Sweetwater Authority General Manager Tish Berge welcomes Citizens Water Academy alumni at her agency’s Richard A. Reynolds Desalination Facility on Jan. 27. Participants learned about groundwater basins in the region and toured the desalination facility.
NOTICE TO THE PUBLIC

BOARD OF DIRECTORS’ AND STANDING COMMITTEES’
REGULAR MEETING
FEBRUARY 22, 2018
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 February 22, 2018 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
FEBRUARY 22, 2018

MORNING SESSION
Imported Water Committee
Estimated time: 1 hour 30 minutes
Legislation & Public Outreach Committee
Estimated time: 35 minutes
Water Planning Committee
Estimated time: 45 minutes

9:00 a.m. to 12:00 p.m.

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

AFTERNOON SESSION
Administrative & Finance Committee
Estimated time: 1 hour 15 minutes
Engineering & Operations Committee
Estimated time: 35 minutes

1:00 p.m. to 3:00 p.m.

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.
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. Authorize the General Manager to continue the lease agreement for the Water Authority’s Los Angeles Office.
   Staff recommendation: Authorize the General Manager to continue the existing lease agreement for Water Authority’s Los Angeles Office space for 14 additional months through fiscal year 2019 and increase the General Manager’s authority to pay the lease payments by $16,702, for a new amount not to exceed $266,159. (Action)

II. ACTION/DISCUSSION/PRESENTATION

1. MWD issues and activities update.
   1-A Metropolitan Water District Delegates’ Report. (Supplemental Materials) (Discussion)

2. Update on California WaterFix. (Presentation)
3. Colorado River Program.

3-A Colorado River Board Representative’s report. (Supplemental Materials) (Discussion) Doug Wilson

4. Metropolitan Water District Rate Cases 2010 and 2012. Mark Hattam

(Presentation)

III. INFORMATION

1. Metropolitan Water District Program Report. Amy Chen

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; CGC-17-563350; and CA Supreme Court Case No. S243500
   Mark Hattam

2. Conference with Legal Counsel – Existing Litigation
   Government Code §54956.9(d)(1)
   California Department of Water Resources v. All Persons Interested; Sacramento Superior Court Case No. 34-2017-00215965-CU-MC-GDS
   Mark Hattam

V. ADJOURNMENT

Melinda Nelson
Clerk of the Board

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.
February 14, 2018

Attention: Imported Water Committee

Authorize the General Manager to continue the lease agreement for the Water Authority’s Los Angeles Office. (Action)

Staff recommendation
Authorize the General Manager to continue the existing lease agreement for Water Authority’s Los Angeles Office space for 14 additional months through fiscal year 2019 and increase the General Manager’s authority to pay the lease payments by $16,702, for a new amount not to exceed $266,159.

Alternatives
Do not authorize the General Manager to continue leasing the space for Water Authority’s Los Angeles Office. Funding under the General Manager’s current authority will cover lease expenses through April 30, 2018.

Fiscal Impact
Funds are available in the MWD Program operating budget for the cost of continuing this lease for Fiscal Years 2018 and 2019.

Background
In December 2000, the Water Authority entered into a lease agreement with the Metropolitan Water District (MWD) for an office space at MWD’s Union Station Headquarters building. In March 2015, the lease was amended and the Water Authority currently leases 449 rentable square feet (412 usable square feet) of office space on the first floor of its Headquarters building. The monthly rent is $1,025 plus $168 per month for two parking spaces. The term of the lease is month to month, and can be terminated any time by either party by giving written notice at least 60 days prior to the date when such termination shall become effective.

Discussion
The total lease payments since inception will amount to $249,500 by April 30, 2018. This action is to request board approval to increase the General Manager’s authority to continue the lease payments by $16,702, for a new not to exceed authority of $266,159, to allow the Water Authority to continue leasing the Los Angeles Office on a month-to-month term for 14 additional months (through fiscal year 2019). This action does not change the terms of the current lease in place with MWD.

Prepared by: Suki Chhokar, Assistant Management Analyst
Reviewed by: Amy I. Chen, Director of MWD Program
Approved by: Dennis A. Cushman, Assistant General Manager

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1 The General Manager’s authority to execute lease agreements is capped at $250,000 under Section 4.00.020 of the Water Authority’s Administrative Code.
February 14, 2018

Attention: Imported Water Committee (Presentation)

Update on California WaterFix

Purpose
The purpose of this memo is to provide an update on California WaterFix (WaterFix) and Metropolitan Water District’s (MWD) scheduled actions related to the revised project.

Background
As the hub of the State Water Project (SWP), the Sacramento-San Joaquin Bay-Delta (Bay-Delta) is a key component in Southern California’s water supply source, yet its ecosystem continues to decline due to development, farming, water exports, climate change, and other factors. The deterioration of the Bay-Delta ecosystem has caused ever increasing regulations and in recent years, along with other factors such as hydrology, significantly impacted the ability for the SWP and Central Valley Project (CVP) to export water.

Because a portion of the Water Authority’s water supply comes from the Bay-Delta, the Water Authority has long been a proponent of a cost-effective and environmentally sustainable Bay-Delta solution. The Water Authority Board has received dozens of briefings on various aspects of the Bay Delta Conservation Plan (BDCP) and later, WaterFix over the past several years. Due to lack of key cost allocation details to assess the project’s impact on the its ratepayers, the Water Authority has not taken a position on WaterFix.

State law requires that WaterFix be paid for by water contractors. Cost allocation discussions have largely taken place behind closed doors. However, based on reports out of cost allocation discussions, it has largely been assumed that SWP and CVP contractors would share the project’s cost based on a beneficiary pays concept and along a 55 and 45 percent split, respectively. However, whether the agricultural contractors are willing to, or able to pay their share of the WaterFix costs has always been an unanswered question.

Following the Department of Water Resources’ (DWR) certification of environmental documents for WaterFix last September, Westlands Water District became the first large agricultural agency to bow out of the project. Soon after, in October, the MWD Board voted to support the project, including the participation of 25.9 percent of overall project costs (or, $4.3 billion out of a total estimated $16.7 billion in 2017 dollars). Even though Westlands had already declined to participate, MWD’s action was nonetheless based on the SWP being responsible for only 55 percent of the project costs.

Discussion
To date, none of the CVP contractors have signed on to pay for the project. Although a majority of the SWP contractors have voiced support for WaterFix, not all have committed to fully fund their respective shares of

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1 Through MWD, the sole source of Water Authority’s SWP water.
2 For previous Water Authority board memos and presentations on BDCP and WaterFix, please see: http://www.sdcwa.org/baydelta.
3 California Water Code §85089
4 MWD’s action was based on a total project cost of $16.7 billion in 2017 dollars; although in a memo dated February 7, 2018, DWR placed the cost at $16.3 billion, which did not include construction mitigation costs.
the project. SWP’s largest agricultural contractor, Kern County Water Agency (Kern), indicated that only about half of its member units expressed interest to fund the project. After failing to garner any support from the CVP contractors to fund the project in totality, on February 7, state officials announced a phased approach to implement WaterFix. Under this approach, DWR would implement the project in two stages “consistent with the support expressed by public water agencies.” The first stage will include two intakes and one tunnel with a capacity of 6,000 cubic feet per second (CFS). In the second stage a third intake, second tunnel, and an additional 3,000 CFS of delivery capacity will be added. Stage two will begin “once additional funding commitments are made from supporting water agencies.” Based on interests expressed thus far, presumably, the first stage of the project would largely be paid for by the SWP contractors, with limited CVP contractors’ participation, if any. In its announcement DWR estimated the cost of the first stage to be $10.7 billion; this is approximately 66 percent of the original $16.3 billion estimate and more than the 55 percent share of SWP contractors.

While the staging approach will allow the project implementation to move forward, a major complication of having only half of the water contractors participating in WaterFix is how to account for the WaterFix supply benefit. It is generally acknowledged that the Bay-Delta ecosystem will continue to decline under the status quo – the question is how quickly and how exports will be impacted. The supply benefit from WaterFix is derived by comparing how export facilities may operate with WaterFix compared against a no-project alternative. If WaterFix is funded by all exporters, an analysis of the precise year-to-year benefit due solely to WaterFix is unnecessary. Due to the shared waterway, the SWP and CVP have historically coordinated their operations cooperatively. However, if WaterFix makes additional water supplies available, it is logical to expect the non-project participants to challenge the project benefit on a year-to-year basis, unless a firm agreement can be reached beforehand between contractors that pay for the project and those that do not. Added to this complexity is the potential for further conflicts between how the state and federal agencies may regulate CVP and SWP operations going forward.

In anticipation of the state’s pending announcement to at least initially downsize the project, in late January MWD staff provided a WaterFix brief update to its Bay Delta Committee, including a schedule to review the updated information. No precise details were provided on the phased project. MWD staff reported that in late February, it plans to present: 1) an updated cost benefit analysis; 2) water transfer agreements; 3) the relationship of WaterFix to MWD’s Integrated Water Resources Plan; and 4) an outline of the recommended Board actions for March. MWD plans to seek Board authorization for project adjustments, including: 1) its adjusted share of WaterFix costs; 2) water transfer agreements; and 3) gap funding.

It is suspected that with the smaller project, but with fewer funding participants, MWD’s share of WaterFix costs would increase. Less clear is how much water project participants would receive for their increased investments. Following the state’s announcement to stage the project, on February 12, MWD staff provided a preliminary review of how staging of the project may impact MWD. Staff reported that with the single tunnel largely funded by the SWP contractors, the expected SWP exports will be roughly the same between a single tunnel and twin tunnels. Furthermore, the household cost between a single tunnel and twin tunnels

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6 Capital project cost only, with construction mitigation costs included, the total would be $11.1 billion; MWD’s Board decision to fund $4.3 billion was based on a total project cost of $16.7 billion, which includes construction mitigation costs.

would roughly be the same. During the discussion, while several board members questioned the cost assumptions and supply benefits, other board members requested staff to explore the option that MWD increase its financial contribution by $6 billion to enable the twin tunnels to be constructed at the same time.\(^8\) On February 13, the state issued its economic analysis of stage 1, which “found benefits exceeding costs in every scenario analyzed – even up to $1.82 in benefits for every $1 in costs” (See Attachment 2 for state’s analysis).

The Water Authority staff will provide updated information to keep the Imported Water Committee informed as it becomes available, including in this month, a review of the State’s economic analysis. See Attachment 1 for additional background information.

Prepared by: Michael Thomas, Water Resources Specialist
Reviewed by: Amy Chen, Director of MWD Program
Glenn Farrel, Government Relations Manager
Approved by: Dennis A. Cushman, Assistant General Manager

Attachment 1: Additional background on California WaterFix Update
Attachment 2: DWR’s Economic Analysis of Stage I of the California WaterFix

Additional Background on California WaterFix Update

Bay Delta Conservation Plan/ California WaterFix

A portion of the Water Authority’s supply comes from the Sacramento-San Joaquin Bay Delta (Bay-Delta). Due to a variety of reasons, the Bay-Delta ecosystem is in decline and that demise has caused water exports from the Bay Delta to be less dependable. Over the past 25 years, the Water Authority and its member agencies have considerably diversified the region’s supplies and in doing so, greatly reduced the region’s reliance on the Bay-Delta by decreasing its purchases of MWD supplies. Investments in supply diversification have reduced the San Diego region’s dependence on MWD from 95 percent in 1991 to about 41 percent today. It is on track to continue to reduce the reliance on MWD to 21 percent in 2020 and 13 percent by 2035. The Water Authority has long been a proponent of a cost-effective and environmentally sustainable Bay-Delta solution. The Water Authority Board has received dozens of briefings on various aspects of the Bay Delta Conservation Plan (BDCP). The BDCP was originally conceived as a Habitat Conservation Plan (HCP) and was intended to be a long-term solution to address the Bay-Delta’s conflicts between water supply and ecosystem health. As a HCP, BDCP sought to restore the Bay-Delta ecosystem, ultimately recovering listed species, and, in exchange, secure longer term operating permits for its conveyance facilities. Following the publication of the draft BDCP and associated environmental documents, the Water Authority convened a multi-disciplinary team to review the BDCP and update its Board on the plan.

After realizing that the ability to obtain the necessary long-term operating permits for BDCP was slim, in April 2015, the state bifurcated BDCP into two separate ecosystem and conveyance initiatives, California EcoRestore and WaterFix, respectively. With the bifurcation, WaterFix abandoned the HCP approach, and sought permits under Section 7 of the Endangered Species Act, a species-by-species and less durable approach. WaterFix plans to create three intake points in the upper Bay-Delta and transport the water south through two 40-foot-wide and 30-mile-long tunnels. The new tunnels would be operated as a dual facility with the existing facilities. The Department of Water Resources (DWR), the lead on the project, estimates that the implementation of WaterFix would allow 4.7-5.3 MAF of water exports per year. Last July, DWR certified the environmental analysis after receiving the federal biological opinions.

While the Board has expended significant time reviewing the project, the Board has not taken a position on the project. Critical details on WaterFix cost allocation were not available to adequately assess how the Water Authority’s ratepayers may benefit from the project and be protected from paying an unfair share of the project’s cost.

Cost Allocation
MWD has reported that the cost allocation will be based on the “beneficiary pays” principle. During the negotiation phase, water contractors translated this to mean that the cost would be shared between the SWP and CVP contractor groups via a 55 percent and 45 percent respective split. While the participation of CVP contractors has always been described as through an opt-in approach, the SWP contractors are generally

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1 For previous Water Authority Board memos and presentations on BDCP and WaterFix, please see: http://www.sdcwa.org/baydelta..
2 50-year term.
expected to pay for the state share of the project in proportion to their existing Table A entitlements.\textsuperscript{4} As the cost allocation discussions progressed, MWD has also used the phrase “cost follows water” to describe the beneficiary pays principle. Whether the agricultural contractors are willing to, or can pay their share of the project costs has always been a question.

\textbf{MWD’s Position}

MWD’s formal involvement in the BDCP started in November 2006, when it entered into a Cooperative Cost-Share Agreement with several interested parties. In December 2008 and later July 2010, MWD continued and expanded its involvement by entering into funding agreements with DWR and other water contractors.\textsuperscript{5} Following DWR’s certification of environmental analysis, last October, the MWD Board committed to funding up to 25.9 percent\textsuperscript{6} of the twin-tunnel proposal (approximately $4.3 billion in 2017 dollars).\textsuperscript{7} Prior to the October action, MWD purchased several islands in the Bay-Delta for $175 million in 2016. Two of the islands are located along the WaterFix tunnels alignment. MWD has not officially announced its intended use of these islands.

\textbf{Other Agencies Support for WaterFix}

While a majority of the SWP contractors have voiced support for WaterFix, not all have fully committed funds. Additionally, some key partners have turned down funding WaterFix outright. Last September, citing the project’s high cost, Westlands Water District, the largest CVP contractor, declined to participate. To date, no other CVP contractors has agreed to fund any CVP share of the 45 percent WaterFix costs. While supportive of the project, SWP’s largest agricultural contractor, Kern County Water Agency (Kern), indicated that only about half of its member units has expressed an interest to fund the project (roughly 6.5 percent of the project, or about $1 billion). Santa Clara Valley Water District (Santa Clara), a member of both the SWP and CVP contractors, voted to support a single-tunnel proposal and a funding commitment of 1.4 percent of total project costs, equating to its SWP share only.

\textbf{DWR Validation Lawsuit}

The ultimate source of funds for the SWP share of WaterFix costs will be revenue bonds. At the same time that DWR certified WaterFix’s environmental analysis, it also filed a validation action with the Sacramento County Superior Court to affirm its authority to, among other things, “issue revenue bonds to finance the planning, design, construction and other capital costs of WaterFix.” A number of interested parties have “answered” the validation, including the Water Authority. The Water Authority stated in its filing that while it neither opposed nor supported the project, the nature of a validation case creates potential risks to several key issues the Water Authority is interested in, all of which involve how project costs would be recovered.\textsuperscript{8}

\textsuperscript{4} Five SWP contractors located north of Bay-Delta have been excused from paying for the WaterFix costs because they do not benefit from the project.
\textsuperscript{5} MWD’s commitment under the funding agreements totals $63 million; in addition, recently, MWD reported that since 2005 to September 2017, it has spent a cumulative of $43.8 million on BDCP through its own internal efforts.
\textsuperscript{6} MWD’s share calculated based on the \textit{assumption} that the SWP will pay 55 percent of the project cost, and MWD will pay 47 percent of the SWP cost; $4.3 billion is based on MWD’s estimated project cost of $16.7 billion in 2017 dollars, which included $0.4 billion of construction mitigation costs.
\textsuperscript{7} The vote was supported by 69 percent of the Board; those who voted ‘no’ included two of Water Authority’s Delegates, three of the five Los Angeles’ directors, and Santa Monica’s director (the other two Water Authority Delegates abstained).
\textsuperscript{8} \url{http://www.sdcwa.org/sites/default/files/files/waterletters/2016-11-15%20WA%20CMA%20letter%20to%20CNRA%20Sec%20re%20WaterFix%20Cost%20and%20Benefits.pdf}
Because MWD assigns its SWP costs on its water rates according to how DWR bills MWD (e.g., functionalized SWP’s transportation related costs as MWD’s own transportation costs), how DWR will ultimately characterize WaterFix costs will have a material impact to the Water Authority’s ratepayers. DWR has historically characterized Delta Facilities (e.g., peripheral canal related facilities) as “conservation facilities,” which in DWR’s jargon means supply cost. However, in several planning documents, including its cost of service report supporting the proposed rates and charges, MWD has assigned WaterFix capital costs as MWD’s transportation costs.

Finance JPA
MWD’s October action also authorized its participation in a finance Joint Powers Authority (finance JPA). Legal challenges to DWR’s authority over the project may impact the marketability of WaterFix revenue bonds to private investors. The finance JPA is a way for DWR to generate funds to pay for WaterFix by having the JPA purchase revenue bonds directly from DWR. When the Santa Clara Board was considering the project, its staff described that should DWR not be able to proceed with WaterFix, the finance JPA would take on the risk of having to back a portion of the SWP’s share of the bonds already issued. In return for assuming that risk, Santa Clara described that the finance JPA partners would be in a position of owning a certain interest in the state portion of WaterFix, if the facilities are transferred to the finance JPA. The Santa Clara Board ultimately chose not to participate in the finance JPA. To date MWD and Zone 7 Water Agency are the only agencies committed to join the finance JPA.

SWP Contract Extensions/ Modifications
Five of SWP’s 29 contractors are excused from paying for WaterFix because they are located north of the Bay-Delta and would not benefit from project. In order to accommodate their non-participation and divide the WaterFix costs among the remaining contractors, the SWP water supply contracts between DWR and SWP contractors must be amended. DWR recently announced its plan to resume the public process to negotiate proposed amendments to the SWP water supply contracts. The stated negotiation objectives are to “develop terms and conditions for proposed amendments to the water supply contracts and define the rights and obligations of DWR and those SWP contractors who would benefit from implementation of WaterFix.” The next negotiation session is scheduled for February 13, 2018.

State and Federal Audits
WaterFix was the subject of two significant audits in 2017. The State Auditor (Auditor) released a report on WaterFix in October 2017 that found DWR did not adhere to proper procedures during the WaterFix project.

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9 Whether MWD can place a portion of its SWP water supply costs on its transportation rates was the subject of the Water Authority’s rate litigation against MWD. On June 21, 2017, the Appellate Court overturned an earlier Superior Court’s ruling that MWD cannot. Later in 2017, the California Supreme Court declined the Water Authority’s Petition to hear the litigation and finalized the Appellate Court’s decision.

10 See Appendix B, DWR Bulletin 162 – Management of the State Water Project:

11 See Attachment 2, Page 59 of 259 of the proposed rates and charges
http://mwdh2o.com/PDF_Who_We_Are/Cost%20of%20Service%20Report%20FYs%202018-19%20and%202019-20.pdf


13 Representing 2.79 percent of total Table A entitlement

14 Public Meetings for State Water Project Contract Amendment for California WaterFix Update January 25, 2018

planning process. The Auditor noted that BDCP/WaterFix’s planning budget ballooned from the original $140 million to more than $280 million by June 2017. While state law requires the project to be funded entirely by the water contractors, both the U.S. Bureau of Reclamation (USBR) and DWR contributed funding toward the effort. The Auditor reported that DWR used “surplus revenue” generated from the SWP contracts to fund the state’s portion, and noted that the surplus balance is projected to grow from $10.7 million in December 2013 to $293 million by end of December 2017. The Auditor also found DWR did not complete the necessary economic or financial analyses required to demonstrate the financial viability of the project.

Earlier in September the Inspector General of the U.S. Department of Interior also issued an audit and found that the USBR improperly subsidized WaterFix’s planning process. The audit16 found the USBR established accounting practices that resulted in $50 million of federal funds improperly subsidizing the CVP contractors’ portion of BDCP/WaterFix planning costs over a seven-year period. This audit also cited a lack of transparency and found no justification for these accounting practices.

Recent Development -- “Phasing” of CA WaterFix

After failing to garner any of the assumed CVP contractor’s 45 percent cost share, on February 7, state officials announced a “staged” approach to implement WaterFix17. Under this approach, DWR would implement the project in two stages “consistent with the support expressed by public water agencies.” The first stage will include two intakes and one tunnel with a capacity of 6,000 cubic feet per second (CFS). In the second stage a third intake, second tunnel, and an additional 3,000 CFS of delivery capacity will be added. Stage two will begin “once additional funding commitments are made from supporting water agencies.” DWR estimates the cost of the first stage to be $10.7 billion, about two-thirds of the original $16.3 billion18 estimate and more than the 55 percent share of SWP contractors. Based on interests expressed thus far, presumably, the first stage of the project would largely be paid for by the SWP contractors, with limited CVP contractors’ participation, if any.

DWR’s February announcement stated “DWR does not expect substantial change to the Biological Opinions or Section 2081 Incidental Take Permit issued in 2017” but did not describe how the project will be operated if only the first stage is constructed. Therefore, it is unclear how much water may be exported under this scenario. The announcement did note that the state is preparing a cost-benefit analysis that will be available “soon.” On February 13, the state issued its economic analysis of stage 1, which “found benefits exceeding costs in every scenario analyzed – even up to $1.82 in benefits for every $1 in costs.”

However, prior to the release of the state’s economic analysis the MWD Board received a WaterFix update presentation during its February 12 Water Planning and Stewardship committee meeting. Following staff’s presentation, some directors suggested MWD increase its WaterFix contribution. Director Atwater (Foothill Municipal Water District) advocated for the Board to consider funding MWD’s share of phase 1 and all of phase 2 to “maximize environmental benefits” and help solve the State’s problem: “That is the legacy of

18 DWR’s updated 2017 project estimate, which did not include construction mitigation costs; MWD’s October 2017 board action was based on $16.7 billion of total cost, which included mitigation costs.
Metropolitan. In the 1950s and 60s we had huge excess capacity in the Colorado Aqueduct, and we used that to solve other people’s problems, like groundwater overdraft, a whole variety of issues or shortages across the region…those multiple benefits ought to be something we are proud of.” This sentiment was echoed by Directors Barbre (Municipal Water District of Orange County) and Blois (Calleguas Municipal Water District), who stated “I would point out why would we not study and figure out what we could do to buy more water, quite frankly as much water as we can from the cheapest source that’s available now and into the future, so this makes a lot of sense for a lot of different reasons.” Director Peterson (Las Virgenes) expressed support for MWD analyzing funding both phases.19 It was suggested by these directors and MWD General Manager Kightlinger that MWD would control the extra capacity and recoup the cost by selling it. Additional information on the discussions that occurred on WaterFix can be found in the “MWD Delegates Report” in this month’s Imported Water Committee board packet.

State Board Process
Among the many permits WaterFix must obtain before it can start construction is the water rights approval from the State Water Resources Control Board (State Board) for a change in the points of diversion. The State Board had concluded Part 1 of this process, which considered impacts of WaterFix on other water rights holders. It is starting Part 2 of the process, which is to consider WaterFix’s impacts on fish and wildlife as well as water quality. Part 2 was delayed temporarily for the State Board to address alleged ex parte communications between the state Board staff and DWR, and later motions for continuance based on DWR’s anticipated announcement to modify the project. DWR responded that it has not altered its water rights petition and continues to seek a permit for three 3,000 cubic CFS points of diversion on the Sacramento River. The State Board denied all motions for continuance and resumed the water rights hearing on February 8.

Next Steps
Because the SWP contractors do not have an opt-in choice to participate in the project, MWD staff previously reported on using water transfer agreements between willing parties to adjust SWP contractors’ participation in WaterFix. A Los Angeles Times article20 recently reported that one of the scenarios under consideration would allow the Kern to gain more access to “the cheapest water in the state system.” On a Special Kern Board meeting agenda, dated January 30, 2018, two closed session items were listed: 1) DWR’s validation suit (Kern answered the suit);21 and 2) “conference with real property negotiator” to discuss the price and terms of Kern’s State Water Project contract, with DWR and MWD identified as negotiating parties. It is unknown if the Kern Board took any positions relative to those items.

