interested in working with the Water Authority on the types of solicitations we issue.

<table>
<thead>
<tr>
<th>Total</th>
<th>Amount of qualified businesses</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small</td>
<td>2274</td>
<td>662</td>
</tr>
<tr>
<td>Minority- or Women-owned</td>
<td>2274</td>
<td>556</td>
</tr>
</tbody>
</table>

Information taken from The Network’s Business Classification and Minority Company Statistics as of 04/03/2017.

2. **Number of businesses submitting bids and proposals.**

This metric measures bidders on contract opportunities. During the first three quarters, 107 (41 percent) of businesses bidding or proposing on Water Authority contracts were small businesses.

Sixty-six (26 percent) bidders and proposers were minority- and women-owned businesses.

**B-2. Number of bidders submitting bids and proposals for contracts.**

<table>
<thead>
<tr>
<th></th>
<th>FY 2017 YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
</tr>
<tr>
<td><strong>Design Build</strong></td>
<td></td>
</tr>
<tr>
<td>Primes</td>
<td>0</td>
</tr>
<tr>
<td>Subs</td>
<td>0</td>
</tr>
<tr>
<td><strong>Design Build Subtotal</strong></td>
<td>0</td>
</tr>
<tr>
<td><strong>Construction</strong></td>
<td></td>
</tr>
<tr>
<td>Primes</td>
<td>11</td>
</tr>
<tr>
<td>Subs</td>
<td>45</td>
</tr>
<tr>
<td><strong>Construction Subtotal</strong></td>
<td>56</td>
</tr>
<tr>
<td><strong>Professional Services</strong></td>
<td></td>
</tr>
<tr>
<td>Primes</td>
<td>127</td>
</tr>
<tr>
<td>Subs</td>
<td>71</td>
</tr>
<tr>
<td><strong>Prof. Services Subtotal</strong></td>
<td>198</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td></td>
</tr>
<tr>
<td>Primes</td>
<td>4</td>
</tr>
<tr>
<td>Subs</td>
<td>0</td>
</tr>
<tr>
<td><strong>Other Subtotal</strong></td>
<td>4</td>
</tr>
<tr>
<td><strong>Total Bidders</strong></td>
<td></td>
</tr>
<tr>
<td>Primes</td>
<td>142</td>
</tr>
<tr>
<td>Subs</td>
<td>116</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>258</td>
</tr>
</tbody>
</table>
3. Number of businesses participating on Water Authority procurements.
The total number of small companies doing business with the Water Authority was 115, or 28 percent of all companies. This measurement indicates the volume of Water Authority procurement opportunities. Small businesses often pursue and are awarded contracts and purchase orders that are smaller in value, so the number of businesses working on Water Authority procurements is an important measurement of small-business success. The number of minority- and women-owned businesses doing business with the Water Authority was 54, or 13 percent.

| B-3. Number of businesses participating on Water Authority procurements (contracts and purchase orders) |
|---|---|---|---|---|
| FY 2017 YTD | Total | Small | % Small | M/W | % M/W |
| Design Build
| Primes | 0 | 0 | 0% | 0 | 0% |
| Subs | 0 | 0 | 0% | 0 | 0% |
| **Design Build Subtotal** | 0 | 0 | 0% | 0 | 0% |
| Construction
| Primes | 8 | 3 | 38% | 1 | 13% |
| Subs | 16 | 5 | 31% | 1 | 6% |
| **Construction Subtotal** | 24 | 8 | 33% | 2 | 8% |
| Professional Services
| Primes | 104 | 36 | 35% | 19 | 18% |
| Subs | 38 | 22 | 58% | 19 | 50% |
| **Prof. Services Subtotal** | 142 | 58 | 41% | 38 | 27% |
| Other
| Primes | 4 | 1 | 25% | 1 | 25% |
| Subs | 0 | 0 | 0% | 0 | 0% |
| **Other Subtotal** | 4 | 1 | 25% | 1 | 25% |
| Contracts
| Primes | 116 | 40 | 34% | 21 | 18% |
| Subs | 54 | 27 | 50% | 20 | 37% |
| **Contracts Subtotal** (Design Build, Construction and Professional Services) | 170 | 67 | 39% | 41 | 24% |
| Vendors | **248** | **48** | **19%** | **13** | **5%** |
| **TOTAL** | **418** | **115** | **28%** | **54** | **13%** |
4. Number of contracting opportunities.

This measurement reflects the number of prime contractors and consultants that have a direct contract with the Water Authority. Small businesses received 67, or 39 percent, of the 172 total contracts awarded through the end of the third quarter.

Procurements valued at $10,000 through $150,000 form the basis for the new Sheltered Market Program. Small businesses received 18, or 37 percent, of the 46 procurements in this dollar value range. Of those, one was identified as a sheltered market opportunity.

B-4. Number of contracting opportunities

<table>
<thead>
<tr>
<th></th>
<th>FY 2017 YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total Contracts</td>
</tr>
<tr>
<td>0-$10,000</td>
<td>107</td>
</tr>
<tr>
<td>$10,001-$150,000</td>
<td>46</td>
</tr>
<tr>
<td>$10,001-$50,000</td>
<td>28</td>
</tr>
<tr>
<td>$50,001-$150,000</td>
<td>21</td>
</tr>
<tr>
<td>$150,001-$250,000</td>
<td>5</td>
</tr>
<tr>
<td>$250,001 - $1,000,000</td>
<td>10</td>
</tr>
<tr>
<td>$1,000,001 - $50,000,000</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td>172</td>
</tr>
</tbody>
</table>
5. **Amount committed to small businesses.**

The overall small-business participation goal on initial contract and purchase awards for fiscal year 2017 is 20 percent. Through the end of the third quarter, the amount committed to small businesses was approximately $7.1 million, or 29 percent, of total procurement dollars awarded. Small businesses received awards in each procurement sector, with approximately $4.1 million awarded in construction, $2.2 million awarded for professional services, and $111,000 awarded for purchase orders.

SCOOP requires small-business outreach from primes to subs on larger, more complex projects that have multi-sub opportunities. Small businesses were successful as subcontractors on Water Authority construction and professional service contracts, receiving approximately $583,000 as construction subcontractors, and approximately $111,000 as subconsultants on service agreements.

As vendors, minority- and women-owned businesses received approximately $465,000 during the reporting period.
## B-5. Amount committed to small and minority- and women-owned primes, subcontractors and vendors

<table>
<thead>
<tr>
<th></th>
<th>FY 2017 YTD</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>Small</td>
<td>% Small</td>
<td>M/W</td>
<td>% M/W</td>
</tr>
<tr>
<td><strong>Design Build</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primes</td>
<td>$0</td>
<td>$0</td>
<td>0%</td>
<td>$0</td>
<td>0%</td>
</tr>
<tr>
<td>Subs</td>
<td>$0</td>
<td>$0</td>
<td>0%</td>
<td>$0</td>
<td>0%</td>
</tr>
<tr>
<td>Design Build Subtotal</td>
<td>$0</td>
<td>$0</td>
<td>0%</td>
<td>$0</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Construction</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primes</td>
<td>$6,209,052</td>
<td>$3,561,890</td>
<td>57%</td>
<td>$7,906</td>
<td>0.1%</td>
</tr>
<tr>
<td>Subs</td>
<td>$4,371,561</td>
<td>$583,126</td>
<td>13%</td>
<td>$15,130</td>
<td>0.3%</td>
</tr>
<tr>
<td>Construction Subtotal</td>
<td>$10,580,613</td>
<td>$4,145,016</td>
<td>39%</td>
<td>$23,036</td>
<td>0.2%</td>
</tr>
<tr>
<td><strong>Professional Services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primes</td>
<td>$7,492,419</td>
<td>$2,125,452</td>
<td>28%</td>
<td>$2,266,396</td>
<td>30%</td>
</tr>
<tr>
<td>Subs</td>
<td>$148,219</td>
<td>$111,685</td>
<td>75%</td>
<td>$64,807</td>
<td>44%</td>
</tr>
<tr>
<td>Prof. Services Subtotal</td>
<td>$7,640,638</td>
<td>$2,237,137</td>
<td>29%</td>
<td>$2,331,203</td>
<td>31%</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primes</td>
<td>$370,835</td>
<td>$111,060</td>
<td>30%</td>
<td>$0</td>
<td>0%</td>
</tr>
<tr>
<td>Subs</td>
<td>$0</td>
<td>$0</td>
<td>0%</td>
<td>$0</td>
<td>0%</td>
</tr>
<tr>
<td>Other Subtotal</td>
<td>$370,835</td>
<td>$111,060</td>
<td>30%</td>
<td>$0</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Contracts</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primes</td>
<td>$14,072,306</td>
<td>$5,798,402</td>
<td>41%</td>
<td>$2,274,302</td>
<td>16%</td>
</tr>
<tr>
<td>Subs</td>
<td>$4,519,780</td>
<td>$694,811</td>
<td>15%</td>
<td>$79,937</td>
<td>2%</td>
</tr>
<tr>
<td>Contracts Subtotal (Design Build, Construction and Professional Services)</td>
<td>$18,592,086</td>
<td>$6,493,213</td>
<td>35%</td>
<td>$2,354,239</td>
<td>13%</td>
</tr>
<tr>
<td><strong>Vendors</strong></td>
<td>$6,329,228</td>
<td>$651,656</td>
<td>10%</td>
<td>$465,553</td>
<td>7%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$24,921,314</td>
<td>$7,144,869</td>
<td>29%</td>
<td>$2,819,792</td>
<td>11%</td>
</tr>
</tbody>
</table>
June 14, 2017

Attention: Legislation and Public Outreach Committee

Community Outreach for Capital Improvement Projects (Presentation).

Purpose
This informational item provides an overview of community outreach strategies and tactics the Water Authority uses to support construction projects.

Discussion
Community outreach is an integral and important part of the Water Authority’s Capital Improvement Program as a means to inform impacted neighborhoods and other important stakeholders of upcoming construction and maintenance projects.

Successful community outreach on major construction projects such as dams, reservoirs, pump stations, pipelines and tunnels benefits the Water Authority in several important ways. First, effective outreach can help identify community concerns and avoid problems before they materialize, or resolve them before they escalate. This helps keep the project moving forward on time and on budget. In addition, good communications can generate community goodwill by demonstrating transparency and providing affected people and businesses the best opportunity to plan and adjust to unavoidable construction impacts. Water Authority CIP outreach efforts have also resulted in a more-informed community with increased awareness and knowledge of the need for water infrastructure projects. On the other hand, poor construction outreach can result in project delays, lawsuits, upset community members and a decreased level of public acceptance for future water infrastructure projects.

Community outreach has evolved since the Water Authority approved a robust CIP program in 1989. Traditional communications via mailers, meetings and newsletters are now complemented by increasingly targeted and cost-effective electronic communications and social media.

While CIP spending has decreased, outreach teams are still actively involved with multiple projects in various phases of design and construction, supporting 15 projects during fiscal years 2016 and 2017. These projects included pipeline relining projects, asset management and emergency repair projects.

A board presentation at the April committee meeting will provide a brief overview of the strategies and tactics that have shaped multiple award-winning community outreach efforts for the Capital Improvement Program.

Prepared by: Teresa Penunuri, Public Affairs Supervisor
Reviewed by: Jason Foster, Director of Public Outreach and Conservation
Approved by: Dennis A. Cushman, Assistant General Manager
June 14, 2017

Attention: Legislation and Public Outreach Committee

2017 Public Opinion Poll (Information)

Purpose
This report summarizes the results of a public opinion survey conducted via telephone and online in May 2017 to determine knowledge, understanding, and support by the public related to key water issues and Water Authority plans, projects and programs.

Background
Research studies are regularly conducted as part of the Water Authority’s public affairs program. In 2000, 2003, 2004, 2005, 2006, 2009, 2010, 2011, 2012, 2014 and 2015, the Water Authority conducted public opinion polling to determine San Diego County residents’ knowledge and attitudes regarding water issues. In 2007, focus groups of homeowners and landscape professionals were held. In 2008, two surveys were conducted to measure the effectiveness of the Water Authority’s 20-Gallon Challenge conservation advertising and outreach campaign.

In late 2013, the Water Authority issued a Request for Proposals for polling services and received five proposals. Probe Research, Inc., was selected for the contract, which included a 2014 poll and an option for a second poll. Contract amendments in 2015 and 2016 extended the contract timeframe and not-to-exceed amount to authorize additional public opinion research. The contract with Probe ends June 30, 2017. To enhance the probability of surveying an accurate sample of the region’s population and keep up with changes in communication technology and trends, the methodology of the 2014 poll changed from an exclusive telephone-based sampling approach to a survey that blended equal samples of telephone and online survey populations.

Discussion
As it did in 2014 and 2015, Probe conducted the 2017 survey by a random telephone sample of 500 respondents (including 150 respondents who only use a mobile phone) and 500 online respondents chosen from a custom panel of San Diego County residents who have agreed to participate in online surveys. All surveys were conducted between May 3 and May 25, 2017. All participants were at least 18 years old and had lived in San Diego County at least one year. Primary objectives of this survey were to identify the level of public concern about issues such as regional water supply reliability, assess support for making additional water supply reliability investments, measure actions and attitudes related to water use efficiency and water conservation, and measure attitudes and awareness of the Water Authority and the agency’s diversification strategy.

Key findings of the 2017 survey include:

Opinions about Local Issues
• Unsurprisingly, water supply reliability is no longer seen as the most pressing issue facing San Diego County, as it was in the 2015 survey. Only 6 percent of respondents cite water
supply/drought/quality as top-of-mind issues on an unaided basis. Affordable housing came in as the most prominent top-of-mind issue, with 13 percent of responses.

**Water Supply Reliability**
- San Diego County’s water supply is widely seen as reliable, with 83 percent of respondents characterizing it as somewhat or very reliable. This is a significant increase from the 2015 (65 percent) and 2014 (70 percent) surveys. Additionally, 80 percent of respondents have a positive outlook on San Diego County’s water supply, believing it is improving (41 percent) or holding steady (39 percent).
- There continues to be overwhelming community approval for the Water Authority’s regional water supply diversification strategy, with nearly eight in 10 respondents (79 percent) supporting it.
- Fifty-four percent of respondents strongly or moderately agree that local water agencies effectively managed water supplies during the recent drought.
- A reliable water supply is widely seen as important for San Diego County, with 84 percent of respondents saying it is essential for a healthy economy and 80 percent agreeing it is essential for their quality of life.
- The public’s confidence in water agencies to safeguard long-term water supplies is increasing. Fifty-eight percent of respondents trust water agencies to ensure the region has a reliable long-term supply of water. This number has increased markedly since the 2014 (48 percent) and 2015 (51 percent) surveys.

**Water Costs and Perceived Value of Water**
- On an unaided basis, water is considered a good or excellent value by 67 percent of respondents, the same as in 2015 (67 percent).
  - This year, a follow-up question asked respondents to estimate how much, on average, municipal tap water costs per gallon in the San Diego region. A majority (53 percent) are unsure; 34 percent believe it costs more than 26 cents per gallon.
  - After being informed that the retail cost of municipal tap water in the San Diego region is about one cent per gallon, the number of respondents who perceive it be an excellent or good value increases to 76 percent.
- More than four in 10 respondents (41 percent) moderately or strongly agree that additional rate increases are necessary to support regional water supply reliability, a slight decrease from 2015 (44 percent), but still above 2014 levels (33 percent).
- Four in ten (40 percent) respondents expect to pay more for a reliable water supply even while they are reducing their water use.

**Water Use Efficiency and Household Conservation Activities**
- There continues to be overwhelming community support for using water efficiently, with 81 percent of respondents strongly or moderately agreeing that doing so is their civic duty.
- More than nine in 10 respondents (92 percent) predict they will use less (33 percent) or about the same (59 percent) volume of water in 2017 as they did in 2016. About half (51 percent) of respondents agree they could do more to conserve water at their home.
Other Findings

- Sixty-six percent of respondents think the best strategy to prepare California to meet future water needs is to both save water and make investments in local supplies. Only 28 percent think the best strategy is to focus principally on saving water.
- Sixty-one percent of respondents support mixing advanced treated recycled water into the supply of drinking water.
- Seven in 10 respondents (70 percent) are not willing to pay to visit a water conservation demonstration garden. The average amount among those willing to pay to visit a demonstration garden is $11.95.

Telephone and Online Samples

As in past years, the blended sample (n=500 telephone/n=500 online panel) yielded highly comparable results. To the limited extent that variances in results across these two methodologies occurred, these tended to be restricted to different structural response techniques offered to live-assisted, self-completed online survey respondents. This dual-track data collection approach yields a more representative portrait of the opinions and attitudes of the residents of San Diego County than could be achieved using an all-telephone or all-online approach.

There were no significant statistical differences between the online and phone samples in regard to age, gender, ethnicity, home ownership, tenure in the county and income distribution. Respondents across the two samples reflected the distribution of known demographic variables within the larger San Diego County population. As an online survey is a sample of convenience – rather than a probability sample – no margin-of-error can be ascribed to the overall combined survey sample. However, comparisons of results across the two samples provide a high degree of confidence that this survey accurately reflects public opinion in San Diego County on water-related issues. A strict probability sample of 1,000 adults (i.e. no online component) would have a margin of error of ± 3.1 percentage points, 19 times out of 20.

Distribution of Survey

The complete survey will be available at the Legislation and Public Outreach Committee and will be posted on the Water Authority’s website.

Prepared by: Craig Balben, Public Affairs Representative II
Reviewed by: Jason Foster, Director of Public Outreach and Conservation
Approved by: Dennis A. Cushman, Assistant General Manager
June 14, 2017

Attention: Legislation and Public Outreach Committee

Government Relations Update. (Information)

Purpose
This report is an update of the Water Authority’s government relations program.

Discussion

The Legislature
The Legislature is rapidly approaching several important deadlines within the legislative session:

- June 15 – Deadline for Legislature to pass Budget bill and send it to the Governor
- July 21 – Last day for policy committees to hear and report bills – Legislature begins Summer recess

Sponsored Legislation

- AB 1323 (Weber) would create a stakeholder workgroup process through the Department of Water Resources for development of long-term water use efficiency standards. AB 1323 passed off the Assembly Floor on a 74-1 vote, and is pending a hearing in the Senate Natural Resources and Water Committee.

- SB 701 (Hueso), on which the Water Authority is a partner with other stakeholders, including the Imperial Irrigation District, would authorize the issuance of a general obligation bond in the amount of $500 million to help fulfill the state’s funding obligations related to Salton Sea restoration. SB 701 passed off the Senate Floor on a 30-10 vote, and is pending a hearing in the Assembly policy committee.

Salton Sea Legislation
Several measures relating to the Salton Sea, and largely focused on Salton Sea restoration, continue proceed through the legislative process.

- **AB 798 (Garcia):** Would require the California Natural Resources Agency to establish a timeline for the completion of 25,000 acres of projects to avoid and minimize health and ecosystem impacts at the Salton Sea. On May 11, AB 798 passed off the Assembly Floor on a 77-0 vote, and is now pending action in the Senate.

- **SB 615 (Hueso):** Would require the California Natural Resources Agency to develop a 10-year plan to implement the recent Salton Sea MOU with the U.S. Department of the
Interior that addresses expected lakebed exposure, habitat or air quality projects that will be implemented, and funding needs to implement the plan. Additionally, SB 615 would reflect the continuing jurisdiction of the SWRCB over Salton Sea restoration and would recognize that because of reduced inflows that the Salton Sea will be smaller in the future. On May 8, SB 615 passed off the Senate Floor on a 37-0 vote.

- **SB 701 (Hueso):** Would enact the Salton Sea Obligations Act, which, if approved by the voters at the November 6, 2018 statewide general election, would authorize the issuance of $500 million in general obligation bonds for Salton Sea restoration. On May 31, SB 701 passed off the Senate Floor on a 30-10 vote.

The Water Authority has been actively engaged on Salton Sea related activities. Specifically, the Water Authority has partnered with Senator Hueso and other stakeholders to sponsor and support SB 701, to secure greater funding commitments to allow the state to fulfill its restoration obligations at the Salton Sea.

There have been ongoing stakeholder discussions regarding mechanisms to ensure that any funding allocated to Salton Sea restoration is used on actual on-the-ground restoration projects and is not used on development of more studies and concept papers on potential Salton Sea-related projects. Those discussions have included a review of governance structure models and other mechanisms to ensure the flow of state funding to real restoration projects that implement the 10-year Salton Sea restoration plan. It is likely those stakeholder discussions will resume in earnest now that AB 798 and SB 615 have each passed out of their House of origin and are pending action in the second House.