Concerned that much of the information would be presented only via PowerPoint and that the timeframe laid out would not afford adequate time for review, the Water Authority Delegates made clear that they expect a written report – especially on the updated cost benefit analysis – as soon as possible and before MWD’s February Bay Delta Committee meeting. MWD staff indicated that it would not be able to offer

more detailed information until DWR has released the revised project description and did not report why a March action is necessary.
Economic Analysis of Stage I of the California WaterFix

Costs and Benefits to Urban and Agricultural Participants

PREPARED FOR
California Department of Water Resources

PREPARED BY
David L. Sunding, Ph.D.

February 12, 2018
This report was prepared for the California Department of Water Resources. All results and any errors are the responsibility of the authors and do not represent the opinion of The Brattle Group or its clients.

Acknowledgement: We acknowledge the valuable contributions of many individuals to this report and to the underlying analysis, including members of The Brattle Group for peer review.

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I. Introduction and Summary of Findings

The California WaterFix, considered initially as part of the Bay Delta Conservation Plan, is a foundational component of the state’s Water Action Plan. It addresses environmental, seismic, water quality and climate change threats to the existing water conveyance infrastructure in the Delta and complements efforts to improve ecological functions being advanced by the state’s California EcoRestore program.

During this planning process that now spans more than 11 years, economic principles for measuring costs and benefits have been applied over time in various reports to review the values of water system and ecosystem improvements and to help advance public discussion and debate. Such cost-benefit analyses have gone beyond what is legally required because of the statewide significance of the project. This most recent analysis is intended to help examine the evolved project and the related costs and benefits of the potential participants in both the urban and agricultural sectors.

After several years of analysis, the California Department of Water Resources is considering an option to implement the California WaterFix project in two Stages. Stage I would consist of two 3,000-cfs intakes connected to one 40-ft diameter tunnel. From the intakes, water would be conveyed by gravity flow to a 6,000-cfs pumping plant that lifts it into Clifton Court Forebay. Stage II of the California WaterFix would consist of an additional 3,000-cfs intake connected to a second tunnel.

Because not all aspects of financing and project participation have been decided at present, this report considers Stage I costs and benefits in multiple alternative scenarios. These scenarios include whether i) low-interest federal financing will be available to cover a share of project costs, ii) revenues will be collected for federal contractors’ use of up to 1,000-cfs of the Stage I project or whether the State Water Contractors will make use of the entire capacity, and iii) trading of project capacity will be allowed among the State Water Contractors. Participants in Stage II of the California WaterFix are not currently known. Depending on the evolution of environmental regulations, water demands and climate, state and federal water agencies may decide to implement Stage II at some point in the future. At that time, a detailed cost-benefit analysis of Stage II can be completed.
The analysis described in this report concludes that Stage I of the California WaterFix passes a cost-benefit test for SWP urban and agricultural agencies under all scenarios analyzed. The ability of project participants to trade their shares in the project is highly beneficial to SWP agricultural agencies, as is the availability of federal low-interest financing. The analysis also indicates that federal contractors south of the Delta receive benefits in excess of costs from the use of up to 1,000-cfs of Stage 1 project capacity. The State Water Project contractors would also receive positive net benefits were they to use all 6,000-cfs of capacity.

II. WaterFix Project

Total design and construction enterprise costs for Stage I of the California WaterFix, including mitigation, are estimated at approximately $11.09 billion in undiscounted 2017 dollars. The construction period of Stage I is assumed to be from 2018 to 2031, after which the project will become operational. The assumed life span of the project is 100 years.

Table 1 displays construction costs for Stage I of the California WaterFix project. Costs are disaggregated by year and type of expenditure.

<table>
<thead>
<tr>
<th>Cost Year</th>
<th>Program Management</th>
<th>Engineering Management</th>
<th>Construction</th>
<th>Contingency</th>
<th>Land Acquisition</th>
<th>Section 7 Mitigation</th>
<th>Total</th>
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<tr>
<td>2018</td>
<td>$34,115,227</td>
<td>$57,182,980</td>
<td>$24,196,536</td>
<td>-</td>
<td>$4,500,000</td>
<td>-</td>
<td>$119,994,743</td>
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<td>$30,816,712</td>
<td>$176,864,339</td>
<td>-</td>
<td>$43,657,447</td>
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<td>$30,816,712</td>
<td>$151,048,525</td>
<td>$55,190,534</td>
<td>$41,996,374</td>
<td>$29,469,003</td>
<td>$351,516,981</td>
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<td>2022</td>
<td>$30,698,640</td>
<td>$95,041,786</td>
<td>$109,221,153</td>
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<td>$29,356,095</td>
<td>$541,500,060</td>
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<tr>
<td>2023</td>
<td>$30,698,640</td>
<td>$43,788,315</td>
<td>$165,876,634</td>
<td>-</td>
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<td>2024</td>
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<td>2027</td>
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<td>-</td>
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<td>2032</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2033</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<td>-</td>
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<tr>
<td>Total</td>
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<td>$1,521,544,887</td>
<td>$6,343,997,251</td>
<td>$2,270,750,568</td>
<td>$377,000,000</td>
<td>$11,086,425,063</td>
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</tr>
</tbody>
</table>

Source: Metropolitan Water District of Southern California and ICF California.

During construction, operation and maintenance mitigation for the first 13 years is estimated at $31.1 million per year. Operation and maintenance costs increase to $49.5 million per year, including capital replacements and $17.7 million in operations and maintenance mitigation.
annually, for the first 50 years of the project. Thereafter, the operation and maintenance costs amount to $31.9 million per year.

III. Cost Allocation and Financing

At present, it is expected that on a long-term average basis the State Water Contractors would utilize 5,000-cfs of the 6,000-cfs of total Stage I capacity. The remaining up to 1,000-cfs would be available for use by Central Valley Project south of Delta contractors and other entities receiving Central Valley Project deliveries. The exact mechanism for funding the 1,000-cfs of capacity potentially used by the federal contractors has not been determined. This report accordingly analyzes two scenarios, one in which the State Water Contractors pay for and utilize 5,000-cfs of project capacity, and one in which they finance and utilize the entire 6,000-cfs. Costs and benefits to the State Water Contractors are the primary focus of the analysis, and benefits to federal contractors from their use of 1,000-cfs of project capacity are analyzed separately.

Some State Water Contractors have indicated that they do not need the benefit of the California WaterFix and do not wish to pay for it. This position is consistent with the analysis of agricultural benefits presented in this report. There is active discussion among the State Water Contractors about allowing agencies to transfer their costs and benefits to other Contractors. In such an arrangement, a water agency that does not wish to participate in Stage 1 of the WaterFix could transfer their share of costs to another agency; the selling agency would then receive water supplies equal to the future baseline defined in this report. To account for the possibility that project capacity could be traded among the State Water Contractors, this report considers two scenarios: in one scenario all agencies would participate in the project and pay a share of costs determined by their Table A allocation; in the alternative scenario, a limited amount of project benefits and costs would be reallocated from agricultural to urban users.

Financing is another powerful factor that impacts both costs and benefits. This report considers two possibilities: market-rate financing, and low-interest rate financing that may be available under a variety of existing and proposed federal laws. Due to the uncertain nature of the WaterFix funding mechanisms, this report considers several scenarios: financing at market rates, and low-interest rate federal financing of 50 or 100 percent of the project. This report assumes for planning purposes that low-interest rate federal funding would carry an interest rate of 200 basis points below the comparable market rate and would have a comparable repayment period.
IV. Project Yields

The State Water Project is the most important source of imported water for the State Water Contractor agencies included in the analysis. SWP deliveries to these agencies consist of Table A, Article 21 and Article 56 supplies. Table A supply is a contracted quantity that totals roughly 4.2 MAF per year across all the urban member agencies in the SDBSIM model. Article 21 deliveries are unscheduled water that is available in wet years, and is essentially the surplus water that remains after all operational, water quality and Delta requirements are met. Article 56 of the Water Supply Contracts allows for some carryover water to be held in San Luis Reservoir during wet years and delivered in the subsequent calendar year.

The Central Valley Project is owned and operated by the Bureau of Reclamation. The CVP provides deliveries to agricultural and urban water contractors south of the Delta. Some or all of these CVP contractors, notably Westlands Water District and the Santa Clara Valley Water District (also a SWP contractor), may decide to participate in Stage I of the California WaterFix with respect to CVP supplies.

Estimates of future SWP and CVP deliveries under Stage I of the California WaterFix are forecasted using the CALSIM II model, a generalized water resource simulation model developed by the California Department of Water Resources and the U.S. Bureau of Reclamation.\(^1\) CALSIM II is a simulation model that uses linear programming to project water deliveries given hydrological and regulatory constraints and user priority weights. Data produced using CALSIM II are used to estimate the water to be exported from the Delta and distributed to the south of Delta State Water Project contractors under the following scenarios:

- California WaterFix\(^2\)
- Existing Conveyance with California WaterFix Operating Criteria

The benefits and costs of Stage I of California WaterFix must be evaluated in relation to the future baseline conditions that would likely occur if a new water conveyance system were not built. The future baseline conditions are not static and they take into account past, present, and anticipated future regulatory constraints on the operations of the existing Delta water

---

\(^1\) The CalSim II model did not consider the possibility of transfers between water agencies in its analysis.

\(^2\) Stage I WaterFix operations are assumed to be the H3+ (NOD) 5000 SWP-1000 CVP model run. Sensitivity analysis was also performed using the H3+ (NOD) 6000 SWP model run.
conveyance system. Past regulatory constraints that affect the current existing water conveyance system include the “Reasonable and Prudent Alternatives” (RPA) contained in the biological opinions for the “Coordinated Long-term Operations of the CVP and SWP” issued by the U.S. Fish and Wildlife Service (FWS) in 2008 and the National Marine Fisheries Service (NMFS) in 2009. Other actions required by existing regulatory authorizations are described in the Bay Delta Conservation Plan/California WaterFix Final Environmental Impact Report/Environmental Impact Statement (December 2016) (EIR/EIS).3 Future conditions that factor into the baseline conditions include projected climate conditions and additional regulatory constraints that could apply to the existing water conveyance system.

The RPA4 contained in the biological opinions for the Coordinated Long-Term Operations of the CVP and SWP issued by the FWS and NMFS require a wide range of actions. They include habitat restoration, complex export restrictions in the Delta, additional upstream storage and flow requirements, new research, and monitoring. Also required are several restrictions on south Delta pumping, requirements to improve pre-screen losses at Clifton Court Forebay, a prescribed fall season outflow in wet and above normal rainfall years, Delta and Yolo Bypass restoration actions, a suite of monitoring and research actions, and a suite of upstream actions, among other requirements. In addition, the baseline conditions reflect the implementation of the terms and conditions of the State Incidental Take Permit for SWP Operations for Longfin Smelt, which are generally consistent with the biological opinions for the Coordinated Long-term Operations of the CVP and SWP, and the notch in the Fremont Weir that is included in NMFS’ biological opinion for the Yolo Bypass restoration. The implementation of these regulatory actions is included in the baseline conditions used to assess the benefits and cost of the off-site and on-site alternatives.

Notwithstanding these operational measures, the baseline conditions reflect the expectation that further constraints would be placed on the SWP and CVP operations. Data has shown that fish species continue to decline in the Delta for a variety of reasons, including the recent extreme

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3 More information about past environmental and regulatory constraints that affect the baseline conditions of the existing water conveyance system is provided in Chapter 3 of the EIR/EIS and Appendix 3D and Appendix 5A to the EIR/EIS. The EIR/EIS is available at http://baydeltaconservationplan.com/FinalEIREIS/FinalEIR-EIS_Volume1.aspx.

4 The RPAs must be implemented to avoid jeopardizing the continued existence of species subject to the federal Endangered Species Act (ESA) and to maintain authorization to “take” those species pursuant to the ESA.
five-year drought, even with the implementation of these regulatory actions. For example, the
decline of the Delta smelt and winter-run Chinook salmon has been well-documented before
(Pelagic Organism Decline [POD] and NMFS Species Report Cards) and throughout the drought
by various state and federal agencies.

As evidenced by the 2008 and 2009 biological opinions for the Coordinated Long-Term
Operations of the CVP and SWP, regardless of the reasons for decline, the historical regulatory
pattern for addressing these declines has been to increasingly constrain water deliveries,
including Delta operations and cold water pool storage, to maintain greater flows and improved
habitat conditions for fish. Discussions during the development of the California WaterFix
project, the Bureau of Reclamation’s request to reinitiate consultation for the Coordinated Long-
Term Operations of the CVP and SWP, and ongoing planning efforts (such as the Bay-Delta
Water Quality Control Plan Update) all indicate this regulatory pattern would likely continue.
The baseline conditions therefore also reflect likely future regulatory constraints, described
below, that would be applied to south Delta operations under the current water conveyance
system.

New regulatory constraints on water deliveries, known as Scenario 6 Old and Middle River
(Scenario 6 OMR) criteria, are designed to preserve the reduced reverse flow conditions. These
constraints are assumed to be required. The Scenario 6 OMR criteria would further constrain
water exports from the south Delta during wetter years as compared to the existing biological
opinions. Modifications to the head of Old River Gate and changes in its operation are also
assumed. These changes would include a permanent operable gate to replace the temporary rock
barrier located there. The permanent head of Old River Gate would be operated January through
June to promote fish migration, which would affect water quality and water supply compared to
the existing rock barrier.

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5 Fish surveys conducted by the California Department of Fish and Wildlife are available at
http://www.dfg.ca.gov/delta/data/.
6 The POD and more information regarding NMFS’ data are available at
http://www.science.calwater.ca.gov/pod/pod_index.html and
http://www.nmfs.noaa.gov/pr/species/Species%20in%20the%20Spotlight/sacramento_winter-
run_chinook_salmon_spotlight_species_5-year_action_plan_final_jan_25_2016_1.pdf.
7 State and federal wildlife agencies have indicated the Scenario 6 OMR criteria and head of Old River
permanent operable gate is assumed to be included in an amended biological opinion for the for the
Coordinated Long-term Operations of the CVP and SWP or other regulatory authorizations, and
In addition to the Scenario 6 OMR criteria and changes to the head of Old River Gate, further restrictions on the existing long-term SWP and CVP operations are assumed to result from amendments to the existing biological opinions. In its request to reinitiate consultation with the FWS and NMFS, the Bureau of Reclamation expects the consultation will update the system-wide operating criteria and review the existing RPAs to determine their “continued substance and efficacy in meeting the requirements of Section 7 of the ESA.” Based on current species status, recent drought conditions, improved climate change projections, the scope of the Bureau of Reclamation’s request to reinitiate consultation, ongoing discussions about outflows and instream flows, and the historical trend of regulation, it is likely these consultations would result in further restrictions on SWP and CVP operations. Likewise, the State Water Resources Control Board is currently in the process of updating the Bay-Delta Water Quality Control Plan, and based on the Stage 1 and 2 reports released to date, and the ongoing negotiated resolutions to increase environmental flows in the Sacramento and San Joaquin rivers, it is assumed that the Plan would further constrain water supplies from the south Delta.

The difference in mean SWP south of Delta deliveries achieved by implementing Stage I and the baseline totals roughly 660,000 acre-feet in protected supplies for the State Water Contractors. This assumes SWP use of 5,000-cfs of the Stage 1 capacity. Table 2 displays average annual deliveries to the SWP urban and agricultural customers under the project and the future baseline. The protected supplies are approximately 200,000 acre-feet greater if CVP participation does not materialize and the SWP utilizes the full 6,000-cfs of capacity.

these constraints have been defined well enough to evaluate their effect on water supplies and water quality.


9 This difference is calculated at the Early Long Term.
Table 2:
Average Annual Yields for State Water Project and Central Valley Project Agencies

<table>
<thead>
<tr>
<th></th>
<th>SWP Agencies</th>
<th></th>
<th>CVP Agencies</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Urban</td>
<td>Agricultural</td>
<td></td>
</tr>
<tr>
<td>Proposed Project</td>
<td>1,989,220</td>
<td>704,058</td>
<td>832,936</td>
</tr>
<tr>
<td>No Tunnels</td>
<td>1,547,885</td>
<td>479,000</td>
<td>634,822</td>
</tr>
<tr>
<td>Incremental Yield</td>
<td>441,336</td>
<td>225,058</td>
<td>198,113</td>
</tr>
</tbody>
</table>

Source: CH2M Hill.

Of course, mean deliveries are not sufficient to calculate project benefits. In addition to the incremental supply created by the project, it is important to take account of when this incremental supply is created (i.e., between wet and dry years). Figure 1 displays exceedance curves for SWP deliveries under Stage I and in the baseline. The CALSIM II runs indicate that the incremental water supplies produced by Stage I are available primarily in average to wet years. This pattern of incremental supplies is important since agencies with adequate storage are better able to utilize the enhanced wet-year deliveries and hence receive larger benefits from Stage I, all else equal.
The significant increase in average annual deliveries is largely due to the ability of the new screened intakes associated with California WaterFix to capture high-flow supplies on the Sacramento River and thus minimize the impacts of operational constraints in the south Delta.

V. Water Supply Benefits to Urban Areas

The analysis of urban water supplies and demands is performed at the individual agency level using the Supply-Demand Balance Simulation Model (SDBSIM), developed by The Brattle Group and the Metropolitan Water District, and detailed in Chapter 9 and Appendix 9A of the Bay
Delta Conservation Plan. The SDBSIM is a probabilistic water portfolio simulation model that apportions and values shortages at the agency level for 36 major urban agencies receiving Delta water supplies directly or indirectly. These agencies were chosen for analysis because they receive the bulk of SWP urban deliveries and because they have the largest potential to experience changes in welfare as a result of variations in Delta yields. Some of these agencies are members of the Metropolitan Water District of Southern California (MWD), which receives roughly half of all available yields from the SWP.

Many of the 36 agencies represented in the SDBSIM are wholesalers themselves. For these agencies, it is necessary to model demand and supply conditions in the retail agencies they serve. Extending the number of agencies modeled to include the wholesale customers, the SDBSIM actually covers over 200 retail water agencies throughout California. This level of disaggregation captures real-world variation in water rates among utilities. Further, because different water retailers have different water supply portfolios, a given change in SWP deliveries can translate into different degrees of shortage across water agencies.

Water shortages following a supply disruption have the potential to adversely affect economic outcomes among several types of water users, including agricultural, residential, industrial, commercial and government water users. The SDBSIM considers a drought response framework in which water supply reductions are distributed among the users according to their unit value of water. Losses due to shortages, and correspondingly benefits due to avoided shortages, are measured by computing consumer willingness to pay to avoid water service interruptions in each sector.

Future hydrologic conditions are uncertain. Due to discounting of project benefits, the timing of future droughts may have a significant effect on the value of infrastructure that improves water supply reliability. The advantage of SDBSIM’s indexed sequential Monte Carlo simulation method is that it can account for supply uncertainty by considering 81 different sets of forecasted hydrologic time series data and the corresponding supply availability. As suggested earlier, each

11 The SDBSIM currently incorporates the 26 MWD member agencies along with Alameda County Water District, Antelope Valley-East Kern Water Agency, Castaic Lake Water Agency, City of Santa Maria, Mojave Water Agency, Palmdale Water District, San Bernardino Valley Municipal Water District, San Gorgonio Pass Water Agency and Zone 7.
time series of supply data represents a possible draw from historical hydrological conditions. For example, one SDBSIM simulation uses as input the annual hydrologic conditions from 1922 to 1960. Another SDBSIM simulation uses inputs from 1923 to 1961. In subsequent simulations, each year from 1922 to 2002 is considered as the starting year to initialize supply conditions in 2031.\textsuperscript{12} In this way, water supply availability between 2031 and 2130 is computed under a wide range of potential hydrologic conditions. Thus, the model produces probabilistic water supply availability given a distribution of potential hydrologic conditions, while also having the ability to predict supply under certain hydrologic conditions.

The first step in valuing the urban water supply benefits of Stage I of the California WaterFix is to identify patterns of urban water shortages under the proposed project relative to those occurring in the future baseline scenario. To project these shortage patterns, all other water supplies available to the project participants must be accounted for. In general, water supplies available to these agencies consist of both local and imported supplies. Local supplies are composed of groundwater, groundwater recovery, local surface water, recycled water, desalinated seawater and water from the Los Angeles Aqueduct. Imported supplies for Southern California come from the Colorado River and the SWP. The major sources of imported water for the portions of the Bay Area included in the analysis come from the San Francisco Public Utilities Commission Regional Water System, the CVP and the SWP. Individual agencies may have other specific import sources; for example, the Zone 7 Water Agency in Alameda County receives imported water from Byron Bethany Irrigation District.

Water demand is projected individually for each of the 36 urban agencies included in the SDBSIM using disaggregated econometric models, which capture the impacts of long-term socioeconomic trends on retail demands at the water agency level.\textsuperscript{13} These models incorporate economic and demographic projections that are either forecasted by the agencies themselves or provided by the regional planning agencies, the Southern California Association of Governments.

\textsuperscript{12} The ordering of years for historical hydrologic data is preserved because there is dependence in conditions across years. Hydrologic data does not exist beyond 2002. When a simulation requires a time series of hydrologic input data beyond 2002, the time series reverts back to 1922 as the year of hydrologic conditions following 2002.

\textsuperscript{13} The demands for the MWD agencies are forecasted using the Metropolitan Water District Econometric Demand Model (MWD–EDM) developed by The Brattle Group. Demands for each of the remaining SWP agencies are forecasted by the agencies.
and the San Diego Association of Governments.\textsuperscript{14} The demand forecasts are adjusted according to expected implementation of conservation programs by individual water agencies.\textsuperscript{15}

For the service area of the Metropolitan Water District of Southern California specifically, total water demand is expected to rise from about 3.3 MAF in 2015 to about 3.7 MAF in 2050, or about 8%. Single-family residential and commercial demand is expected to increase by about 3%, compared to about 30% for multi-family residential demand. While aggregate demand is projected to increase over the planning horizon, the per capita water demand is anticipated to drop to under 140 gallons per capita per day. At the same time, water rates are expected to experience growth over the coming decades. Additionally, aggregate demand is expected to increase but at a rate below population growth due to changes in household population sizes.

The SDBSIM uses an indexed sequential Monte Carlo simulation method to measure the supply-demand balance outcomes for forecasted years given the pattern of historical hydrologic conditions between years 1922 and 2002. It adjusts the demand and supplies of a forecasted year given hydrologic conditions in past years, then takes the next sequential forecasted year and adjusts the demand and supplies for that year given conditions in the next sequential historical hydrologic year, and so on. By preserving the series of climate patterns (i.e., the hydrologic trace), the model is able to capture the operation of storage resources that are drawn upon and refilled over the forecast horizon given a probabilistic sequence of hydrologic conditions.

For each year, the SDBSIM compares the forecasted demand to the sum of available projected local supplies and imported supplies less conservation savings in order to assess the disparity between the amount of water desired and the amount that can be provided. If a shortage exists, the SDBSIM may release additional supplies from storage or transfer programs until supply and demand are balanced or until these supplies are exhausted. A net shortage for the year results if the gap between supplies and demands is too large to be balanced by storage and transfer programs. If a surplus exists, the SDBSIM may allocate surplus water to various storage accounts

\textsuperscript{14} The underlying figures of the 2015 MWD–EDM model, rely on the SCAG’s 2012 Regional Transportation Plan (RTP-12) and SANDAG’s Series 13 Forecast.

\textsuperscript{15} The models forecast demand in 5-year intervals for each of the following sectors: unmetered users, single family residential, multi-family residential and commercial, industrial, & institutional users. Linear interpolations are generated for the interim years; this procedure results in annual forecasts by sector for each of the urban water agencies.
until all storage capacity is used; any remaining surplus supplies are considered unused and are not available for use in subsequent years of the forecast. Shortages are forecasted for each year in each agency in the model under the baseline scenarios and under implementation of California WaterFix. Consistent with the assumption that the proposed project will not yield any additional deliveries until 2031, there are no avoided shortages prior to that year since deliveries in the Stage I and baseline cases are the same.

The value of avoiding future water shortages is estimated in SDBSIM through a combination of economic theory and econometric modeling of urban water demand relationships. These relationships capture the declining marginal utility of water, which in turn implies greater value lost per unit of shortage the larger the magnitude of the shortage. Consider residential water use, for example, which falls into several broader categories, each with a different priority of use. The willingness to pay for water used for drinking and basic sanitation, for example, is larger than the willingness to pay for water used for washing cars and outdoor irrigation. Consumer willingness to pay to avoid a water service interruption therefore rises with the magnitude of the supply shortage, as consumers are forced to cut more deeply into high-priority uses of water when faced with larger shortages.