In terms of SB 701, discussions are continuing among legislative leadership and the Administration regarding the appropriate approach and funding levels for any general obligation bonds to address parks and resources needs. Even if SB 701 is unable to secure final passage and placement on a future ballot as a stand-alone bond measure, its introduction and advancement through the legislative process will help ensure that robust funding for Salton Sea restoration will be considered for placement in any parks or resources bond measure that may gain traction.

**Status Report on Legislation and Legislative Positions**
Water Authority staff is currently actively reviewing and analyzing 67 bills in the Legislature for potential impact on the organization and its member agencies. Staff routinely monitors hundreds of bills during each legislative session as they proceed through the legislative process or are amended. Only those measures that warrant a closer review are analyzed comprehensively and considered for advancement to the Water Authority Board for possible adoption of a position. The Water Authority’s staff and legislative advocates review each bill in the context of the adopted 2017 Legislative Policy Guidelines. The Legislative Policy Guidelines provide direction to staff and the Water Authority’s legislative advocates to communicate support of, or opposition to legislation and amendments. Bills for which staff recommends a position are brought before the Legislation and Public Outreach Committee and the Board for consideration of a Water Authority position. Attached is a list of substantive legislation under review by Water Authority staff as of June 14, 2017.
Lobbyist Activities
Steve Cruz of Gonzalez, Quintana, Hunter & Cruz reports that he performed the following lobbying activities on behalf of the Water Authority over the past month:

- Provided strategic advice and information regarding the Water Authority’s legislative interests.
- Participated in legislative and Administration briefings involving Water Authority sponsored and priority legislation.
- Represented the Water Authority in a variety of venues on Water Authority issues.
- Coordinated with V. John White, Bob Giroux, and Water Authority staff on various legislative issues of importance to the Water Authority.

Bob Giroux of Lang, Hansen, O’Malley & Miller reports that he performed the following lobbying activities on behalf of the Water Authority over the past month:

- Provided strategic advice and information regarding the Water Authority’s legislative interests.
- Coordinated with V. John White, Steve Cruz, and Water Authority staff on various legislative issues of importance to the Water Authority.

V. John White reports that he performed the following lobbying activities on behalf of the Water Authority over the past month:

- Provided strategic advice and information regarding the Water Authority’s legislative interests.
- Coordinated with Bob Giroux, Steve Cruz, and Water Authority staff on various legislative issues of importance to the Water Authority.

Washington, D.C.
Ken Carpi of Carpi & Clay will provide an in-person report for the LPO Committee and will submit a separate written report of the firm’s monthly activities in Washington, D.C.
Substantive State Legislation Under Review by Water Authority Staff
June 14, 2017

AB 18 (Garcia, Eduardo D)  California Clean Water, Climate, Coastal Protection, and Outdoor Access For All Act of 2018.
Current Text: Amended: 2/23/2017
Introduced: 12/5/2016
Is Fiscal: Y

Summary: Would enact the California Clean Water, Climate, Coastal Protection, and Outdoor Access For All Act of 2018, which, if approved by the voters, would authorize the issuance of bonds in an amount of $3,105,000,000 pursuant to the State General Obligation Bond Law to finance a clean water, climate, coastal protection, and outdoor access for all program. This bill contains other related provisions.

AB 92 (Bonta D)  Public contracts: payment.
Current Text: Introduced: 1/9/2017
Introduced: 1/9/2017
Is Fiscal: N

Summary: Current law until January 1, 2018, authorizes the retention proceeds withheld from any payment by an awarding entity, as described, from the original contractor, by the original contractor from any subcontractor, and by a subcontractor from any subcontractor to exceed 5% on specific projects where the director of the applicable department, as specified, has made, or the governing body of the public entity or designated official of the public entity has approved, a finding prior to the bid that the project is substantially complex and requires a higher retention and the department or public entity includes both this finding and the actual retention amount in the bid documents. This bill would extend the operation of these provisions to January 1, 2023.

AB 247 (Garcia, Cristina D)  Public health: childhood lead poisoning: Lead Advisory Taskforce.
Current Text: Amended: 3/28/2017
Introduced: 1/30/2017
Is Fiscal: Y

Summary: Under current law, known as the Childhood Lead Poisoning Prevention Act of 1991, the State Department of Public Health is required to establish procedures for environmental abatement and followup, and undertake other specified measures, designed to reduce the incidence of excessive childhood lead exposure in California. The bill would require, by April 1, 2018, the Office of Environmental Health Hazard Assessment to convene a Lead Advisory Taskforce, with a prescribed membership, to review and advise, as provided, regarding policies and procedures to reduce childhood lead poisoning in the state.

AB 305 (Arambula D)  School accountability report card: drinking water access points.
Current Text: Introduced: 2/6/2017
Introduced: 2/6/2017
Is Fiscal: Y

Summary: Would amend the Classroom Instructional Improvement and Accountability Act to also require the school accountability report card to include an assessment of the drinking water access points at each school site, as specified. The bill would require the State Department of Education to compile the assessments and transmit them to the State Water Resources Control Board. By imposing additional duties on local educational agency officials, the bill would impose a state-mandated local program. The bill would provide that the Legislature finds and declares that the changes made to the act by its provisions further the purposes of the act.

AB 313 (Gray D)  Water.
Current Text: Amended: 4/18/2017
Introduced: 2/6/2017
Is Fiscal: Y
Summary: Current law authorizes the State Water Resources Control Board to adopt an order setting administrative civil liability based on the allegations set forth in the complaint without a hearing, unless a written request for a hearing signed by, or on behalf of, the party served with the complaint is delivered to or received by mail by the board within 20 days after receipt of the complaint. This bill, commencing July 1, 2018, would establish a Water Rights Division within the Office of Administrative Hearings, as prescribed.

AB 408  (Chen R)  Eminent domain: final offer of compensation.
Current Text: Introduced: 2/9/2017  Text
Introduced: 2/9/2017
Is Fiscal: N

Summary: Current law governing settlement offers in eminent domain proceedings authorizes the recovery of litigation expenses under certain circumstances. This bill would provide that if a court finds, on motion of the defendant, that the offer of the plaintiff was lower than 90% of the compensation awarded in the proceeding, then the court would be required to include the defendant’s litigation costs in the costs allowed. If the court finds that the offer of the plaintiff was at least 90% and less than 100% of the compensation awarded in the proceeding, the court would be authorized to include the defendant’s litigation costs in the costs allowed.

AB 554  (Cunningham R)  Desalination: statewide goal.
Current Text: Amended: 3/27/2017  Text
Introduced: 2/14/2017
Is Fiscal: N

Summary: The Cobey-Porter Saline Water Conversion Law provides that it is the intention of the Legislature that the Department of Water Resources undertake to find economic and efficient methods of desalting saline water so that desalted water may be made available to help meet the growing water requirements of the state. This bill would establish a goal to desalinate 300,000 acre-feet of drinking water per year by the year 2025 and 500,000 acre-feet of drinking water per year by the year 2030.

AB 574  (Quirk D)  Potable reuse.
Current Text: Amended: 4/18/2017  Text
Introduced: 2/14/2017
Is Fiscal: Y

Summary: Current law required the State Department of Public Health to develop and adopt uniform water recycling criteria for surface water augmentation, as defined, by December 31, 2016, if a specified expert panel found that the criteria would adequately protect public health. Current law defined the terms "direct potable reuse," "indirect potable reuse for groundwater recharge," and "surface water augmentation" for these purposes. This bill would remove certain references to "direct potable reuse," "indirect potable reuse for groundwater recharge," and "surface water augmentation," and would instead specify the four different types of potable reuse projects as "groundwater augmentation," "reservoir augmentation," "raw water augmentation," and "treated drinking water augmentation."

AB 594  (Irwin D)  Water supply planning: California Environmental Quality Act: photovoltaic or wind energy generation facility.
Current Text: Introduced: 2/14/2017  Text
Introduced: 2/14/2017
Is Fiscal: Y

Summary: Current law requires a city or county that determines that a project, as defined, is subject to the California Environmental Quality Act to identify any public water system that may supply water for the project and to request those public water systems to prepare a specified water supply assessment. If no public water system is identified, the city or county is required to prepare the water supply assessment. Current law, until January 1, 2018, exempts from the definition of "project" a proposed photovoltaic or wind energy generation facility that would demand no more than 75 acre-
feet of water annually. This bill would indefinitely exempt from the definition of “project” a proposed photovoltaic or wind energy generation facility that would demand no more than 50 acre-feet of water annually.

**AB 672**  
**(Jones-Sawyer D)** Utility services.  
**Current Text:** Amended: 5/1/2017  
**Introduced:** 2/15/2017  
**Is Fiscal:** N  
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**Summary:** Current law authorizes an electrical, gas, or water corporation, or any electrical, gas, or water system operated by a public agency, to bring a civil action for damages against any person who commits, authorizes, solicits, aids, abets, or attempts, among other things, the diversion of utility services by any means whatsoever. Current law authorizes the utility to recover as damages 3 times the amount of actual damages, plus the cost of the suit and reasonable attorney’s fees, in any civil action brought pursuant to these provisions. This bill would authorize a defendant that prevails upon judgment to recover reasonable attorney’s fees and costs of the suit from the utility.

**AB 733**  
**Current Text:** Amended: 3/23/2017  
**Introduced:** 2/15/2017  
**Is Fiscal:** N  
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**Summary:** Current law authorizes the legislative body of a city or a county to establish an enhanced infrastructure financing district to finance public capital facilities or other specified projects of communitywide significance, and makes related findings and declarations. This bill would additionally authorize the financing of projects that enable communities to adapt to the impacts of climate change, including, but not limited to, extreme weather events, sea level rise, flooding, heat waves, wildfire, and drought, and would make conforming changes to the Legislature’s findings and declarations.

**AB 746**  
**(Gonzalez Fletcher D)** Public health: potable water systems: lead testing: schoolsites.  
**Current Text:** Amended: 5/26/2017  
**Introduced:** 2/15/2017  
**Is Fiscal:** Y  
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**Summary:** Would require a local educational agency, as defined, to test for lead in the potable water system, as defined, at every schoolsite within its jurisdiction at least once a year or once every 3 years, depending on whether a building was constructed before or after January 1, 1993. The bill would require, if a test reveals that a schoolsite’s lead level is greater than the United States Environmental Protection Agency’s drinking water standards for lead, as those standards existed on January 1, 2017, the local educational agency to notify parents and guardians of the elevated level and provide information on lead developed by an agency with expertise on lead, as specified.

**AB 791**  
**Current Text:** Amended: 3/21/2017  
**Introduced:** 2/15/2017  
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**Summary:** The Sacramento-San Joaquin Delta Reform Act of 2009 prohibits construction of a new Delta conveyance facility from being initiated until the persons or entities that contract to receive water from the State Water Project and the federal Central Valley Project or a joint powers authority representing those entities have made arrangements or entered into contracts to pay for certain costs required for the construction, operation, and maintenance of the facility and full mitigation of property tax or assessments levied for land used in the construction, location, mitigation, or operation of the facility. This bill would require, before a water contractor enters into a contract to pay for these costs, that the lead agency provide the breakdown of costs for each water contractor entering into a contract and what benefits each contractor will receive based on the proportion it has financed of the proposed conveyance project.

**AB 793**  
**Current Text:** Amended: 3/27/2017  
**Introduced:** 2/15/2017
Summary: Would declare it to be state policy that the existing state of the Sacramento-San Joaquin Delta is recognized and defined as an integral component of California’s water infrastructure. The bill would state that the maintenance and repair of the Delta are eligible for the same forms of financing as other water collection and treatment infrastructure and would specify the maintenance and repair activities that are eligible are limited to certain cleanup and abatement-related restoration and conservation activities.

**AB 798**  
Current Text: Amended: 3/23/2017  
Introduced: 2/15/2017  
Is Fiscal: Y

Summary: Would require the Natural Resources Agency, on or before June 30, 2018, to undertake certain planning activities and to make an effort to secure adequate funding to accomplish a specified goal for the restoration of the Salton Sea.

**AB 851**  
**(Caballero D)** Local agency design-build projects.  
Current Text: Amended: 5/10/2017  
Introduced: 2/16/2017  
Is Fiscal: Y

Summary: Would authorize the Santa Clara Valley Water District to use the design-build procurement process as specified when contracting for the construction of a building or buildings and improvements directly related to the construction of a building or buildings. The bill would also authorize the utilization of the design-build procurement process by the Santa Clara Valley Water District for the purposes of, among other things, flood protection improvements, habitat restorations or enhancements, and the retrofit, repair, or expansion of existing surface water facilities, upon approval by its governing body.

**AB 869**  
**(Rubio D)** Sustainable water use and demand reduction: recycled water.  
Current Text: Amended: 5/15/2017  
Introduced: 2/16/2017  
Is Fiscal: Y

Summary: Current law imposes various water use reduction requirements that apply to urban retail water suppliers, including a requirement that the state achieve a 20% reduction in urban per capita water use by December 31, 2020. This bill would require recycled water delivered within the service area of an urban retail water supplier or its urban wholesale water supplier for either nonpotable or potable use or that replenishes a groundwater basin and supplements the groundwater supply available to an urban retail water supplier be excluded from the calculation of any urban water use target or reduction in urban per capita water use.

**AB 884**  
**(Levine D)** Dams and reservoirs: inspections.  
Current Text: Amended: 3/21/2017  
Introduced: 2/16/2017  
Is Fiscal: Y

Summary: Current law requires the Department of Water Resources, from time to time, to make inspections of dams and reservoirs at state expense for the purpose of determining their safety. This bill would require the department instead to make annual physical inspections.

**AB 885**  
Current Text: Amended: 4/27/2017  
Introduced: 2/16/2017  
Is Fiscal: Y
Summary: Would require a community water system, as defined, to test, on or before July 1, 2019, and every year thereafter, for the presence of lead at a sample of water outlets used for drinking or cooking at each school, defined to include a public elementary school, a public secondary school, a public preschool located on public school property, and a public day care facility located on public school property, constructed before January 1, 1993, within the boundaries of the community water system.

**AB 892**

(Waldron R) **Municipal water districts: water service: Indian tribes.**


Introduced: 2/16/2017

Is Fiscal: N

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Summary: Current law, upon the request of certain Indian tribes and the satisfaction of certain conditions, requires a district to provide service of water at substantially the same terms applicable to the customers of the district to the Indian tribe's lands that are not within a district, as prescribed. This bill would authorize, rather than require, a district to provide this service of water. The bill would apply this authorization to all Indian tribes whose lands are owned by the tribe.

**AB 914**

(Mullin D) **Transmission planning: energy storage and demand response.**

Current Text: Amended: 3/20/2017 [Text]

Introduced: 2/16/2017

Is Fiscal: Y

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Summary: Would require the Public Utilities Commission, in its oversight of large electrical corporations and its participation in the ISO's transmission planning process, to promote the consideration of the use of nonwire alternatives, as defined, as means to address the state's transmission needs before the use of transmission wires. The bill would require the commission to ensure that transmission facility owners take certain actions in the transmission planning process regarding nonwire alternatives.

**AB 947**

(Gallagher R) **Department of Fish and Wildlife: lake or streambed alteration agreements: definitions.**

Current Text: Amended: 4/17/2017 [Text]

Introduced: 2/16/2017

Is Fiscal: Y

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Summary: Current law prohibits an entity from substantially diverting or obstructing the natural flow of, or substantially changing or using any material from the bed, channel, or bank of, any river, stream, or lake, or from depositing certain material where it may pass into any river, stream, or lake, without first notifying the Department of Fish and Wildlife of that activity, and entering into a lake or streambed alteration agreement if required by the department to protect fish and wildlife resources. This bill would define "river" and "stream" for purposes of these provisions.

**AB 967**

(Gloria D) **Human remains disposal: alkaline hydrolysis: licensure and regulation.**

Current Text: Amended: 5/30/2017 [Text]

Introduced: 2/16/2017

Is Fiscal: Y

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Summary: Would, commencing January 1, 2019, require the Cemetery and Funeral Bureau to license and regulate hydrolysis facilities, as defined, and hydrolysis facility managers, and would enact requirements applicable to hydrolysis facilities substantially similar to those applicable to crematoria. By expanding the definition of crimes relating to the disposition of human remains and creating new crimes, this bill would impose a state-mandated local program.

**AB 975**

(Friedman D) **Natural resources: wild and scenic rivers.**


Introduced: 2/16/2017

Is Fiscal: Y

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Summary: Current law establishes that it is the policy of the state that certain rivers that possess extraordinary scenic, recreational, fishery, or wildlife values shall be preserved in their free-flowing
state, together with their immediate environments, for the benefit and enjoyment of the people of the state. This bill would revise that policy to specify that certain rivers that possess scenic, recreational, fishery, wildlife, historical, cultural, geological, or other similar values shall be preserved in their free-flowing state, together with their immediate environments, for the benefit and enjoyment of the people of the state, and would revise the definition of "immediate environments," and define the term "extraordinary value" for purposes of that policy.

**AB 1000 (Friedman D) Water conservation: performance standards for water meters.**

*Current Text: Amended: 5/30/2017  Text*

*Introduced: 2/16/2017  Is Fiscal: Y*

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**Summary:** Current law requires the State Energy Resources Conservation and Development Commission to establish minimum levels of operating efficiency to promote the use of energy and water efficient appliances. This bill would authorize the commission to adopt regulations establishing performance standards for water meters installed in residential and nonresidential buildings, including water meters installed pursuant to the Water Measurement Law.

**AB 1030 (Ting D) Energy storage systems.**

*Current Text: Amended: 3/30/2017  Text*

*Introduced: 2/16/2017  Is Fiscal: Y*

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**Summary:** Would establish 4 energy policy goals of the state with respect to energy storage and would require the PUC, on behalf of electrical corporations, and require the governing board, on behalf of a local publicly owned electric utility, to undertake specified actions with respect to customer- and load-sited energy storage systems in order to achieve those energy policy goals, including a rebate program dedicated to energy storage that carves out a portion of funding for low-income customers and disadvantaged communities.

**AB 1050 (Allen, Travis R) California Endangered Species Act: Delta smelt.**

*Current Text: Amended: 3/28/2017  Text*

*Introduced: 2/16/2017  Is Fiscal: Y*

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**Summary:** The California Endangered Species Act requires the Fish and Game Commission to establish a list of endangered species and a list of threatened species and requires the commission to add or remove species from either list if it finds, upon the receipt of sufficient scientific information, that the action is warranted. The act prohibits the taking of an endangered or threatened species, except as specified. This bill would require the commission to remove the Delta smelt from the endangered species list.

**AB 1145 (Quirk D) Conversion of existing overhead electric and communication facilities to underground locations: cable operators.**

*Current Text: Amended: 5/1/2017  Text*

*Introduced: 2/17/2017  Is Fiscal: Y*

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**Summary:** The Improvement Act of 1911 authorizes the initiation of special assessment proceedings for the conversion of overhead electric and communication facilities to underground locations upon either the filing of a petition or a determination by the local legislative body that the city or a public utility has voluntarily agreed to pay over 50% of all costs of conversion, excluding costs of users’ connections to underground electric or communications facilities. Current law authorizes an agreement entered into as part of those proceedings to allocate duties between a city and an electricity or communication provider regarding the planning and specifications of, and contributions of labor, materials, and money to, the conversion of those electric and communication facilities to underground locations. This bill would additionally make these provisions applicable to cable television facilities and a cable operator and, where overhead electric or communications facilities that are to be converted to underground are owned by a city or municipal government, would require the legislative body initiating the conversion proceeding to reimburse the costs incurred by a cable operator for relocation

**AB 1270 (Gallagher R) Dams and reservoirs: inspections and reporting.**
Summary: Current law requires the Department of Water Resources, from time to time, to make inspections of dams and reservoirs at state expense for the purpose of determining their safety. Existing law defines “owner” for purposes of these provisions. This bill would require the department instead to, at least annually, make visual and physical inspections. The bill, on or before January 1, 2019, and annually thereafter, would require the department to submit a report to the Legislature that includes a 5-year infrastructure improvement, maintenance, and funding plan for state-operated and state-maintained dams and reservoirs, as specified.