Urban water consumers are faced with a given set of water rates and, given these rates, are generally free to purchase their desired quantities of water. Prevailing water rates combined with observed consumption levels provide information about the value of water to households at a single point on the demand curve. Because the SDBSIM addresses the economic losses resulting from reducing water consumption below baseline levels, it is necessary to characterize the demand curve at consumption levels that are reduced below baseline levels. The Brattle Group estimated the parameters of a model of residential water demand for each of the retail agencies in the SDBSIM, yielding agency-specific price elasticities of demand.16 The SDBSIM employs these

16 The SDBSIM relies on regional water consumption data to estimate demand schedules across households in geographic regions served by individual water purveyors using an econometric model that is capable of explaining water consumption as a function of variables such as rates, income, urban density and climate conditions. By comparing agencies with one another and over time, the econometric model traces out more complete demand information than could be gained by looking at a single agency at a single moment in time. The results of the statistical analysis are robust and significant at conventional levels used for hypothesis testing, and are also consistent with other, similar studies in the academic literature.
elasticities to calculate willingness-to-pay (WTP) to avoid short-term mandatory rationing, using the procedure developed in Buck et al. (2016).  

VI. Water Supply Benefits to Agricultural Water Users

Agricultural benefits from increased and protected water supplies from the Delta include reductions in groundwater pumping and cost, decreases in fallowing, and increases in net returns from crop production. The benefits to agricultural participants in California WaterFix are estimated using the Statewide Agricultural Production (SWAP) model, a regional agricultural production model developed specifically for large-scale analysis of agricultural water supply and cost changes. The SWAP model simulates the profit-maximizing decisions of agricultural producers in California subject to physical and market constraints, while accounting for SWP and CVP water supplies, other local water supplies and groundwater.

The SWAP model is the evolution of a series of production models of California agriculture developed by the UC Davis and DWR, with support from the Bureau of Reclamation. The model is calibrated using the technique of Positive Mathematical Programming (PMP), which relies on observed data to deduce the marginal impacts of future policy changes on cropping patterns, water use and economic performance. As a multi-input, multi-output model, SWAP determines the optimal crop mix, water supplies and other farm inputs necessary to maximize profit subject to heterogeneous agricultural yields, prices and costs. SWAP’s outcomes reflect the impacts of environmental constraints on land and water availability, and can be adapted to reflect any number of additional policy or technological constraints on farm production.

The PMP approach allows for calibration of parameters that exactly match base-year conditions, using observed data on land use, farmer behavior and other exogenous information. Under the fundamental assumption of profit-maximizing behavior by farmers, the model uses a nonlinear objective function to derive parameters that satisfy first-order conditions for optimization under the base year’s observed input and output data. While aggregate data on variables such as crop  


yield and acreage is often available, it is much more difficult to estimate a crop’s marginal production costs. In lieu of relying on these estimates that are often inaccurate, the PMP technique uses the more reliable aggregate data to infer the marginal costs of production for each crop in a given region.

Aggregate data used in SWAP comes from a variety of sources. Crops are aggregated into 20 categories defined in collaboration with DWR, with a proxy crop identified to represent production costs and returns for each category. Input costs and yields for the proxy crops are derived from the regional cost and return studies from the crop budgets developed by the University of California Cooperative Extension. Base-applied water requirements are derived from DWR estimates. Commodity prices from the model’s base year are obtained from the California County Agricultural Commissioner’s reports. County-level data are aggregated to a total of 27 agricultural sub-regions, based off of DWR detailed analysis units. The SWAP regions aggregate one or more detailed analysis units, which are selected based on similar microclimate, water availability and production conditions.

The SWAP model specifically accounts for both surface water supplies, including SWP deliveries, CVP deliveries and local deliveries or direct diversions, and groundwater. Where applicable, water costs include both the SWP and CVP charge as well as the relevant water district’s charge. For groundwater, the model includes both the fixed costs of pumping as well as variable costs based on operations and maintenance and energy costs. For more detailed estimation of costs associated with long-run depth to groundwater changes, the SWAP model can be linked to a separate groundwater model.

SWAP is predicated on an assumption that crop prices over the past decade will prevail into the future. This assumption is largely consistent with USDA crop projections to 2025 that show only modest increases in the prices of major agricultural commodities (wheat, corn, rice, soybeans and dairy) over this time period. This assumption is arguably conservative over a longer time frame as climate change is expected to cause major disruption to agricultural markets worldwide. Recent research shows that extreme temperature events, of the type that are anticipated to become more frequent as a result of climate change, significantly reduce crop yields and thus put upward pressure on prices.

For this report, SWAP was used to compare the long-run producer responses to changes in SWP and CVP irrigation water delivery and to changes in groundwater conditions associated with
California WaterFix. The analysis of agricultural economic effects of water supply changes accounts for benefits in the following categories:

- Change in groundwater pumping and cost
- Change in net returns from crop production excluding change related to groundwater pumping.

The analysis of agricultural benefits in this report incorporates the estimated effects of the Sustainable Groundwater Management Act (SGMA), which aims to limit the volume of groundwater pumping to aquifer-specific sustainable levels. This feature is important since surface and groundwater are substitutes, and groundwater limitations can be expected to increase the value of surface water used for crop irrigation. To date, no agricultural regions or contractors within the Central Valley have yet developed quantified sustainable yield estimates for purposes of implementing SGMA. The intent in assuming SGMA implementation is to accommodate the direction and rough magnitude of change that such limits could impose on existing and future pumping. The analysis report here indicates that SGMA will significantly increase the value of surface water supplies available to agriculture.

SGMA addresses a number of factors and criteria for sustainable yield, but for this analysis we address only the average volume of pumping that can be sustained over a period of time without reducing groundwater storage (designated here as safe yield, SY). The most recent calibration results from a groundwater flow model, the California Central Valley Groundwater-Surface Water Simulation Model (C2VSIM), are used to derive an approximation of SY for purposes of this analysis. The following general steps describe how the pumping limits were developed.

1. The latest C2VSim calibration results include estimates of average annual groundwater pumping and average annual change in groundwater storage for each of the 21 depletion study areas (DSAs) in the Central Valley. As a first approximation for purposes of this analysis, the average change in storage is treated as the amount by which average annual pumping exceeds safe yield. In a long-term safe yield condition, groundwater storage would trend neither up nor down. Therefore, adjusting the average annual pumping by the average annual change in storage provides a first-cut estimate. It is recognized that reducing pumping in this way would change recharge rates and gradients that would, in turn, change the net water balances and flows. A more complete assessment would use C2VSIM to evaluate all of the effects – however, no testing of this approach has been undertaken by C2VSIM modelers. Safe yield (SY) is estimated here as the average annual pumping minus the average annual change in groundwater storage. Total SY for each region was apportioned to agricultural pumping based on its share of the total annual
pumping in the calibration estimates, and the result was expressed as a percentage of average annual agricultural pumping.

2. The SY percentage was applied to the corresponding regional average annual groundwater pumping estimated by SWAP for the No Action Early Long-term condition, resulting in an average annual SY pumping limit. We did not use the absolute magnitude of the estimated SY from step 1 due to differences in the calibration of land use and water use data in the two models. Also, though the regional boundaries of the two models are mostly similar, some of the SWAP regions split a DSA into two or three sub-regions. In these cases, the same SY percentage was applied to each of the sub-regions. Figure 2:Figure 2 displays the SWAP regions; the C2VSIM regions and numbering are the same except that they do not split some regions into two or more sub-regions (as designated in SWAP by the suffix a, b or c).

3. An important exception to the procedure described in step 2 is the development of safe yield for Westlands Water District (WWD). WWD has developed its own estimate of the safe yield of the confined aquifer underlying the district. Groundwater above the confining layer is subject to quality degradation and may not be usable for irrigation over the long term. WWD estimates in its 2012 Water Management Plan that the safe yield is between 135 and 200 TAF per year. We have used 200 TAF as the average annual pumping limit for this SWAP region. Ideally, other regions’ SY estimate would also take account of water quality in different aquifer layers, including regions 10, 15, 19 and 21. At this time, we do not have detailed data to make such adjustments in other regions, so this analysis relies solely on the water balance-based estimates described in steps 1 and 2.

4. SY limits are unlikely to be imposed equally in every year. In the future, regional groundwater management agencies implementing SGMA would likely allow greater pumping in dry and critical water years due to lower surface water availability, offset by lower pumping volumes in the other years, so that the groundwater resource is optimally allocated over time. We have not derived an optimal pattern of pumping limits by year type, but have developed a simple approach using the same No Action estimates from the 2013 BDCP analysis. The dry/critical pumping limit is increased (relative to the average annual limit) enough to offset the loss of surface water in dry/critical years versus the overall average, but subject to two constraints. First, the weighted average pumping over all year types must not exceed the average annual limit (a feasibility condition); and second, the dry/critical year pumping can be no more than twice the overall average (a reasonability condition to avoid infeasible or implausible solutions in three of the regions).

Pumping limit estimates for the relevant Delta export regions resulting from this procedure are shown in Table 3, alongside the SWAP regions are shown in Figure 1 of the following page. GW SY Average is the overall average pumping SY. The next column displays that the availability of
groundwater based on average-year safe yields is projected to drop by more than 400,000 acre-feet compared to the early long-term No Action analysis prepared in 2013. The final column is the dry/critical year pumping limit.

It should be noted that the groundwater pumping restrictions assumed to be implemented as a result of SGMA have a significant effect on the marginal value of surface water supplies received by agriculture. This result makes economic sense: groundwater is a substitute for surface water, and when groundwater usage is constrained, the value of surface water should increase. This empirical result also suggests an important policy consideration, namely that by stabilizing surface water deliveries to agriculture, the California WaterFix is complementary to the state’s objective of sustainable groundwater management.
Figure 2: SWAP Regions

Table 3: Estimated Safe Yield Groundwater Pumping Limits (Thousand Acre-Feet)

<table>
<thead>
<tr>
<th>SWAP Region</th>
<th>GW SY, Average</th>
<th>As Percentage of No Action Avg.</th>
<th>GW SY, Dry/Critical Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>285.2</td>
<td>0.97</td>
<td>424.9</td>
</tr>
<tr>
<td>14A</td>
<td>200</td>
<td>0.42</td>
<td>400</td>
</tr>
<tr>
<td>14B</td>
<td>40</td>
<td>0.69</td>
<td>40</td>
</tr>
<tr>
<td>15A</td>
<td>905.1</td>
<td>0.95</td>
<td>931.8</td>
</tr>
<tr>
<td>15B</td>
<td>30.9</td>
<td>0.95</td>
<td>40.1</td>
</tr>
<tr>
<td>19A</td>
<td>73.1</td>
<td>0.68</td>
<td>116.7</td>
</tr>
<tr>
<td>19B</td>
<td>199.6</td>
<td>0.68</td>
<td>254.9</td>
</tr>
<tr>
<td>20</td>
<td>173.5</td>
<td>0.49</td>
<td>212.2</td>
</tr>
<tr>
<td>21A</td>
<td>124.8</td>
<td>0.73</td>
<td>167.8</td>
</tr>
<tr>
<td>21B</td>
<td>38.4</td>
<td>0.73</td>
<td>76.8</td>
</tr>
<tr>
<td>21C</td>
<td>81</td>
<td>0.73</td>
<td>92.9</td>
</tr>
</tbody>
</table>

Source: CH2M Hill.
VII. Water Quality Benefits

Construction of the California WaterFix will lower the salinity of water supplies exported from the Delta via the SWP. These reductions in salinity benefit farmers and urban water users, and this section describes the models used to value water quality improvements resulting from construction of Stage I. The average salinity of SWP deliveries is 302 mg/l at present. The salinity of SWP deliveries would be reduced to 221 mg/l as a result of Stage I of WaterFix.

The urban water quality benefits of Stage I of the WaterFix are calculated using two models. The Lower Colorado River Basin Water Quality Model (LCRBWQM) assesses the cost to water users for the MWD service area. The South Bay Water Quality model was used for the Bay Area urban agencies. These models value reduced salinity according to improvements in taste and expended appliance life, among other factors.

Reducing the salinity of SWP water supplies also provides benefit to agricultural customers. The economic effects of changes in the quality of irrigation water are complex and may occur in the short term and over the long term. Numerous water quality constituents may specifically affect agricultural production, but salinity, measured as electrical conductivity or parts per million of total dissolved solids, is the single best indicator of the overall quality of water delivered from the Delta. Improved irrigation water quality means less water is applied to leach salts, and for purposes of this analysis, that conserved water is valued as the avoided cost of additional water supply, accounting for the different crops grown in affected delivery areas.

The long-term value of salinity changes resulting from implementing Stage I of the WaterFix depends upon interactions between irrigation management, crop selection and groundwater conditions. Poor drainage conditions in many areas receiving irrigation water from the Delta indicate that costs of drainage management could be avoided or postponed by improved quality of delivered water. Changes in surface water delivered also affects the use of groundwater for irrigation, which can have up to or three times the total dissolved solids concentration as water from the Delta. Longer-term implications of salt management in areas receiving Delta irrigation water are not evaluated here. Therefore, the quantified salinity benefits presented in this report should be viewed as a conservative estimate.

The salt leaching benefit provided by the improved quality of delivered water is calculated in two components:
For the portion of project supply that replaces groundwater pumping, the benefit is calculated relative to the applied groundwater quality.

For all other applied project water, the benefit is calculated relative to the baseline project water quality.

These two components affect how the overall irrigation water quality changes, especially in the context of groundwater replacement of changes in surface water delivery.

VIII. Earthquake Reliability

By adding redundancy to the Delta's water conveyance infrastructure, Stage I of the California WaterFix addresses the seismic risks associated with the current Delta infrastructure. Figure 3 displays active faults and historic seismicity in the area surrounding the Delta. Of particular interest is the Hayward-Rodgers Creek Fault (H-RCF). The H-RCF is located west of the Delta and east of San Francisco Bay. Based on the USGS analysis of earthquake potential in the Bay Area, the Hayward-Rodgers Creek Fault has the highest probability (27%) of a magnitude 6.7 or greater event occurring in the next 30 years of all the major faults in the region. Estimates of the maximum magnitude for the Hayward-Rodgers Creek Fault vary from 6.5 to 7.3. To demonstrate the seismic risk reduction benefits of California WaterFix, this report considers the effects of a magnitude 6.7 earthquake on the Hayward-Rodgers Creek Fault.
In the event of a future earthquake that occurs on the H-RCF, numerous levee failures could occur that leads to island flooding and significant saltwater intrusion. Depending on a number of factors (e.g., the size of the earthquake, the number of levee failures), the salinity intrusion could have a major impact on California's water supply.
This section details the steps taken to simulate changes in Delta exports following a large earthquake near the Delta. This section also describes the IRPSIM model developed by MWD that was used to simulate changes in end use, storage and costs of operations for MWD and several other SWP contracting water agencies. The section concludes with a description of economic impacts using the impact framework detailed in the previous section.

The earthquake scenario considered in this report is evaluated using the tools developed as part of the California Department of Water Resources Delta Risk Management Strategy (DRMS) project. Specifically, the DRMS Seismic Risk Analysis (SRA), Emergency Response and Repair (ERR) and the Water Analysis Module (WAM) tools (software packages) are used to evaluate the water supply impact of seismically initiated levee failures in the Delta.

Earthquake Scenario - The first step in the analysis is to define the earthquake scenario to be evaluated. An earthquake scenario is defined for a specific seismic source (e.g., fault), a specified earthquake size (magnitude) and a location. The size of the earthquake is typically selected as the estimated maximum magnitude that can be generated by the fault. The earthquake location is defined by the closest approach of the fault to the site or region of interest.

Seismic Risk Analysis (SRA) - Given the occurrence of an earthquake on a fault of a specific magnitude (an earthquake scenario), the DRMS seismic risk analysis software evaluates the earthquake ground motions that may be generated and the performance of the levees on each island in the Delta. Empirical studies of earthquake ground motions demonstrate the ground motions that can be generated are random, even for an event that occurs on a specific fault of known magnitude. Similarly, the response of Delta levees to earthquake shaking cannot be predicted exactly and as a result how many and which levees may fail during an earthquake is also random. The DRMS seismic risk analysis code evaluates the randomness of ground motions and levee performance and generates sequences of flooded islands. A sequence is a specific list of which levees have failed and which islands are breached as a result of an earthquake. Since the ground motions that can occur and the performance of the levees are random, there are many possible combinations of flooded islands that can occur as a result of single earthquake. As a result, the SRA calculates thousands of sequences (each representing a different combination of flooded islands) that quantify the randomness in levee performance.

Emergency Response and Repair (ERR) - Following an earthquake that results in levee failures, repairs are made to close levee breaches and damaged levee sections and to dewater flooded islands. The ERR is a simulation code that models the repair of levees that were damaged or
breached in a sequence. It takes into account the rate of quarry production, rock placement and the potential for levee interior erosion that can occur on flooded islands (e.g., such as occurred on Jones Tract in 2004). The ERR model produces a time series of breach closures and island dewatering that serves as input to the WAM model. In addition, ERR estimates the cost of levee repairs.

Water Analysis Module (WAM) - The Water Analysis Module simulates direct, water-quality-related consequences of levee breach sequences. Specifically, WAM incorporates initial island flooding, upstream reservoir management response, Delta water operations, water quality (salinity) disruption of Delta irrigation, Delta net losses (or net consumptive water use), hydrodynamics, water quality (initially represented by salinity) and water export. The module receives the description of each breach scenario (e.g., resulting from a seismic or other event) and details of the levee repair process from the ERR. The model produces hydrodynamic, water quality and water supply consequences for use in the economic and ecosystem modules. The water quality consequences of levee failures are dependent not only on the initial state of the Delta at the time of failure, but also on the time series of tides, inflows, exports, other uses and on the water management decisions that influence these factors. Thus, WAM tracks water management and the Delta’s water quality response starting before the initial breach event and proceeding through the breach, emergency operations, repair and recovery period.

As described above, this report examines the consequences of a magnitude 6.7 earthquake on the H-RCF. The DRMS study team generated thousands of levee failure sequences for each earthquake simulated. Figure 4 shows the distribution of the number of flooded islands for the 6.7 earthquake scenario on the H-RCF. As seen in the figures, the randomness in ground motions and levee performance provides a wide range in terms of the number of islands that are flooded as a result of levee failures.

For purposes of estimating economic consequences, the mean number of flooded islands was used. For the M 6.7 event, the mean number of flooded islands is 22. To estimate economic impacts, a sequence with the mean number of islands was selected. These sequences were used in the ERR and WAM calculations to estimate the water conveyance impacts.

The impact of levee failures to water conveyance in the Delta depends on the time of the year the event (Start Time) occurs and the hydrologic conditions at the time. For instance, does the event occur in the middle of a long drought or during a period of above normal precipitation and snow? To model the impact of hydrologic conditions on water conveyance following the random
occurrence of earthquake in or near the Delta, a set of alternative hydrologic conditions were selected from the historic hydrologic record for California.

CALSIM II input and output for the no breaches case defines the baseline including reservoir storages, reservoir releases, Delta salinity, inflow, outflow, pumping and project deliveries – namely, the CALSIM Run for 2005 Level of Development, extended hydrology, D-1641 and B-2, which was the most current available version from the Common Assumptions Model Package available when the analysis was completed. Water delivery deficits reported by the WAM are calculated relative to this baseline.

Figure 4:
Probability Density of the Number of Flooded Islands for a Magnitude 6.7 Earthquake on the Hayward Fault

CALSIM input and output have been computed for the entire 82-year hydrologic sequence derived from the historic record. WAM has the flexibility to use the beginning of any CALSIM month as the levee breach initiation time and uses the CALSIM state-of-the-system at that time as its starting condition. WAM then uses the CALSIM hydrologic conditions for the next several years as the input hydrology for the duration of the event.

To characterize the variability in economic impacts across hydrologic conditions, this report displays ten scenarios that are broadly representative of the hydrologic record over the period 1922-2004. The method of sequential analysis captures the operation of storage resources that are drawn upon and refilled based on supplies and demands. The specific years and the hydrologic conditions considered in this analysis are as follows:
There exists uncertainty about the exact number and location of failed levees, optimal repair methods and times and daily natural inflow following a particular earthquake. All of these factors result in uncertainty about the exact pattern of water supply outages. To model this uncertainty, the DRMS post-earthquake water supply scenarios were modified as follows. The DRMS water supply runs for the 10 hydrologies specified above list a unique recovery date after which the post-earthquake and baseline water supplies converge. Water supplies may be available to some degree prior to this recovery date, but not in all cases. The study team defined four partial outage scenarios for this analysis. These partial delivery scenarios specify no Delta exports for some fraction (25, 50, 75 and 100%) of the DRMS-specified recovery time. The average recovery time across the 10 hydrologies was 30 months, meaning that the average cessation of Delta exports in the 25% scenario is 7.5 months, 15 months for the 50% scenario, etc.

An additional dimension to the analysis is that we consider two scenarios for the allocation of end-use shortages. In the first scenario, all losses are absorbed by the residential sector. While this common approach preserves businesses and protects jobs, it can also lead to large economic losses for residential consumers. For this reason, we also consider an optimal reduction scenario where the residential, commercial, industrial and agricultural sectors are targeted to minimize welfare loss.

Delta export losses are translated into changes in end-use with an augmented version of the SDBSIM model that incorporates MWD wholesale agencies and several non-MWD urban contractors. SDBSIM is based on MWD’s IRPSIM model and is implemented using a Monte Carlo simulation approach that integrates projections of water demands and imported water supplies.
for each forecast year and adjusts each projection according to weather conditions based on assumed hydrologies. For agencies within the MWD service area, the SDBSIM model integrates retail urban water demand projections (MWD-EDM), local supply and imported water projections (MWD Sales Model), SWP imported water supplies (CALSIM/DWRSIM) and Colorado River Aqueduct (CRA) imported water supplies (CRSS) and results in a set of supply and demand conditions over the 10 year period 2010-2019 that are indexed to various hydrologies. For non-MWD agencies, similar information on demands, imported water and storage is provided directly.\(^\text{19, 20}\)

Water supply losses vary widely by hydrology, as does recovery time. It bears repeating that these water supply losses are entirely caused by changes in the salinity that make it impossible to export water during some months. Recovery times are defined as the number of months following the earthquake necessary for baseline and post-earthquake water quality profiles to converge.

Table 4 reports urban losses from a major earthquake on the Hayward-Rogers Creek Fault. In the 25% outage case, roughly corresponding to an outage lasting 7.5 months, average impacts are $499 million when allocated to the residential sector and $419 million when allocated across all sectors to minimize welfare loss. In the latter case, however, job losses average 3,419, with a minimum of 0 and a maximum of 18,123 (again in the 1987 case). For purposes of the cost-benefit analysis in this report, the seismic risk reduction benefits of Stage I of the WaterFix are the average value under the residential-only scenario. This scenario is chosen to be consistent with the SDBSIM model described above.

Assuming a 50% duration outage, which is around 15 months, economic impacts of a magnitude 6.7 earthquake are larger. Welfare losses average $2.1 billion when shortages are all allocated to the residential sector, and $1.4 billion when allocated to minimize welfare loss in which case job losses average 17,523 but can be as large as 71,271 in the 1987 hydrology.

\(^{19}\) At the time of the analysis, SDBSIM included the following agencies: Zone 7, Alameda County Water District, City of Santa Maria, Castaic Lake Water Agency, Metropolitan Water District of Southern California, Mojave Water Agency and San Bernardino Valley Municipal Water District.
These two cases (25% and 50%) represent the most likely outage scenarios. There is work underway at DWR, MWD and elsewhere to refine estimates of post-earthquake repair times, and many experts believe that Delta water supplies can be recovered within a period as brief as 6 months. In consideration of this fact, DWR has asked urban water agencies to assume a 6-month Delta outage when preparing water supply reliability analyses as part of their Urban Water Management Plans.

Nonetheless, it is instructive to examine cases of longer-duration outages. Such cases may not be as likely as the three described above, but they are still possible. In the case of a 75% duration outage, average impacts are $6.0 billion in the all-residential case and $3.2 billion when the shortage can be allocated to all sectors. Job losses average 47,600 in this case, but can be as high as 157,657 were the earthquake to occur in 1987 hydrologic conditions. In the 100% outage case (with an elimination of Delta exports averaging 30 months), impacts average $8.1 billion in the all-residential shortage case and $4.4 billion when spread across residential and non-residential demand segments. Job losses average 65,793 in this case, and range as high as 231,330 in the 1987 hydrology.

**Table 4:**
Losses from Earthquake-Induced Reductions of Delta Water Supplies ($ Millions)

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Category</th>
<th>Mean</th>
<th>Low</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>25% Outage Duration</td>
<td>Total Case 1 Impacts</td>
<td>$499</td>
<td>$31</td>
<td>$1,736</td>
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<td></td>
<td>Total Case 2 Impact (less jobs)</td>
<td>$420</td>
<td>$31</td>
<td>$1,395</td>
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<tr>
<td></td>
<td>Case 2 Lost Jobs</td>
<td>3,419</td>
<td>-</td>
<td>18,123</td>
</tr>
<tr>
<td>50% Outage Duration</td>
<td>Total Case 1 Impacts</td>
<td>$2,053</td>
<td>$240</td>
<td>7,540</td>
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<tr>
<td></td>
<td>Total Case 2 Impact (less jobs)</td>
<td>$1,416</td>
<td>$240</td>
<td>4,847</td>
</tr>
<tr>
<td></td>
<td>Case 2 Lost Jobs</td>
<td>17,523</td>
<td>76</td>
<td>71,771</td>
</tr>
<tr>
<td>75% Outage Duration</td>
<td>Total Case 1 Impacts</td>
<td>$6,029</td>
<td>$555</td>
<td>24,519</td>
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<td></td>
<td>Total Case 2 Impact (less jobs)</td>
<td>$3,170</td>
<td>$534</td>
<td>10,338</td>
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<tr>
<td></td>
<td>Case 2 Lost Jobs</td>
<td>47,600</td>
<td>462</td>
<td>157,857</td>
</tr>
<tr>
<td>100% Outage Duration</td>
<td>Total Case 1 Impacts</td>
<td>$8,090</td>
<td>$811</td>
<td>33,211</td>
</tr>
<tr>
<td></td>
<td>Total Case 2 Impact (less jobs)</td>
<td>$4,408</td>
<td>$790</td>
<td>14,316</td>
</tr>
<tr>
<td></td>
<td>Case 2 Lost Jobs</td>
<td>65,793</td>
<td>555</td>
<td>231,330</td>
</tr>
</tbody>
</table>

This analysis indicates that while the expected losses from an earthquake-induced cessation of Delta water supplies are modest, there are realistic cases where losses can be significant. For example, even in the conservative 25% outage scenario, losses can exceed $1.4 billion if the earthquake is followed by a series of dry years (such as California is experiencing at present). Further, if the outage is total during the period of recovery (averaging 30 months), then average losses can exceed $4.4 billion across the historic hydrology. If the worst occurs and a 100% outage is followed by a series of dry years, then urban losses can exceed $33.2 billion if all
mandatory conservation is placed on the residential sector. If this proves to be infeasible and water shortages must be allocated across all sectors, then job losses increase to as much as 231,330. Thus, construction of Stage I of the WaterFix can prevent significant economic dislocation in the event of a major earthquake that occurs under drought conditions.

**IX. Climate Change Mitigation**

The existing intakes of the State Water Project and Central Valley Project are just three feet above mean sea level, making them highly vulnerable to the effects of sea level rise. The proposed intakes on the Sacramento River in the northern Delta, in comparison, are about 14 feet above sea level.

Sea level rise poses a significant threat to the Delta’s water supply infrastructure. The current intakes are close to sea level, and any rise in the ocean’s surface level means that the state and federal pumps are inundated with salt water more frequently, resulting in a loss of project deliveries. California WaterFix is expected to mitigate the impacts of sea level rise due to the construction of a second set of intakes on the Sacramento River upstream of the Delta and at a higher elevation than the current intakes. Indeed, the California WaterFix maintains SWP deliveries through the Delta at roughly their current levels. Without north Delta intakes, yields fall significantly. This result makes adaptation to climate change one of the strongest arguments in favor of California WaterFix, although it is a difficult one to quantify with certainty.

Recent modeling suggests the climate mitigation benefits from Stage I of the California WaterFix may be substantial. With 140 cm of sea level rise, now considered to be a middle of the road scenario, Delta deliveries to urban and agricultural customers via the SWP may fall by roughly half relative to their current levels. This report does not monetize the value of these climate change mitigation benefits of the California WaterFix. There is substantial uncertainty about how climate change will evolve over the coming decades, and the results presented here should be considered as illustrative of potential outcomes. Second, there is uncertainty about the exact timing of climate impacts. While the model results correspond to 2100 levels of development, sea level rise may occur more rapidly or slowly than expected. Nonetheless, the water supply results for 140-cm of sea level rise should be of concern to water district managers and policy makers, and indicate that California WaterFix can be an important part of California’s overall strategy to mitigate the effects of climate change on the state’s economy.
X. Quantified Benefits and Costs to Participating Agencies

Tables 5 to 7 display the results of the cost-benefit analysis for the water agencies that may pay for and use Stage I of the California WaterFix. Each table is predicated on a particular assumption about the availability of federal low-interest financing to cover a share of their project costs (0, 50 or 100 percent). Within each table, two scenarios are presented: division of project capacity between the State Water Project contractors and the CVP south of Delta contractors, and whether or not a portion of SWP capacity can be reallocated from agricultural to urban agencies.

Benefits and costs shown in Tables 5 to 7 are calculated as present values using a 3 percent real rate of interest and an assumed 100-year project life. The present value of project costs is calculated assuming that capital costs are financed as expenditures are made, and that costs are allocated among the State Water Contractors in a manner proportional to Table A contracted amounts. Costs to the federal participants are proportional to their usage of the Stage I facilities, meaning that they include both a capital and an operations and maintenance component. Note that the present value of cost is lower than the nominal value of project costs presented in Table 1. With a positive discount rate, expenses incurred in the future have a lower present value than expenses incurred today. Note as well that the availability of low-interest financing (i.e., financing with a real interest rate of less than 3 percent) also reduces the present value of the project. This analysis assumes that the terms of federal low-interest rate loans are a 1 percent real interest rate and a 40-year repayment period.

The rows of Tables 5 to 7 display results for the cases where the SWP contractors pay for and utilize 5,000-cfs of project capacity, and where they pay for and use the entire project capacity. The columns of Tables 5 to 7 display results for the no trading case and for an alternative scenario where 50,000 acre-feet of project benefits and costs are reallocated from agricultural to urban State Water Project contractors.
Table 5: Costs and Benefits for California WaterFix, Assuming No Federal Low-Interest Loan Program

<table>
<thead>
<tr>
<th>Scenario</th>
<th>No Trading</th>
<th>Trading</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>SWP Urban</td>
<td>SWP Ag</td>
</tr>
<tr>
<td>Benefits</td>
<td>$8,140,289,432</td>
<td>$2,429,463,066</td>
</tr>
<tr>
<td>Costs</td>
<td>$6,015,512,510</td>
<td>$2,339,365,976</td>
</tr>
<tr>
<td>Ratio</td>
<td>1.35</td>
<td>1.04</td>
</tr>
<tr>
<td>Benefits</td>
<td>$8,892,586,225</td>
<td>$2,339,365,976</td>
</tr>
<tr>
<td>Costs</td>
<td>$6,015,512,510</td>
<td>$2,339,365,976</td>
</tr>
<tr>
<td>Ratio</td>
<td>1.35</td>
<td>1.04</td>
</tr>
</tbody>
</table>

Source: The Brattle Group.

The results in Table 5 indicate that even without low-interest federal financing, Stage I of the California WaterFix passes a cost-benefit test for the SWP urban contractors with a margin of around 1.3-to-1. When the SWP urban agencies finance their project costs at low federal interest rates, benefits increase to nearly 1.7-to-1 times cost, or better.

The model used to value the urban benefits of WaterFix assumes existing alternative water supplies and values the future shortages avoided by preserving SWP deliveries. It is also instructive to compare the unit cost of WaterFix to the unit cost of water supply alternatives. Urban present value costs of Stage I of the WaterFix are $6.0 billion if no federal financing is available. Incremental yields to SWP urban agencies are 441,626 acre-feet, implying that the unit cost of the supplies preserved by Stage I is $428 per acre-foot at the Delta.21 With 100% low-interest financing, unit costs are reduced to $318 per acre-foot. Even after adding costs of conveyance and treatment of up to up to $600 per acre-foot depending on the point of delivery, the costs to urban agencies of preserving SWP supplies by investing in WaterFix are significantly below the costs of available alternative water supplies such as desalination (from $2,000 to $4,000

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21 This figure is interpreted as the annual payment necessary to preserve one acre-foot of SWP supply beginning in 2031 – the year that WaterFix becomes operational. Assuming a 3 percent real interest rate, the corresponding unit cost to preserve water supplies beginning at present is $488 to $658 per acre-foot, depending on the existence of low-interest financing. Care must be taken when comparing these unit costs to the cost of alternative water supplies to ensure that definitions of unit cost are consistent.
per acre-foot) or recycling (highly site-specific, but often around $1,500 - $2,500 per acre-foot and not available for direct potable use).22

Stage I of the California WaterFix also passes a benefit cost test for SWP agriculture, although by a smaller margin than is for the SWP urban agencies. In the least-favorable case where the project is financed at market interest rates and no trading is allowed, the net benefits of Stage I to SWP agricultural contractors are small but positive. With low-interest financing and an ability to trade project shares, however, the picture for SWP agriculture improves significantly. When 100 percent of project costs are financed at low interest rates and SWP contractors can trade project shares, for example, the benefit-cost ratio for the SWP agricultural contractors improves to nearly 1.6-to-1.

The result that the ability to trade project capacity is important for agriculture makes economic sense. Due to the presence of alternative local water supplies and the ability to store water, some agricultural users do not place a high value on surface water reliability. Agricultural water users also vary in terms of their cropping patterns and environmental conditions, with the result that there can be large differences in farm productivity from one region to another. By reallocating project costs and benefits to urban agencies that do have a high willingness to pay for reliability, trades of project shares can materially improve the economics of the project for agriculture. In some cases, such trades can be a closer call for urban agencies, confirming that there is a diminishing marginal value of water in every sector. In many scenarios, these ag-urban transfers improve the urban net benefits from the project, but in other scenarios the incremental benefits and costs of transfers to the urban agencies are close to equal.23

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23 This is especially true for the case where the SWP Contractors pay for and use the entire 6,000-cfs of project capacity.
Tables 5 to 7 indicate that the CVP south of Delta contractors (a group that includes both agricultural and urban water districts) would benefit from using the up to 1,000-cfs of project capacity that may be available for their use. Depending on whether their shares could be financed with low-interest loans, their ratio of benefits to costs ranges from 1.1-to-1 to 1.5-to-1. Should the federal contractors decline to participate in Stage I, Tables 5 to 7 also indicate that the SWP contractors would receive positive net benefits from Stage I even if they were to pay for and use all 6,000-cfs of capacity.
February 14, 2018

Attention: Imported Water Committee

Metropolitan Water District Rate Cases 2010 and 2012. (Presentation)

Purpose.
General Counsel Mark Hattam will provide a brief presentation regarding the status of the 2010-2012 water rate litigation against the Metropolitan Water District of Southern California (“MWD”).

Discussion
The Water Authority’s 2010-2012 rate litigation against MWD -- which covers MWD rate years 2011-2014 -- has been litigated through the appellate process and is soon returning to the trial court for further resolution. A PowerPoint presentation by General Counsel will walk the Board and the public through the legal issues still remaining to be resolved in this first set of cases. A future presentation will cover the remaining cases for succeeding years of MWD rate enactments.

Prepared by: Mark J. Hattam, General Counsel
Prepared by: Maureen A. Stapleton, General Manager
February 14, 2018

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 February 12 and 13, 2018 meetings of the MWD Board of Directors. The MWD Board will meet next on March 12 and 13.

Financial Items
MWD held its first workshop on its proposed budget and rates during its February Finance and Insurance Committee. Staff presented the proposed biennial budget and revenue requirements for fiscal years (FYs) 2019 and 2020 and the proposed water rates and charges for calendar years (CYs) 2019 and 2020 to meet those revenue requirements. Staff also presented a 10-year financial forecast and the cost of service report for the proposed rates and charges. The budget assumes water “transactions” (which include sales, exchanges, and wheeling) of 1.65 million acre-feet (MAF) for FY 2019 and 1.75 MAF for FY 2020.¹ To meet the revenue required (estimated to be $1.6 billion for each fiscal year), staff recommends “overall” rate increases of 3 percent for each year.² The proposed full service untreated rate increases are 5.2 and 3.3 percent for CY 2019 and 2020, respectively. In recognition of the Appellate Court’s decision, staff recommends suspending the imposition of Water Stewardship Rate on the Water Authority’s exchange water, and recommends MWD begin a process internally, with input from member agencies, to “determine the most appropriate cost allocation of the Demand Management cost function.” The proposed exchange rate would decrease by 6.8 percent for CY 2019 and increase by 6.4 percent for CY 2020. Attachment 1 is a chart comparing MWD’s current and proposed rates and charges.

For both FYs 2019 and 2020, staff recommends the continuation of suspending the ad valorem tax rate limit.³ For the past five fiscal years, the MWD Board declared that suspending the tax rate limitation was “essential” to MWD’s “fiscal integrity” and maintained the rate at .0035 percent of assessed value. Staff projects suspending the tax rate will generate $116.6 million in FY 2019 and $118.1 million in FY 2020.

¹ MWD’s water sales for FYs 2019 and 2020 are projected at 1.42 MAF and 1.49 MAF, respectively, when the Water Authority’s Colorado River supplies are netted out. MWD’s water sales for FY 2018 are trending at 1.3 MAF to 1.4 MAF.
² Increases for individual rates differ; see Attachment 1.
³ Section 124.5 of the MWD Act governs the type of debts MWD may use the ad valorem taxes to fund. As MWD’s obligations are being paid off, its ad valorem tax rate declines to match these obligations. MWD may suspend the tax rate limitation if the Board determines that tax revenues in excess of the limit are “essential to the fiscal integrity” of MWD.
The Board set a combined public hearing regarding: (1) the proposed CYs 2019 and 2020 water rates and charges, and (2) the suspension of the tax rate for FYs 2019 and 2020. The remaining proposed schedule for the budget and rate setting process includes: second and third Board workshops on February 27 and March 12, respectively, and a public hearing on the proposed rates, charges, and suspension of the tax rate limitation on March 13. If additional Board workshops are needed, MWD will hold a fourth on March 27 and a fifth on April 10. Board action is scheduled for April 10.

The MWD Committees and Board also:
- Awarded a four-year contract for external audit services to KPMG, LLP, for the maximum amount of $1,764,900;
- Awarded $378,985 contract to Visionary Builders, Inc., to renovate two employee houses at Eagle Mountain Pumping Plant;
- Heard oral reports on:
  - Other Post-Employment Benefits update;
  - Quarterly financial update;
  - Investment activities;
  - California WaterFix update;
  - Evaluation of regional storage portfolio;
  - Capital Investment Plan quarterly report for period ending December 2017;
  - Lake Oroville spillway update;
  - Desert Housing Renovation Program update;
  - MWD’s 2017 attitudes and awareness survey; and
  - Conservation Program approaches and modifications.
- In closed session, received reports on:
  - Security update and appropriated $1.6 million; authorized final design of physical security improvements at Metropolitan’s Headquarters Building; and authorized agreement with IBI Group in an amount not to exceed $890,000;
  - Omega Chemical Corporation Superfund Site, and authorized to enter into a settlement agreement in United States of America v. Abex Aerospace; and
  - The Water Authority v. MWD rate litigation.

Prepared by:  Suki Chhokar, Assistant Management Analyst
Reviewed by:  Amy Chen, Director of MWD Program
Approved by:  Dennis A. Cushman, Assistant General Manager

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

Source: MWD February 2018 Finance and Insurance Committee Item 9-2
February 14, 2018

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; CGC-17-563350; and
   CA Supreme Court Case No. S243500

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 February 22, 2018 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
February 14, 2018

Attention: Imported Water Committee

CLOSED SESSION:
Conference with Legal Counsel – Existing Litigation
Government Code §54956.9(d)(1)
Name of Case: California Department of Water Resources v. All Persons Interested;
Sacramento Superior Court Case No. 34-2017-00215965-CU-MC-GDS

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 February 22, 2018 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
LEGISLATION AND PUBLIC OUTREACH COMMITTEE

AGENDA FOR

FEBRUARY 22, 2018

Christy Guerin – Chair
Matt Hall – Vice Chair
Jerry Butkiewicz– Vice Chair
Gary Arant
Chris Cate
Gary Croucher
Betty Evans
Ed Gallo

Frank Hilliker
Jim Madaffer
Ron Morrison
Mark Muir
Ron Roberts
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

II. ACTION/DISCUSSION/PRESENTATION

1. Legislative issues.
   1-A Washington report by Ken Carpi. (Written report only) (Supplemental Materials)

   1-B Sacramento Report. Glenn Farrel

   1-C Introduced legislation in 2017. (Presentation) Glenn Farrel

2. San Diego Regional Communications Program.

2-A Regional Communications Program. (Presentation)

2-B Approve enhanced value of water regional communications program and authorize the General Manager to enter into a professional services agreement with Southwest Strategies.

Staff recommendations:

1. Approve the enhanced value of water regional communications program Brought to You by Water;

2. Authorize the General Manager to enter into a 12-month professional services agreement with Southwest Strategies in an amount not to exceed $244,000 for public outreach services to assist in the implementation of the program; and

3. Approve the reallocation of $55,000 from the General Manager’s budget contingency fund to the Public Outreach and Conservation Department’s FY 2018 and 2019 budget to implement the program. (Action)

III. INFORMATION

1. Government Relations Update. Glenn Farrel

2. Quarterly report on Public Outreach and Conservation activities. Denise Vedder

IV. CLOSED SESSION

V. ADJOURNMENT

Melinda Nelson
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.
February 14, 2018

Attention: Legislation and Public Outreach Committee

Federal Legislative Priorities for 2018. (Action)

Staff Recommendation
1. Adopt federal legislative priorities for 2018.

Alternatives
1. Do not adopt the recommended priorities.
2. Modify one or more of the recommended priorities.

Fiscal Impact
There is no direct fiscal impact associated with the consideration of adopting policy positions on federal legislative matters.

Background
During the January 25, 2018 Board meeting, staff presented the proposed federal legislative priorities for 2018 for the Board’s consideration and to receive additional input from Board members. Board member comments were suggested in the following priority areas:

- Priority #2: Relationship-Building
- Priority #5: Energy Issues
- Priority #6: Potable Reuse

The proposed modifications are highlighted in red text and denoted with underline or strikethrough to reflect addition and deletion of text.

<table>
<thead>
<tr>
<th>Federal Legislative Priorities</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Protect the Water Authority’s Colorado River water supplies and continue to regularly apprise members of the San Diego congressional delegation of developments regarding the Water Authority’s interests in the <strong>Colorado River and QSA implementation</strong>.</td>
</tr>
<tr>
<td>2. Continue <strong>building relationships</strong> for the Water Authority with key officials in the Administration, particularly within the U.S. Department of Interior, Bureau of Reclamation, and the U.S. Environmental Protection Agency, and with members of the California congressional delegation and key policy and fiscal committees. <strong>Additionally, outreach to other key members of Congress from other states that may have similar interests could help strengthen coalition efforts.</strong></td>
</tr>
<tr>
<td>3. Engage with the Administration as it continues to <strong>implement federal drought legislation</strong>, including <strong>pursuit of federal funding appropriations</strong> for important regional water projects, recycled water, potable reuse, and desalination.</td>
</tr>
</tbody>
</table>
4. Closely monitor, and engage when appropriate, in issues relative to federal infrastructure policy, including promotion of financing and funding options that benefit the Water Authority.

5. Continue to inform the regional congressional delegation regarding the Water Authority’s energy needs and contributions, including progress on the Water Authority’s and City of San Diego’s potential San Vicente Energy Storage Project, and explore options for federal funding support or regulatory relief to reduce energy costs and improve energy efficiency for the Water Authority.

6. Communicate the interests of the Water Authority and its member agencies in promoting potable reuse as a major regional water supply initiative.

FEDERAL LEGISLATIVE PRIORITIES – 2018

1. PROTECTION OF COLORADO RIVER WATER SUPPLIES

The Water Authority’s water supply portfolio includes a suite of water supplies from the Colorado River. These supplies include a water conservation and transfer agreement with the Imperial Irrigation District and water conserved by two projects, the All American Canal Lining Project and the Coachella Canal Lining Project. By 2021, these water supplies are expected to produce approximately 280,000 acre-feet of regional water supplies, and comprise more than 30 percent of San Diego County’s total water supply.

The Water Authority receives its Colorado River supplies through the 2003 Colorado River Quantification Settlement Agreement (QSA) and associated agreements. The Water Authority continues to work with its QSA partners to protect the QSA water transfers including restoration and management efforts at the environmentally sensitive Salton Sea. The Water Authority also works with other Colorado River contractors and states to develop additional Colorado River supplies and water management strategies throughout the Colorado River Basin. Additionally, the Water Authority is participating with U.S. and Mexican agencies in a review of potential water management and water supply programs that could benefit Colorado River water users of both countries.

While Governor Jerry Brown has declared a conclusion to California’s prolonged drought, ongoing drought conditions throughout the Western United States continue to stress Colorado River supplies in the Basin and states along the river have shown continued interest in protecting access to their water allocations. The Water Authority will continue to work with other Colorado River contractors and Basin states to ensure that allocations are honored to benefit all parties, primarily through the voluntary Drought Contingency Plan (DCP). The terms and agreements for the Lower Basin DCP are currently under development and expected to be finalized in 2018. DCP negotiations may have implications for the successor agreement to the 2007 Colorado River Interim Guidelines for Lower Basin Shortages and the Coordinated Operations for Lake Powell and Lake Mead (2007 Interim Guidelines), which guide many aspects of Colorado River
management and shortage strategies; renegotiation discussions are expected to begin no later than 2020.

**Action**

- Water Authority staff and federal legislative advocates will continue to keep members of the regional congressional delegation, congressional staff, and federal agencies apprised of developments in the Lower Colorado River Basin, including the Authority’s activities in support of the Lower Colorado River, Basin-wide studies and projects, any efforts to alter water deliveries to contractors along the river through administrative or legislative actions and progress on the Water Authority’s efforts to help protect against a Lower Basin shortage declaration through storage of its QSA supplies in Lake Mead.

- Water Authority staff and federal legislative advocates will continue to provide educational information to members and staff of the San Diego region’s congressional delegation and federal agencies, relative to how Colorado River issues are different from, or contribute to discussions on other state water initiatives, including the California WaterFix, and drought response.

- Water Authority staff and federal legislative advocates will continue to keep members and staff of the San Diego region’s congressional delegation and federal agencies apprised of developments related to Salton Sea restoration, including implementation and continued development of the State of California’s Salton Sea Management Program as provided in the State Water Resources Control Board’s recently adopted Stipulated Order, as well as associated funding strategies.

- Water Authority staff will continue to be engaged in the Drought Contingency Plan process and encourage support of a finalized DCP that does not have unmitigated impacts on the Salton Sea. Staff will also participate and report back on any discussions relevant to the development of the renegotiation of the 2007 Interim Guidelines.

- Water Authority staff will work with the Board officers and LPO Committee leadership to look for and schedule advocacy opportunities to advance these objectives and priorities directly in Washington, D.C., and within congressional district offices in San Diego County.

**2. RELATIONSHIP-BUILDING**

The nomination and confirmation of political appointees to the Trump Administration took longer than previous transitions. However, as President Trump enters the second year of his term, most key water-related positions have now been filled, although some only recently. Some of these appointees are familiar with California water issues, but few have a substantive understanding of the Water Authority’s unique needs and goals.
Establishing relationships and introducing new Trump Administration officials to the Water Authority and the San Diego region will be crucial to successfully navigating through federal agencies. In addition, the dynamic political environment at the Federal level requires the Water Authority to not only maintain good relations with the San Diego-area delegation, but to develop relationships with a broader base of allies – jurisdictionally, geographically, and politically – in Congress.

**Action**

- Water Authority staff and federal legislative advocates will identify opportunities for Board members and Water Authority management visits to Washington, D.C., to meet with officials in the Administration and Congress, and to encourage officials to visit the San Diego region to be briefed on the Water Authority’s projects and programs.

- In addition to exploring the viability of a Water Authority leadership visit to Washington, D.C., during 2018 that is not in conjunction with another scheduled event, opportunities for scheduling meetings with Trump Administration officials and Members of Congress will likely be available in conjunction with the following events:
  - ACWA Washington, D.C., Conference – February 27-March 1, 2018
  - San Diego Regional Chamber of Commerce Washington, D.C., annual trip – September 2018

- Explore opportunities to expand the Water Authority’s education efforts by reaching out to members of Congress from other states that may have similar or parallel interests to build stronger coalitions.

### 3. IMPLEMENT DROUGHT LEGISLATION/PURSUE FEDERAL APPROPRIATIONS

While Governor Jerry Brown has declared an end to California’s prolonged drought conditions, California and the Western United States continue to suffer from the effects of the historic and prolonged drought. Many interests believe these natural hydrologic conditions are exacerbated by state and federal environmental laws, regulations, and guidance that divert water from agricultural, industrial, and urban uses to support preservation of threatened or endangered species, habitat preservation, water quality controls, and limit sea water intrusion into sensitive aquatic regions and underground aquifers.

The Administration continues to develop guidance for implementing drought-response programs enacted in December 2016 and funding provided in the FY2017 Omnibus Appropriations Act enacted in early 2017. The timing and implementation of some programs have led to disputes among water agencies in the state, notably for the Title XVI water reuse and recycling program, that threaten efforts to increase funding or secure more funding for Water Authority-supported projects.

The congressional ban on earmarking appropriations for specific projects continues as it has for several years. This ban has created significant challenges in funding new projects, and has led to
greater creativity in structuring federal funding programs to ensure they are more competitive in nature and do not rely on the more traditional “earmarking” approach. However, constrained budgets make competition fierce and have hampered efforts to build broader coalitions to advocate for increased funding.