AB 1271  
**Gallagher R**  Dams and reservoirs.  
Current Text: Amended: 3/21/2017  
Introduced: 2/17/2017

Summary: Current law requires the Department of Water Resources, in determining whether or not a dam or reservoir or proposed dam or reservoir constitutes or would constitute a danger to life or property, to take into consideration the possibility that the dam or reservoir might be endangered by conditions that exist or that might occur in any area in the vicinity of the dam or reservoir. Under existing law, whenever the department deems that a condition endangers a dam or reservoir, the department is required to order the owner to take action as the department determines to be necessary to remove the resultant danger to life and property. This bill would require the department, as soon as possible, to order the owner to take action.

AB 1333  
**Dababneh D**  Political Reform Act of 1974: local government agency notices.  
Current Text: Amended: 5/18/2017  
Introduced: 2/17/2017

Summary: Would require every local government agency that maintains an Internet Web site to prominently post on its Internet Web site, as specified, a notice of any upcoming election in which voters will vote on a tax measure or proposed bond issuance of the agency. The bill would also require every local government agency that publishes an electronic newsletter to include the notice in the electronic newsletter. By imposing new duties on local government agencies, the bill would impose a state-mandated local program.

AB 1343  
**Chen R**  Water conservation: school districts: Go Low Flow Water Conservation Partnerships.  
Current Text: Amended: 4/24/2017  
Introduced: 2/17/2017

Summary: Would authorize the governing board of a school district to enter into a Go Low Flow Water Conservation Partnership with a public water system for purposes of reducing water use at schools, reducing stormwater and dry weather runoff at schools, reducing schoolsite water pollution, and establishing the basis for educational opportunities in water conservation. The bill would also authorize a public water system to offer, as part of a partnership, a water rebate for a school that implements water-saving measures.

AB 1369  
**Gray D**  Water quality and storage.  
Current Text: Introduced: 2/17/2017  
Introduced: 2/17/2017

Summary: Current law requires all moneys, except for fines and penalties, collected by the State Air Resources Board from the auction or sale of allowances as part of a market-based compliance mechanism relative to reduction of greenhouse gas emissions to be deposited in the Greenhouse Gas Reduction Fund. This bill would require the Department of Water Resources to increase statewide water storage capacity by 25% by January 1, 2025, and 50% by January 1, 2050, as specified.
AB 1405  (Mullin D)  Electricity: net-load peak.
Current Text: Amended: 5/2/2017  Text
Introduced: 2/17/2017
Is Fiscal: Y

Summary: Would require the Public Utilities Commission and the governing boards of local publicly owned electric utilities, as a part of the integrated resource plan process, to establish policies and procedures to ensure that each load-serving entity or local publicly owned electric utility, as applicable, meets net-load peak energy needs and reliability needs while reducing the need for new electricity generation in achieving the state’s energy goals at the least cost to ratepayers. Because this bill would impose additional duties on local publicly owned electric utilities, this bill would impose a state-mandated local program.

AB 1422  (Daly D)  Workers’ compensation insurance: fraud.
Current Text: Amended: 4/20/2017  Text
Introduced: 2/17/2017
Is Fiscal: Y

Summary: Current law governing workers’ compensation requires a lien filed by or on behalf of a physician or provider of medical treatment services or medical-legal services, and any accrual of interest related to the lien, to be automatically stayed upon the filing of criminal charges against that physician or provider for an offense involving fraud against the workers’ compensation system, medical billing fraud, insurance fraud, or fraud against the Medicare or Medi-Cal programs. Current law makes the stay effective from the time of the filing of the charges until the disposition of the criminal proceedings. This bill would, in the event the criminal proceeding resulted in a conviction, additionally require the stay to remain in effect from the date of the conviction until the adjudication procedures described above have been completed.

Current Text: Amended: 3/21/2017  Text
Introduced: 2/17/2017
Is Fiscal: N

Summary: The California Public Records Act requires state and local agencies to make their records available for public inspection, unless an exemption from disclosure applies. Current law exempts from disclosure specific records of state agencies related to activities governed by the Dills Act, the State Excluded Employees Bill of Rights, and the Higher Education Employer-Employee Relations Act. This bill would also exempt from disclosure specific records of local agencies related to activities governed by the Meyers-Milias-Brown Act.

AB 1479  (Bonta D)  Public records: custodian of records: civil penalties.
Current Text: Amended: 4/27/2017  Text
Introduced: 2/17/2017
Is Fiscal: Y

Summary: Would require public agencies to designate a person or office to act as the agency’s custodian of records who is responsible for responding to any request made pursuant to the California Public Records Act and any inquiry from the public about a decision by the agency to deny a request for records. The bill also would make other conforming changes. Because the bill would require local agencies to perform additional duties, the bill would impose a state-mandated local program. This bill contains other related provisions and other existing laws.

AB 1529  (Thurmond D)  Cross-connection or backflow prevention device inspectors: certification.
Current Text: Amended: 5/1/2017  Text
Introduced: 2/17/2017
Is Fiscal: Y

Summary: Would require valid and current certifications for cross-connection inspection and testing or backflow prevention device inspection, testing, and maintenance that were determined by the State
Department of Public Health to demonstrate competency before January 1, 2016, to be approved California-specific certifications either until the State Water Resources Control Board promulgates regulations for cross-connection inspection and testing and backflow prevention device inspection, testing, and maintenance, or until January 1, 2020, whichever comes first.

**AB 1552**  
**(Quirk-Silva D)** Electricity: distributed generation.  
*Current Text: Introduced: 2/17/2017*  
*Is Fiscal: Y*  

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**Summary:** Would, by July 1, 2018, to the extent authorized by federal law, require the state’s 3 largest electrical corporations to stop assessing utility-imposed nonbypassable charges against customers using clean distributed generation resources, as defined, for electricity generated and consumed on-site and instead require those customers to pay all applicable fees based only on electricity purchased from the electrical corporation that is delivered over the electrical grid.

**AB 1587**  
**(Levine D)** Invasive species: dreissenid mussels.  
*Current Text: Amended: 5/30/2017*  
*Introduced: 2/17/2017*  
*Is Fiscal: Y*  

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**Summary:** Would require the Director of Fish and Wildlife, upon lifting a closure, quarantine, or restriction on a reservoir as specified where dreissenid mussels have been detected, to order the entity that owns or manages the reservoir to implement a dreissenid mussel control program to prevent the spread of dreissenid mussels within the state from conveyances exiting the reservoir. The bill would delete the immunity from liability for water supply systems as described.

**AB 1603**  
*Current Text: Introduced: 2/17/2017*  
*Introduced: 2/17/2017*  
*Is Fiscal: Y*  

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**Summary:** The MMBA rules and regulations may include exclusive recognition of employee organizations formally recognized pursuant to a vote of the employees of the agency or an appropriate unit thereof, subject to the right of an employee to represent himself or herself. This bill instead would specify that those rules and regulations may provide for exclusive recognition of employee organizations formally recognized pursuant to a vote of the employees of the agency or an appropriate unit thereof, subject to the employee’s right to represent himself or herself, and provided that an otherwise appropriate unit of a public agency and one or more joint employers do not require the agency or joint employer’s consent.

**AB 1667**  
**(Friedman D)** Agricultural water management planning.  
*Current Text: Amended: 5/30/2017*  
*Introduced: 2/17/2017*  
*Is Fiscal: Y*  

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**Summary:** Current law requires an agricultural water supplier to prepare and adopt an agricultural water management plan with specified components on or before December 31, 2012, and to update that plan on December 31, 2015, and on or before December 31 every 5 years thereafter. This bill would revise the components of the plan and additionally require the agricultural water management plan to quantify the efficiency of agricultural water use, include an annual water budget, describe the agricultural water supplier’s water management strategy with specified elements, and include a drought plan describing the actions of the agricultural water supplier for drought preparedness and management of water supplies and allocations during drought conditions.

**AB 1668**  
**(Friedman D)** Water management planning.  
*Current Text: Amended: 4/18/2017*  
*Introduced: 2/17/2017*  
*Is Fiscal: Y*  

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Summary: Current law, the Urban Water Management Planning Act, requires every public and private urban water supplier that directly or indirectly provides water for municipal purposes to prepare and adopt an urban water management plan and to update its plan once every 5 years on or before December 31 in years ending in 5 and zero, except as specified. This bill would require an urban water management plan to be updated on or before July 1, in years ending in 6 and one, incorporating updated and new information from the 5 years preceding the plan update.

AB 1669  (Friedman  D)  Urban water conservation standards and use reporting.  
Current Text: Amended: 4/18/2017  
Introduced: 2/17/2017  
Is Fiscal: Y  

Summary: Would require the State Water Resources Control Board, in consultation with the Department of Water Resources, to adopt long-term standards for urban water conservation and water use by May 20, 2021. The bill would authorize the board, in consultation with the department, to adopt interim standards for urban water conservation and water use by emergency regulation. The bill would require the board, before adopting an emergency regulation, to provide at least 60 days for the public to review and comment on the proposed regulation and would require the board to hold a public hearing.

AB 1671  (Caballero  D)  Backflow protection and cross-connection controls: regulations.  
Current Text: Amended: 4/19/2017  
Introduced: 2/17/2017  
Is Fiscal: Y  

Summary: Would, on or before January 1, 2020, require the state board to update its backflow protection and cross-connection control regulations. This bill contains other existing laws.

Current Text: Amended: 5/26/2017  
Introduced: 12/5/2016  
Is Fiscal: Y  

Summary: Would enact the California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access For All Act of 2018, which, if approved by the voters, would authorize the issuance of bonds in an amount of $3,500,000,000 pursuant to the State General Obligation Bond Law to finance a drought, water, parks, climate, coastal protection, and outdoor access for all program. This bill contains other related provisions.

Current Text: Amended: 5/26/2017  
Introduced: 12/5/2016  
Is Fiscal: Y  

Summary: The Porter-Cologne Water Quality Control Act regulates the discharge of pollutants into the waters of the state. The California Safe Drinking Water Act establishes standards for drinking water and regulates drinking water systems. The California Endangered Species Act requires the Fish and Game Commission to establish a list of endangered species and a list of threatened species and generally prohibits the taking of those species. The Protect California Air Act of 2003 prohibits air quality management districts and air pollution control districts from amending or revising their new source review rules or regulations to be less stringent than those rules or regulations that existed on December 30, 2002. This bill would prohibit state or local agencies from amending or revising their rules and regulations implementing the above state laws to be less stringent than the baseline federal standards, as defined, and would require specified agencies to take prescribed actions to maintain and enforce certain requirements and standards pertaining to air, water, and protected species.

SB 80  (Wieckowski  D)  California Environmental Quality Act: notices.  
Current Text: Amended: 2/14/2017  
Introduced: 1/11/2017  
Is Fiscal: Y
Summary: The California Environmental Quality Act requires the lead agency to mail certain notices to persons who have filed a written request for notices. The act provides that if the agencies offer to provide the notices by email, upon filing a written request for notices, a person may request that the notices be provided to him or her by email. This bill would require the lead agency to post those notices on the agency’s Internet Web site. The bill would require the agency to offer to provide those notices by email. Because this bill would increase the level of service provided by a local agency, this bill would impose a state-mandated local program.

SB 100  
(De León D)  
California Renewables Portfolio Standard Program: emissions of greenhouse gases.  
Current Text: Amended: 5/26/2017  
Introduced: 1/11/2017  
Is Fiscal: Y

Summary: The Legislature has found and declared that its intent in implementing the California Renewables Portfolio Standard Program is to attain, among other targets for sale of eligible renewable resources, the target of 50% of total retail sales of electricity by December 31, 2030. This bill would revise the above-described legislative findings and declarations to state that the goal of the program is to achieve that 50% renewable resources target by December 31, 2026, to achieve a 60% target by December 31, 2030, and for all electricity sold at retail to be generated by eligible renewable energy resources by December 31, 2045.

SB 210  
(Leyva D)  
Pupil health: drinking water.  
Current Text: Amended: 5/26/2017  
Introduced: 2/1/2017  
Is Fiscal: Y

Summary: The California Safe Drinking Water Act, requires the State Water Resources Control Board to establish a grant program, in consultation with the State Department of Education, to award grants to local educational agencies for the purposes of improving access to, and the quality of, drinking water in public schools serving kindergarten or any of grades 1 to 12, inclusive, and preschools and child day care facilities located on public school property. The act requires the state board to give priority to certain projects. This bill would require priority be given to projects for schools that have tested their drinking water fixtures, and the results show that the drinking water either does not meet the United States Environmental Protection Agency drinking water standards for lead or is above the California maximum contaminant level for any other contaminant, as specified.

SB 214  
(Atkins D)  
San Diego River Conservancy.  
Current Text: Amended: 4/6/2017  
Introduced: 2/1/2017  
Is Fiscal: Y

Summary: The San Diego River Conservancy Act establishes the San Diego River Conservancy in the Natural Resources Agency, and prescribes the territory, membership, functions, and duties of the conservancy with regard to, among other things, the acquisition, protection, and management of public lands within the San Diego River area, as defined. This bill would specify that the powers of the conservancy include improving, developing, and preserving lands for the purpose of protecting the natural, cultural, and historical resources, and entering into a joint powers agreement, as specified.

SB 231  
(Hertzberg D)  
Local government: fees and charges.  
Current Text: Amended: 4/19/2017  
Introduced: 2/2/2017  
Is Fiscal: N

Summary: Articles XIIIC and XIIID of the California Constitution generally require that assessments, fees, and charges be submitted to property owners for approval or rejection after the provision of written notice and the holding of a public hearing. Current law, the Proposition 218 Omnibus Implementation Act, prescribes specific procedures and parameters for local jurisdictions to comply with Articles XIIIC and XIIID of the California Constitution and defines terms for these purposes. This bill would define the term "sewer" for these purposes. The bill would also make findings and declarations
relating to the definition of the term "sewer" for these purposes.

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<th>SB 244</th>
<th>Privacy: agencies: personal information.</th>
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**Summary:** The California Public Records Act requires state and local agencies to make public records available for inspection by the public, subject to specified criteria and with specified exceptions. Current law exempts from disclosure statements of personal worth or personal financial data required by a licensing agency and filed by an applicant with the licensing agency to establish his or her personal qualification for the license, certificate, or permit. This bill would exempt from disclosure sensitive personal information regarding an application for public services or programs, as defined, and prohibit that information from being disclosed to any other person, including, but not limited to, any other state or federal agency or official.

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<th>SB 371</th>
<th>Local public employee organizations.</th>
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**Summary:** The Meyers-Milias-Brown Act requires the governing body of a local public agency to meet and confer in good faith regarding wages, hours, and other terms and conditions of employment with representatives of a recognized employee organization. This bill would prohibit an individual who will be affected, directly or indirectly, by a memorandum of understanding between a local public agency and a recognized public employee organization from representing the public agency in negotiations with the recognized employee organization. The bill would define the phrases "indirectly affected" and "represent the public agency" for those purposes.

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<tr>
<th>SB 427</th>
<th>Public water systems: community water systems: lead user service lines.</th>
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<tr>
<td><strong>(Leyva D)</strong></td>
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**Summary:** Current law requires, by July 1, 2018, a public water system to compile an inventory of known lead user service lines in use in its distribution system and identify areas that may have lead user service lines in use in its distribution system. This bill would apply the above-described provisions relating to lead user service lines to a community water system, instead of a public water system, and would require, by July 1, 2020, the community water system to provide a timeline for replacement of known lead user service lines in use in its distribution system to the State Water Resources Control Board.

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<th>SB 448</th>
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**Summary:** Current law requires a report of an audit of a special district’s accounts and records made by a certified public accountant or public accountant to be filed with the Controller and the county auditor of the county in which the special district is located within 12 months of the end of the fiscal year or years under examination. This bill would require that those audit reports also be filed with the local agency formation commission of either the county in which the special district is located or, if the special district is located in 2 or more counties, with each local agency formation commission within each county in which the district is located until January 1, 2027, and thereafter with the county containing the greatest percentage of the assessed value of taxable property in the district.

<table>
<thead>
<tr>
<th>SB 496</th>
<th>Indemnity: design professionals.</th>
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<tbody>
<tr>
<td>Introduced: 2/16/2017</td>
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<tr>
<td>Is Fiscal: N</td>
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Summary: Current law provides, with respect to contracts and amendments to contracts entered into on or after January 1, 2011, with a public agency, as defined, for design professional services, that all provisions, clauses, covenants, and agreements contained in, collateral to, or affecting these contracts or amendments to contracts that purport to require the design professional to defend the public agency under an indemnity agreement, including the duty and the cost to defend, are unenforceable, except for claims that arise out of, pertain to, or relate to the negligence, recklessness, or willful misconduct of the design professional. This bill would instead make these provisions applicable to all contracts for design professional services entered into on or after January 1, 2018.

**SB 564**

*Current Text: Amended: 4/18/2017  Text*

*Introduced: 2/17/2017*

*Is Fiscal: N*

Summary: Would enact the Water Bill Savings Act, which would authorize a joint powers authority to provide funding for a customer of a local agency or its publicly owned utility to acquire, install, or repair a water efficiency improvement on the customer’s property served by the local agency or its publicly owned utility. The bill would require the customer to repay the authority through an efficiency charge on the customer’s water bill to be established and collected by the local agency or its publicly owned utility on behalf of the authority pursuant to a servicing agreement.

**SB 584**
**Committee on Budget and Fiscal Review** Budget Act of 2017.

*Current Text: Amended: 5/1/2017  Text*

*Introduced: 2/17/2017*

*Is Fiscal: N*

Summary: This bill would express the intent of the Legislature to enact statutory changes relating to the Budget Act of 2017.

**SB 615**
**Hueso D)** Salton Sea restoration.

*Current Text: Amended: 5/1/2017  Text*

*Introduced: 2/17/2017*

*Is Fiscal: Y*

Summary: Would require the Natural Resources Agency, by January 1, 2018, to develop a 10-year plan to implement the memorandum of understanding between the agency and the United States Department of the Interior entered into on August 31, 2016, and its addendum, entered into on January 18, 2017, and would require the agency to address certain issues in the plan. The bill would rename the Salton Sea Restoration Act as the “John J. Benoit Salton Sea Restoration Act.” This bill contains other related provisions.

**SB 623**
**Monning D)** Safe and Affordable Drinking Water Fund.

*Current Text: Amended: 4/26/2017  Text*

*Introduced: 2/17/2017*

*Is Fiscal: Y*

Summary: Would establish the Safe and Affordable Drinking Water Fund in the State Treasury and would provide that moneys in the fund are available, upon appropriation, to the State Water Resources Control Board. The bill would require the board to administer the fund and authorize the board to provide for the deposit of federal contributions and voluntary contributions, gifts, grants, or bequests. The bill would require the board to expend moneys in the fund for grants, loans, contracts, or services to assist those without access to safe and affordable drinking water consistent with a fund implementation plan adopted annually by the board, as prescribed.

**SB 667**
**Atkins D)** Department of Water Resources: riverine and riparian stewardship improvements.

*Current Text: Introduced: 2/17/2017  Text*

*Introduced: 2/17/2017*

*Is Fiscal: Y*
Summary: Current law authorizes the Director of Water Resources to establish a program of flood control and urban creek restoration, known as the Urban Streams Restoration Program, consisting of the development of the capability by the Department of Water Resources to respond to requests from local agencies and organizations for planning and design assistance for efficient and effective urban creek protection, restoration, and enhancement. This bill, upon an appropriation of funds from the Legislature, would require the department to establish a program to implement watershed-based riverine and riparian stewardship improvements by providing technical and financial assistance in support of projects with certain benefits.

SB 686  (Wilk R)  Public contracts: claim resolution.
Current Text: Introduced: 2/17/2017  Text
Introduced: 2/17/2017
Is Fiscal: N

Summary: Current law establishes, for contracts entered into on or after January 1, 2017, a claim resolution process applicable to any claim by a contractor in connection with a public works project against a public entity. Current law defines a claim as a separate demand by the contractor for one or more of the following: a time extension for relief from damages or penalties for delay, payment of money or damages arising from work done pursuant to the contract for a public work, or payment of an amount disputed by the public entity, as specified. In the case in which a claimant disputes the public entity's response or the public entity fails to respond, current law requires a public entity to schedule a meet and confer conference for the settlement of the dispute. This bill would require the public entity to, instead, conduct the meet and confer conference within that some period.

SB 701  (Hueso D)  Salton Sea Obligations Act of 2018.
Current Text: Amended: 5/17/2017  Text
Introduced: 2/17/2017
Is Fiscal: Y

Summary: Would enact the Salton Sea Obligations Act of 2018, which, if approved by the voters, would authorize the issuance of bonds in the amount of $500,000,000 pursuant to the State General Obligation Bond Law to finance a program to comply with specified state obligations relating to the Salton Sea. This bill would provide for the submission of these provisions to the voters at the November 6, 2018, statewide general election.