**Action**

- The federal legislative advocates will be actively engaged in the federal drought legislation implementation efforts and continue to keep the Water Authority apprised of opportunities to address the Water Authority’s needs.

- Water Authority staff and federal legislative advocates will continue to educate the regional congressional delegation members and staff regarding the Water Authority’s needs for secure, reliable water supplies and its efforts to diversify and conserve water resources.

- Water Authority staff and federal legislative advocates will continue to pursue funding opportunities for desalination (including for the Carlsbad intake project), water reclamation and reuse, and other programs through appropriations and budget processes.

- Water Authority staff and federal legislative advocates will continue to brief Appropriations Committee members and staff on the benefits demonstrated by the Title XVI program, in particular to the Water Authority and the San Diego region, and advocate for increased appropriations for this program that support long-standing projects authorized by Congress while also providing new sources of funding for more recent and new projects.

- Water Authority staff and federal legislative advocates will explore federal alternative financing proposals that could help leverage state and other sources of non-federal funding to study, design, and construct Water Authority-supported projects.

- The Water Authority’s federal legislative advocates will work with the Bureau of Reclamation and other federal agencies to promote the Water Authority’s objectives and projects in the context of current and future year budget requests and in the development of federal funding guidance for desalination projects through the Water Infrastructure Improvements for the Nation (WIIN) Act.

- The Water Authority will work closely with industry associations to build support for continued meaningful federal participation in the development and construction of local and regional water supply and drought resiliency projects.

- Water Authority staff will work with the Board officers and LPO Committee leadership to look for and schedule advocacy opportunities to advance these objectives and priorities directly in Washington, D.C., and within congressional district offices in San Diego County.
4. FEDERAL INFRASTRUCTURE POLICY AND FINANCING

On December 20, 2017, Congress passed comprehensive tax reform legislation (H.R. 1). This new law met goals identified by the Water Authority, but also failed to address important needs. H.R. 1 maintained the tax-exempt status of municipal bonds – a top priority for the Water Authority – and interest earned on private activity bonds. Unfortunately, the bill eliminated advance refunding of municipal bonds, a popular tool to lower borrowing costs by taking advantage of lower interest rates. The legislation also did not include any provisions to address the tax liability of water conservation incentives that are counted as income under federal tax rules. For 2018, H.R. 1 did not provide a revenue source to support a much larger infrastructure bill expected early in the year. Without this revenue, the Administration and Congress will struggle to provide meaningful funding to match the expectations that voters and stakeholders held in early 2017.

The Water Authority continues to pursue efforts to clarify that rebates for water conservation programs are not considered taxable under federal income tax rules. These efforts are largely being advanced through broad coalition efforts involving the Western Urban Water Coalition, ACWA, and other interested agencies and associations. These efforts will continue in 2018.

In a separate development, the U.S. EPA is finalizing plans to make its firsts loans under the Water Infrastructure Finance and Innovation Act (WIFIA) program. EPA identified the City of San Diego’s PureWater project as one of its first recipients and they are negotiating the terms of this loan. The Trump Administration has identified increased funding for WIFIA as a way to leverage federal dollars into greater water infrastructure investment.

**Action**

- The federal legislative advocates will continue to keep the Water Authority apprised of issues and recommend opportunities to educate and advocate with the San Diego congressional delegation, Congress, the White House, and federal agencies in response to developments.

- Water Authority staff and federal legislative advocates will continue to educate the San Diego congressional delegation and key Members of Congress regarding the importance of preserving the current tax-free municipal bond program.

- Water Authority staff and federal legislative advocates will work closely with coalition partners to pursue income tax credit relief for taxpayers receiving water conservation rebates.

- Water Authority staff and federal legislative advocates will work in tandem with other industry associations to support the implementation of a sound WIFIA program and funding for federal loan and loan guarantee awards from the program.
Water Authority staff will work with the Board officers and LPO Committee leadership to look for and schedule advocacy opportunities to advance these objectives and priorities directly in Washington, D.C., and within congressional district offices in San Diego County.

5. ENERGY ISSUES
The Water Authority has several energy producing assets:

- 40 MW Lake Hodges Pumped Storage Project
- 4.5 MW Rancho Penasquitos Hydroelectric Project
- Nearly 1.5 MW of installed solar power

In addition, the Water Authority successfully procured approximately 1.6 MW of federal preferential power (Hoover Dam allocation) from the Boulder Canyon Project for a 50-year term that began in October 2017.

The Water Authority has been exploring opportunities to use its produced and acquired power at its own facilities, member agencies’ facilities, and water supply projects that serve the Water Authority (e.g., the Claude “Bud” Lewis Carlsbad Desalination Plant). The most effective way to maximize the financial benefit to water ratepayers would be to directly utilize the Water Authority’s produced and procured power at Water Authority facilities, water supply projects that serve the Water Authority, and facilities owned and operated by the Water Authority’s member agencies.

At the same time as the Water Authority is evaluating energy cost-reduction options, the Water Authority, in partnership with the City of San Diego, is making progress on assessing the potential for a significant hydropower energy storage project at the San Vicente Reservoir.

Congress has also shown a growing interest in the energy-water nexus. Legislation to formalize federal intergovernmental consultation and leadership between the Office of Management & Budget, Council on Environmental Quality, Departments of Energy and of the Interior, and the National Academy of Science could continue to be advanced during 2018. In addition, President Trump’s infrastructure plan is expected to support regulatory streamlining to improve energy development and transmission, mainly by reducing obstacles to project siting and transmission rights-of-way.

Electricity for moving, producing, and treating water is a major cost to the Water Authority and its member agencies. While there is a natural nexus between water use efficiency and energy efficiency, particularly in the operations of water systems, staff and the federal legislative advocates will closely evaluate any energy-water nexus initiatives by Congress or the Administration. In particular, the Water Authority’s federal legislative advocates will be alert for initiatives that would suggest the imposition of mandates requiring specific water resources be developed by water agencies that fail to take into account local factors, such as water reliability, hydrologic and geographic characteristics, and the economic, political, public
acceptance, and social environment, which can influence selection of resources and/or fails to take into account, or conflicts with existing local and regional planning policies and implementation priorities.

**Action**

- Water Authority staff and federal legislative advocates will continue to educate the regional congressional delegation members and staff regarding the Water Authority’s energy needs and contributions.

- Water Authority staff and federal legislative advocates will work with the San Diego congressional delegation and appropriate congressional committees to explore options for further regulatory relief to reduce costs for ongoing and planned projects and operations.

- Water Authority staff and federal legislative advocates will monitor congressional hearings and legislation related to the energy-water nexus and communicate the Water Authority’s positions on this issue to the San Diego congressional delegation and relevant committees and federal agencies, including commissioners with the Federal Energy Regulatory Commission and its staff.

- Water Authority staff will work with the Board officers and LPO Committee leadership to look for and schedule advocacy opportunities to advance these objectives and priorities directly in Washington, D.C., and within congressional district offices in San Diego County.

6. **POTABLE REUSE**

Beginning in the early and mid-1990s, the City of San Diego began planning for a potable reuse project, and in 2012, the California Department of Public Health and the San Diego Regional Water Quality Control Board conceptually approved the City’s proposed indirect potable reuse project for surface water augmentation through San Vicente Reservoir. In addition, several Water Authority member agencies have expressed interest in potable reuse and are in the beginning stages of development projects. As many as 11 Water Authority member agencies are in some stage of planning or development of potential potable reuse water supplies.

**Action**

- The federal legislative advocates will continue to keep the Water Authority Board apprised of any developments at the federal level relating to potable reuse, and recommend actions related to any emerging opportunities to address the needs of the Water Authority and its member agencies.

- Water Authority staff and federal legislative advocates will continue to educate the regional congressional delegation members and staff, and federal agencies, regarding the needs of the Water Authority and its member agencies for secure, reliable water supplies.
and its efforts to diversify the region’s water supply portfolio through the advancement of potable reuse projects and other regional drought-resilient water supplies.

Prepared by: Glenn A. Farrel, Government Relations Manager
           Ivy Ridderbusch, Assistant Management Analyst
Approved by: Dennis A. Cushman, Assistant General Manager
February 14, 2018

Attention: Legislation and Public Outreach Committee

Approve enhanced value of water regional communications program and authorize the General Manager to enter into a professional services agreement with Southwest Strategies (Action)

Staff recommendation
1. Approve the enhanced value of water regional communications program Brought to You by Water;
2. Authorize the General Manager to enter into a 12-month professional services agreement with Southwest Strategies in an amount not to exceed $244,000 for public outreach services to assist in the implementation of the program; and
3. Approve the reallocation of $55,000 from the General Manager’s budget contingency fund to the Public Outreach and Conservation Department’s FY 2018 and 2019 budget to implement the program.

Alternative
Do not approve the enhanced value of water regional communications program and do not authorize the professional services agreement with Southwest Strategies.

Fiscal Impact
Existing outreach funds in the FY 2018 and 2019 budget are sufficient to cover most of the expenses associated with the enhanced value of water regional communications program, including most of the resources necessary to fund the services of Southwest Strategies for a 12-month period March 2018 through February 2019. Implementation of the Brought to You by Water regional communications program will require the reallocation of $55,000 from the General Manager’s budget contingency fund to the Public Outreach and Conservation Department.

Background
For the past three decades, the Water Authority has successfully managed a comprehensive and increasingly sophisticated public outreach and education program that continually evolves to address changing circumstances such as supply conditions, member agency needs and state mandates. During the most recent drought, for instance, the Water Authority deployed its award-winning When in Drought campaign, following similar efforts in the 2000s (20-Gallon Challenge) and the 1990s (Don’t be a Waterhog). With sufficient water supplies for the foreseeable future, the Water Authority currently promotes the efficient use of water resources through its comprehensive Live WaterSmart platform, which includes a website, landscaping makeover classes, social media, promotional items and events. Those efforts have contributed to regional water-use levels that remain far below the state’s 2013 baseline levels.

In addition, the Water Authority has collaborated with member agencies for decades to educate the public about the importance of a safe and reliable water supply during both drought and non-
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drought periods in collaboration with its Joint Public Information Council. JPIC is a forum comprising outreach and conservation representatives from member agencies who meet to address challenges, solutions and opportunities related to shared issues. In years past, the Water Authority and JPIC have developed a variety of “value of water” outreach materials, such as bill stuffers and movie theater advertisements, that enhance appreciation for the ratepayer investments necessary to provide a safe and reliable water supply each day. The Water Authority also has raised the region’s water IQ through its Citizens Water Academy, which now has approximately 450 alumni, and through support of groups such as the Business Alliance for Water that promote water efficiency and reliability. And, the Water Authority is an active leader in the region’s civic affairs through engagement with numerous chambers of commerce and economic development councils, which support the Water Authority’s commitment to sustain the region’s $220 billion economy and the quality of life for 3.3 million residents with a reliable water supply. Throughout its outreach programs, the Water Authority has adopted new technologies such as smartphone apps, on-demand videos, and an expanded social media presence, to extend the reach of its outreach efforts.

While the Water Authority’s outreach and communications strategies are relevant and vibrant, they must continue to adapt to changing conditions in the media landscape and communication technologies. Key factors currently influencing the Water Authority’s outreach efforts include:

• The rapid and continued contraction of the traditional media, which limits coverage of water issues in San Diego County largely to emergencies such as droughts or water main breaks. One result of this trend is that water agencies can no longer rely on conventional media outlets to communicate crucial information or explain complex situations involving the region’s water supplies and infrastructure.

• A corresponding increase in the scope and influence of social media.

• Rising water rates due to investments in supply reliability by the Water Authority and its member agencies, and increased costs from suppliers.

The combination of these factors led staff in late 2017 to design an enhanced outreach program for 2018 to affirm the position of the Water Authority and its member agencies as the region’s most trusted experts on water issues and to expand opportunities for communicating complex issues such as water resource investment strategies and policies with civic leaders and the public.

Discussion
In conjunction with the start of the water year in October, Water Authority staff partnered with member agencies to launch a pilot program on social media that promotes the importance of safe and reliable water supplies to the San Diego region’s economy and quality of life. With the tagline “Brought to You by Water,” the Water Authority and its member agencies promoted a wide variety of the region’s attractions, activities and industries that would not exist given the region’s limited natural water resources without substantial investments in developing and delivering safe and reliable water supplies. The campaign used compelling photos to highlight iconic aspects of the San Diego region that are “Brought to You by Water.” Over four months, the campaign used a combination of paid and “organic” posts to create significant interest on social media. Related social media posts generated more than 1,000 “likes” on the Water Authority’s social media platforms – a sign that the concept has significant public appeal and resonance. Member agencies – through JPIC
– not only helped promote the campaign on social media, but developed their own spinoff outreach materials using the same theme.

The successful pilot program on social media coincided with a broader assessment of outreach needs and opportunities by staff and Southwest Strategies, which together conceived an enhanced Brought to You by Water program. The proposed initiative has three main strategies: Promote the value of water; re-energize stakeholders; and expand education on water issues.

- **Partner with member agencies to promote the value of water** – Conduct targeted advertising (radio, print, outdoor), leverage partnerships and complementary opportunities; pursue earned media placements around the theme; brand new and existing outreach materials as part of the Brought to You by Water family; create a microsite to host the Brought to You by Water program; provide outreach toolkits to member agencies (social media posts, posters, promotional items, bill stuffers, etc.); enhance water conservation activity on social media by collaborating with local social media “influencer/s” to reach new audiences.

- **Re-energize stakeholders** – Create a Water Ambassador Alliance that combines Citizens Water Academy alumni with other stakeholder groups such as the Business Alliance for Water to offer expanded and coordinated educational opportunities; streamline communication with key stakeholders through the new Ambassador Alliance; partner with member agencies to expand and strengthen key relationships; and establish an awards program to honor the people, institutions and companies that support the San Diego region’s investments in water supply and infrastructure reliability or that have taken leadership roles in water-use efficiency.

- **Expand education** – Launch the Water News Network as an online informational hub about water issues in the San Diego region; conduct events across the region to promote initiatives and projects; increase participation on local boards, panels and podcasts; partner with stakeholders in key industries to co-brand Brought to You by Water outreach.

Under this proposal, the Water Authority plans to highlight one key, iconic San Diego County industry each quarter, starting with manufacturing, followed by tourism, craft brewing and agriculture – all of which are Brought to You by Water. Other potential industry partners include military, healthcare, universities and life sciences. Quarterly focus area tactics will include:

- Production of a short video with leaders from the selected industry discussing the importance of water to their businesses.

- Outreach materials, such as social media memes, letters to regional leaders, website promotion, newsletter articles for stakeholder organizations, and advertising.

- Earned media solicitation (joint news releases, story pitches, reports, etc.)

- A public forum on water issues (in partnership with member agencies stakeholder organizations in major sub-regions of the county)

**Recommended Enhanced Outreach and Water Conservation Activities**
The following measures are recommended to achieve the objectives outlined above.
Develop online program hub
A “microsite” linked to the Water Authority’s homepage will serve as the online portal for Brought to You by Water program activities. It will explain the scope, significance, growth and future of targeted industries – and their unique connections to safe and reliable water supplies. It will include an overview video about the value of water in San Diego County, along with short videos for each industry sector featuring leaders discussing how they use and make the most of our region’s water supplies.

Develop and procure branded program materials
Brought to You by Water will include the creation and refinement of branded materials to support program objectives. Examples of potential promotional items include: paper placemats for speaking engagements (e.g., Lunch: Brought to You by Water); coffee cup sleeves, shower timers, beer coasters, hotel/motel laundry reminders, and other items as developed in collaboration with targeted industries. Through JPIC, member agency staff can help ensure the materials and messages meet their outreach needs. The branding effort also may include refreshing the Water Authority’s logo and tagline to reflect the agency’s standing as the region’s trusted water leader.

Deploy social media and mass media promotions
The Water Authority will expand its use of advertising to support industry-specific promotions and the overarching program. This could include radio traffic sponsorships, print ads in stakeholder publications, and signs in high-traffic areas such as shopping malls and transit hubs. It also will include significantly increased promotion of program posts on social media platforms, with a focus on targeting San Diego County residents. Staff will rely on existing relationships developed through the When in Drought campaign to maximize the reach of Brought to You by Water, and it will forge new relationships in collaboration with targeted industry sectors to select appropriate, cost-effective advertising vehicles. Whenever possible, staff will seek complementary placements befitting the public service nature of the message.

Host or sponsor water forums in collaboration with member agencies
In partnership with featured industries and member agencies, the Water Authority will host or sponsor events to update stakeholders and the public about timely water issues, hear from industry leaders, and/or recognize water-use efficiency efforts with an award program. These events are conceived around multiple goals: enhancing dialogue with leaders of key industries, associations, and member agencies countywide; offering additional educational opportunities for Water Ambassadors; and promoting water-use efficiency. These events will be coordinated closely with member agencies and business associations in each region.

Create and maintain the Brought to You by Water News Network
The Water News Network will serve as an online news and information hub for the entire San Diego region by combining original content from the Water Authority and member agencies, along with links to external content such as media stories. It is conceived as the “San Diego Region’s Source for Water News” to help water industry professionals, stakeholders, elected officials, and the public find current and reliable information on vital water issues. This effort will include the development of a Water News Network website; ongoing production of stories, videos and photos;
and a regular email/blog post that summarizes important internal and external news content. The Water News Network will host member agency news releases and other content, and member agencies will play a vital role by using and promoting this new tool to highlight important events, activities and issues that affect their ratepayers.

Engage social media influencers to promote water conservation
An integral component of understanding the value of water is advancing the efficient use of water, particularly during peak water-use months. Through the Brought to You by Water program, staff will augment ongoing efforts to promote water conservation by securing one or more social media “influencers” to expand the conversation in San Diego County. Social media “influencers” include media personalities, athletes, musicians and others who engage large and loyal followings. This campaign – the “Summer of Social Influence” – involves working with one or more San Diego-based influencers to target 25- to 38-year-olds with messages about how their conservation choices contribute to the region’s economic vitality and quality of life. This important group of residents includes many new and future homebuyers who receive most of their news through social media. In addition to the direct value of promoting WaterSmart choices with this influential demographic, the summer program will help establish the Water Authority as the region’s water expert for the up-and-coming generation of community leaders.

Staff will coordinate the deployment of program activities in partnership with JPIC using outreach opportunities such as stakeholder presentations, social media, earned media and community events. Program-specific efforts also include the development of websites, an Ambassador program, videos, multi-format ads, quarterly forums, promotional items and the Summer of Social Influence.

To assist with the successful development and launch of the program, staff recommends the Board authorize the General Manager to enter into a professional services agreement with Southwest Strategies for the 12-month period from March 2018 through February 2019 in an amount not to exceed $244,000. Southwest has a long and successful history of working on water issues and policy in San Diego County generally and with the Water Authority specifically. It also has established relationships with virtually all the region’s major industries, which would allow for more effective implementation. Under this program, Southwest Strategies will provide strategic design and creative development of the Brought to You brand identity and support materials; connect the Water Authority with key stakeholders and elected officials; secure industry influencers and alliances; advise staff on content and program development; and partner with staff to produce major events such as news conferences and quarterly forums.

The budget required for a 12-month deployment of the Brought to You by Water program is approximately $580,000. This covers hard costs managed by the Water Authority, the professional services agreement with Southwest Strategies, and related costs of developing and launching the Water News Network. The costs of the program will be covered by tapping DWR Proposition 84 grant funds for conservation outreach and education; repurposing existing outreach funds; and reallocating $55,000 from the General Manager’s budget contingency fund to the Public Outreach and Conservation Department.
February 14, 2018

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
February 16 is the bill introduction deadline for the 2018 legislative session. Bill introduction has been at a very slow pace to-date, but by February 16, hundreds of bills will be introduced, and work will begin on analyzing and considering bills over the course of the next six months prior to the conclusion of the legislative session.

Sponsored Legislation

• Assemblymembers Todd Gloria and Shirley Weber have agreed to be joint authors of the Water Authority’s legislative proposal to provide a workable advance payment structure for non-governmental organizations and disadvantaged communities participating in Integrated Regional Water Management grant-funded projects.

• Assemblymember Wendy Carrillo (D-Los Angeles) has agreed to introduce the Water Authority’s and Natural Resources Defense Council’s co-sponsored legislative proposal to statutorily advance consensus-based concepts to improve outdoor water use efficiency recommended by the Independent Technical Panel under the auspices of the Department of Water Resources.

• Senator Ben Hueso has agreed to introduce the Water Authority’s legislative proposal to develop and implement a manageable administrative structure to ensure Salton Sea restoration project implementation remains on-budget and on-time, with appropriate contracting and fiscal controls.

State Budget
On January 10, Governor Jerry Brown released his last proposed state budget of his gubernatorial tenure. Governor Brown’s proposed 2018-19 state budget reflects $131.7 billion in General Fund spending, which is a 4 percent increase over the 2017-18 state budget. Significantly, the proposed state budget reflects a positive one-time general fund revenue surplus of approximately $6 billion, much of which the Governor proposes for deposit in the “Rainy Day Fund” (approximately $5 billion).

Among some of the major initiatives outlined in the Governor’s proposed state budget include the following:
• Filling up the “Rainy Day Fund” before the next recession. As mentioned above, the proposed state budget identifies $5 billion for investment in the fund, which would fully meet the constitutional target.

• Implementation of public safety realignment – approximately $8 billion in flexible funding is proposed for distribution to local governments to address implementation of the 2011 public safety realignment initiative.

• $3 billion in Prop 98 K-14 school funding, which will result in an increase in funding levels of approximately $4,600 per student in 2018-19 over the 2011-12 levels.

• $4.6 billion in new transportation funding, including:
  o Focus on “fix-it first” investments to repair neighborhood roads, state highways, and bridges;
  o Make investments in trade and commute corridors to support continued economic growth and implement a sustainable freight strategy;
  o Match locally generated funds for high-priority transportation projects; and
  o Invest in passenger rail and public transit modernization and improvement.

Within the context of the Natural Resources portion of the proposed state budget, the Governor proposes the following major initiatives:

• Expenditure of $1 billion from SB 5 proceeds (assuming it is passed by voters during the June 2018 primary election), including appropriations for the following purposes:
  o $30 million for Salton Sea restoration;
  o $63 million for safe drinking water projects;
  o $146 million for ongoing implementation of the Sustainable Groundwater Management Act ($62 million) and groundwater treatment ($84 million); and
  o $18 million for state water use efficiency and enhancement programs.

• Establishment of a Safe and Affordable Drinking Water Fund for the SWRCB to assist communities, particularly disadvantaged communities, in paying for the costs of obtaining access to safe and affordable drinking water. The text of the budget summary document provides: “The Administration is proposing statutory language, consistent with the policy framework of SB 623…to establish a program that provides grants, loans, and administrator contracts or services to assist eligible communities and households in securing access to safe and affordable drinking water.”

The Governor’s budget proposal also includes $4.7 million for the SWRCB and the Department of Food and Agriculture to take initial steps toward implementation of this new program.
On February 1, the California Department of Finance released budget trailer bill language for a Safe and Affordable Drinking Water Act on its website. The Safe and Affordable Drinking Water Act closely tracks the provisions of SB 623 (Monning), and would impose, among other funding sources, a water tax to provide sustainable funding for groundwater contamination cleanup within disadvantaged communities.

It is likely that Assembly and Senate budget subcommittee hearings will begin during March and continue through May, leading to the Legislature’s final action by the June 15 deadline.

Status Report on Legislation and Legislative Positions
Water Authority staff is currently actively reviewing and analyzing 76 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 2018 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 legislation under review by Water Authority staff as of February 14, 2018.

Lobbyist Activities
Steve Cruz of The Quintana Cruz Company 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 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.
Communicated with legislative leadership and stakeholders regarding the San Diego region’s interests relative to bulk energy storage.

Coordinated with Steve Cruz and Water Authority staff on various legislative issues of importance to the Water Authority, including preparation for the November 27 SDCWA Legislative Team meeting.

Audra Hartmann of Smith, Watts & Hartmann reports that she performed the following regulatory advocacy activities on behalf of the Water Authority over the past month:

- Coordinated meetings with SWRCB members and staff relative to the issue of the Carlsbad Desalination facility intake modifications.
- Participated in SWRCB meetings regarding emerging water quality issues of interest to the Water Authority.
- Provided strategic advice and information regarding the Water Authority’s regulatory interests.
- Coordinated with Water Authority staff on various regulatory issues of interest to the Water Authority.

**Washington, D.C.**
Ken Carpi of Carpi & Clay will submit a separate written report of the firm’s monthly activities in Washington, D.C..

Prepared by: Glenn A. Farrel, Government Relations Manager
Ivy Ridderbusch, Assistant Management Analyst
Approved by: Dennis A. Cushman, Assistant General Manager

Attachment: Substantive Legislation Report – February 14, 2018
Substantive State Legislation Under Review by Water Authority Staff
February 14, 2018

**AB 18**  
Current Text: Amended: 8/30/2017  
Introduced: 12/5/2016  
Status: 9/1/2017-From committee: Do pass and re-refer to Com. on AP PR. (Ayes 4. Noes 1.) (August 31). Re-referred to Com. on AP PR.