SB 740  (Wiener D)  Onsite treated water.
Current Text: Amended: 4/26/2017  Text
Introduced: 2/17/2017
Is Fiscal: Y

Summary: Would, on or before December 1, 2018, require the State Water Resources Control Board, in consultation with other state agencies, to adopt regulations, consistent with federal and state law in effect on January 1, 2018, to provide comprehensive risk-based standards for local jurisdictions permitting programs for onsite recycling of water in multifamily residential, commercial, and mixed-use buildings for nonpotable use. The bill would require the regulations to address specified issues and practices relating to the management, monitoring, and treatment of recycled water for nonpotable use.

Current Text: Introduced: 2/17/2017  Text
Introduced: 2/17/2017
Is Fiscal: Y

Summary: Would establish a continuing education requirement for employees of public agencies who have responsibility for overseeing compliance with the California Environmental Quality Act. Because this bill would require a public agency to ensure that this continuing education requirement is met, this bill would impose a state-mandated local program. This bill contains other related provisions and other existing laws.

Summary: Would authorize the Department of Resources Recycling and Recovery to promote the application of compost in urban areas of the state to assist with projects that follow the watershed approach to landscaping and, in coordination with the Department of Water Resources, to develop and implement pilot projects that support the understanding and deployment of compost to meet specified goals. The bill would also require the State Energy Resources Conservation and Development Commission, in coordination with the State Air Resources Board, to develop a greenhouse gas emissions reduction factor for new climate appropriate landscapes, as provided.

Total Measures: 67
Total Tracking Forms: 16
June 14, 2017

Attention: Legislation and Public Outreach Committee

Quarterly report on Public Outreach and Conservation activities (Presentation)

Background
From March 2017 through May 2017, the Public Outreach and Conservation Department supported Water Authority outreach programs and projects to promote water-use efficiency, assisted member agencies, worked with communities directly affected by Water Authority construction projects, conducted media relations activities, worked on education programs, and supplied information through various means, including publications and online communications.

Discussion
During the quarter, staff supported the launch of the Water Authority’s “Stop the Spending” outreach initiative to draw attention to the Metropolitan Water District of Southern California’s fiscal practices, promoted ongoing water efficiency and public appreciation for the value of water through an Instagram-based Live WaterSmart photo contest, continued to implement core water efficiency programs and responded to a range of media requests and public affairs issues.

Highlights of department activities during the quarter are listed below.

Local Legislative Relations and Civic Engagement
Staff made 19 presentations to civic groups, public agencies and other organizations, including the Navajo Canyon Women’s Republican Federation, Rolando Park Community Council, Building Owners and Managers Association’s Government Affairs Committee, Sempra Energy’s Green Team and many others. A list of presentations is in Exhibit 1. Staff also attended or provided outreach materials to 26 community events during the quarter. Those events also are listed in Exhibit 1.

Staff also recruited participants for the summer 2017 class of the Citizens Water Academy, which started May 17 at the Reuben H. Fleet Science Center. Staff also began planning logistics for the fall 2017 class of the academy, which will be held in North County.

Media Relations
The Water Authority distributed 13 news releases during the period. The topics of these releases are listed in Exhibit 1.

In March, staff facilitated a press conference with the San Diego County Board of Supervisors and other elected officials and stakeholders to launch the Water Authority’s “Stop the Spending” outreach initiative. The intent of the initiative is to draw attention to the Metropolitan Water District of Southern California’s fiscal practices. The event drew four TV news crews. Staff also coordinated the appearance of Water Authority Vice Chair Jim Madaffer and County Supervisor Kristin Gaspar on KUSI’s Good Morning San Diego, and a separate appearance for Vice Chair Madaffer on Fox 5’s morning show to discuss the Stop the Spending initiative. In addition, staff distributed commentaries from Chair Mark Muir calling attention to MWD’s fiscal practices and their effect on water rates to more than 10 local online and print news publications, including

Staff also arranged interviews and facility access related to the potential energy storage project at the San Vicente Reservoir for KGTV Channel 10. KGTV aired a news package on the subject on May 4.

During the reporting period, staff also fielded several media calls and arranged interviews related to a range of subjects including proposed long-term water use regulations, lead testing measures proposed in the California Legislature, water transfers out of Lake Hodges, Brown Act requirements, proposed water rates and the status of local reservoir storage. Additionally, staff facilitated the publication of a letter to the editor of The San Diego Union-Tribune by General Counsel Mark Hattam that clarified an omission in a Union-Tribune article about payments to Water Authority Board members.

**Water-Use Efficiency Programs**

**WaterSmart Landscape Makeover Program**
This quarter, the Water Authority coordinated with member agencies to host eight three-hour WaterSmart Landscape Design for Homeowners workshops for more than 400 attendees.

**San Diego County Garden-Friendly Plant Fairs**
Staff worked with member agencies and The Home Depot to schedule seven plant fairs around the county this spring. These plant fairs attracted almost 1,000 consumers and provided member agencies with opportunities to interact with their customers.

**WaterSmart Checkup Program**
The WaterSmart Checkup Program provides free residential evaluations, irrigation checkups for small commercial sites and large landscape audits. During the last three months for which data is available (February-April), the program provided 304 services.

**Qualified Water Efficient Landscaper Program**
During this quarter, five series of QWEL classes were held. In addition, a class series held at Mira Costa College that began in January finished in May.

**WaterSmart Landscape Award**
The San Diego Horticultural Society won the 2017 WaterSmart Landscape Award at the San Diego County Fair on May 31. The Water Authority presents the award to the Fair’s Garden Show exhibit that best exemplifies a WaterSmart garden that not only saves water, but also fits the San Diego lifestyle and demonstrates regional authenticity through the use of native plants and sustainable landscaping practices.

**Education Programs**
The Water Authority’s K-12 education program reached 8,917 students and 389 teachers this quarter. In addition, staff and Board members selected the best water-related exhibits at the 2017 Greater San Diego County Science & Engineering Fair, and recognized the winning students at the April Board meeting.
Publications and Online Communications
The Water Authority launched its Instagram account (@sdcwa) in March and conducted a Live WaterSmart photo contest in May in part to help increase the new account’s followers.

The Live WaterSmart photo contest helped celebrate Water Awareness month by encouraging people to submit photos highlighting the value of water and promoting water-use efficiency as a lifestyle regardless of the weather. The photo contest ran on Instagram from May 1 to May 31. The contest had good engagement from Water Authority member agencies, partners and the public. Forty-six people submitted photos and, more significantly, the contest helped attract approximately 300 new followers to the Water Authority’s Instagram page. The page now has more than 500 followers in all.

Other social media platforms continued to be monitored and curated daily with original posts, including water conservation tips, holiday memes and water industry news. Staff also found new ways to interact with followers and conducted its first Facebook Live session and several promotional giveaways. Overall, staff made 299 posts on Twitter, which grew by 379 followers to 3,174, and 137 posts on Facebook, which grew by 181 followers to 8,093.

Staff distributed eight issues of the WaterSource e-newsletter, providing updates on key water-related issues. During this quarter sdcwa.org had 92,110 page views, and watersmartsd.org had 21,416 page views.

Member Agency Outreach Coordination
The Water Authority hosted three meetings of the Joint Public Information Council during the quarter to maintain dialogue with member agencies about a range of conservation and outreach issues, including the Live WaterSmart campaign, water-use trends, changing state regulations and related legislative proposals, and changes at the California Urban Water Conservation Council/California Water Efficiency Partnership.

CIP Projects
Hauck Mesa Storage Reservoir Project
Staff reached out to the Valley Center Planning Group and shared information about the upcoming project. Staff was invited to present at the June meeting.

Lake Murray to Sweetwater Reservoir Pipeline 3 Relining Project
Staff mailed a postcard in May to 60 addresses in Spring Valley to notify residents and homeowners about vehicles accessing Water Authority structures and planned project sites near homes as part of pre-bid activities for potential contractors interested in working on the project.

Prepared by: Denise Vedder, Public Affairs Manager
Carlos Michelon, Principal Water Resources Specialist
Teresa Penunuri, Public Affairs Supervisor
Reviewed by: Jason Foster, Director of Public Outreach and Conservation
Approved by: Dennis A. Cushman, Assistant General Manager

Attachment:
Exhibit 1 – Public Outreach and Conservation Activities
## EXHIBIT 1

### Public Outreach and Conservation Activities
March 2017 through May 2017

### NEWS RELEASES/STATEMENTS ISSUED

<table>
<thead>
<tr>
<th>News Release/Statement</th>
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<tbody>
<tr>
<td>Water Authority Recommends $1.6 Billion Budget for Fiscal Years 2018 and 2019</td>
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<tr>
<td>Water Authority Proposes 3.7 Percent Rate Increases for 2018</td>
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<td>Water Authority Awarded $1 Million Incentive to Deploy Clean Energy Storage Project</td>
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<tr>
<td>Water Authority Wins Statewide Award for Carlsbad Desalination Project</td>
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<td>Court to Hear Appeals in Water Authority Litigation Over Illegal MWD Rates</td>
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<tr>
<td>Water Authority’s Live WaterSmart Photo Contest Begins Today to Celebrate Water Awareness Month</td>
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<td>Proposals Sought for Potential Energy Storage Facility after Successful Interest Solicitation</td>
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<td>Water Authority Issues Statement on Governor Brown Declaring an End to the Drought Emergency</td>
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<td>San Diego Civic and Business Leaders Call on MWD to ‘Stop the Spending!’</td>
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<td>Water Authority Executes First Local Water Transfer from Lake Hodges</td>
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<td>Emergency &amp; Carryover Storage Project Wins Prestigious International Award</td>
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<td>Discounted Services Targeting Leaks Offered During National Fix a Leak Week</td>
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<td>Exhibit at Fleet Science Center Provides New Look at the World of Water</td>
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### COMMUNITY EVENTS ATTENDED

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<tr>
<th>Event</th>
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<tbody>
<tr>
<td>Garden Friendly Plant Fair (3)</td>
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<tr>
<td>2017 Sustainable Turf and Landscape Seminar</td>
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<td>Master Gardeners Spring Seminar – Growing Together</td>
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<tr>
<td>San Marcos Chamber of Commerce Mixer</td>
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<tr>
<td>Disabled Veterans Business Alliance Construction Expo</td>
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<tr>
<td>Garden Native Plant Tour</td>
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<tr>
<td>San Marcos Chamber of Commerce Mixer</td>
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<td>MexPort Business Expo</td>
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<td>Boy Scouts – Scout Fair 2017</td>
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<td>Coronado Flower Show</td>
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<td>Sempra Energy HQ Earth Fair</td>
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<td>John Hancock and Quintiles IMS Earth Day Fair</td>
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<tr>
<td>Oceanside Business Expo</td>
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<tr>
<td>SDG&amp;E’s Earth Fair</td>
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<tr>
<td>Teacher and Staff Health and Wellness Fair</td>
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<tr>
<td>I Love a Clean San Diego – Earth Day Beach Cleanup</td>
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<td>PCI Annual Walk for Water</td>
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<tr>
<td>UCSD’s Earth Month Community Sustainability Fair</td>
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<tr>
<td>Inter-Sustainability Council Sustainable Job Fair</td>
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<tr>
<td>California Landscape Contractors Association – Golf Tournament</td>
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<td>Spring Fling Business Expo</td>
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### COMMUNITY EVENTS ATTENDED

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<th>Event</th>
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<tbody>
<tr>
<td>Small Business Expo</td>
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<tr>
<td>Fiesta de Reyes – Hispanic Chamber of Commerce</td>
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<td>Bike to Work Day</td>
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### PRESENTATIONS

<table>
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<tr>
<td>Cuyamaca College Ornamental Horticulture Department 2017 Seminar</td>
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<td>Sempra Energy’s Headquarters Office Green Team</td>
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<tr>
<td>Association of Environmental Health and Sciences Conference</td>
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<tr>
<td>American Water Works Association</td>
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<tr>
<td>City of Del Mar City Council</td>
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<tr>
<td>Valley Center Municipal Water District Board</td>
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<tr>
<td>Building Owners and Managers Association – Government Affairs Committee</td>
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<tr>
<td>Santee Chamber of Commerce</td>
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<tr>
<td>25th Annual Water Symposium</td>
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<tr>
<td>Grantville Allied Gardens Kiwanis Club</td>
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<tr>
<td>SDSU Environmental Engineering 101 Class</td>
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<tr>
<td>Nursery and Landscape Association Executives of North America Annual Conference</td>
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<tr>
<td>NAIOP – Legislative Affairs Committee</td>
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<td>Rolando Park Community Council</td>
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<tr>
<td>Navajo Canyon Republican Women’s Federation</td>
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<tr>
<td>Government Procurement Outlook Summit</td>
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<tr>
<td>City of El Cajon City Council</td>
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<tr>
<td>City of Solana Beach City Council</td>
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<tr>
<td>Encinitas Rotary</td>
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WATER PLANNING COMMITTEE

AGENDA FOR

JUNE 22, 2017

David Cherashore – Chair
Brian Boyle – Vice Chair
Betty Evans – Vice Chair
Jimmy Ayala
David Barnum
Brian Brady
Kathleen Coates Hedberg
Tom Kennedy

Keith Lewinger
Mark Muir
Jose Preciado
Halla Razak
Tim Smith
Yen Tu
Mark Weston

1. Roll call – determination of quorum.

2. Additions to agenda (Government Code Section 54954.2(b)).

3. Public comment – opportunities for members of the public to address the Committee on matters within the Committee’s jurisdiction.

4. Chair’s report.
   4-A Directors’ comments.

I. CONSENT CALENDAR

II. ACTION/DISCUSSION/PRESENTATION

1. Water Use Efficiency Program Updates.

   1-A Water Conservation Program Planning and Evaluation Services. (Presentation) Carlos Michelon

   1-B Qualified Water Efficient Landscaper (QWEL) training program. (Presentation) Jana Vierola
Professional Services Contract with Studio West Landscape Architecture & Planning for WaterSmart Landscape Makeover Program.

Staff recommendation: Authorize the General Manager to award a three-year professional services contract, with an option for a two-year extension, in an amount not-to-exceed $381,000 to Studio West Landscape Architecture & Planning to implement the WaterSmart Landscape Makeover Program.

(Action)

III. INFORMATION

1. Water Resources Report. Dana Friehauf

IV. CLOSED SESSION

V. ADJOURNMENT

Melinda Cogle
Clerk of the Board

NOTE: This meeting is called as a Water Planning Committee meeting. Because a quorum of the Board may be present, the meeting is also noticed as a Board meeting. Members of the Board who are not members of the Committee may participate in the meeting pursuant to Section 2.00.060(g) of the Authority Administrative Code (Recodified). All items on the agenda, including information items, may be deliberated and become subject to action. All public documents provided to the committee or Board for this meeting including materials related to an item on this agenda and submitted to the Board of Directors within 72 hours prior to this meeting may be reviewed at the San Diego County Water Authority headquarters located at 4677 Overland Avenue, San Diego, CA 92123 at the reception desk during normal business hours.
June 6, 2017

Attention: Water Planning Committee

Water Conservation Program Planning and Evaluation Services. (Presentation)

Purpose
At the June 22 Water Planning Committee, Water Authority staff will deliver a presentation on planning and evaluation service needs related to the Water Conservation Program.

Discussion
Consistent with the Board’s current Water Use Efficiency Policy Principles and the General Manager’s Business Plan, the Water Conservation Program actively pursues competitive grants and other partnership opportunities. The Water Conservation Program’s grants portfolio presently consists of approximately $6.5 million from seven distinct sources. These grants, which span multiple years, are essential to the Water Authority’s ability to test innovative water efficiency methods that might otherwise be cost-prohibitive. They also help offset program operating costs for scalable, proven programs.

Examples of the innovative residential and commercial programs made possible by external funding include the Sustainable Landscapes Program, WaterSmart Landscape Makeover Program, WaterSmart Landscape Efficiency Program, and Ag Water Management Programs. Grants also subsidize the operating costs of ongoing programs and services, including the WaterSmart Checkup program and the Qualified Water Efficient Landscaper (QWEL) training program.

Recent rounds of grant funding by agencies such as the California Department of Water Resources have emphasized landscape-related conservation programs and innovative methods among their funding priorities. These grant awards typically stipulate rigorous and frequent reporting requirements that also include a final program evaluation to document costs, benefits and opportunities for future program refinements. Based on recent trends, the Water Authority’s state-funded projects have taken three to seven years to implement, followed by up to 10 years of post-project annual reporting.

To comply with the reporting requirements associated with external funding (and for other internal quality control purposes) the Water Authority has outsourced specialized professional services that include program planning, process evaluation, and impact assessment. The small size of firms and specialized nature of the work have necessitated multiple concurrent contracts. The most recent RFP resulted in contract awards to three firms in May 2010. These contracts have since expired and staff has initiated the RFP process to identify new service providers. Staff expects to bring new contract agreements for evaluation services to the Board for review and approval later this summer.

Prepared by: Carlos Michelon, Principal Water Resources Specialist
Reviewed by: Jason Foster, Director of Public Outreach and Conservation
Approved by: Dennis Cushman, Assistant General Manager
June 14, 2017

Attention: Water Planning Committee

Qualified Water Efficient Landscaper (QWEL) training program. (Presentation)

Purpose
At the June 22 Water Planning Committee, Water Authority staff will deliver a presentation on QWEL program implementation to date and plans for FYs 2018/19.

Discussion
The QWEL program was created in 2006 by Sonoma-Marin Saving Water Partnership, led by the Sonoma County Water Agency, and in 2008 earned the U.S. Environmental Protection Agency (EPA) WaterSense Certified program label. The EPA has recognized the partnership on multiple occasions as a WaterSense Partner of the Year for the development and implementation of the original QWEL program. In May 2015, as part of the Extraordinary Drought Response Outreach and Conservation Measures, the board directed staff to deploy the QWEL program as a targeted educational resource for landscape industry professionals – a market sector seen as vital to the success of both short-term conservation efforts as well as for achieving long-term water efficiency goals.

In 2015 the Water Authority became an EPA-authorized Professional Certifying Organization (PCO) and was subsequently added as a member of the partnership’s QWEL Program Advisory Committee. The Water Authority began offering the free training program in January 2016 and has since become one of the largest regional QWEL providers, having trained a diverse group of participants that includes large and small landscape contractors and public facilities maintenance staff.

The program enjoys strong member agency support and industry demand. The QWEL program is a key training resource in the Water Authority’s post-drought WaterSmart Lifestyle campaign for continuing to engage the professional landscape community in long-term water use efficiency. Under the direction of Public Outreach and Conservation staff, WSA Marketing (Contractor) performs program activities that include event planning, logistics, marketing, venue selection, enrollment, registration, instructor selection and reporting. As the current contract comes to an end on June 30, 2017, staff is conducting a competitive RFP process to identify a contractor to administer the next program cycle.

Prepared by: Jana Vierola, Water Resources Specialist
Reviewed by: Carlos Michelon, Principal Water Resources Specialist
Reviewed by: Jason Foster, Director of Public Outreach and Conservation
Approved by: Dennis Cushman, Assistant General Manager
June 14, 2017

Attention: Water Planning Committee

Professional Services Contract with Studio West Landscape Architecture & Planning for WaterSmart Landscape Makeover Program (Action)

Staff recommendation
Authorize the General Manager to award a three-year professional services contract, with an option for a two-year extension, in an amount not-to-exceed $381,000 to Studio West Landscape Architecture & Planning to implement the WaterSmart Landscape Makeover Program.

Alternative
Do not authorize the contract and direct staff to solicit new proposals. This will likely lead to an interruption in delivering landscape makeover classes and workshops for several months.

Fiscal impact
The program cost of $381,000 for fiscal years 2018 and 2019 will be covered by $171,000 in Proposition 84 grant funds from the Department of Water Resources, and $210,000 in Public Outreach and Conservation Department operational funds that have been included in the General Manager’s Recommended Budget for fiscal years 2018 and 2019. The rate category is Customer Service.

Background
In December 2010, the Board directed staff to focus on several “core” activities to help the region advance long-term water-use efficiency. These core activities included the development of “how to” resource tools for member agencies and the region’s water users. In 2012 the Water Authority, in partnership with MiraCosta College and the San Diego Botanic Garden, developed a hands-on, multi-class series, the WaterSmart Landscape Lab. The educational program was designed to empower single-family homeowners with the skills and knowledge necessary to convert a turf grass area into a WaterSmart landscape. The series’ curriculum guided participants through the six steps needed to successfully convert to a water-efficient landscape detailed in “A Homeowners Guide to a WaterSmart Landscape.”

The four-class series, now called the WaterSmart Landscape Makeover Series, educates homeowners through classroom lectures, hands-on lab work and one-on-one design coaching by local landscape professionals. Upon completion of the series, students have detailed, implementable landscape plans customized for their project areas. In 2016, staff updated the curriculum to incorporate additional sustainable landscaping principles.

Several new program elements have been added to the WaterSmart Landscape Makeover Program in recent years to help reach more homeowners and make its “how to” information
more accessible. Staff launched a three-hour design workshop in 2015 to appeal to homeowners who are unable to commit to the four-class series. That same year, the Board directed staff to develop a series of online “Videos On Demand” based on the WaterSmart Landscape Makeover curriculum as part of the Water Authority’s drought response. This 17-part series, addressing the landscape makeover process through informative and entertaining step-by-step videos, debuted in 2016.

**Previous Board action:**
- On May 28, 2015, the Board approved an amendment to the professional services contract with DeLorenzo International (DLI) to increase the contract value by $455,000 to a not-to-exceed amount of $744,000 and extend the term for two years from July 1, 2015 through June 30, 2017.
- On May 14, 2015, the Board approved additional resources, programs and actions for drought response outreach and water conservation to help the Water Authority’s 24 member agencies achieve new state-mandated water use reductions scheduled to take effect June 1, 2015. These actions included developing an online video series of WaterSmart Landscape Makeover Series’ curriculum.
- In November 2013, the Board authorized the General Manager to execute a two-year professional services contract with DeLorenzo International to implement the WaterSmart Landscape Makeover Series.

**Discussion**
The WaterSmart Landscape Makeover Program has proven to be a popular and effective resource to help homeowners make sustainable, water-saving changes to their landscapes. To date, the four-class series has successfully graduated 760 homeowners, each representing on average a potential turf conversion area of more than 1,000 square feet. A recent impact evaluation of the series found that the reduction in water use experienced by these homeowners averages 32.8 percent. In addition, the Water Authority has held 52 of the three-hour workshops in collaboration with its member agencies, reaching more than 2,600 participants. The online Videos on Demand have also attracted approximately 2,300 views.

Given the ongoing need to promote water efficiency as a positive and permanent lifestyle and the continuing emphasis on improving residential outdoor water efficiency, the Water Authority plans to continue the WaterSmart Landscape Makeover Program. The program has been partially funded by grants since its inception, and the Water Authority has secured $171,000 in grant funds from the Department of Water Resources’ Proposition 84 Drought and Final Rounds to help offset the cost of the program over the next two fiscal years.

In May, staff issued a Request for Proposals for the implementation of the WaterSmart Landscape Makeover Program for the next three years, with an option for a two-year extension. The contractor, using a team of experienced educators, landscape design professionals and other service providers, will provide turnkey implementation, including administrative functions, instructional services and onsite technical support.
The Water Authority received three proposals in response to the RFP. A selection panel that included member agency representatives evaluated the proposals based on several criteria, including how the proposals addressed the scope of work, the technical competence of the contractor and potential subcontractors, past performance on similar programs, and program costs. The panel recommended Studio West Landscape Architecture & Planning as the most qualified proposer to administer and implement the program.

Contingent on budget approval and continued availability of grant funding, staff anticipates offering approximately 10 four-class series and 32 three-hour workshops at a diverse array of learning environments throughout San Diego County over the next two years. In an effort to further extend the reach of the program, during the next budget cycle staff also will work with the contractor to pilot offering the four-part class series in partnership with a local community college or extension program. The Water Authority also is seeking grant funding to support developing the series as an online course that still offers access to one-on-one design coaching and support, which is a critical component for the participants’ success.

Continued funding for the program beyond fiscal year 2019 will be determined based on grant funding and future budget availability.

Prepared by: Joni German, Water Resources Specialist
Reviewed by: Carlos Michelon, Principal Water Resources Specialist
Reviewed by: Jason Foster, Director of Public Outreach and Conservation
Approved by: Dennis Cushman, Assistant General Manager
June 14, 2017

Attention: Water Planning Committee

Water Resources Report

Purpose
This report includes the following exhibits for May 2017:

- Rainfall totals for the month and water year to date
- Deliveries to Member Agencies (Exhibit A)
- Water Use by Member Agencies (Exhibit B)
- Potable M&I Water Use (Exhibit C)
- Storage Available to Member Agencies (Exhibit D)
- Firm Water Deliveries to Member Agencies (Exhibit E)
- Summary of Water Authority Member Agency Operations (Exhibit F)

<table>
<thead>
<tr>
<th>Station</th>
<th>Actual</th>
<th>Normal</th>
<th>Actual</th>
<th>Normal</th>
<th>Departure</th>
<th>% Normal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lindbergh Field (N.O.A.A.)</td>
<td>0.92</td>
<td>0.12</td>
<td>12.63</td>
<td>10.07</td>
<td>2.56</td>
<td>125</td>
</tr>
<tr>
<td>Ramona Airport (Helix W.D.)</td>
<td>1.14</td>
<td>0.30</td>
<td>22.72</td>
<td>15.35</td>
<td>7.37</td>
<td>148</td>
</tr>
<tr>
<td>Lake Cuyamaca (Helix W.D.)</td>
<td>1.94</td>
<td>0.71</td>
<td>34.19</td>
<td>31.24</td>
<td>2.95</td>
<td>109</td>
</tr>
<tr>
<td>Lake Henshaw (Vista I.D.)</td>
<td>1.86</td>
<td>0.45</td>
<td>33.54</td>
<td>25.24</td>
<td>8.30</td>
<td>133</td>
</tr>
</tbody>
</table>

Sources: National Weather Service, Helix Water District, Vista Irrigation District.
# MONTHLY WATER RESOURCES REPORT

## Water Deliveries to Member Agencies (acre-feet)

### MAY 2017

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Carlsbad M.W.D.</td>
<td>1,252.5</td>
<td>1,244.1</td>
<td>14,556.9</td>
<td>13,544.1</td>
</tr>
<tr>
<td>Del Mar, City of</td>
<td>82.6</td>
<td>71.5</td>
<td>919.0</td>
<td>891.6</td>
</tr>
<tr>
<td>Escondido, City of</td>
<td>1,015.0</td>
<td>1,805.3</td>
<td>15,811.3</td>
<td>17,507.0</td>
</tr>
<tr>
<td>Fallbrook P.U.D.</td>
<td>839.9</td>
<td>1,257.3</td>
<td>9,034.0</td>
<td>8,966.9</td>
</tr>
<tr>
<td>Helix W.D.</td>
<td>1,507.6</td>
<td>2,356.3</td>
<td>25,043.3</td>
<td>24,912.3</td>
</tr>
<tr>
<td>Lakeside W.D.</td>
<td>222.3</td>
<td>210.8</td>
<td>2,589.8</td>
<td>2,319.4</td>
</tr>
<tr>
<td>National City, City of ^1</td>
<td>173.6</td>
<td>282.8</td>
<td>3,723.8</td>
<td>2,402.3</td>
</tr>
<tr>
<td>Oceanside, City of</td>
<td>2,027.5</td>
<td>1,819.9</td>
<td>21,219.0</td>
<td>19,519.6</td>
</tr>
<tr>
<td>Olivenhain M.W.D.</td>
<td>1,680.4</td>
<td>1,493.4</td>
<td>17,364.4</td>
<td>15,852.3</td>
</tr>
<tr>
<td>Otay W.D.</td>
<td>2,368.3</td>
<td>2,242.8</td>
<td>26,908.4</td>
<td>25,346.1</td>
</tr>
<tr>
<td>Padre Dam M.W.D.</td>
<td>814.4</td>
<td>740.7</td>
<td>9,309.0</td>
<td>8,555.6</td>
</tr>
<tr>
<td>Pendleton Military Reservation</td>
<td>3.7</td>
<td>10.5</td>
<td>56.5</td>
<td>56.5</td>
</tr>
<tr>
<td>Poway, City of</td>
<td>729.1</td>
<td>727.6</td>
<td>8,388.1</td>
<td>8,298.6</td>
</tr>
<tr>
<td>Rainbow M.W.D.</td>
<td>1,379.6</td>
<td>1,588.3</td>
<td>17,089.6</td>
<td>16,725.9</td>
</tr>
<tr>
<td>Ramona M.W.D.</td>
<td>320.8</td>
<td>523.7</td>
<td>4,772.9</td>
<td>4,845.5</td>
</tr>
<tr>
<td>Rincon Del Diablo M.W.D.</td>
<td>459.1</td>
<td>419.0</td>
<td>4,983.8</td>
<td>4,707.3</td>
</tr>
<tr>
<td>San Diego, City of ^1</td>
<td>12,871.3</td>
<td>26,261.3</td>
<td>203,553.3</td>
<td>262,479.7</td>
</tr>
<tr>
<td>San Dieguito W.D.</td>
<td>316.6</td>
<td>455.2</td>
<td>4,217.5</td>
<td>3,934.5</td>
</tr>
<tr>
<td>Santa Fe I.D.</td>
<td>703.9</td>
<td>757.1</td>
<td>7,723.6</td>
<td>6,067.3</td>
</tr>
<tr>
<td>South Bay I.D. ^1</td>
<td>559.1</td>
<td>815.5</td>
<td>13,705.1</td>
<td>10,100.3</td>
</tr>
<tr>
<td>Vallecitos W.D.</td>
<td>1,358.1</td>
<td>1,184.4</td>
<td>14,330.1</td>
<td>12,843.1</td>
</tr>
<tr>
<td>Valley Center M.W.D.</td>
<td>1,617.2</td>
<td>1,732.2</td>
<td>20,311.2</td>
<td>19,440.1</td>
</tr>
<tr>
<td>Vista I.D.</td>
<td>1,540.0</td>
<td>1,315.6</td>
<td>15,924.8</td>
<td>14,198.8</td>
</tr>
<tr>
<td>Yuima M.W.D.</td>
<td>308.3</td>
<td>258.5</td>
<td>4,517.1</td>
<td>3,520.0</td>
</tr>
</tbody>
</table>

| Deliveries To SDCWA Agencies  | 34,150.9 | 49,573.8 | 466,052.5                | 507,034.8                |
| Less: Deliveries to SDCWA Storage ^1 | 1,014.9   | 12,893.2 | 45,088.2                 | 103,580.0                |

### TOTAL MEMBER AGENCY DELIVERIES

| Deliveries To SDCWA Agencies  | 33,136.0 | 36,680.6 | 420,964.3                | 403,454.8                |
| Deliveries From SDCWA Storage | 1,271.7  | -        | 39,836.1                 | 4,801.5                  |

^1 Member agency deliveries may include puts into Water Authority storage accounts. For May 2017, storage account deliveries totaled 272 AF to San Vicente Reservoir and 743 AF to Lower Otay Reservoir through city of San Diego connections. May 2016 storage account deliveries totaled 12,859 AF and 34 AF to San Vicente and Lower Otay Reservoirs, respectively, through city of San Diego connections.
<table>
<thead>
<tr>
<th>AGENCY</th>
<th>Imported Source S.D.C.W.A.</th>
<th>Local Source</th>
<th>May Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carlsbad M.W.D.</td>
<td>1,155.2</td>
<td>1,357.5</td>
<td>-</td>
</tr>
<tr>
<td>Del Mar, City of</td>
<td>82.6</td>
<td>71.5</td>
<td>-</td>
</tr>
<tr>
<td>Escondido, City of</td>
<td>939.1</td>
<td>1,747.2</td>
<td>727.0</td>
</tr>
<tr>
<td>Fallbrook P.U.D.</td>
<td>798.3</td>
<td>868.7</td>
<td>-</td>
</tr>
<tr>
<td>Helix W.D.</td>
<td>1,457.0</td>
<td>2,299.0</td>
<td>1,019.5</td>
</tr>
<tr>
<td>Lakeside W.D.</td>
<td>223.3</td>
<td>210.8</td>
<td>-</td>
</tr>
<tr>
<td>National City, City of</td>
<td>173.6</td>
<td>279.5</td>
<td>166.5</td>
</tr>
<tr>
<td>Oceanside, City of 1</td>
<td>2,027.5</td>
<td>1,819.9</td>
<td>-</td>
</tr>
<tr>
<td>Olivenhain M.W.D.</td>
<td>1,680.4</td>
<td>1,493.4</td>
<td>-</td>
</tr>
<tr>
<td>Otay W.D.</td>
<td>2,368.3</td>
<td>2,242.8</td>
<td>-</td>
</tr>
<tr>
<td>Padre Dam M.W.D.</td>
<td>823.9</td>
<td>739.8</td>
<td>-</td>
</tr>
<tr>
<td>Pendleton M.C.B. 2</td>
<td>10.6</td>
<td>19.3</td>
<td>-</td>
</tr>
<tr>
<td>Poway, City of 3</td>
<td>860.2</td>
<td>752.1</td>
<td>118.9</td>
</tr>
<tr>
<td>Rainbow M.W.D.</td>
<td>1,479.6</td>
<td>1,605.3</td>
<td>-</td>
</tr>
<tr>
<td>Ramona M.W.D.</td>
<td>370.4</td>
<td>360.0</td>
<td>-</td>
</tr>
<tr>
<td>Rincon Del Diablo M.W.D.</td>
<td>459.1</td>
<td>419.0</td>
<td>-</td>
</tr>
<tr>
<td>San Diego, City of</td>
<td>11,371.2</td>
<td>12,708.5</td>
<td>3,252.6</td>
</tr>
<tr>
<td>San Dieguito W.D.</td>
<td>316.6</td>
<td>455.2</td>
<td>186.4</td>
</tr>
<tr>
<td>Santa Fe I.D.</td>
<td>703.9</td>
<td>757.1</td>
<td>218.6</td>
</tr>
<tr>
<td>South Bay I.D. 1</td>
<td>520.5</td>
<td>806.2</td>
<td>499.3</td>
</tr>
<tr>
<td>Vallecitos W.D.</td>
<td>1,046.9</td>
<td>914.4</td>
<td>-</td>
</tr>
<tr>
<td>Valley Center M.W.D.</td>
<td>1,617.2</td>
<td>1,732.2</td>
<td>-</td>
</tr>
<tr>
<td>Vista I.D.</td>
<td>1,540.0</td>
<td>1,315.6</td>
<td>119.2</td>
</tr>
<tr>
<td>Yuima M.W.D. 4</td>
<td>308.3</td>
<td>258.5</td>
<td>-</td>
</tr>
</tbody>
</table>

**TOTALS** | 32,332.7 | 35,233.5 | 6,188.8 | 1,015.9 | 1,536.5 | 1,744.3 | 2,015.5 | 1,833.0 | 500.0 | 291.7 | 42,573.5 | 40,118.4

**PERCENT CHANGE** | -8% | 50% | -12% | 10% | - | 6%

1 Brackish groundwater use included in groundwater totals.
2 Pendleton's imported water use includes water delivered by South Coast Water District.
3 Poway recycled use is reported quarterly; 1/3 of quarterly estimate is used as a current monthly estimate.
4 Includes supplemental groundwater use in Improvement District A and other private water companies.
## Potable M&I Water Use for State Water Resources Control Board Emergency Regulation Tracking

### May 2017

| AGENCY                  | May 2017 | May 2013 | 24 Months Ended May 2017 | CY 2013  
|-------------------------|----------|----------|--------------------------|----------
| Carlsbad M.W.D.         | 1,363.5  | 1,608.3  | 28,199.3                 | 34,978.6 |
| Del Mar, City of        | 82.6     | 75.9     | 1,810.6                  | 2,218.2  |
| Escondido, City of      | 1,410.8  | 1,911.9  | 31,652.1                 | 42,540.2 |
| Fallbrook P.U.D.        | 584.0    | 755.1    | 13,208.3                 | 16,726.6 |
| Helix W.D.              | 2,476.5  | 3,148.1  | 55,294.5                 | 68,712.0 |
| Lakeside W.D.           | 292.0    | 411.3    | 6,533.2                  | 8,413.8  |
| Oceanside, City of      | 2,021.3  | 2,731.9  | 44,579.4                 | 56,361.6 |
| Olivenhain M.W.D.       | 1,680.4  | 2,059.0  | 33,060.5                 | 41,755.8 |
| Otay W.D.               | 2,368.3  | 2,923.7  | 52,254.5                 | 64,227.0 |
| Padre Dam M.W.D.        | 816.6    | 1,084.7  | 17,492.3                 | 22,492.4 |
| Pendleton Military Reservation | 460.6 | 758.3 | 11,471.1 | 15,605.0 |
| Poway, City of          | 979.1    | 1,226.1  | 17,449.0                 | 24,205.0 |
| Rainbow M.W.D.          | 768.7    | 1,062.1  | 18,286.4                 | 22,077.2 |
| Ramona M.W.D.           | 310.5    | 477.9    | 6,679.3                  | 9,649.0  |
| Rincon Del Diablo M.W.D.| 459.1    | 627.8    | 9,650.4                  | 12,992.2 |
| San Diego, City of      | 14,657.0 | 18,060.1 | 323,745.9                | 392,942.8|
| San Dieguito W.D.       | 503.0    | 583.3    | 10,666.3                 | 13,108.8 |
| Santa Fe I.D.           | 922.5    | 1,161.2  | 17,123.8                 | 22,721.2 |
| Sweetwater Authority    | 1,556.1  | 1,995.1  | 34,628.4                 | 42,577.0 |
| Vallecitos W.D.         | 1,261.1  | 1,547.1  | 25,632.7                 | 32,136.2 |
| Valley Center M.W.D.    | 601.8    | 872.7    | 14,033.6                 | 18,434.6 |
| Vista I.D.              | 1,540.0  | 1,786.7  | 32,732.0                 | 38,494.6 |
| Yuima M.W.D.            | 775.4    | 1,015.2  | 12,700.3                 | 19,401.8 |
| **TOTALS**              | **37,891.9** | **47,883.5** | **818,873.9** | **1,022,771.6** |