Summary: Under current law, programs have been established pursuant to bond acts for, among other things, the development and enhancement of state and local parks and recreational facilities. This bill 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 $3,470,000,000 pursuant to the State General Obligation Bond Law to finance a clean water, climate, coastal protection, and outdoor access for all program.

**AB 92**  
**(Bonta D)** Public contracts: payment.  
Current Text: Chaptered: 7/10/2017  
Chapter Number: 37  
Introduced: 1/9/2017  
Status: 7/10/2017-Approved by the Governor. Chaptered by Secretary of State - Chapter 37, Statutes of 2017.

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**  
Current Text: Vetoed: 10/13/2017  
Introduced: 1/30/2017  
Status: 1/12/2018-Stricken from file.

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. This bill would require, by April 1, 2018, the Office of Environmental Health Hazard Assessment to convene a Lead Advisory Task Force, 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  
Status: 2/1/2018-From committee: Filed with the Chief Clerk pursuant to Joint Rule 56.

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: Vetoed: 10/15/2017  
Introduced: 2/6/2017
**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 554**

*Desalination: statewide goal.*

**Current Text:** Amended: 3/27/2017 [html](#), [pdf](#)

**Introduced:** 2/14/2017

**Status:** 2/1/2018-Failed Deadline pursuant to Rule 61(b)(3). (Last location was APPR. on 5/26/2017)

**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 567**

*School facilities: drinking water fountains: spigot for filling water bottles.*

**Current Text:** Amended: 3/14/2017 [html](#), [pdf](#)

**Introduced:** 2/14/2017

**Status:** 1/13/2018-Failed Deadline pursuant to Rule 61(b)(1). (Last location was ED. on 2/27/2017)

**Summary:** Would require a school district, on or after July 1, 2018, to ensure that every drinking water fountain at each school under its jurisdiction is equipped with both a water fountain and a spigot, or a combination water fountain and spigot, for filling water bottles. Because the bill would impose new duties on local educational agencies, the bill would impose a state-mandated local program.

**AB 574**

*Potable reuse.*

**Current Text:** Chaptered: 10/6/2017 [html](#), [pdf](#)

**Chapter Number:** 528

**Introduced:** 2/14/2017

**Status:** 10/6/2017-Approved by the Governor. Chaptered by Secretary of State - Chapter 528, Statutes of 2017.

**Summary:** Current law required the State Department of Public Health to, on or before December 31, 2013, adopt uniform water recycling criteria for indirect potable reuse for groundwater recharge. Current law also required the department 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, and required the department to investigate the feasibility of developing uniform water recycling criteria for direct potable reuse and to provide a final report on that investigation to the Legislature by December 31, 2016. Current law defined the terms “direct potable reuse” and “surface water augmentation” for these purposes. This bill would specify that “direct potable reuse” includes “raw water augmentation” and “treated drinking water augmentation.”

**AB 733**

*Enhanced infrastructure financing districts: projects: climate change.*

**Current Text:** Chaptered: 10/11/2017 [html](#), [pdf](#)

**Chapter Number:** 657

**Introduced:** 2/15/2017

**Status:** 10/11/2017-Approved by the Governor. Chaptered by Secretary of State - Chapter 657, Statutes of 2017.

**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, specified impacts described in the bill, 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:** Chaptered: 10/13/2017  [html](#)  [pdf](#)

**Chapter Number:** 746

**Introduced:** 2/15/2017

**Status:** 10/13/2017-Approved by the Governor. Chaptered by Secretary of State - Chapter 746, Statutes of 2017.

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**Summary:** Would require a community water system that serves a schoolsite of a local educational agency with a building constructed before January 1, 2010, to test for lead in the potable water system of the schoolsite before January 1, 2019. The bill would require the community water system to report its findings to the schoolsite, as specified, and, if the schoolsite's lead level exceeds a certain level, to test a water sample from the point in which the schoolsite connects to the community water system's supply network. The bill would require the local educational agency, if the lead level exceeds the specified level at a schoolsite, to notify the parents and guardians of the pupils who attend the schoolsite or preschool.

**AB 791**


**Current Text:** Amended: 3/21/2017  [html](#)  [pdf](#)

**Introduced:** 2/15/2017

**Status:** 1/20/2018-Failed Deadline pursuant to Rule 61(b)(2). (Last location was APPR. SUSPENSE FILE on 5/10/2017)

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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 792**


**Current Text:** Amended: 1/3/2018  [html](#)  [pdf](#)

**Introduced:** 2/15/2017

**Status:** 1/13/2018-Failed Deadline pursuant to Rule 61(b)(1). (Last location was W.,P. & W. on 4/20/2017)

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**Summary:** The Sacramento-San Joaquin Delta Reform Act of 2009 establishes the Delta Stewardship Council which consists of 7 members, and requires the council to develop, adopt, and commence implementation of a comprehensive management plan for the Delta, known as the Delta Plan. This bill would increase the membership of the council to 13 members, including 11 voting members and 2 nonvoting members, as specified.

**AB 793**


**Current Text:** Amended: 3/27/2017  [html](#)  [pdf](#)

**Introduced:** 2/15/2017

**Status:** 1/20/2018-Failed Deadline pursuant to Rule 61(b)(2). (Last location was W.,P. & W. on 3/2/2017)

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**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 851** (Caballero D) Local agency contracts.

Current Text: Chaptered: 10/16/2017  [html](#)  [pdf](#)

Chapter Number: 821

Introduced: 2/16/2017

Status: 10/15/2017-Approved by the Governor. Chaptered by Secretary of State - Chapter 821, Statutes of 2017.

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Summary: Current law authorizes a county, until January 1, 2018, with approval of the board of supervisors, to utilize construction manager at-risk construction contracts for the erection, construction, alteration, repair, or improvement of any building owned or leased by the county, subject to certain requirements, including that the method may only be used for projects that are in excess of $1,000,000. This bill would extend that authorization described above until January 1, 2023. This bill contains other related provisions and other current laws.

**AB 869** (Rubio D) Sustainable water use and demand reduction: recycled water.

Current Text: Amended: 8/24/2017  [html](#)  [pdf](#)

Introduced: 2/16/2017

Status: 9/1/2017-Failed Deadline pursuant to Rule 61(a)(12). (Last location was N.R. & W. on 8/24/2017)(May be acted upon Jan 2018)

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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 long-term standards for urban water conservation and water use to include a credit for recycled water, as specified.

**AB 884** (Levine D) Dams and reservoirs: inspections.

Current Text: Amended: 3/21/2017  [html](#)  [pdf](#)

Introduced: 2/16/2017

Status: 1/20/2018-Failed Deadline pursuant to Rule 61(b)(2). (Last location was APPR. SUSPENSE FILE on 5/3/2017)

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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** (Rubio D) Pupil health: drinking water: lead.


Introduced: 2/16/2017

Status: 1/20/2018-Failed Deadline pursuant to Rule 61(b)(2). (Last location was APPR. SUSPENSE FILE on 5/17/2017)

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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

Status: 1/20/2018-Failed Deadline pursuant to Rule 61(b)(2). (Last location was L. GOV. on 3/23/2017)

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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 947** (Gallagher R) Department of Fish and Wildlife: lake or streambed alteration agreements:

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definitions.


Introduced: 2/16/2017

Status: 1/20/2018-Failed Deadline pursuant to Rule 61(b)(2). (Last location was APPR. SUSPENSE FILE on 5/3/2017)

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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 968  (Rubio D)  Urban water use: water efficiency.


Introduced: 2/16/2017

Status: 1/20/2018-Failed Deadline pursuant to Rule 61(b)(2). (Last location was APPR. SUSPENSE FILE on 5/10/2017)

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Summary: Would require each urban retail water supplier to develop a water efficiency target, as defined, for 2025 in its 2020 urban water management plan required to be submitted by July 1, 2021, and to achieve that target. The bill would authorize an urban retail water supplier to adjust and update the water efficiency target, as appropriate, when the supplier reports its compliance in achieving the water efficiency targets and its implementation of the identified performance measures in its 2025 urban water management plan required to be submitted by July 1, 2026. The bill would require each urban retail water supplier to meet its adjusted 2025 water efficiency target by December 31, 2025, unless the supplier makes a certain report to the department.

AB 975  (Friedman D)  Natural resources: wild and scenic rivers.


Introduced: 2/16/2017

Status: 2/1/2018-Died on inactive file.

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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 conveyance: use of facility with unused capacity.


Introduced: 2/16/2017

Status: 9/1/2017-Failed Deadline pursuant to Rule 61(a)(12). (Last location was APPR. SUSPENSE FILE on 8/28/2017)(May be acted upon Jan 2018)

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Summary: Current law prohibits the state or a regional or local public agency from denying a bona fide transferor of water from using a water conveyance facility that has unused capacity for the period of time for which that capacity is available, if fair compensation is paid for that use and other requirements are met. This bill would, notwithstanding that provision, prohibit a transferor of water from using a water conveyance facility that has unused capacity to transfer water from a groundwater basin underlying desert lands, as defined, that is in the vicinity of specified federal lands or state lands to outside of the groundwater basin unless the State Lands Commission, in consultation with the Department of Fish and Wildlife, finds that the transfer of the water will not adversely affect the natural or cultural resources of those federal and state lands.

AB 1030  (Ting D)  Energy storage systems.

Current Text: Amended: 3/30/2017  html, pdf

Introduced: 2/16/2017

Status: 1/13/2018-Failed Deadline pursuant to Rule 61(b)(1). (Last location was L. & E. on 3/9/2017)
Introduced: 2/16/2017
Status: 1/13/2018-Failed Deadline pursuant to Rule 61(b)(1). (Last location was W.,P. &W. on 3/27/2017)

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 1117  (Fong R)  California Environmental Quality Act.
Current Text: Introduced: 2/17/2017  html  pdf
Introduced: 2/17/2017
Status: 1/13/2018-Failed Deadline pursuant to Rule 61(b)(1). (Last location was NAT. RES. on 3/6/2017)

Summary: Would prohibit a lead agency from being required to evaluate the aesthetic effects of a project subject to CEQA and would prohibit aesthetic effects from being considered significant effects on the environment, except in certain circumstances. This bill contains other related provisions and other existing laws.

AB 1211  (Dahle  R)  State policy for water quality control.
Current Text: Introduced: 2/17/2017  html  pdf
Introduced: 2/17/2017
Status: 1/20/2018-Failed Deadline pursuant to Rule 61(b)(2). (Last location was PRINT on 2/17/2017)

Summary: Under current law, the Porter-Cologne Water Quality Control Act, the state policy for water quality control is required to consist of water quality principles and guidelines for long-range resource planning, water quality objectives, and other principles and guidelines deemed essential by the State Water Resources Control Board for water quality control. This bill would make technical, nonsubstantive changes to that provision.

AB 1270  (Gallagher  R)  Dams and reservoirs: inspections and reporting.
Current Text: Amended: 1/22/2018  html  pdf
Introduced: 2/17/2017

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 repeal those provisions and instead would require the department to inspect dams, reservoirs, and appurtenant structures once per fiscal year with the exception of low hazard potential dams which the bill would require to receive inspections at least every 2 fiscal years, as specified. The bill would require the owner of a dam to operate critical outlet and spillway control features on an annual basis and to demonstrate their full operability in the presence of the department every 3 years or as directed by the department.

AB 1271  (Gallagher  R)  Dams and reservoirs.
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 1323**  
**Weber D**  
Sustainable water use and demand reduction: stakeholder workgroup.

**AB 1343**  
**Chen R**  

**AB 1361**  
**Garcia, Eduardo D**  
Municipal water districts: water service: Indian tribes.

**AB 1369**  
**Gray D**  
Water quality and storage.
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.


Current Text: Chaptered: 10/7/2017  html  pdf

Chapter Number: 560

Introduced: 2/17/2017

Status: 10/7/2017-Approved by the Governor. Chaptered by Secretary of State - Chapter 560, Statutes of 2017.

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: Vetoed: 10/13/2017  html  pdf

Introduced: 2/17/2017

Status: 1/12/2018-Stricken from file.

Summary: Would, until January 1, 2023, require public agencies to designate a person or persons, or office or offices 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.

AB 1490  (Gray D)  State Water Resources Control Board: school drinking water.


Introduced: 2/17/2017

Status: 1/20/2018-Failed Deadline pursuant to Rule 61(b)(2). (Last location was APPR. SUSPENSE FILE on 5/24/2017)

Summary: Would require the State Water Resources Control Board, no later than July 1, 2018, to prepare and submit to the Legislature a report evaluating potential adverse impacts resulting from the implementation of the Bay-Delta Water Quality Control Plan on the quality and supply of drinking water provided to schools in disadvantaged communities, as defined, in the state, including a summary describing any measures that may be implemented to address any adverse impacts identified in the report.

AB 1529  (Thurmond D)  Cross-connection control and backflow protection.


Introduced: 2/17/2017


Summary: Would require the State Water Resources Control Board, on or before January 1, 2020, to update its backflow protection and cross-connection control regulations and to set forth uniform, statewide standards for the certification of backflow prevention device testers and cross-connection control specialists, as provided. The bill would require a public water system to implement a cross-connection control program that complies with applicable regulations and the standards set forth by the state board.
AB 1587 (Levine D) Invasive species: dreissenid mussels.
Introduced: 2/17/2017
Status: 9/1/2017-Failed Deadline pursuant to Rule 61(a)(12). (Last location was APR. SUSPENSE FILE on 8/21/2017)(May be acted upon Jan 2018)

Summary: Current law, until January 1, 2020, generally prohibits a person from possessing, importing, shipping, or transporting in the state, or from placing, planting, or causing to be placed or planted in any water within the state, dreissenid mussels, and authorizes the Director of Fish and Wildlife or his or her designee to engage in various enforcement activities with regard to dreissenid mussels. Current law authorizes the director to conduct inspections of waters of the state and facilities located within waters of the state that may contain dreissenid mussels and, if those mussels are detected or may be present, order the closure of the waters or facilities to conveyances or otherwise restrict access to the waters or facilities, with the concurrence of the Secretary of the Natural Resources Agency. This bill would also authorize a peace officer to engage in certain of these enforcement activities, as prescribed, and would extend to January 1, 2023, the repeal date of those provisions.

Current Text: Amended: 8/24/2017  html  pdf
Introduced: 2/17/2017
Status: 9/16/2017-Ordered to inactive file at the request of Senator McGuire.

Summary: Under the Meyers-Milias-Brown Act (MMBA), employees of local public agencies have the right to form, join, and participate in the activities of employee organizations of their own choosing for the purpose of representation on all matters of employer-employee relations. The MMBA authorizes a local public agency to adopt reasonable rules and regulations after consultation in good faith with representatives of a recognized employee organization or organizations for the administration of employer-employee relations under the act. This bill would revise the definition of "public employee" for the purpose of the Meyers-Milias-Brown Act to also include persons jointly employed by a public agency and any other employer at specified clinics and hospitals.

AB 1605 (Caballero D) Maximum contaminant level: nitrate: replacement water.
Introduced: 2/17/2017
Status: 1/20/2018-Failed Deadline pursuant to Rule 61(b)(2). (Last location was JUD. on 5/1/2017)

Summary: The California Safe Drinking Water Act, requires the state board to administer provisions relating to the regulation of drinking water to protect public health and vests with the state board specified responsibilities. This bill would prohibit a person or entity providing replacement water, as defined, to address drinking water that exceeds the maximum contaminant level for nitrate in groundwater from being deemed to have caused pollution or a nuisance, or from being liable for negligence or trespass, if certain conditions are met.

AB 1654 (Rubio D) Water conservation.
Current Text: Amended: 7/12/2017  html  pdf
Introduced: 2/17/2017
Status: 7/17/2017-Withdrawn from committee. Re-referred to Com. on RLS. (Set for hearing ) (1/23/2018 - Immune to Deadlines according to JR61(f). Deadlines do not apply to bills in a Rules committee.)

Summary: Would state the intent of the Legislature to enact legislation necessary to help make water conservation a California way of life.

AB 1667 (Friedman D) Water management planning.
Introduced: 2/17/2017
Status: 7/14/2017-Failed Deadline pursuant to Rule 61(a)(10). (Last location was N.R. & W. on 7/11/2017)(May be acted upon Jan 2018)
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 on or before May 20, 2021. The bill would also require the board, in consultation with the department, to adopt performance measures for commercial, industrial, and institutional water use on or before that date.

**AB 1668** *(Friedman D)*  Water management planning.

**Current Text:** Amended: 9/8/2017 [html](#) [pdf](#)

**Introduced:** 2/17/2017

**Status:** 9/15/2017-From committee: Do pass and re-refer to Com. on RLS. (Ayes 5. Noes 0.) (September 15). Re-referred to Com. on RLS.

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Summary: Current law requires the state to achieve a 20% reduction in urban per capita water use in California by December 31, 2020. Current law requires each urban retail water supplier to develop urban water use targets and an interim urban water use target, as specified. This bill would require the State Water Resources Control Board, in coordination with the Department of Water Resources, to adopt long-term standards for the efficient use of water, as provided, and performance measures for commercial, industrial, and institutional water use on or before June 30, 2021.

**AB 1669** *(Friedman D)*  Urban water conservation standards and use reporting.

**Current Text:** Amended: 4/18/2017 [html](#) [pdf](#)

**Introduced:** 2/17/2017

**Status:** 1/20/2018-Failed Deadline pursuant to Rule 61(b)(2). (Last location was APPR. SUSPENSE FILE on 5/10/2017)

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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: standards.

**Current Text:** Chaptered: 10/6/2017 [html](#) [pdf](#)

**Chapter Number:** 533

**Introduced:** 2/17/2017

**Status:** 10/6/2017-Approved by the Governor. Chaptered by Secretary of State - Chapter 533, Statutes of 2017.

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Summary: Current law requires any person who owns a public water system to ensure that the system does certain things, including, but not limited to, that it will not be subject to backflow under normal operating conditions. Current law, to ensure that testing and maintenance of backflow prevention devices are performed by persons qualified to do testing and maintenance, authorizes local health officers to maintain programs for certification of backflow prevention device testers and requires the certification program to be consistent with backflow protection regulations adopted by the state board. This bill would require a public water system to implement a cross-connection control program that complies with, and would require the certification program to be consistent with, applicable regulations and the standards described in (2).

**AB 1725** *(Committee on Local Government)*  Local agency formation.

**Current Text:** Chaptered: 9/28/2017 [html](#) [pdf](#)

**Chapter Number:** 353

**Introduced:** 3/20/2017

**Status:** 9/28/2017-Approved by the Governor. Chaptered by Secretary of State - Chapter 353, Statutes of 2017.

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Summary: The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 provides the exclusive authority and procedure for the initiation, conduct, and completion of changes of organization and reorganization for cities and districts, as specified. The act defines various terms for these purposes, including the term “contiguous,” which the act defines as territory adjacent to territory within the local agency. This bill would instead define “contiguous” as territory that abuts or shares a
common boundary with territory within a local agency.

**AB 1944**  (Garcia, Eduardo D)  Sustainable groundwater management: San Luis Rey Valley Groundwater Basin.

- **Current Text:** Introduced: 1/29/2018  [html](#)  [pdf](#)
- **Introduced:** 1/29/2018
- **Status:** 1/30/2018-From printer. May be heard in committee March 1.

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**Summary:** Would divide the San Luis Rey Valley Groundwater Basin into an upper and lower subbasin, as prescribed, and would designate the subbasins as medium priority until the department reassesses basin prioritization. The bill would require water beneath the surface of the ground within the Upper San Luis Rey Valley Groundwater Subbasin to be included within the definition of groundwater for the purposes of the act by any groundwater sustainability agency developing or implementing a groundwater sustainability plan and would except from this requirement certain water beneath the surface of the ground extracted and used as authorized under an existing appropriative water right.

**SB 5**  (De León D)  California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access For All Act of 2018.

- **Current Text:** Chaptered: 10/15/2017  [html](#)  [pdf](#)
- **Chapter Number:** 852
- **Introduced:** 12/5/2016
- **Status:** 10/15/2017-Approved by the Governor. Chaptered by Secretary of State. Chapter 852, Statutes of 2017.

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**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 $4,000,000,000 pursuant to the State General Obligation Bond Law to finance a drought, water, parks, climate, coastal protection, and outdoor access for all program. The bill, upon voter approval, would reallocate $100,000,000 of the unissued bonds authorized for the purposes of Propositions 1, 40, and 84 to finance the purposes of a drought, water, parks, climate, coastal protection, and outdoor access for all program.


- **Current Text:** Amended: 9/12/2017  [html](#)  [pdf](#)
- **Introduced:** 12/5/2016
- **Status:** 9/12/2017-From committee with author's amendments. Read second time and amended. Re-referred to Com. on RLS.

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**Summary:** Would require specified agencies to take prescribed actions to maintain and enforce certain requirements and standards pertaining to air, water, and protected species. By imposing new duties on local agencies, this bill would impose a state-mandated local program. This bill contains other related provisions and other existing laws.

**SB 80**  (Wieckowski D)  California Environmental Quality Act: notices.

- **Current Text:** Vetoed: 10/16/2017  [html](#)  [pdf](#)
- **Introduced:** 1/11/2017
- **Status:** 10/15/2017-Vetoed by the Governor. In Senate. Consideration of Governor’s veto pending.

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**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 agency offers 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: 9/11/2017  [html](#)  [pdf](#)
- **Introduced:** 1/11/2017
- **Status:** 9/11/2017-September 11 hearing postponed by committee. From committee with author's amendments. Read second time and amended. Re-referred to Com. on U. & E.
Summary: The Legislature has found and declared that its intent in implementing the California Renewables Portfolio Standard Program requires the PUC 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, and to achieve a 60% target by December 31, 2030.

**SB 214**

(Atkins D) **San Diego River Conservancy.**

Current Text: Chaptered: 9/26/2017  html  pdf

Chapter Number: 306

Introduced: 2/1/2017


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 229**

(Wieckowski D) **Accessory dwelling units.**

Current Text: Chaptered: 10/8/2017  html  pdf

Chapter Number: 594

Introduced: 2/2/2017


Summary: Would authorize a local agency to provide by ordinance for the creation of accessory dwelling units in areas zoned to allow single-family or multifamily use. The bill would authorize the ordinance to prohibit the sale or other conveyance of the unit separate from the primary residence. The bill would extend the use of the maximum standards to a proposed accessory dwelling unit on a lot zoned for residential use that includes a proposed single-family dwelling.

**SB 231**

(Hertzberg D) **Local government: fees and charges.**

Current Text: Chaptered: 10/6/2017  html  pdf

Chapter Number: 536

Introduced: 2/2/2017

Status: 10/6/2017-Approved by the Governor. Chaptered by Secretary of State. Chapter 536, Statutes of 2017.

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.

**SB 252**

(Dodd D) **Water wells.**

Current Text: Chaptered: 10/6/2017  html  pdf

Chapter Number: 538

Introduced: 2/7/2017

Status: 10/6/2017-Approved by the Governor. Chaptered by Secretary of State. Chapter 538, Statutes of 2017.

Summary: Would, until January 30, 2020, require a city or county overlying a critically overdrafted basin, as defined, to request estimates of certain information from an applicant for a new well located within a critically overdrafted basin as part of an application for a well permit. The bill would require a
city or county that receives an application for a well permit in a critically overdrafted basin to make the
information about the new well included in the application for a well permit available to both the public
and to groundwater sustainability agencies and easily accessible. The bill would authorize a city or
county to issue a new well permit within a critically overdrafted basin when these requirements have
been met.

**SB 371**
(Moorlach R)  Local public employee organizations.
Introduced:  2/14/2017
Status:  1/20/2018-Failed Deadline pursuant to Rule 61(b)(2).  (Last location was P.E. & R. on
2/23/2017)

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.

**SB 417**
(Berryhill R)  State Water Resources Control Board.
Current Text:  Introduced:  2/15/2017  html  pdf
Introduced:  2/15/2017
Status:  2/1/2018-Returned to Secretary of Senate pursuant to Joint Rule 56.

Summary:  Current law declares that to provide for the orderly and efficient administration of the
water resources in the state, it is necessary to establish the State Water Resources Control Board to
exercise the adjudicatory and regulatory functions of the state in the field of water resources.  Existing
law declares the intent of the Legislature to combine the water rights, water quality, and drinking
water functions of the state government to provide for coordinated consideration of water rights,
water quality, and safe and reliable drinking water.  This bill would make nonsubstantive changes to
these declarations.

**SB 427**
(Leyva D)  Public water systems: community water systems: lead user service lines.
Current Text:  Chaptered:  9/12/2017  html  pdf
Chapter Number:  238
Introduced:  2/15/2017
Status:  9/11/2017-Approved by the Governor.  Chaptered by Secretary of State.  Chapter 238, Statutes
of 2017.

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.

**SB 448**
(Wieckowski D)  Local government: organization: districts.
Chapter Number:  334
Introduced:  2/15/2017
Status:  9/27/2017-Approved by the Governor.  Chaptered by Secretary of State.  Chapter 334, Statutes
of 2017.