### Percent Change

| PERCENT CHANGE | -21% | -20% |

**NOTES:**

1. SWRCB emergency regulation went into effect June 2015.
2. The 2013 baseline is utilized to be consistent with the May 2015 SWRCB emergency drought regulation, which was partially rescinded on April 26, 2017.
3. Excludes recycled water use and Transitional Special Agricultural Water Rate program deliveries. TSAWR deliveries are estimated for months where agencies have not reported.
4. Baseline includes January-December 2013, twice, in order to establish a base period of 24 months.
<table>
<thead>
<tr>
<th>Member Agency</th>
<th>Reservoir</th>
<th>Capacity</th>
<th>MAY 2017</th>
<th>% of Capacity</th>
<th>MAY 2016</th>
<th>% of Capacity</th>
<th>Change During Month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carlsbad M.W.D.</td>
<td>Maerkle</td>
<td>600</td>
<td></td>
<td></td>
<td>80</td>
<td>13%</td>
<td>128</td>
</tr>
<tr>
<td>Escondido, City of 1</td>
<td>Dixon</td>
<td>2,606</td>
<td>2,379</td>
<td>91%</td>
<td>2,392</td>
<td>92%</td>
<td>27</td>
</tr>
<tr>
<td></td>
<td>Wohlford</td>
<td>6,506</td>
<td>2,250</td>
<td>35%</td>
<td>2,138</td>
<td>33%</td>
<td>208</td>
</tr>
<tr>
<td>Subtotal</td>
<td></td>
<td>9,112</td>
<td>4,629</td>
<td>51%</td>
<td>4,530</td>
<td>50%</td>
<td>235</td>
</tr>
<tr>
<td>Fallbrook P.U.D.</td>
<td>Red Mountain</td>
<td>1,335</td>
<td>592</td>
<td>44%</td>
<td>804</td>
<td>60%</td>
<td>99</td>
</tr>
<tr>
<td>Helix W.D.</td>
<td>Cuyamaca</td>
<td>8,195</td>
<td>1,190</td>
<td>15%</td>
<td>833</td>
<td>10%</td>
<td>(1,558)</td>
</tr>
<tr>
<td></td>
<td>Jennings</td>
<td>9,790</td>
<td>8,818</td>
<td>90%</td>
<td>8,819</td>
<td>90%</td>
<td>84</td>
</tr>
<tr>
<td>Subtotal</td>
<td></td>
<td>17,985</td>
<td>10,008</td>
<td>56%</td>
<td>9,653</td>
<td>54%</td>
<td>(1,474)</td>
</tr>
<tr>
<td>Poway, City of</td>
<td>Poway</td>
<td>3,330</td>
<td>2,760</td>
<td>83%</td>
<td>3,060</td>
<td>92%</td>
<td>(246)</td>
</tr>
<tr>
<td>Rainbow M.W.D.</td>
<td>Morro Hill</td>
<td>465</td>
<td>167</td>
<td>36%</td>
<td>148</td>
<td>32%</td>
<td>3</td>
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<tr>
<td>Ramona M.W.D.</td>
<td>Ramona</td>
<td>12,000</td>
<td>2,729</td>
<td>23%</td>
<td>2,518</td>
<td>21%</td>
<td>(110)</td>
</tr>
<tr>
<td>San Diego, City of 2</td>
<td>Barrett</td>
<td>34,806</td>
<td>13,043</td>
<td>37%</td>
<td>2,137</td>
<td>6%</td>
<td>356</td>
</tr>
<tr>
<td></td>
<td>El Capitan</td>
<td>112,807</td>
<td>49,148</td>
<td>44%</td>
<td>25,150</td>
<td>22%</td>
<td>(1,023)</td>
</tr>
<tr>
<td></td>
<td>Hodges</td>
<td>10,633</td>
<td>13,455</td>
<td>127%</td>
<td>3,266</td>
<td>31%</td>
<td>(1,063)</td>
</tr>
<tr>
<td></td>
<td>Lower Otay</td>
<td>47,067</td>
<td>42,996</td>
<td>91%</td>
<td>33,965</td>
<td>72%</td>
<td>(1,602)</td>
</tr>
<tr>
<td></td>
<td>Miramar</td>
<td>6,682</td>
<td>5,262</td>
<td>79%</td>
<td>5,356</td>
<td>80%</td>
<td>(316)</td>
</tr>
<tr>
<td></td>
<td>Morena</td>
<td>50,694</td>
<td>4,764</td>
<td>9%</td>
<td>1,385</td>
<td>3%</td>
<td>28</td>
</tr>
<tr>
<td></td>
<td>Murray</td>
<td>4,684</td>
<td>3,967</td>
<td>85%</td>
<td>4,106</td>
<td>88%</td>
<td>468</td>
</tr>
<tr>
<td></td>
<td>San Vicente</td>
<td>91,695</td>
<td>63,587</td>
<td>69%</td>
<td>49,702</td>
<td>54%</td>
<td>(2,013)</td>
</tr>
<tr>
<td></td>
<td>Sutherland</td>
<td>29,508</td>
<td>14,086</td>
<td>48%</td>
<td>2,452</td>
<td>8%</td>
<td>504</td>
</tr>
<tr>
<td>Subtotal</td>
<td></td>
<td>388,576</td>
<td>210,306</td>
<td>54%</td>
<td>127,518</td>
<td>33%</td>
<td>(4,661)</td>
</tr>
<tr>
<td>San Diego W/D/Santa Fe ID</td>
<td>San Diegoito</td>
<td>883</td>
<td>680</td>
<td>77%</td>
<td>424</td>
<td>46%</td>
<td>296</td>
</tr>
<tr>
<td>Sweetwater Authority</td>
<td>Loveland</td>
<td>25,400</td>
<td>14,330</td>
<td>56%</td>
<td>7,501</td>
<td>30%</td>
<td>647</td>
</tr>
<tr>
<td></td>
<td>Sweetwater</td>
<td>28,079</td>
<td>11,918</td>
<td>42%</td>
<td>3,314</td>
<td>12%</td>
<td>(857)</td>
</tr>
<tr>
<td>Subtotal</td>
<td></td>
<td>53,479</td>
<td>26,248</td>
<td>49%</td>
<td>10,815</td>
<td>20%</td>
<td>(210)</td>
</tr>
<tr>
<td>Valley Center M.W.D.</td>
<td>Turner</td>
<td>1,612</td>
<td>1,612</td>
<td>100%</td>
<td>1,200</td>
<td>74%</td>
<td>-</td>
</tr>
<tr>
<td>Vista I.D.</td>
<td>Henshaw</td>
<td>51,774</td>
<td>13,368</td>
<td>26%</td>
<td>5,554</td>
<td>11%</td>
<td>(1,827)</td>
</tr>
<tr>
<td><strong>MEMBER AGENCY TOTAL</strong></td>
<td><strong>WATER IN STORAGE</strong></td>
<td><strong>541,151</strong></td>
<td><strong>273,178</strong></td>
<td><strong>50%</strong></td>
<td><strong>166,352</strong></td>
<td><strong>31%</strong></td>
<td><strong>(7,994)</strong></td>
</tr>
<tr>
<td>Water Authority 4</td>
<td>Olivenhain</td>
<td>24,774</td>
<td>18,446</td>
<td></td>
<td>20,393</td>
<td>-</td>
<td>(905)</td>
</tr>
<tr>
<td></td>
<td>San Vicente - Comprised:</td>
<td>157,663</td>
<td>129,518</td>
<td>81%</td>
<td>135,314</td>
<td>(1,448)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Emergency</td>
<td>31,730</td>
<td>33,212</td>
<td>(955)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Carryover</td>
<td>97,788</td>
<td>101,926</td>
<td>(337)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Operating</td>
<td>-</td>
<td>176</td>
<td></td>
<td></td>
<td></td>
<td>(156)</td>
</tr>
<tr>
<td>Subtotal</td>
<td></td>
<td>182,437</td>
<td>147,964</td>
<td>81%</td>
<td>155,707</td>
<td>85%</td>
<td>(2,353)</td>
</tr>
<tr>
<td>Water Authority Storage Accounts 5</td>
<td>El Capitan</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Hodges</td>
<td>20,000</td>
<td>7,831</td>
<td>39%</td>
<td>8,449</td>
<td>48%</td>
<td>489</td>
</tr>
<tr>
<td></td>
<td>Lower Otay</td>
<td>1,885</td>
<td>2,197</td>
<td>718</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sweetwater (Temporary)</td>
<td>2,834</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td>(9)</td>
</tr>
<tr>
<td>Subtotal</td>
<td></td>
<td>-</td>
<td>12,549</td>
<td></td>
<td>11,146</td>
<td></td>
<td>1,198</td>
</tr>
<tr>
<td><strong>TOTAL WATER IN STORAGE</strong></td>
<td></td>
<td>743,588</td>
<td>433,691</td>
<td>58%</td>
<td>333,205</td>
<td>45%</td>
<td>(9,148)</td>
</tr>
<tr>
<td><strong>OTHER AGENCIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Metropolitan Water District</td>
<td>Skinner</td>
<td>44,264</td>
<td>40,292</td>
<td>91%</td>
<td>36,595</td>
<td>83%</td>
<td>3,651</td>
</tr>
<tr>
<td></td>
<td>Diamond Valley</td>
<td>810,000</td>
<td>708,375</td>
<td>87%</td>
<td>391,629</td>
<td>48%</td>
<td>34,541</td>
</tr>
<tr>
<td>State Water Project</td>
<td>Oroville</td>
<td>3,537,577</td>
<td>2,465,532</td>
<td>70%</td>
<td>3,307,333</td>
<td>93%</td>
<td>(156,020)</td>
</tr>
<tr>
<td><strong>TOTAL OTHER WATER IN STORAGE</strong></td>
<td></td>
<td>4,391,841</td>
<td>3,214,199</td>
<td>73%</td>
<td>3,735,557</td>
<td>85%</td>
<td>(117,628)</td>
</tr>
</tbody>
</table>

1 Excludes storage allocated to Escondido Mutual Water Co. or its rights to a portion of the unallocated water in Lake Henshaw.  
2 Includes reserves subject to city's outstanding commitments to San Diego W/D, and California American Mutual Water Co. (Cal-Arn).  
3 Includes allocated and unallocated water in Lake Henshaw.  
4 Water Authority carryover, emergency and operating pools in San Vicente Reservoir were established in June 2015. City of San Diego presently states total capacity in San Vicente at 249,358 AF, with the Water Authority portion being 157,663 AF and the remaining capacity, 91,695 AF, allocable to the city. Figures for May 2017 include evaporation/seepege estimates.  
5 No defined capacities for storage accounts in city and Sweetwater Authority reservoirs. Figures for May 2017 include evaporation/seeppage estimates.
## MONTHLY WATER RESOURCES REPORT
### Tier 1 Estimated Deliveries to Member Agencies
(Figures in acre-feet)

#### Calendar Year 2017 to Date (May)

<table>
<thead>
<tr>
<th>Member Agency</th>
<th>CY2017 Tier 1 Threshold ¹</th>
<th>CYTD Firm Deliveries ²</th>
<th>% of Tier 1 Threshold (Pre-QSA)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carlsbad M.W.D.</td>
<td>12,376.0</td>
<td>4,121.7</td>
<td>33.3%</td>
</tr>
<tr>
<td>Del Mar, City of</td>
<td>935.0</td>
<td>294.3</td>
<td>31.5%</td>
</tr>
<tr>
<td>Escondido, City of</td>
<td>17,859.0</td>
<td>3,271.4</td>
<td>18.3%</td>
</tr>
<tr>
<td>Fallbrook P.U.D.</td>
<td>10,325.0</td>
<td>2,877.9</td>
<td>27.9%</td>
</tr>
<tr>
<td>Helix W.D.</td>
<td>25,519.0</td>
<td>6,871.9</td>
<td>26.9%</td>
</tr>
<tr>
<td>Lakeside M.W.D.</td>
<td>3,168.0</td>
<td>855.4</td>
<td>27.0%</td>
</tr>
<tr>
<td>Oceanside, City of</td>
<td>19,383.0</td>
<td>7,300.2</td>
<td>37.7%</td>
</tr>
<tr>
<td>Olivenhain M.W.D.</td>
<td>13,071.0</td>
<td>5,569.9</td>
<td>42.6%</td>
</tr>
<tr>
<td>Otay W.D.</td>
<td>21,390.0</td>
<td>9,278.3</td>
<td>43.4%</td>
</tr>
<tr>
<td>Padre Dam M.W.D.</td>
<td>9,939.0</td>
<td>3,214.3</td>
<td>32.3%</td>
</tr>
<tr>
<td>Pendleton M.C.B./South Coast W.D.</td>
<td>758.0</td>
<td>37.6</td>
<td>5.0%</td>
</tr>
<tr>
<td>Poway, City of</td>
<td>9,348.0</td>
<td>2,132.4</td>
<td>22.8%</td>
</tr>
<tr>
<td>Rainbow M.W.D.</td>
<td>19,018.0</td>
<td>4,716.7</td>
<td>24.8%</td>
</tr>
<tr>
<td>Ramona M.W.D.</td>
<td>8,052.0</td>
<td>1,221.8</td>
<td>15.2%</td>
</tr>
<tr>
<td>Rincon Del Diablo M.W.D.</td>
<td>5,482.0</td>
<td>1,595.1</td>
<td>29.1%</td>
</tr>
<tr>
<td>San Diego, City of</td>
<td>144,555.0</td>
<td>53,432.0</td>
<td>37.0%</td>
</tr>
<tr>
<td>San Diego Water Authority</td>
<td>3,116.0</td>
<td>1,033.1</td>
<td>33.2%</td>
</tr>
<tr>
<td>Santa Fe I.D.</td>
<td>5,226.0</td>
<td>1,633.2</td>
<td>31.3%</td>
</tr>
<tr>
<td>Sweetwater Authority</td>
<td>9,650.0</td>
<td>4,630.7</td>
<td>48.0%</td>
</tr>
<tr>
<td>Vallecitos W.D.</td>
<td>10,557.0</td>
<td>3,509.4</td>
<td>33.2%</td>
</tr>
<tr>
<td>Valley Center M.W.D.</td>
<td>29,774.0</td>
<td>5,398.5</td>
<td>18.1%</td>
</tr>
<tr>
<td>Vista I.D.</td>
<td>11,876.0</td>
<td>5,994.2</td>
<td>50.5%</td>
</tr>
<tr>
<td>Yuima M.W.D.</td>
<td>2,165.0</td>
<td>840.7</td>
<td>38.8%</td>
</tr>
</tbody>
</table>

**MEMBER AGENCY TOTALS**

<table>
<thead>
<tr>
<th></th>
<th>393,542.0</th>
<th>129,830.7</th>
<th>33.0%</th>
</tr>
</thead>
</table>

Less: QSA deliveries-calendar year 2017  
Deliveries to CWA storage-calendar year 2017 ³  
MWD Under-10% Flows-calendar year 2017  
Deliveries from CWA storage-calendar year 2017 ⁴  
Water Authority WPA desalination deliveries-calendar year 2017 (11,485.1)

**Estimated Tier 1 deliveries calendar year to date ⁵**

<table>
<thead>
<tr>
<th></th>
<th>39,627.1</th>
<th>10.1%</th>
</tr>
</thead>
</table>

**Invoiced Tier 1 deliveries calendar year to date ⁶**

<table>
<thead>
<tr>
<th></th>
<th>39,699.8</th>
<th>10.1%</th>
</tr>
</thead>
</table>

¹ Tier 1 threshold is 60% of a member agency’s historic maximum year firm demand.
² Carlsbad MWD and Vallecitos WD deliveries exclude local desalination supply transported via Water Authority system.
³ Includes storage puts to San Vicente Reservoir, forced deliveries or deliveries to Olivenhain Reservoir.
⁴ Includes sales from Water Authority storage accounts, including Olivenhain Reservoir.
⁵ Estimated Tier 1 deliveries are based on member agency deliveries net of QSA deliveries, seawater desalination and storage puts/takes. Invoiced deliveries are as reported on Metropolitan’s invoice. Difference between Estimated and Invoiced Deliveries is explained by storage puts or takes of pre-deliveries in Twin Oaks Valley Water Treatment Plant (TOVWTP) or member agency treatment plants.
MONTHLY WATER RESOURCES REPORT
Summary of Water Authority Member Agency Operations

MAY 2017

**Member Agency Deliveries (AF)**

<table>
<thead>
<tr>
<th>Month</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>March</td>
<td>33,136</td>
<td>36,681</td>
</tr>
<tr>
<td>Previous 12 Months</td>
<td>420,964</td>
<td>403,455</td>
</tr>
</tbody>
</table>

**Member Agency Water Use**

- **MAY 2017**
  - Imported & Desal 76%
  - Surface 14%
  - Well & Brackish Recovery 4%
  - Recycled & Local Desal 6%
- **Previous 12 Months**
  - Imported & Desal 86%
  - Surface 5%
  - Well & Brackish Recovery 3%
  - Recycled & Local Desal 6%

**Member Agency Storage (AF)**

<table>
<thead>
<tr>
<th>Year and Period</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 2017</td>
<td>273,178</td>
<td>166,352</td>
</tr>
<tr>
<td>12 Month Average</td>
<td>191,510</td>
<td>164,402</td>
</tr>
</tbody>
</table>
AGENDA

FORMAL BOARD OF DIRECTORS’ MEETING

The mission of the San Diego County Water Authority is to provide a safe and reliable supply of water to its member agencies serving the San Diego region.

JUNE 22, 2017

3:00 p.m.

1. Call to Order.

2. Salute to the flag.

3. Roll call, determination of quorum.
   3-A Report on proxies received.

4. Additions to Agenda. (Government code Sec. 54954.2(b)).

5. Approve the minutes of the Formal Board of Directors’ meeting of May 25, 2017 and minutes of the Special Engineering and Operations meeting of September 8, 2016.

6. Opportunity for members of the public who wish to address the Board on matters within the Board’s jurisdiction.

7. PRESENTATIONS & PUBLIC HEARINGS

8. REPORTS BY CHAIRS

   8-A Chair’s Report: Vice Chair Madaffer

   8-B Report by Committee Chairs
       Administrative and Finance Committee Director Saxod
       Engineering and Operations Committee Director Heinrichs
       Imported Water Committee Director Weston
       Legislation and Public Outreach Committee Director Guerin
       Water Planning Committee Director Cherashore

9. CONSENT CALENDAR

       Note and file monthly Treasurer’s Report.
9- 2. **Purchase of Water Authority Business Insurance.**
   a) Authorize the General Manager to purchase property insurance from Travelers Property Casualty Company of America in the amount of $140,775, liability insurance from Allied World Assurance Company – CalMutuals JPRIMA in the amount of $330,167, and workers’ compensation from Zenith Insurance Company – CalMutuals JPRIMA in the amount of $276,402 for a total amount of $747,344.


9- 3. **Amendment to Agreement for Special Services with Liebert Cassidy Whitmore to increase the contract limit by $120,000 to a total of $390,000.**
   Authorize the General Counsel to execute an amendment to the agreement for special labor-related legal services with Liebert Cassidy Whitmore to increase the contract limit by $120,000 from $270,000 to $390,000.

9- 4. **General Manager’s Recommended Budget for Fiscal Years 2018 and 2019.**
   Approve adoption of Resolution No. 2017-____, approving the General Manager’s recommended budget for Fiscal Years 2018 and 2019, for operations and capital improvements and appropriating $1,584,127,560 consistent with the approved budget.

9- 5. **Adopt the Water Authority’s rates and charges for calendar year 2018.**
   a) Conduct the Public Hearing;

   b) Adopt Ordinance No. 2017-____ an ordinance of the Board of Directors of the San Diego County Water Authority setting rates and charges for the delivery and supply of water, use of facilities and provision of services;

   c) Adopt Resolution No. 2017-____ a resolution of the Board of Directors of the San Diego County Water Authority continuing the Standby Availability Charge;

   d) Adopt Ordinance No. 2017-____ an ordinance of the Board of Directors of the San Diego County Water Authority amending and restating the System Capacity and Water Treatment Capacity Charges imposed by the Water Authority pursuant to Section 5.9 of the County Water Authority Act; and

   e) Find the actions exempt from CEQA pursuant to Public Resources Code § 21080(b)(8) and authorize the General Manager to file a notice of exemption.
9- 6. **Agreement with Oracle USA, Inc. to renew the Enterprise Resource Planning System software annual maintenance and support agreements.**

Authorize the General Manager to renew the Enterprise Resource Planning System software annual maintenance and support agreements with Oracle USA, Inc., for four fiscal years at a total cost of $899,085. The cost per fiscal year is $214,906 for 2018; $221,353 for 2019; $227,993 for 2020, and $234,833 for 2021.

9- 7. **Ordinance amending chapter 9.00 of the Administrative Code.**

Adopt Ordinance No. 2017-____, an ordinance of the board of directors of the San Diego County Water Authority amending chapter 9.00 of the Administrative Code.

9- 8. **Notice of Completion for the Nob Hill Improvements project.**

Authorize the General Manager to accept the Nob Hill Improvements project as complete, record the Notice of Completion, and release funds held in retention to L.H. Woods & Sons, Inc. following the expiration of the retention period.

9- 9. **San Vicente Energy Storage Facility Study – Cost Sharing Agreement with the City of San Diego.** *(To Be Mailed Under Separate Cover)*

9-10. **Amend Existing Agreement to Allow for Temporary Use of a Portion of Water Authority’s Storage Capacity in Semitropic Water Bank.**

a) Authorize the General Manager to amend the Water Authority’s existing recharge agreement with Homer LLC, a Delaware limited liability company (Homer) in Semitropic Water Storage District’s Stored Water Recovery Unit and Original Water Bank to also allow Homer the use a portion of the Water Authority’s storage capacity in calendar years 2017, 2018, and 2019; and

b) Find that the amendment to allow for storage use is not a new project under CEQA that would cause a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment.

9-11. **Adopt positions on various state bills.**

A) Adopt a position of Support and Seek Amendments on SB 100 (De Leon), relating to the California Renewable Portfolio Standards program.

B) Adopt a position of Oppose Unless Amended on SB 623 (Monning), as proposed to be amended, relating to a public goods charge on water.

9-12. **Agreement for Regulatory Advocacy Services with the firm of Smith, Watts & Hartmann.**

The Water Authority regulatory advocacy services selection panel recommends the Board of Directors adopt an agreement with the firm of Smith, Watts & Hartmann for a period of 12 months, from July 1, 2017 through June 30, 2018, for a total amount not to exceed $93,500.

9-13. **Recommendation of program goal for Small Contractor Outreach and Opportunities Program.**

Continue the SCOOP program goal of 20 percent for fiscal year 2018.
9-14. **Professional Services Contract with Studio West Landscape Architecture & Planning for WaterSmart Landscape Makeover Program.**

Authorize the General Manager to award a three-year professional services contract, with an option for a two-year extension, in an amount not-to-exceed $381,000 to Studio West Landscape Architecture & Planning to implement the WaterSmart Landscape Makeover Program.

10. **ACTION / DISCUSSION**

11. **SPECIAL REPORTS**
   - 11-A GENERAL MANAGER’S REPORT – Ms. Stapleton
   - 11-B GENERAL COUNSEL’S REPORT – Mr. Hattam
   - 11-C SANDAG REPORT
     - SANDAG Subcommittees: Borders Committee – Director Croucher
     - Regional Planning Committee – Director Olson
   - 11-D AB 1234 Compliance Reports – Directors

12. **CLOSED SESSION(S)**
   - 12-A Conference with Legal Counsel – Pending Litigation
     - Government Code §54956.9(d)(1)
     - Name of Case: San Diegans for Open Government v. SDCWA; San Diego Superior Court Case No. 37-2017-00021082-CU-MC-CTL
   - 12-B Conference with Legal Counsel – Anticipated Litigation
     - Government Code §54956.9(d)(4)
     - Deciding to Initiate Litigation – One Case
   - 12-C Conference with Legal Counsel – Existing Litigation
     - Government Code §54956.9(d)(1)
     - SDCWA v. Metropolitan Water District of Southern California;
       - Case Nos. CPF-10-510830; CPF-12-512466; CPF-14-514004;
       - CPF-16-515282; CPF-16-515391; A146901; A148266; and BS169881
   - 12-D Conference with Legal Counsel – Existing Litigation
     - Government Code §54956.9(d)(1)
     - State Water Resources Control Board Petition of Imperial Irrigation District for Modification of Revised Water Rights Order 2002-0013

13. **ACTION FOLLOWING CLOSED SESSION**

14. **OTHER COMMUNICATIONS**

15. **ADJOURNMENT**

**NOTE:** The agendas for the Formal Board meeting and the meetings of the Standing Committees held on the day of the regular Board meeting are considered a single agenda. All information or possible action items on the agenda of committees or the Board may be deliberated by and become subject to consideration and action by the Board.
MINUTES OF THE FORMAL BOARD OF DIRECTORS’ MEETING  
MAY 25, 2017

ENGINEERING AND OPERATIONS COMMITTEE  
CALL TO ORDER / ROLL CALL

Vice Chair Hilliker called the Engineering and Operations Committee meeting to order at 9:06 a.m. Committee members present were Vice Chair Hilliker, and Directors Boyle, Brady*, Fong-Sakai, Hogan, Olson, Razak*, Smith, and Watkins. Committee members absent were Chair Heinrichs, Vice Chair Miller, and Directors Butkiewicz, Morrison, Preciado, and Simpson. Also present were Directors Arant, Cherashore, Evans, Guerin, Hall, Hedberg, Lewinger, Madaffer, Saxod, Scalzitti, Steiner, Weston, and Wilson. At that time, there was not a quorum of the Committee so Director Steiner was appointed as temporary committee member per Administrative Code section 2.00.060(f). The meeting was then conducted as a meeting of the Board.

Staff present was General Manager Stapleton, General Counsel Hattam, Deputy General Manager Kerl, Assistant General Manager Cushman, Director of Operations and Maintenance Fisher, Director of Engineering Reed, Energy Program Manager Rodgers, Senior Engineering Manager Bousquet, Right of Way Manager Kross, Operations and Maintenance Manager Castaing, and Principal Engineer Kuzmich.

ADDITIONS TO AGENDA
There were no additions to the agenda.

PUBLIC COMMENT
There were no members of the public who wished to speak.

DIRECTORS’ COMMENTS
There were no Directors’ comments.

CHAIR’S REPORT
Vice Chair Hilliker reported that the Water Authority received a $1 million incentive from the California Public Utilities Commission for its planned one megawatt, two-hour battery system at Twin Oaks Valley Water Treatment Plant. He also announced the Water Authority was hosting a Member Agency Pipe Assessment and Rehabilitation Workshop on May 30, 2017 from 9:00 a.m. to noon in the Board Room.

I. CONSENT CALENDAR
There were no Consent Calendar items.
II. ACTION/DISCUSSION/PRESENTATION

1. Notice of Completion for the Pipeline 4 Relining at Lake Murray project.
   Staff recommendation: Authorize the General Manager accept the Pipeline 4 Relining at Lake Murray project as complete, record the Notice of Completion, and release funds held in retention L.H. Woods and Sons, Inc. following the expiration of the retention period.

   Ms. Kuzmich gave a presentation on the project including project location and description, portal construction and restoration, the decommissioning of the Alvarado Hydroelectric facility, contract summary, and staff recommendation.

   Director Steiner moved, Director Smith seconded, and the motion to approve staffs’ recommendation passed unanimously.

2. Energy Task Force Update.

   Director Hogan presented an update on the Energy Task Force, including the previously approved Request for Proposal and the upcoming June 15 Task Force meeting. He also stated that an update would be provided to the Board at the June 22, 2017, E&O Committee Meeting including a recommendation for a new cost sharing agreement with the City of San Diego for the Phase 3 work effort.

   Director Olson asked the Board to consider moving the Energy Task Force from Engineering and Operations to Finance. Vice Chair Hilliker stated the request was noted and would be brought before the Board Officers for a decision.

* Director Brady arrived at 9:14 a.m., during the presentation and after the vote on the Notice of Completion for the Pipeline 4 Relining at Lake Murray project. At that time there was a quorum of the committee.

3. Treated Water Optimization.

   Mr. Castaing presented information on optimization of the treated water system, including various historical flow scenarios, flow changes, concerns, and the addition of five online water quality analyzers strategically installed along the aqueduct.

   Director Arant requested that Mr. Castaing present this at a future Valley Center Board meeting.

* Director Razak arrived at 9:19 a.m., during the presentation and after the vote on the Notice of Completion for the Pipeline 4 Relining at Lake Murray project.

III. INFORMATION

   There were no Information items.
IV. CLOSED SESSION
There were no Closed Session items.

V. ADJOURNMENT
There being no further business to come before the Engineering and Operations Committee, Vice Chair Hilliker adjourned the meeting at 9:26 a.m.

WATER PLANNING COMMITTEE
CALL TO ORDER/ROLL CALL
Chair Cherashore called the Water Planning Committee meeting to order at 9:41 a.m. Committee members present were Chair Cherashore, Vice Chairs Boyle and Evans, and Directors Brady, Hedberg, Lewinger, Muir, Razak, Smith, Tu* and Weston. Absent were Directors Ayala, Barnum, Kennedy and Preciado. Also present were Directors Arant, Butkiewicz*, Croucher*, Fong-Sakai, Gallo*, Guerin, Hall, Hilliker, Hogan, Madaffer, Murtland*, Olson, Saxod, Scalzitti, Steiner, Watkins and Wilson. At that time, there was a quorum of the Board, and the meeting was conducted as a meeting of the Board; however, only committee members participated in the vote.

Staff present was General Manager Stapleton, General Counsel Hattam, Deputy General Manager Kerl, Assistant General Manager Cushman, Director of Water Resources Yamada, Director of Public Outreach and Conservation Foster, and Senior Engineer Crutchfield.

ADDITIONS TO THE AGENDA
There were no additions to the agenda.

PUBLIC COMMENT
There were no members of the public who wished to speak.

* Director Butkiewicz arrived at 9:48 a.m., and Director Gallo arrived at 9:56 a.m.

CHAIR’S REPORT
Chair Cherashore welcomed everyone in attendance and reported on the Water Authority’s involvement in local sustainability and conservation events. He announced that in early June member agencies would receive a copy of the draft Water Shortage Contingency Plan, which was planned for review and adoption in July.

DIRECTORS’ COMMENTS
There were no Directors’ comments.

I. CONSENT CALENDAR
There were no Consent Calendar items.

* Directors Murtland and Tu arrived at 10:14 a.m.
II. ACTION/DISCUSSION/PRESENTATIONS
   1. Extension of Water Conservation Garden Operation Agreement.
      Staff recommendation: Approve a one-year extension of the current Operation Agreement between the Water Conservation Garden Authority and the Friends of the Water Conservation Garden (IRS 501(c)(3)) for the continued operation and maintenance of the Water Conservation Garden through June 30, 2018.

      Director Evans and Mr. Foster presented a report on the background of the Water Conservation Garden and current efforts and goals of the Garden’s Joint Powers Authority Governance Committee, including having refined JPA agreement terms developed by November 2017. Staff responded to questions and concerns posed by directors.

      Director Lewinger moved, Director Weston seconded, and the motion to approve staffs’ recommendation passed unanimously.

   2. Annual Storage Assessment.

      Mr. Crutchfield presented the annual storage assessment report, including information on the management of emergency and carryover storage, as well as current storage status of each. Staff responded to questions and comments posed by directors.

III. INFORMATION
   The following information item was received and filed:

*Director Croucher arrived at 10:38 a.m.

IV. CLOSED SESSION
   There were no Closed Session items.

V. ADJOURNMENT
   There being no further business to come before the Water Planning Committee, Chair Cherashore adjourned the meeting at 10:42 a.m.

IMPORTED WATER COMMITTEE
CALL TO ORDER / ROLL CALL
   Chair Weston called the Imported Water Committee meeting to order at 10:45 a.m. Committee members present were Chair Weston, Vice Chair Fong-Sakai, and Directors Hogan, Lewinger, Madaffier, Miller, Murtland, Olson, Saxod, Scalzitti, Steiner, Wilson and Supervisor Gaspar. Committee members absent were Vice Chair Kennedy and Director Barnum. Also present were Directors Arant, Boyle, Brady, Butkiewicz, Cherashore, Croucher, Evans, Gallo, Guerin, Hall, Hedberg, Muir, Razak, Smith, Tu, and Watkins. At that time, there was a quorum of the Board, and the meeting was conducted as a meeting of the Board; however, only committee members participated in the vote.
Staff present was General Manager Stapleton, General Counsel Hattam, Deputy General Manager Kerl, Assistant General Manager Cushman, MWD Program Director Chen, Colorado River Program Director Denham, Senior Water Resources Specialist Mathews, and Engineer P.E. Poursadighi. Also present were Chris Wahl of Southwest Strategies, and Ethan Axelrod of David Binder Research.

**ADDITIONS TO AGENDA**

There were no additions to the agenda.

**PUBLIC COMMENT**

Meena Westford, Special Projects Manager of Metropolitan Water District, commented on a letter sent to Metropolitan Water District from the Water Authority regarding water planning efforts.

**CHAIR’S REPORT**

Chair Weston announced the Water Authority filed a request for a focused evidentiary hearing with the State Water Resources Control Board to resolve IID’s 2014 petition to condition the QSA water transfers on restoration of the Salton Sea.

Chair Weston also announced the Governor’s Appointments Office named Doug Wilson as the Colorado River Board Representative, and Mark Watton as the Alternate.

Chair Weston provided a brief update on the Oroville Dam spillway and showed a video of the damaged spillway to give the Board an idea of the magnitude of the problem and erosion.

**DIRECTORS’ COMMENTS**

There were no Directors’ comments.

**I. CONSENT CALENDAR**

There were no Consent Calendar items.

**II. ACTION/DISCUSSION/PRESENTATION**

1. MWD issues and activities update.
   1-A Metropolitan Water District Delegates’ Report.

   The Delegates briefed the Board on the most recent Metropolitan’s Board Committee meetings.

   1-B Metropolitan Water District’s Treatment Fixed Charge Discussion.

   Ms. Chen presented an update to the Board on Metropolitan Water District’s proposed Fixed Treatment Charge including process and action taken at MWD’s April Board meeting.
1-C  Poll Results on Knowledge and Attitudes Toward the Metropolitan Water District of Southern California’s Fiscal Decisions and Water Rates.

Chris Wahl of Southwest Strategies introduced Ethan Axelrod of David Binder Research to highlight key findings from a recent poll conducted by David Binder Research. The poll was conducted on behalf of the Water Authority to measure knowledge and attitudes of Southern California residents toward fiscal decisions by the Metropolitan Water District of Southern California.

Board members asked several questions and made comments.

2.  Colorado River Programs.
     2-A  Colorado River Board Representative’s Report.

Director Wilson reviewed the most recent Colorado River Board meeting.

     2-B  Colorado River hydrology update.

Ms. Mathews presented to the Board a Colorado River Hydrology update including current conditions, updated shortage/surplus projections, drought contingency plan and a binational update.

3.  Canal Lining Post Construction Mitigation Update.

Due to time constraints, Chair Weston announced the item would carry over to the June 22, 2017 meeting.

III. INFORMATION

The following information item was received and filed:

1.  Metropolitan Water District Program Report.

IV. CLOSED SESSION

Mr. Hattam took the Committee into Closed Session at 11:43 a.m.

1.  Conference with Legal Counsel – Existing Litigation Government Code §54956.9(d)(1)
SDCWA v. Metropolitan Water District of Southern California
Case Nos. CPF-10-510830; CPF-12-512466; CPF-14-514004; CPF-16-515282;CPF-16-515391; A146901; and A148266

Mr. Hattam brought the Committee out of Closed Session at 12:43 p.m. and stated there was no reportable action.
V. **ADJOURNMENT**

There being no further business to come before the Imported Water Committee, Chair Weston adjourned the meeting at 12:45 p.m.

**ADMINISTRATIVE AND FINANCE COMMITTEE**

**CALL TO ORDER / ROLL CALL**

Chair Saxod called the Administrative and Finance Committee meeting to order at 1:30 p.m. Committee members present were Chair Saxod, Vice Chairs Arant* and Wilson, and Directors Ayala, Cherashore*, Gallo, Guerin, Hall, Hedberg, Murtland, and Watkins*. Committee members absent were Directors Croucher, Heinrichs, and Simpson. Also present were Directors Barnum, Butkiewicz, Evans, Fong-Sakai, Hilliker, Hogan, Lewinger, Madaffer, Morrison, Muir, Olson, Preciado, Scalzitti, Steiner, Weston, and Tu. At that time there was a quorum of the Board and the meeting was then conducted as a meeting of the Board; however, only committee members participated in the vote.

Staff present was General Manager Stapleton, General Counsel Hattam, Deputy General Manager Kerl, Assistant General Manager Cushman, Director of Finance/Treasurer Harris, Director of Administrative Services Brown, Director of Water Resources Yamada, and Jennifer Ivey, Vice President of Carollo Engineers.

**ADDITIONS TO AGENDA**

There were no additions to the agenda.

**PUBLIC COMMENT**

There were no members of the public who wished to speak.

* Vice Chair Arant, and Directors Cherashore and Watkins joined the meeting at 1:31 p.m.

**CHAIR’S REPORT**

There was no Chair’s report.

**DIRECTORS’ COMMENTS**

There were no Directors’ comments.

I. **CONSENT CALENDAR**

   
   **Staff recommendation:** Note and file the monthly Treasurer’s report.
   
   Director Ayala moved, Vice Chair Wilson seconded, and the motion to approve staffs’ recommendation passed unanimously.
II. ACTION/DISCUSSION/PRESENTATION

1. Presentation of the General Manager’s Recommended Budget for Fiscal Years 2018 and 2019 for review by the Administrative and Finance Committee and the Board of Directors.

Ms. Stapleton provided a presentation on the Fiscal Years 2016 and 2017 accomplishments; components of and impacts on the Fiscal Years 2018 and 2019 Budget; Fiscal Years 2018 and 2019 Budget themes, key initiatives and projects; and schedule.

Ms. Stapleton asked board members to reserve time on their calendars for the budget workshops that would take place on June 6 and 8, 2017.

The General Manager’s Recommended Budget for Fiscal Years 2018 and 2019 was distributed to board members. Ms. Stapleton went through the document, describing each section and its purpose.

Chair Saxod and Director Muir thanked staff for their work on the budget.

Director Hogan commended staff on the many accomplishments achieved under the last two year budget.

Director Muir commended staff and the board on the adaptive approach to the budget and their ability to achieve innovation efforts that were tied to the agency’s planning documents.

Vice Chair Wilson requested a breakdown of the portion of rates and charges that were directly tied to increasing water reliability for the region.

Vice Chair Wilson also requested information on staffing levels going back six years. Ms. Stapleton replied that staffing levels would be provided during upcoming budget workshops.

1-A. Transfer Balance from Stored Water Fund for CalPERS Unfunded Liability.

Staff recommendation: Authorize the General Manager to transfer balance of $9.5 million from the Stored Water Fund for an unfunded accrued liability payment to the California Public Employees Retirement System (CalPERS).

Chair Saxod introduced the item and congratulated the Finance Department on receiving the Certificate of Achievement for Excellence in Financial Reporting for the Comprehensive Annual Financial Report for fiscal year ended June 30, 2016.

Ms. Harris provided a brief presentation on the item that included background information on Water Authority’s CalPERS contributions.

Vice Chair Wilson moved, Vice Chair Arant seconded, and the motion to approve staffs’ recommendation passed unanimously.
2. Resolution setting a Public Hearing date for the Water Authority’s proposed calendar year 2018 Rate and Charge increases.  
Staff recommendation: Adopt Resolution No. 2017-09 setting the time and place for a public hearing on June 22, 2017, at or after 9:00 a.m., or as soon thereafter as may practicably be heard, during the Administrative and Finance Committee meeting, to receive comments regarding proposed rates and charges to be effective January 1, 2018.

Ms. Ivey gave a presentation on the calendar year 2018 cost of service review that included study objectives, key governing board policies, and a cost of service overview.

Ms. Harris provided a presentation on proposed assessment of calendar year 2018 rates and charges, including drivers, restructure of the annexation fee, and next steps.

Directors asked questions and staff provided answers.

Vice Chair Wilson moved, Director Hedberg seconded, and the motion to approve staffs’ recommendation passed unanimously.

3. Agreement for Carlsbad Desalination Project Sales Tax Recovery.  
Staff recommendation: Authorize the General Manager to execute a professional service agreement with DuCharme, McMillen and Associates to pursue the recovery of sales tax paid as part of the construction of the Carlsbad Desalination Project.

Mr. Yamada provided a presentation on the item which included background information, including related legislation, and a letter of opinion from the State Board of Equalization.

Directors asked questions and staff and directors provided comments and answers.

Director Ayala moved, Director Gallo seconded, and the motion to approve staffs’ recommendation passed unanimously.

4. Approve the Refinancing of the Claude “Bud” Lewis Carlsbad Desalination Project Conveyance Pipeline and the Update of the Water Authority’s Debt Management Policy.  
Staff recommendations:

1) Adopt Resolution No. 2017-10 approving the refunding of California Pollution Control Financing Authority $203,215,000 Water Furnishing Revenue Bonds, Series 2012 (San Diego County Water Authority Desalination Project Pipeline) via negotiated sale; a Preliminary Limited Offering Memorandum, a Bond Purchase Agreement and other documents
and agreements necessary to accomplish tax exempt project refinancing through the California Pollution Control Financing Authority (CPCFA).

2) Approve the updated Statement of Debt Management Policy to reflect recent regulatory changes.

Ms. Harris provided a presentation including market highlights, Carlsbad Desalination Project credit highlights, projected refunding savings, next steps, and debt policy actions.

Directors asked questions and staff provided answers.

Vice Chair Wilson moved, Director Ayala seconded, and the motion to approve staff’s recommendation passed unanimously.

III. INFORMATION
The following items were noted and filed:
2. Board Calendar.

V. CLOSED SESSION
General Counsel Hattam took the committee into Closed Session at 3:06 p.m.

1. Conference with Legal Counsel – Anticipated Litigation
   Government Code §54956.9(d)(4)
   Deciding to Initiate Litigation – One Case

   General Counsel Hattam brought the committee out of Closed Session at 3:24 p.m. and stated there was no reportable action.

VI. ADJOURNMENT
There being no further business to come before the Administrative and Finance Committee, Chair Saxod adjourned the meeting at 3:25 p.m.

LEGISLATION AND PUBLIC OUTREACH COMMITTEE
CALL TO ORDER/ROLL CALL
Chair Guerin called the Legislation and Public Outreach Committee to order at 3:30 p.m. Committee members present were Chair Guerin, Vice Chairs Hall and Tu, and Directors Arant, Butkiewicz*, Croucher, Gallo, Hilliker, Madaffer, Morrison, Muir, Scalzitti and Steiner. Committee members absent were Director Evans and Supervisor Gaspar. Also present were Directors Ayala, Cherashore, Fong-Sakai, Hedberg, Hogan, Lewinger, Murtland, Olson, Preciado, Saxod, Watkins and Weston. At that time, there was a quorum of the Board, and the meeting was conducted as a meeting of the Board; however, only committee members participated in the vote.
Staff present was General Manager Stapleton, General Counsel Hattam, Deputy General Manager Kerl, Director of Public Outreach and Conservation Foster, Government Relations Manager Farrel, Public Affairs Supervisor Penunuri, and Water Resources Specialist German. Also present was Mike Rivera, North County District Manager for The Home Depot.