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 instead require special districts defined by a specified
provision to file those audit reports with the Controller and special districts defined by another
specified provision to file those audit reports with the Controller and with the local agency formation
commission of either the county in which the special district is located or, if the special district is located
SB 473  (Hertzberg D)  California Endangered Species Act.
Current Text: Amended: 9/5/2017  html  pdf
Introduced: 2/16/2017
Status: 9/8/2017-Ordered to inactive file on request of Assembly Member Calderon.

Summary: The California Endangered Species Act, prohibits the taking of an endangered or threatened species, except in certain situations. The act also provides, until January 1, 2020, that the accidental take of candidate, threatened, or endangered species resulting from acts that occur on a farm or a ranch in the course of otherwise lawful routine and ongoing agricultural activities is not prohibited by the act. The act requires the Department of Fish and Wildlife to define "routine and agricultural activities" by regulation. This bill would also apply the take prohibition to public agencies.

SB 496  (Cannella R)  Indemnity: design professionals.
Current Text: Chaptered: 4/30/2017  html  pdf
Chapter Number: 8
Introduced: 2/16/2017

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 506  (Nielsen R)  Department of Fish and Wildlife: lake or streambed alteration agreements: Internet Web site.
Current Text: Vetoed: 7/21/2017  html  pdf
Introduced: 2/16/2017
Status: 2/4/2018-Last day to consider Governor’s veto pursuant to Joint Rule 58.5.

Summary: Would require the Department of Fish and Wildlife, on or before December 31, 2018, and periodically thereafter, to upgrade the information on its Internet Web site regarding lake or streambed alteration agreements, to update its "Frequently Asked Questions" document and other appropriate sources of information regarding the lake and streambed alteration program, and to provide guidance on its Internet Web site to facilitate members of the public in obtaining individualized guidance regarding the lake and streambed alteration program, as specified.

SB 541  (Allen D)  Water: school facility water capture practices.
Current Text: Chaptered: 10/14/2017  html  pdf
Chapter Number: 811
Introduced: 2/16/2017
Status: 10/14/2017-Approved by the Governor. Chaptered by Secretary of State. Chapter 811, Statutes of 2017.

Summary: Would require the State Water Resources Control Board, in consultation with the regional water quality control boards, and the Division of the State Architect within the Department of General Services to recommend best design and use practices for storm water and dry weather runoff capture practices, as defined, that can generally be applied to all new, reconstructed, or altered public schools, including school grounds. The bill would require the board to submit these recommendations to the Governor and the Legislature on or before January 1, 2019, and would require the board and the State Department of Education to post the recommendations on their respective Internet Web sites.

SB 564  (McGuire D)  Joint powers authorities: Water Bill Savings Act.
Current Text: Chaptered: 10/2/2017  html  pdf
Chapter Number: 430
**SB 594** (Beall D)  **Flood risk: dam failure: expedited permit processing and approval: human life safety protection.**

*Current Text:* Amended: 7/20/2017  html  pdf

*Introduced:* 2/17/2017

*Status:* 2/1/2018-Returned to Secretary of Senate pursuant to Joint Rule 56.

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*Summary:* Would require a state agency to expedite permit processing and approval for a project that will maintain or improve human life safety protection through flood risk reduction or reduction of a risk of dam failure, as specified. This bill would declare that it is to take effect immediately as an urgency statute.

**SB 606** (Skinner D)  **Water management planning.**

*Current Text:* Amended: 9/6/2017  html  pdf

*Introduced:* 2/17/2017

*Status:* 9/13/2017-Assembly Rule 96 suspended. Withdrawn from committee. Ordered to third reading.

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*Summary:* Current law requires the state to achieve a 20% reduction in urban per capita water use in California by December 31, 2020. Current law requires each urban retail water supplier to develop urban water use targets and an interim urban water use target, as specified. The bill would require an urban retail water supplier to calculate an urban water use objective no later than July 1, 2022, and by July 1 every year thereafter, and its actual urban water use by those same dates.

**SB 615** (Hueso D)  **Salton Sea restoration.**

*Current Text:* Chaptered: 10/15/2017  html  pdf

*Chapter Number:* 859

*Introduced:* 2/17/2017

*Status:* 10/15/2017-Approved by the Governor. Chaptered by Secretary of State. Chapter 859, Statutes of 2017.

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<th>Enrolled</th>
<th>Vetoed</th>
<th>Chaptered</th>
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<tr>
<td>Policy</td>
<td>Fiscal</td>
<td>Floor</td>
<td></td>
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</tbody>
</table>

*Summary:* Would specify that any barrier in the Salton Sea within or below a certain elevation would not be considered a dam and would provide that the construction of facilities to separate fresh water from highly saline water for the purposes of implementing restoration activities pursuant to the act shall not be subject to review, approval, inspection, or fees associated with certain laws relating to dams and reservoirs. The bill would state various legislative findings and declarations relating to the Salton Sea, would name the state’s comprehensive management plan for the Salton Sea the "John J. Benoit Salton Sea Restoration Plan."

**SB 623** (Monning D)  **Water quality: Safe and Affordable Drinking Water Fund.**

*Current Text:* Amended: 8/21/2017  html  pdf

*Introduced:* 2/17/2017

*Status:* 9/1/2017-From committee: Without recommendation. (Ayes 11. Noes 0.) (September 1) Referred to Com. on RLS.

<table>
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<tr>
<th>1st House</th>
<th>2nd House</th>
<th>Conf.</th>
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</table>

*Summary:* Would establish the Safe and Affordable Drinking Water Fund in the State Treasury and would provide that moneys in the fund are continuously appropriated to the State Water Resources Control Board. The bill would require the board to administer the fund to secure access to safe drinking water for all Californians, while also ensuring the long-term sustainability of drinking water service and...
infrastructure. The bill would authorize the state board to provide for the deposit into the fund of federal contributions, voluntary contributions, gifts, grants, bequests, and settlements from parties responsible for contamination of drinking water supplies.

**SB 667** (Atkins D)  Department of Water Resources: riverine and riparian stewardship improvements.

**Current Text:** Chaptered: 10/6/2017  [html](#)  [pdf](#)

**Chapter Number:** 543

**Introduced:** 2/17/2017

**Status:** 10/6/2017-Approved by the Governor. Chaptered by Secretary of State. Chapter 543, Statutes of 2017.

**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 701** (Hueso D)  Salton Sea Obligations Act of 2018.

**Current Text:** Amended: 7/3/2017  [html](#)  [pdf](#)

**Introduced:** 2/17/2017

**Status:** 9/1/2017-September 1 hearing: Held in committee and under submission.

**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  [html](#)  [pdf](#)

**Introduced:** 2/17/2017

**Status:** 1/20/2018-Failed Deadline pursuant to Rule 61(b)(2). (Last location was APPR. SUSPENSE FILE on 5/25/2017)

**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.

**SB 771** (De León D)  California Environmental Quality Act: continuing education: public employees.

**Current Text:** Amended: 7/18/2017  [html](#)  [pdf](#)

**Introduced:** 2/17/2017

**Status:** 9/13/2017-Ordered to inactive file on request of Assembly Member Calderon.

**Summary:** Would establish a continuing education requirement for employees of public agencies who have primary responsibility to administer the California Environmental Quality Act (CEQA, as specified. 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.

**SB 778** (Hertzberg D)  Water systems: consolidations: administrative and managerial services.

**Current Text:** Amended: 7/13/2017  [html](#)  [pdf](#)

**Introduced:** 2/17/2017

**Status:** 9/1/2017-Failed Deadline pursuant to Rule 61(a)(12). (Last location was APPR. on 8/23/2017) (May be acted upon Jan 2018)
Summary: Would require, on or before March 1, 2018, and regularly thereafter, as specified, the State Water Resources Control Board to track and publish on its Internet Web site an analysis of all voluntary and ordered consolidations of water systems that have occurred on or after July 1, 2014. The bill would require the published information to include the resulting outcomes of the consolidations and whether the consolidations have succeeded or failed in providing an adequate supply of safe drinking water to the communities served by the consolidated water systems.

SB 780  


Introduced: 2/17/2017

Status: 1/20/2018-Failed Deadline pursuant to Rule 61(b)(2). (Last location was APPR. SUSPENSE FILE on 5/25/2017)

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.

SB 952  
(Anderson R)  Water conservation: local water supplies.

Current Text: Introduced: 1/30/2018  html, pdf

Introduced: 1/30/2018

Status: 1/31/2018-From printer. May be acted upon on or after March 2.

Summary: Would state the intent of the Legislature to enact legislation that would require the State Water Resources Control Board to recognize local water agency investment in water supply and will ensure that local agencies receive sufficient credit for these investments in meeting any water conservation or efficiency mandates.

SB 998  
(Dodd D)  Water shutoffs: urban and community water systems.


Introduced: 2/5/2018


Summary: Would require an urban and community water system, defined as a public water system that supplies water to more than 200 service connections, to have a written policy on residential service shutoff available in English, Spanish, or any other language spoken by at least 5% of the people residing in its service area. The bill would require the policy to include certain components and be available on the system’s Internet Web site and be provided annually to customers in writing.

SCA 4  
(Hertzberg D)  Water conservation.

Current Text: Introduced: 2/2/2017  html, pdf

Introduced: 2/2/2017

Status: 2/16/2017-Referral to Com. on RLS.

Summary: The California Constitution requires that the water resources of the state be put to beneficial use to the fullest extent of which they are capable and that the waste or unreasonable use or unreasonable method of use of water be prevented. This measure would declare the intent of the Legislature to amend the California Constitution to provide a program that would ensure that affordable water is available to all Californians and to ensure that water conservation is given a permanent role in California’s future.

Total Measures: 76
Total Tracking Forms: 20
February 14, 2018

Attention: Legislation and Public Outreach Committee

Quarterly report on Public Outreach and Conservation activities (Information)

Background
From December 2017 through February 2018, 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, the Water Authority increased the visibility of opportunities for small business to contract with the Water Authority through outreach events; published 12,500 hardcopies of the Sustainable Landscaping Guidelines book and coordinated distribution with member agencies; and hosted an increasing number of media interviews related to water supply and demand conditions. In addition, staff held a Legislative Roundtable, continued expanding the reach of the Water Authority’s social media platforms and recruited the next class of Citizens Water Academy participants.

Highlights of department activities during the quarter are listed below.

Local Legislative Relations and Civic Engagement
The Water Authority hosted a Legislative Roundtable with Assemblymember Todd Gloria on December 12. The event attracted more than 70 attendees including representatives from business associations and civic organizations, along with Citizen Water Academy alumni. The assemblymember provided a summary of 2017 legislative issues and a preview of hot topics for 2018.

In addition, staff made 11 presentations to civic groups, public agencies and other organizations, including the San Diego Regional Chamber of Commerce, Otay Mesa Chamber of Commerce and San Diego East Chamber of Commerce. Staff also partnered with Sweetwater Authority to host a Citizens Water Academy Alumni tour and presentation on local groundwater resources. Staff also hosted a Colorado River update by Assistant General Manager Dan Denham for CWA Alumni. A list of presentations is in Exhibit 1.

During the quarter, staff continued to keep stakeholders updated on the status of the proposed state water tax legislation, Senate Bill 623. Staff also attended a Small Business Summit in Escondido on Feb. 8 to promote the SCOOP program. And, staff attended a wide variety of stakeholder meetings across the region, making informal reports about a variety of timely programs and opportunities. That effort included a recruitment for the spring 2018 Citizens Water Academy in March.
Media Relations
The Water Authority distributed four news releases during the period. The topics of these releases are listed in Exhibit 1.

Throughout the quarter, staff assisted media covering issues such as a potential energy storage facility at San Vicente Reservoir, local precipitation, Sierra Nevada snowpack, and water supply conditions.

Staff also facilitated the publication of a commentary by Board Chair Mark Muir in The Coast News on Jan. 11. The column provided an outlook on issues important to the water industry and the region, such as evolving plans for the California WaterFix project and a $4 billion general obligation bond on June ballot that includes money for Salton Sea restoration.

In addition, staff coordinated interviews for the Jan. 3 feature story by CBS8 of the Lake Murray to Sweetwater Pipeline 3 Relining Project with Principal Engineer Neena Kuzmich and Operations and Maintenance Manager Nathan Faber. That effort included inviting reporter Shawn Styles to report onsite from a busy project portal to highlight the important role of the Water Authority’s Asset Management Program and the relining project.

And, staff coordinated an in-studio appearance of Principal Water Resources Specialist Jeff Stephenson on the CW’s Morning Extra program on Jan. 10 to discuss the region’s sufficient water supplies despite a dry start to the 2018 water year. Other news outlets – NBC San Diego, 10News and KPBS – also interviewed Water Authority staff about supply and demand issues.

Water-Use Efficiency Programs

WaterSmart Landscape Makeover Program
This quarter, six three-hour Design for Homeowners workshops are being co-sponsored by Helix, Otay, Padre Dam, Sweetwater and the City of San Diego. In addition, a class was held at The Water Conservation Garden for garden staff. These workshops are expected to attract more than 300 participants. The design workshop is a condensed version of the four-class makeover series, which will start up again in March, with two series hosted at the Water Authority’s Kearny Mesa headquarters.

San Diego Union-Tribune Home + Garden Partnership
The Water Authority continues to partner with The San Diego Union-Tribune to produce a reoccurring feature in the Home + Garden section showcasing local landscape makeover success stories. During this reporting period, the Union-Tribune featured the new water-efficient landscape of Happy Aston, a homeowner in the College area, who created the new landscape design herself after attending a workshop sponsored by the Water Authority.

WaterSmart Checkup Program
The WaterSmart Checkup Program provides free residential evaluations, irrigation checkups for small commercial sites and large landscape audits. From November 2017 through January 2018, the program provided 136 services. These services are performed by member agency staff or their consultants, or the Water Authority’s contractor (Mission Resource Conservation District).
Qualified Water Efficiency Landscaper (QWEL) Program

Staff delivered program support to Mira Costa and Cuyamaca community colleges during their fall implementation of two QWEL series as part of the program’s college-affiliated track. These college classes resulted in an additional 21 students becoming QWEL-certified. The Board also authorized the General Manager to enter into a new three-year contract with the selected program vendor, WSA Marketing. The new contract was executed in December 20, 2017. New QWEL class series are scheduled to begin on February 14, 2018.

WaterSmart Landscape Efficiency Program (WSLEP)

A contract with the WSLEP program administrator, Signature Control Systems, Inc., was executed in January. New web content was added to the WaterSmartSD.org site, which provides information about the program and invites interested parties to complete and submit a Statement of Interest form. Marketing and outreach to industry groups and associations was ramped up to generate participant interest in January and will continue through February. An information session intended for potential program participants and their representatives is scheduled at San Diego Gas & Electric’s Energy Innovations Center on February 15. The session will provide specific information about WSLEP, discuss the benefits of participation as well as related requirements, and offer an opportunity for Q&A.

Sustainable Landscape Program (SLP) – Guidelines Publication

In response to continued interest by the public, the Sustainable Landscape Guidelines publication was updated and reprinted during this reporting period; 12,500 copies of the guidelines will be distributed throughout the region in collaboration with member agencies and the Water Authority’s SLP partners (Surfrider Foundation, Association of Compost Producers, the County of San Diego, the City of San Diego and Cal American Water Company).

Sustainable Landscape Incentives

As of the end of January, 179 successful landscape upgrade projects have been approved for payment, totaling approximately $490,000 in incentives. This corresponds to more than 284,000 square feet (6.6 acres) of converted turf. Additional applications with an incentive value of more than $500,000 are at different stages in the application process.

Education Programs

The Water Authority’s K-12 education program reached 9,379 students and 337 teachers this quarter as part of the long-running musical theater programs. In addition, staff developed design concepts for two new educational posters highlighting the region’s water supply reliability accomplishments, along with careers in the water industry. Staff also attended the Quarterly Member Agency Education Coordinator’s meeting at MWD and shared information about the recent exhibit renovations at the Fleet Science Center.

Publications and Online Communications

Staff distributed four issues of the WaterSource e-newsletter, providing updates on key water-related issues to 7,100 subscribers.
Staff also engaged stakeholders on Facebook, Twitter and Instagram, expanding the agency’s social media audience. In December, with the release of the 2017 Annual Report, staff created a social media plan to highlight a variety of photos, videos and graphics. On Facebook, Annual Report posts reached more than 33,300 people, and videos received more than 11,300 views. On Twitter, Annual Report tweets reached nearly 16,000 people. Also, in December, staff created new “Brought to You by Water” memes for the holidays, including poinsettias, ice skating and celebrations. In January and February, staff promoted various outreach events, including the Citizens Water Academy, landscaping classes, conservation tips, and updates on La Mesa relining project.

Followers on social media continued to grow during the quarter. On Facebook, the Water Authority has 8,818 followers, up from 8,715 followers at the start of the quarter. On Twitter, the Water Authority has 3,663 followers, up from 3,536 followers. On Instagram, the Water Authority has 825 followers, up from 697 followers.

**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 updates on the water-use policy principles and core activities, the QWEL Program, WSLEP and regulatory issues.

**CIP Projects**

**Carlsbad 6 Flow Control Facility**
As construction concluded at the site, staff coordinated with the city of San Marcos and Vallecitos Water District during road repaving to ensure inquiries were directed to Water Authority staff. Staff responded to one inquiry about the lane closure during repaving.

**Lake Murray to Sweetwater Reservoir Pipeline 3 Relining Project**
Staff mailed a postcard to project neighbors near portals south of SR-94 and delivered doorhangers to neighbors near Portal 8, including representatives of the American Legion in downtown La Mesa, to let them know construction activities would be ramping up near them. Staff coordinated with County of San Diego staff to create and post flyers and project information signs along trails near Portal 18 in Sweetwater Summit Regional Park. A portion of a trail is temporarily closed while the contractor works at the portal. Staff also coordinated with the contractor to identify work locations to visit with CBS 8’s Shawn Styles for a story about the project, updated the project webpage, and responded to inquiries from project stakeholders.
### EXHIBIT 1

**Public Outreach and Conservation Activities**

December 2017 through February 2018

<table>
<thead>
<tr>
<th>NEWS RELEASES/STATEMENTS ISSUED</th>
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<tbody>
<tr>
<td>Free WaterSmart Landscaping Class Series Returns in March</td>
</tr>
<tr>
<td>Wanted: Large Landscapes for Program Proven to Reduce Irrigation Water Use</td>
</tr>
<tr>
<td>Contract Talks Launched for Potential 500MW San Vicente Energy Storage Facility</td>
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<tr>
<td>Water Authority Secures Transfers of Conserved Colorado River Water Through 2047</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>COMMUNITY EVENTS ATTENDED</th>
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<tbody>
<tr>
<td>10th Annual Small Business Summit</td>
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<table>
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<tr>
<th>PRESENTATIONS</th>
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<tbody>
<tr>
<td>Measuring Sustainable Impact Class – UCSD Extension</td>
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<tr>
<td>San Diego Zoo Volunteers</td>
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<tr>
<td>San Diego East Chamber of Commerce – 2018 Dine &amp; Dialogue Series</td>
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<tr>
<td>Otay Mesa Chamber of Commerce Membership Breakfast</td>
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<td>Council of Water Utilities</td>
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<tr>
<td>ASCE San Diego Young Members Forum</td>
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<tr>
<td>North County Climate Change Alliance</td>
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<tr>
<td>San Diego Regional Chamber of Commerce – Energy and Water Committee</td>
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<tr>
<td>Escondido Chamber of Commerce Economic Development Committee</td>
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<tr>
<td>Citizens Water Academy Alumni event with Sweetwater Authority</td>
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<tr>
<td>Citizens Water Academy Alumni event – Colorado River update</td>
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</tbody>
</table>
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. Update on water supply conditions and drought response activities. Tim Bombardier (Presentation)

2. Interim Long-Range Water Demand Forecast “Reset”. (Presentation) Tim Bombardier

3. Update on Revisions to the State Water Resources Control Board Proposed Regulation on Prohibited Water Uses. (Presentation) Jeff Stephenson

III. INFORMATION

1. Water Resources Report. Tim Bombardier
IV. CLOSED SESSION

1. Conference with Legal Counsel – Anticipated Litigation
   Government Code §54956.9(d)(2)
   Significant Exposure – One Case
   Mark Hattam

V. ADJOURNMENT

   Melinda Nelson
   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.
February 14, 2018

Attention: Water Planning Committee

Update on water supply conditions and drought response activities (Presentation)

Purpose
To provide a report on current water supply conditions and mid-season update of the 2017-2018 winter.

Background
With few seasonal storms in the Sierra Nevada region and one “atmospheric river” event in Southern California in early January, winter 2017-2018 is shaping up as one of the drier winters on record for the state. Precipitation and snowpack levels have continued to slide across the state, with the Northern Sierra 8-Station rainfall index at 63 percent of normal as of February 12, 2018, and statewide snowpack at little more than one-fifth its seasonal normal as of the same date.

As a result of this winter’s drier conditions, the National Drought Mitigation Center updated its California Drought Monitor map on January 30, 2018, to indicate development of severe-drought conditions in five coastal counties. The U.S. Drought Monitor map is a composite snapshot of current drought conditions across the United States, and is neither a forecast nor declaration of drought or gauge of available water supplies for a particular region. The February 6, 2018 state map indicates that more than 80 percent of California is in abnormally dry conditions, up from about 44 percent of the state’s area five weeks earlier. Additionally, nearly two-thirds of the Sacramento River basin, California’s largest source of water supply, is now shown as having abnormally dry conditions, up from near-zero only a month ago.

Discussion
On February 8, 2018, the U.S. Climate Prediction Center (CPC) updated its La Niña Advisory, projecting a transition from La Niña to El Niño Southern Oscillation (ENSO)-neutral conditions into May 2018. However, La Niña conditions are anticipated to continue affecting temperature and precipitation across the United States during the next few months. The latest CPC three-month seasonal temperature outlook, released January 18, 2018, projects above-average temperatures across the southern tier of the country, with the warmest temperatures likely in the American Southwest, and below-normal precipitation levels projected across the southwest portion of California as far north as Monterey County. The next seasonal outlook is scheduled for February 15, 2018.

State Water Project
The California Department of Water Resources (CDWR) conducted its second of five seasonal manual snow surveys on February 1, 2018. The survey showed a measurable improvement from the first set of readings conducted a month earlier, but registered well-below average snowpack conditions for that time of year and well-below a year earlier. The manual survey measured snow
water content in the teens of normal percentages at two representative stations. However, CDWR points out that statewide snow water content from 103 electronic sensors across the Sierra Nevada is 4.9 inches, or 27 percent of normal, for that date. A year earlier, CDWR reported statewide snow water content of 18.1 inches, or 173 percent of normal for that date.

While water year 2017-2018 snowpack remains below-normal, CDWR emphasized in its manual survey that total statewide storage was 24.7 million acre-feet (MAF) as of January 31, 2018, or 106 percent of the average for that date.

Based on preliminary February 1, 2018 runoff projections for water year 2018, CDWR anticipates a “Below-Normal” water year type for the Sacramento Valley Index, and a “Dry” year type for the San Joaquin Index.

Table 1 shows storage levels for Lake Oroville and San Luis Reservoir as of February 11, 2018.

<table>
<thead>
<tr>
<th>Reservoir</th>
<th>Storage in Million Acre-Feet</th>
<th>Percent of Capacity</th>
<th>Percent of Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oroville</td>
<td>1.456</td>
<td>41%</td>
<td>61%</td>
</tr>
<tr>
<td>San Luis*</td>
<td>1.725</td>
<td>85%</td>
<td>104%</td>
</tr>
<tr>
<td>Combined</td>
<td>3.181</td>
<td>57%</td>
<td>79%</td>
</tr>
</tbody>
</table>

*San Luis storage includes SWP and Central Valley Project. SWP share in San Luis was approximately 763 thousand acre-feet.

Storage in Lake Oroville has remained below average due to significant repair work to fix major damage to its main and emergency spillways in February 2017. CDWR completed reconstruction of the main spillway in fall 2017, to accommodate flows of up to 100,000 cubic feet per second, and adopted an operations plan for the current winter that includes maintaining lower reservoir elevations and continued repairs to the emergency spillway. Lake Oroville’s present elevation remains well-below the elevation target for “outflow-trigger” operations that would require stepped-up hydro-generation releases as governed by this winter’s plan.

Colorado River
Snowpack and runoff conditions in the Upper Colorado River basin are slightly better than Sierra Nevada conditions for this time of year, but still below average at 66 percent and 63 percent of normal, respectively. The Colorado Basin River Forecast Center (CBRFC), which models runoff for the Bureau of Reclamation (Reclamation), projected on February 1, 2018 that Lake Powell inflow during the peak April-July season will be about 3.4 MAF, or 47 percent of average.

Reclamation maintains total releases from Lake Powell of 9.0 MAF in water year 2018 in its 24-month study for January 2018. However, it recently updated its Lake Mead shortage projection to incorporate current-year hydrology in the Upper Basin. While it projects no shortages in calendar year 2018, Reclamation now projects a 17 percent chance of a shortage in calendar year 2019, up
slightly from the 15 percent shortage probability it projected in August 2017. Table 2 shows storage levels for Lakes Powell and Mead as of February 11, 2018.