ADDITIONS TO AGENDA
There were no additions to the agenda.

PUBLIC COMMENT
There were no members of the public who wished to speak.

CHAIR’S REPORT
Chair Guerin announced that she and Director Croucher would travel to Washington, D.C. on June 11, 2017, to begin the process of introducing the Water Authority to the new members of the Trump Administration.

She announced that the Water Authority would continue the Live WaterSmart campaign by sponsoring the WaterSmart Landscape Award at the San Diego County Fair’s Garden Show, and that Director Tu would present the award to the winner at the Garden Show awards ceremony on May 31, 2017.

She reported that the Water Authority’s Live WaterSmart Photo Contest, in which people submitted photos that demonstrate how water is an essential part of their life, would run until the end of May, and she added that the Water Authority had received a great response. She also stated that the contest winner would be announced in early June.

I. CONSENT CALENDAR
1. Adopt positions on various state bills:
   Staff recommendation:
   1-A Adopt a position of Support if Amended on AB 1030 (Ting), relating to energy storage systems.

   1-B Adopt a position of Support on AB 1343 (Chen), relating to water use efficiency programs at schools.

   1-C Adopt a position of Oppose Unless Amended on SB 80 (Wieckowski), relating to CEQA notices for multi-county water projects.

   Director Steiner moved, Director Tu seconded, and the motion to approve staffs’ recommendation passed unanimously.

* Director Butkiewicz arrived at 3:40 p.m.
II. ACTION/DISCUSSION/PRESENTATION

1. Legislative Issues.
   1-A Washington Report by Ken Carpi. (Written report only)
   
   1-B Sacramento Report.
   1. Long-Term Water Use Efficiency.

   Mr. Farrel provided a Sacramento update, in which he reported on actions made by the Appropriations Committee and reported that bill AB 869 (Rubio) Recycled Water Exclusion, had passed the Assembly floor. He provided highlights of the Assembly Water Conservation Working Group reporting that they had held two meetings and were working on developing broad policy principles.

   2. Recommendation of program goal for Small Contractor Outreach and Opportunities Program.
   Staff recommendation: Continue the SCOOP program goal of 20 percent for fiscal year 2018.

   The item was continued to the June 22, 2017 Board meeting.

3. Community Outreach for Capital Improvement Projects.

   The item was continued to the June 22, 2017 Board meeting.

4. Update on San Diego County Garden Friendly Plant Fairs.

   Ms. German and Mr. Rivera presented a review of the Water Authority and The Home Depot’s San Diego County Garden Friendly Plant Fairs. They reported that since 2012, 85 plant fairs had been held, which attracted 12,000 participants. They provided an overview of the partnership and roles and responsibilities of each partner.

III. INFORMATION

The following information item was received and filed:
1. Government Relations Update.

IV. ADJOURNMENT

There being no further business to come before the Legislation and Public Outreach Committee, Chair Guerin adjourned the meeting at 3:53 p.m.

FORMAL BOARD OF DIRECTORS’ MEETING OF MAY 25, 2017

1. CALL TO ORDER Chair Muir called the Formal Board of Directors’ meeting to order at 3:56 p.m.
3. **ROLL CALL, DETERMINATION OF QUORUM**
Secretary Croucher called the roll. Directors present were Arant, Ayala, Butkiewicz, Cherashore, Croucher, Fong-Sakai, Gallo, Guerin, Hall, Hedberg, Hilliker, Hogan, Lewinger, Madaffier, Muir, Murtland, Olson, Preciado, Saxod, Scalzitti, Steiner, Tu, Watkins, Weston, and Wilson. Directors absent were Barnum (p), Boyle, Brady, Evans (p), Heinrichs, Kennedy (p), Miller (p), Morrison, Razak, Simpson, Smith (p), and Supervisor Gaspar.

2. **SALUTE TO THE FLAG** Director Tu led the salute to the flag.

3-A **Report on proxies received.** Director Weston was the proxy for Director Barnum, Director Guerin was the proxy for Director Evans, Secretary Croucher was the proxy for Director Smith, and Director Arant was the proxy for Directors Miller and Kennedy.

4. **ADDITIONS TO AGENDA**
There were no additions to the agenda.

5. **APPROVAL OF MINUTES**
Director Lewinger moved, Director Weston seconded, and the motion carried at 91.68% of the vote to approve the minutes of the Special Water Planning Committee meeting of April 13, 2017 and the Formal Board of Directors’ meeting of April 27, 2017. Director Steiner abstained.

6. **OPPORTUNITY FOR MEMBERS OF THE PUBLIC WHO WISH TO ADDRESS THE BOARD ON MATTERS WITHIN THE BOARD’S JURISDICTION**
There were no members of the public who wished to speak.

7. **PRESENTATIONS & PUBLIC HEARINGS**
7-A **Recognition of Eric Holden, Employee of the 3rd Quarter.**
Chair Muir recognized and congratulated employee of the 3rd quarter Eric Holden.

8. **REPORTS BY CHAIRS**
8-A **Chairs report:** Chair Muir reported on his attendance with Vice Chair Madaffier at various local and regional meetings regarding water issues, as part of enhanced outreach efforts. He also reported attending the Association of California Water Agencies (ACWA) 2017 Spring Conference in Monterey with the Board Officers, where he accepted the ACWA Clair Hill Water Agency Award for Excellence on behalf of the Water Authority, for the development of the Carlsbad Desalination Project, and thanked Vice Chair Madaffier and Secretary Croucher for helping accept the award. He stated that the award recognized exemplary programs developed by ACWA member agencies for managing and protecting water supplies in California, and added that the Water Authority...
Formal Board
Agenda Item Number 5
June 22, 2017
(May 25, 2017 minutes)

would have the honor of selecting the next annual recipient of the $5000 Clair Hill scholarship, awarded to college students in a water-resources related field of study and funded by the engineering firm CH2M. He concluded his report by thanking staff for exceptional service in completing the project which took many years and has developed a critical water asset.

*Director Watkins left the meeting at 4:06 p.m., before the vote on the Consent Calendar.

8-B Report by Committee Chairs:
- Engineering and Operations Committee. Director Hilliker reviewed the meeting and the action taken.
- Water Planning Committee. Director Cherashore reviewed the meeting and the action taken.
- Imported Water Committee. Director Weston reviewed the meeting and stated that no action was taken.
- Administrative and Finance Committee. Director Saxod reviewed the meeting and the action taken.
- Legislation and Public Outreach Committee. Director Guerin reviewed the meeting and the action taken.

9. CONSENT CALENDAR
   Vice Chair Madaffer moved, Director Tu seconded, and the motion carried at 91.29% of the vote to approve Consent Calendar. Directors voting no or abstaining are listed under the item number.

9-1. Notice of Completion for the Pipeline 4 Relining at Lake Murray project. The Board authorized the General Manager to accept the Pipeline 4 Relining at Lake Murray project as complete, record the Notice of Completion, and release funds held in retention to L.H. Woods and Sons, Inc. following the expiration of the retention period.


   Director Hilliker voted no on item 9-2.

9- 4. **Transfer Balance from Stored Water Fund for CalPERS Unfunded Liability.**  
The Board authorized the General Manager to transfer balance of $9.5 million from the Stored Water Fund for an unfunded accrued liability payment to the California Public Employees Retirements System (CalPERS).

9- 5. **Resolution setting a Public Hearing date for the Water Authority’s proposed calendar year 2018 Rate and Charge increases.**  
The Board adopted Resolution No. 2017-09 setting the time and place for a public hearing on June 22, 2017, at or after 9:00 a.m., or as soon thereafter as may practicably be heard, during the Administrative and Finance Committee meeting, to receive comments regarding proposed rates and charges to be effective January 1, 2018.

9- 6. **Agreement for Carlsbad Desalination Project Sales Tax Recovery.**  
The Board authorized the General Manager to execute a professional services agreement with DuCharme, McMillen and Associates to pursue the recovery of sales tax paid as part of the construction of the Carlsbad Desalination Project.

Director Hogan abstained on item 9- 6.

9- 7. **Approve the Refinancing of the Claude “Bud” Lewis Carlsbad Desalination Project Conveyance Pipeline and the Update of the Water Authority’s Debt Management Policy.**  
A) The Board adopted Resolution No. 2017-10 approving the refunding of California Pollution Control Financing Authority $203,215,000 Water Furnishing Revenue Bonds, Series 2012 (San Diego County Water Authority Desalination Project Pipeline) via negotiated sale; a Preliminary Limited Offering Memorandum, a Bond Purchase Agreement and other documents and agreements necessary to accomplish tax exempt project refinancing through the California Pollution Control Financing Authority (CPCFA); and

B) approved the updated Statement of Debt Management Policy to reflect recent regulatory changes.

Director Olson voted no on item 9- 7A.

9- 8. **Adopt positions on various state bills.**  
A) The Board adopted a position of Support if Amended on AB 1030 (Ting), relating to energy storage systems.

B) The Board adopted a position of Support on AB 1343 (Chen), relating to water use efficiency programs at schools.

C) The Board adopted a position of Oppose Unless Amended on SB 80
Formal Board
Agenda Item Number 5
June 22, 2017
(May 25, 2017 minutes)

(Wieckowski), relating to CEQA notices for multi-county water projects.

10. **ACTION/DISCUSSION**

11. **SPECIAL REPORTS**

11-A **GENERAL MANAGER’S REPORT** – Ms. Stapleton reminded the Board of the upcoming Special Administrative and Finance Committee Budget Workshops on June 6, and June 8 at 1:30 p.m. She also stated that a number of requests for Water Authority e-mail addresses had been made by the Board and requested that anyone interested in having a Water Authority email address contact her.

11-B **GENERAL COUNSEL’S REPORT** – Mr. Hattam stated he had nothing further to report.

11-C **SANDAG REPORT** – Chair Muir stated that last months meeting was cancelled.

SANDAG Subcommittees:
Borders Committee – Director Croucher stated that last months meeting had been cancelled and the next meeting was scheduled for May 26, 2017.
Regional Planning Committee – Director Olson reported on issues discussed at the May 6, 2017 meeting.

11-D **AB 1234 Compliance Reports** – No reports were given.

12. **CLOSED SESSION(S)**

Mr. Hattam announced there was no need for Closed Session.

12-A Conference with Legal Counsel – Existing Litigation
Government Code §54956.9(d)(1)
SDCWA v. Metropolitan Water District of Southern California;
Case Nos. CPF-10-510830; CPF-12-512466; CPF-14-514004;
CPF-16-515282; CPF-16-515391; A146901; and A148266

12-B Conference with Legal Counsel – Anticipated Litigation
Government Code §54956.9(d)(4)
Deciding to Initiate Litigation – One Case

13. **ACTION FOLLOWING CLOSED SESSION**

14. **OTHER COMMUNICATIONS**

Director Gallo thanked Chair Muir and Vice Chair Madaffer for the communications sent between the Water Authority, Metropolitan Water District, and Orange County.
15. **ADJOURNMENT**  
There being no further business to come before the Board, Chair Muir adjourned the meeting at 4:13 p.m.

James Madaffer, Vice Chair | Gary Croucher, Secretary

Melinda Cogle, Clerk of the Board
Vice Chair Miller called the Engineering and Operations Committee meeting to order at 1:32 p.m. Committee members present were Vice Chair Watkins, and Directors Arant, Boyle, Brady, Croucher, Heinrichs, Hogan, Linden, Olson, Razak, and Simpson. Committee members absent were Chair Williams, and Directors Ayala and Morrison. Also present were Directors Evans, Fong-Sakai, Guerin, Hilliker, Kennedy, Muir, Murtland, Steiner, Tu, Verbeke, Walton, and Weston. At that time, there was a quorum of the Board.

Staff present was General Manager Stapleton, General Counsel Hattam, Deputy General Manager Kerl, Assistant General Manager Cushman, Director of Operations and Maintenance Fisher, Energy Program Manager Rodgers, Senior Engineering Manager Bousquet. Guest speakers from Navigant Energy Director Paul Maxwell and Associate Director Matthew Tanner, Ph.D. were also in attendance.

There was a request to amend the Administrative Code to permit Engineering & Operations Committee members to attend seminars that were energy related. Deputy General Manager Kerl stated this item would be referred to the Board Officers to address.

There were no members of the public who wished to speak.

Director Hogan, Energy Subcommittee Chair, stated the continued discussion regarding the San Vicente Energy Storage Facility Study was for information only to receive input from the committee. He then began the presentation with information regarding the progress update, Phase 2 work, and the Part 2 discussion agenda. Mr. Maxwell of Navigant then reported on preliminary results of Phase 2 of the study. He discussed key factors in determining business models, consideration of project components, potential business model structures, and partnership model considerations. He then reviewed project costs and revenues that could be expected by the City and Water Authority, including proposed infrastructure, project configurations, transmission cost/schedule risk, capital cost estimate, and net present value cost and revenues. He also presented information regarding potential partners and their thoughts about the project. Dr. Tanner then reported on project benefits and costs, and annual estimated value of storage. Director Hogan reviewed the key decision drivers.

Ms. Rodgers continued the presentation with information regarding the existing scope of work and budget, potential Phase 3 scope of work, key negotiation points, and activities and schedule for Phase 3 work if the Board approved a “Go” to move on forward on the study. She then addressed some of the questions asked at the previous meeting (Part 1) including the differences between San Vicente Energy Storage Facility and the Iowa Hill and Eagle Mountain projects that had been pursued by other agencies (Iowa Hill was cancelled and Eagle
Mountain was on-going), as well as methods for resolving solar over-generation and storage mandates. She reported information regarding Assembly Bill 33 and gave a preview of information that would be discussed at the November 10, 2016 Engineering and Operations Committee workshop (Part 3).

There were lengthy discussions throughout the presentation and committee members requested information regarding the return on investment for the Rancho Peñasquitos and Lake Hodges facilities (projected vs. actual). There were also requests for notification about City Task Force meetings and to be provided with a risk matrix going forward.

**ADJOURNMENT**

There being no further business to come before the Engineering and Operations Committee, Vice Chair Miller adjourned the meeting at 3:12 p.m.
June 14, 2017

Attention: Board of Directors

General Counsel’s Report – May/June 2017

Purpose
This report discusses certain legal matters receiving attention during the months of May/June 2017.

Significant Developments in Pending Litigation

MWD Rate Cases

2010/2012 Rate Cases: Oral argument in the Water Authority's case challenging MWD's 2011-2014 rates took place in the First District Court of Appeal in San Francisco on Wednesday, May 10. The appellate panel was comprised of First District Justices William McGuinness, Stuart Pollak, and Peter Siggins. John Keker argued on behalf of the Water Authority, and Kathleen Sullivan of the Quinn Emanuel law firm argued on behalf of MWD. Our outside counsel addressed the case during closed session at the May 25, 2017, Imported Water Committee meeting. Under state law, the Court of Appeal must issue its decision no more than 90 days from oral argument, and thus a decision is due on or before August 8 of this year.

2014 Rate Case: The case filed on May 30, 2014 challenging MWD’s rates adopted in 2014 for 2015 and 2016 was transferred to San Francisco Superior Court, assigned to Judge Karnow, and remains stayed pending the outcome of the appeal of the 2010 and 2012 cases. We expect the 2014 case will be taken up by Judge Karnow promptly following a final ruling in the 2010/2012 rate cases, upon motion of one or both of the parties.

2016 Rate Case: The case filed on April 13, 2016 challenging MWD’s rates adopted in 2016 for 2017 and 2018 was transferred to San Francisco Superior Court and, following MWD’s exercise of a peremptory challenge against Judge Karnow, assigned to Judge Mary Wiss, the other complex litigation judge in San Francisco. The Water Authority, MWD, and the eight MWD member agencies who answered the 2016 complaint entered into a stipulation (1) allowing the Water Authority to amend the 2016 complaint to add claims under the Exchange Agreement and for monetary damages; and (2) staying the 2016 case pending the outcome of the appeal in the 2010 and 2012 cases. On November 14, 2016, the Water Authority filed its amended complaint, and the 2016 case remains stayed. It is possible that the 2016 case will remain stayed pending developments in the cases still before Judge Karnow and the requirements of any writ of mandate consistent with a final ruling in the 2010/2012 rate cases.

2017 Rate Case: This case was just filed on June 9, 2017, challenging MWD’s rates adopted in 2017. A further report on case status will be included next month.
Public Records Act Case: Now pending in San Francisco, this action is to obtain a copy the financial planning model used by MWD in 2016 to allocate its costs and set its rates for calendar years 2017 and 2018. Discovery is expected to be completed and briefs filed before the end of 2017.

Shimmick/Obayashi Joint Venture v. San Diego County Water Authority

The discovery phase of this large CIP case is continuing as the case moves towards trial, which was set for July 21, 2017 in Riverside Superior Court, but will be moved to a new delayed 2017 date to be determined by the Court. The Plaintiff and Water Authority attended mediation on April 20, 2017, with experienced construction mediator Lynn Frank, but no settlement was reached.

Requests Pursuant to the Public Records Act Request

<table>
<thead>
<tr>
<th>Requestor</th>
<th>Documents Requested</th>
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<tbody>
<tr>
<td>G3, Green Gardens Group</td>
<td>Copy of current contract and winning proposal last round for the Landscape Makeover Program RFP</td>
</tr>
<tr>
<td>Adams Broadwell Joseph &amp; Cardozo</td>
<td>All records related to the Olivenhain Reservoir Floating Solar Project</td>
</tr>
<tr>
<td>San Diego Union Tribune</td>
<td>All payments made to and reimbursement requests filed by each director and/or board/committee member in 2017 (unredacted portions of pages previously provided)</td>
</tr>
</tbody>
</table>

Prepared by: Mark J. Hattam, General Counsel

Attachment: Special Counsel Expenditure Report
## General Counsel's Office
### Special Counsel Expenditure Report
#### (May/June 2017)

### On-going Litigation

<table>
<thead>
<tr>
<th>Special Counsel</th>
<th>Project</th>
<th>Total $ Expended for May/June-17 (Fees &amp; Costs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aviles, Kelly A.</td>
<td>Enforcing Requests for Public Records</td>
<td>Privileged ¹</td>
</tr>
<tr>
<td>Brownstein Hyatt Farber Schreck</td>
<td>QSA Litigation</td>
<td>Privileged</td>
</tr>
<tr>
<td></td>
<td>QSA Implementation</td>
<td>Privileged</td>
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<tr>
<td></td>
<td>MWD Rate Litigation</td>
<td>Privileged</td>
</tr>
<tr>
<td></td>
<td>Public Records Litigation</td>
<td>Privileged</td>
</tr>
<tr>
<td>Colantuono Highsmith &amp; Whatley</td>
<td>Metropolitan Rates</td>
<td>Privileged</td>
</tr>
<tr>
<td>Daley &amp; Heft</td>
<td>Pipeline 3 Relining Project</td>
<td>Privileged</td>
</tr>
<tr>
<td>Keker Van Nest &amp; Peters</td>
<td>Metropolitan Rates</td>
<td>Privileged</td>
</tr>
<tr>
<td>Procopio Cory Hargreaves &amp; Savitch</td>
<td>San Vicente Dam Raise Project</td>
<td>Privileged</td>
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</tbody>
</table>

### Non-Litigation

<table>
<thead>
<tr>
<th>Special Counsel</th>
<th>Project</th>
<th>Total $ Expended for May/June-17 (Fees &amp; Costs)</th>
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</thead>
<tbody>
<tr>
<td>Allen Matkins</td>
<td>General Legal Services</td>
<td>$641.25 (OP)</td>
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<tr>
<td>Duncan &amp; Allen</td>
<td>Energy Projects</td>
<td>$86,069.95 (CIP)</td>
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<tr>
<td>Hawkins Delafield &amp; Wood</td>
<td>Carlsbad Plant CAM</td>
<td>$9,486.00 (CIP)</td>
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<tr>
<td>Liebert Cassidy Whitmore</td>
<td>Personnel Issues</td>
<td>$8,060.00 (OP)</td>
</tr>
</tbody>
</table>

¹ The California Supreme Court has held that the amounts of monthly legal bills for ongoing litigation have privileged status, as they may disclose litigation strategy. *Los Angeles County Bd. of Supervisors v. Superior Court*, (2016) 2 Cal. 5th 282, 286.