<table>
<thead>
<tr>
<th>Reservoir</th>
<th>Storage in Million Acre-Feet</th>
<th>Percent of Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lake Powell</td>
<td>13.58</td>
<td>56%</td>
</tr>
<tr>
<td>Lake Mead</td>
<td>10.66</td>
<td>41%</td>
</tr>
<tr>
<td>Combined</td>
<td>24.24</td>
<td>48%</td>
</tr>
</tbody>
</table>

Metropolitan Water District
As of February 6, 2018, Metropolitan Water District had 143,000 acre-feet of additional storage in Diamond Valley Reservoir compared to the same date a year earlier. During calendar year 2017, Metropolitan reported an increase of 1.2 MAF in dry-year storage, to 2.49 MAF, based in part on the highest allocation of State Water Project water since 2006. For calendar year 2018, Metropolitan projects storage withdrawals of as much as 343,000 acre-feet, at the current 20 percent allocation of State Water Project supplies, to meet estimated calendar year 2018 demands of 1.67 MAF.

Local Conditions
Local reservoir storage as of January 31, 2018 was at 51 percent of capacity, or approximately 378,000 acre-feet. This total includes “dead storage,” or capacity that is physically inaccessible or restricted by agency operating or emergency storage policies. It also includes Water Authority carryover and emergency storage in Lake Hodges, Olivenhain Reservoir and San Vicente Reservoir.

Above-average temperatures in the San Diego region have persisted into mid-winter, with average daily maximum temperatures at Lindbergh Field several degrees above average, and accumulated rainfall for the first four months of water year 2018 well below average. A single storm in early January contributed most of the rainfall to accumulated precipitation. Figure 1 shows departure from normal maximum monthly temperatures at Lindbergh Field since October 2016 (the beginning of water year 2017), for comparison purposes. Over the past 16 months, only January 2017 has registered a below-normal average maximum temperature.
Table 3 shows accumulated precipitation since October 2017 for Lindbergh Field and Ramona Airport, which are geographically representative of the coastal and inland regions that make up the Water Authority service area.

**Table 3 – 2018 Water Year Rainfall Totals** (October 1, 2017 – February 11, 2018)

<table>
<thead>
<tr>
<th>Station</th>
<th>Precipitation (Inches)</th>
<th>Percent of Normal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lindbergh Field</td>
<td>1.87</td>
<td>32%</td>
</tr>
<tr>
<td>Ramona Airport</td>
<td>3.33</td>
<td>39%</td>
</tr>
</tbody>
</table>

**Outlook**

On January 18, 2018, the Climate Prediction Center updated its outlook for the months of February through April. The CPC projects drier and warmer conditions for the southern half of California and the entire American Southwest, and projects equal chances of normal precipitation and temperatures occurring for the northern half of California, which covers the Sierra Nevada region. A persistent high-ridge system has prevented much of the rainfall and snow that has occurred in the far Pacific Northwest from entering parts of California. The Colorado River Basin Forecast Center indicated in its supply conditions outlook webinar on February 7, 2018, that it expects the high pressure ridge to continue to persist for the at least the next few weeks.
Based on current supply levels, even under existing dry winter conditions this year, the Water Authority and its member agencies will meet anticipated demands through a combination of drought-resilient local and regional water resources which include: desalinated supplies from the Lewis Carlsbad Desalination Plant, ramped-up agricultural water transfers in calendar year 2018, conservation savings from canal lining projects, and water-use efficiency measures.

Prepared by: Stu Williams, Water Resources Specialist
Tim Bombardier, Principal Water Resources Specialist

Reviewed by: Robert R. Yamada, Director of Water Resources
Approved by: Sandra L. Kerl, Deputy General Manager
February 14, 2018

Attention: Water Planning Committee

Interim Long-Range Water Demand Forecast “Reset” (Presentation)

Purpose
To provide information on the Interim long-range water demand forecast reset.

Background
Since the early-1990s, the Water Authority has used an econometric water demand forecast model to develop its long-range water demand projections. The demand forecast model utilizes historic water use data, an estimated schedule of future wholesale water rates and SANDAG demographic and economic projections to develop sector level forecasts of member agency water demands. The latest Water Authority forecast was updated in 2015 concurrent with the update of the 2015 Urban Water Management Plan (2015 UWMP). Spanning the period 2020 through 2040, the 2015 UWMP demand forecast was used to develop the region’s water supply mix to reliably meet member agencies’ water demands over the 20-year planning horizon.

Discussion
Since the Water Authority’s 2015 UWMP demand forecast was finalized in late-2015, significant events have occurred that impacted and continue to influence the region’s water use patterns. These events include the most recent five-year drought, as well as Governor Brown’s state-wide drought emergency proclamation in 2014 and the State Water Resources Control Board’s (State Board) unprecedented mandatory conservation standards imposed on water agencies starting in 2015. The extraordinary measures implemented by San Diego area retail customers in response to the State Water Board’s water use restrictions resulted in fiscal year 2016 total regional water demand plunging to 454,963 acre-feet – demand levels not seen since the mid-1980s.

Water use in the San Diego region has experienced a slight recovery since 2016, reflecting several factors including; the overall continuation of many retail water use efficiency practices implemented during the drought, the State Board’s termination of mandatory conservation standards in early-2017, the Governor’s declared end to the statewide drought emergency for most of the state in April 2017 and continued warmer than average temperatures across the region. Fiscal year 2017 total demand increased by 22,061 acre-feet (or five percent) year-over-year, and cumulative water demand for the first half of fiscal year 2018 is up from this same period last year.

With total regional water demand for fiscal year 2018 projected to reach approximately 496,000 acre-feet, it is highly unlikely that total regional consumptive water use will rebound to the projected 587,581 acre-feet of demand by 2020 forecasted in the 2015 UWMP (an increase of almost 20 percent). This difference has created a disconnect between the 2015 UWMP demand forecast and current projections of regional water demand based on recent actual demands. Because of this disconnect, staff believes an interim water demand forecast reset (Interim Reset) is necessary to adjust for this downward shift in projected total water demand. The Interim Reset is intended as a
A provisional update that will support on-going Water Authority supply, facility and financial planning activities that utilize regional long-range demand projections. The Interim Reset is not envisioned as a comprehensive update of the demand forecast model or modification of underlying SANDAG demographic and economic projections. A full re-estimation of water demand forecast model equations and update of modeling datasets is planned to coincide with preparation of the Water Authority’s 2020 UWMP. Development of a scope of work to update the demand forecast model is scheduled to begin later this calendar year.

As a first step in the Interim Reset process, staff initiated a discussion at the Member Agency Managers’ meeting on January 16, 2018. Staff solicited member agency input on current retail demand trends, contributing factors to these trends and insights on projected water demands over the near-term and long-range planning horizons. Several agencies indicated that demands in their service areas were up on a cumulative basis for the first six months of fiscal year 2018. However, this demand increase was primarily attributed to dry conditions compared to last season’s wetter conditions – particularly for the month of December. Member agencies were also asked about the variance between their current fiscal year 2018 total demand estimates and projected 2020 water demands from their respective 2015 UWMPs to assess the likelihood of reaching these forecasted 2020 demand levels in just two and a half years.

A core set of assumptions was developed based on member agency input, current demand trends and estimated impacts associated with the State Board mandatory water prohibitions. These assumptions include:

- Between 2018 to 2020, annual growth in total demand could range from two to four percent a year (demand recovery dampened from previous post-drought periods due to implementation of long-term water use efficiency practices)
- Post-2020, maintain the same five-year incremental demand growth rate as the 2015 UWMP (i.e., no change to underlying SANDAG demographic and economic projections developed for the 2015 UWMP)

Using the above listed assumptions, staff evaluated various scenarios across a range of demand trends for both near-term recovery and long-range growth in water demand through 2040. The normal year Interim Reset scenario shown in Figure 1 was determined to best represent a reasonable re-estimation of projected total water demand for the San Diego region, beginning in 2020. The new Interim Reset shows a reduction in projected demand in 2020 of approximately 51,000 acre-feet, as compared to the 2015 UWMP. Beyond 2020, the Interim Reset follows the same incremental growth rate in water demand as the 2015 UWMP, resulting in a revised regional water demand projection of 655,000 acre-feet in 2040.
Figure 1: Normal Year Interim Demand Forecast Reset (TAF)

For reference, a comparison of actual 2017 total per capita water use, and projected per capita use based on the 2015 UWMP and based on the Interim Reset scenario is shown in Table 1 below.

Table 1: Comparison of Total Per Capita Water Use (GPCD)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Actual</th>
<th>2015 UWMP</th>
<th>Interim Reset</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>131</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2020</td>
<td>-</td>
<td>157</td>
<td>141</td>
</tr>
<tr>
<td>2025</td>
<td>-</td>
<td>166</td>
<td>148</td>
</tr>
<tr>
<td>2030</td>
<td>-</td>
<td>166</td>
<td>149</td>
</tr>
<tr>
<td>2035</td>
<td>-</td>
<td>166</td>
<td>148</td>
</tr>
<tr>
<td>2040</td>
<td>-</td>
<td>168</td>
<td>150</td>
</tr>
</tbody>
</table>

Supply Mix Update
The Water Authority service area supply mix contained in the 2015 UWMP represents a snapshot of existing and projected Water Authority and member agency supplies based on member agency direction regarding local supply project implementation, development schedules and production levels as perceived in 2015. A comprehensive update of this supply mix will be undertaken, in
coordination with the member agencies, as part of the preparation of the 2020 Urban Water Management Plan.

However, in order to provide a comparison of the Interim Reset versus the current supply mix listed in the 2015 UWMP, Table 2 shows 2015 UWMP projected supplies (Verifiable + Additional Planned\(^1\)) and demands for 2035 from the Interim Reset and 2015 UWMP. As a result of the Interim Reset, projected purchases from MWD are reduced by roughly 62,000 acre-feet.

**Table 2: Normal Year Interim Demand Forecast Reset and Verifiable + Additional Planned Supplies for Year 2035 (in acre-feet)**

<table>
<thead>
<tr>
<th></th>
<th>2015 UWMP</th>
<th>Interim Reset</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Demand Forecast</strong></td>
<td>694,431</td>
<td>632,418</td>
</tr>
<tr>
<td><strong>Water Authority Supplies</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IID Water Transfer</td>
<td>200,000</td>
<td>200,000</td>
</tr>
<tr>
<td>AAC and CC Lining Projects</td>
<td>80,200</td>
<td>80,200</td>
</tr>
<tr>
<td>Seawater Desalination</td>
<td>50,000</td>
<td>50,000</td>
</tr>
<tr>
<td><strong>Water Authority Total</strong></td>
<td>330,200</td>
<td>330,200</td>
</tr>
<tr>
<td><strong>Member Agency Supplies(^1)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Surface Water</td>
<td>51,180</td>
<td>51,180</td>
</tr>
<tr>
<td>Water Recycling</td>
<td>57,044</td>
<td>57,044</td>
</tr>
<tr>
<td>Seawater Desalination</td>
<td>22,100</td>
<td>22,100</td>
</tr>
<tr>
<td>Potable Reuse</td>
<td>109,399</td>
<td>109,399</td>
</tr>
<tr>
<td>Brackish Groundwater</td>
<td>12,500</td>
<td>12,500</td>
</tr>
<tr>
<td>Groundwater</td>
<td>23,770</td>
<td>23,770</td>
</tr>
<tr>
<td>San Luis Rey (SLR) Supplemental Supply(^2)</td>
<td>16,000</td>
<td>16,000</td>
</tr>
<tr>
<td><strong>Member Agency Total</strong></td>
<td>291,993</td>
<td>291,993</td>
</tr>
<tr>
<td><strong>MWD Supplies</strong></td>
<td>72,238</td>
<td>10,225</td>
</tr>
</tbody>
</table>

\(^1\) Includes 2015 UWMP member agency Verifiable + Additional Planned local supplies.

\(^2\) New member agency supply type: San Luis Rey - Indian Water Authority 2003 Quantification Settlement Agreement “supplemental” water wheeled to the City of Escondido and Vista Irrigation District.

Staff is continuing to evaluate the impact of the Interim Reset on supply projections. Staff plans to return to the Board in March to discuss the impact of the Interim Reset on single and multiple dry year supply/demand scenarios.

Prepared by: Seevani Bista, Senior Water Resources Specialist
Tim Bombardier, Principal Water Resources Specialist
Reviewed by: Robert R. Yamada, Director of Water Resources
Approved by: Sandra L. Kerl, Deputy General Manager

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1 As defined in the 2015 UWMP, Verifiable projects are those with substantial evidence and adequate documentation regarding implantation and supply utilization. Additional Planned projects are those that the Water Authority and member agencies are actively pursuing and currently funding, but do not rise to level of verifiable for implementation.
February 14, 2018

Attention: Water Planning Committee

Update on Revisions to the State Water Resources Control Board Proposed Regulation on Prohibited Water Uses (Presentation)

Background
On May 9, 2016, Governor Brown issued Executive Order (EO) B-37-16, to Make Conservation a California Way of Life. The EO directed the State Water Resources Control Board (SWRCB) to take actions to eliminate water waste. EO B-37-16 included a proposed list of prohibitions that were similar to what was contained in the SWRCB’s emergency regulation. On April 7, 2017, Governor Brown issued EO B-40-17, which directed the SWRCB to continue development of permanent prohibitions on wasteful water use.

On November 1, 2017, the SWRCB released a proposed regulation to permanently prohibit wasteful water uses. At the Water Authority’s December 7, 2017 Water Planning Committee meeting, staff updated the Board on the proposed prohibitions and recent staff activities related to the proposed prohibitions. Those activities included providing testimony at a November 21, 2017 SWRCB workshop and working with the member agencies to prepare a December 14, 2017 regional comment letter to the SWRCB. A copy of the regional comment letter was attached to the January 2018 Board memo on the proposed prohibitions.

At the January 25, 2018 Water Planning Committee meeting, staff provided an overview of the proposed prohibitions and discussed the SWRCB’s timeline for release of the proposed revised prohibitions. Initially scheduled for release during the week of January 22, 2018, the proposed revised prohibitions were released for public comment on January 31, 2018.

Discussion
In response to public comments received from the Water Authority, its member agencies, and others regarding the November 1, 2017 version of the proposed prohibitions, SWRCB staff made revisions to several of the proposed prohibitions. For example, the proposed prohibitions released on November 1, 2017, did not allow the use of recycled water to irrigate turf on public street medians or publicly owned or maintained parkways. The Water Authority’s regional comment letter requested that the proposed prohibitions exempt the irrigation of existing turf medians and parkways with recycled water. The proposed prohibitions were revised to address that comment.

In another example, the Water Authority’s regional comment letter also requested that turf medians and parkways with trees be exempt from the irrigation prohibition since trees frequently share the same irrigation system as the turf. The proposed prohibitions were revised to allow an exemption if the turf is irrigated incidentally by an irrigation system that is primarily intended to irrigate trees.

At the same time, not all of the comments in the Water Authority’s regional comment letter were addressed. For example, the request to exclude the specific metric that defines reasonable rainfall
as “at least one-tenth of one inch of rain” was not addressed. The Water Authority’s regional comment letter requested the use of the term “measurable rainfall” to allow for more practical implementation locally and to recognize rainfall variation due to micro-climates. The text in the proposed regulation was revised by SWRCB staff, but the metric was revised to “at least one-fourth of one inch of rain” rather than “measurable rainfall.” In addition, the Water Authority’s regional comment letter asked the SWRCB to provide an analysis that supports its jurisdiction regarding its proposed regulation. That analysis was not provided.

Water Authority staff is working with the member agencies to review the proposed revised prohibitions and plans to prepare a comment letter. Comment letters are due to the SWRCB at noon on February 14, 2018. The SWRCB will consider the proposed regulation at its February 20, 2018 board meeting. Water Authority staff plans to provide testimony at that meeting. If the proposed regulation is adopted at that time, it could become effective in April 2018. Water Authority staff will provide additional updated information at the February Water Planning Committee meeting.

Prepared by:  Jeff Stephenson, Principal Water Resources Specialist
Reviewed by:  Robert R. Yamada, Director of Water Resources
Approved by:  Sandra L. Kerl, Deputy General Manager
February 14, 2018

Attention: Water Planning Committee

Water Resources Report

Purpose
This report includes the following exhibits for January 2018:

- Rainfall totals for the month and for water year 2018 (WY 2018) 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>January 2018</th>
<th></th>
<th>2017-2018 WATER YEAR</th>
<th></th>
<th></th>
<th></th>
<th>% Normal</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actual</td>
<td>Normal</td>
<td>Actual</td>
<td>Normal</td>
<td>Departure</td>
<td></td>
<td></td>
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<td>Lindbergh Field (N.O.A.A.)</td>
<td>1.78</td>
<td>1.98</td>
<td>1.87</td>
<td>5.09</td>
<td>(3.22)</td>
<td>37</td>
<td></td>
</tr>
<tr>
<td>Ramona Airport (N.O.A.A.)</td>
<td>3.29</td>
<td>3.32</td>
<td>3.33</td>
<td>7.46</td>
<td>(4.13)</td>
<td>45</td>
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<tr>
<td>Lake Cuyamaca (Helix W.D.)</td>
<td>5.27</td>
<td>5.54</td>
<td>5.54</td>
<td>15.57</td>
<td>(10.03)</td>
<td>36</td>
<td></td>
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<tr>
<td>Lake Henshaw (Vista I.D.)</td>
<td>4.65</td>
<td>5.42</td>
<td>4.70</td>
<td>12.66</td>
<td>(7.96)</td>
<td>37</td>
<td></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)

#### JANUARY 2018

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
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<tbody>
<tr>
<td>Carlsbad M.W.D.</td>
<td>1,181.0</td>
<td>1,022.2</td>
<td>15,411.8</td>
<td>14,689.4</td>
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<td>Del Mar, City of</td>
<td>68.7</td>
<td>35.9</td>
<td>1,025.4</td>
<td>922.1</td>
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<td>Escondido, City of 1</td>
<td>63.7</td>
<td>154.0</td>
<td>10,940.0</td>
<td>18,554.6</td>
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<tr>
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<td>600.4</td>
<td>278.4</td>
<td>9,629.7</td>
<td>9,733.8</td>
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<td>1,288.1</td>
<td>23,995.0</td>
<td>26,976.6</td>
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<td>172.6</td>
<td>138.1</td>
<td>2,756.5</td>
<td>2,610.6</td>
</tr>
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<td>National City, City of 2</td>
<td>0.0</td>
<td>488.1</td>
<td>1,390.4</td>
<td>3,478.0</td>
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<td>1,071.7</td>
<td>22,569.5</td>
<td>21,152.4</td>
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<td>596.2</td>
<td>18,916.3</td>
<td>17,449.9</td>
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<td>1,411.5</td>
<td>28,690.7</td>
<td>27,096.9</td>
</tr>
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<td>688.3</td>
<td>485.9</td>
<td>9,886.1</td>
<td>9,258.4</td>
</tr>
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<td>1.4</td>
<td>71.2</td>
<td>66.4</td>
</tr>
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<td>153.4</td>
<td>9,421.6</td>
<td>9,171.3</td>
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<td>Rainbow M.W.D.</td>
<td>886.7</td>
<td>521.1</td>
<td>18,488.5</td>
<td>18,233.7</td>
</tr>
<tr>
<td>Ramona M.W.D.</td>
<td>364.7</td>
<td>186.2</td>
<td>4,758.3</td>
<td>5,178.0</td>
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<td>Rincon Del Diablo M.W.D.</td>
<td>336.3</td>
<td>200.9</td>
<td>5,346.2</td>
<td>5,025.1</td>
</tr>
<tr>
<td>San Diego, City of 2</td>
<td>10,665.5</td>
<td>11,845.6</td>
<td>164,565.7</td>
<td>227,674.9</td>
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<tr>
<td>San Dieguito W.D.</td>
<td>220.3</td>
<td>246.9</td>
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<td>321.5</td>
<td>244.5</td>
<td>5,683.1</td>
<td>7,997.0</td>
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<td>276.1</td>
<td>22,181.5</td>
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<tr>
<td>Vista I.D. 1</td>
<td>74.3</td>
<td>925.4</td>
<td>8,839.7</td>
<td>15,899.7</td>
</tr>
<tr>
<td>Yuima M.W.D.</td>
<td>274.9</td>
<td>-</td>
<td>5,286.3</td>
<td>4,587.9</td>
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<tr>
<td>Deliveries To SDCWA Agencies 2</td>
<td>24,427.2</td>
<td>23,755.0</td>
<td>415,092.2</td>
<td>497,824.1</td>
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<tr>
<td>Less: Deliveries to SDCWA Storage 2</td>
<td>281.8</td>
<td>3,005.7</td>
<td>18,724.1</td>
<td>61,960.7</td>
</tr>
<tr>
<td>TOTAL MEMBER AGENCY DELIVERIES</td>
<td>24,145.4</td>
<td>20,749.3</td>
<td>396,368.1</td>
<td>435,863.4</td>
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<tr>
<td>Deliveries to South Coast Water District</td>
<td>7.5</td>
<td>4.9</td>
<td>86.5</td>
<td>103.7</td>
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<tr>
<td>Deliveries From SDCWA Storage 2</td>
<td>-</td>
<td>4,846.1</td>
<td>15,772.2</td>
<td>29,132.9</td>
</tr>
</tbody>
</table>

1. Escondido and Vista I.D. deliveries exclude Supplemental wheeled water.
2. Member agency deliveries include puts into Water Authority storage accounts. For January 2018, storage account deliveries totaled 156 AF and 126 AF to San Vicente Reservoir and Lower Otay Reservoir, respectively, through city of San Diego connections. January 2017 storage account deliveries totaled 992 AF to Sweetwater Reservoir; and 1,782 AF and 231 AF to San Vicente Reservoir and Lower Otay Reservoir, respectively, through city of San Diego connections. January 2017 storage sales to the city of San Diego totaled 4,846 AF from San Vicente Reservoir.
<table>
<thead>
<tr>
<th>Member Agency</th>
<th>Imported/Desal</th>
<th>Surface</th>
<th>Groundwater</th>
<th>Recycled</th>
<th>Desal / Supplemental 1</th>
<th>January Totals</th>
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<td>561.9</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>300.7</td>
</tr>
<tr>
<td>Del Mar, City of</td>
<td>687</td>
<td>35.9</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3.1</td>
</tr>
<tr>
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<td>534.4</td>
<td>0.0</td>
<td>183.9</td>
<td>-</td>
<td>16.2</td>
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<td>247.8</td>
<td>-</td>
<td>-</td>
<td>5.7</td>
<td>9.1</td>
</tr>
<tr>
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<td>1,728.7</td>
<td>969.0</td>
<td>95.2</td>
<td>7.9</td>
<td>-</td>
</tr>
<tr>
<td>Lakeside W.D.</td>
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<td>138.1</td>
<td>-</td>
<td>-</td>
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<tr>
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<td>1,071.7</td>
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<td>-</td>
<td>182.6</td>
<td>26.8</td>
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<tr>
<td>Olivenhain M.W.D.</td>
<td>1,102.1</td>
<td>596.2</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>66.3</td>
</tr>
<tr>
<td>Otay W.D.</td>
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<td>1,411.5</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>202.2</td>
</tr>
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<td>495.7</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>67.8</td>
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<td>-</td>
<td>-</td>
<td>385.0</td>
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<tr>
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<td>-</td>
<td>-</td>
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<td>-</td>
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<td>Ramona M.W.D.</td>
<td>311.0</td>
<td>186.2</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>20.2</td>
</tr>
<tr>
<td>Rincon Del Diablo M.W.D.</td>
<td>336.3</td>
<td>200.9</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>247.5</td>
</tr>
<tr>
<td>San Diego, City of</td>
<td>10,481.9</td>
<td>9,442.5</td>
<td>1,793.2</td>
<td>220.0</td>
<td>33.9</td>
<td>-</td>
</tr>
<tr>
<td>San Dieguito W.D.</td>
<td>220.3</td>
<td>246.9</td>
<td>182.0</td>
<td>27.5</td>
<td>-</td>
<td>23.9</td>
</tr>
<tr>
<td>Santa Fe I.D.</td>
<td>321.5</td>
<td>244.5</td>
<td>244.6</td>
<td>36.8</td>
<td>-</td>
<td>19.9</td>
</tr>
<tr>
<td>South Bay I.D. 3</td>
<td>0.0</td>
<td>725.5</td>
<td>460.5</td>
<td>0.0</td>
<td>338.2</td>
<td>0.0</td>
</tr>
<tr>
<td>Vallecitos W.D.</td>
<td>772.0</td>
<td>393.0</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Valley Center M.W.D.</td>
<td>1,152.4</td>
<td>276.1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>35.0</td>
</tr>
<tr>
<td>Vista I.D.</td>
<td>74.3</td>
<td>925.4</td>
<td>0.0</td>
<td>0.0</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Yuima M.W.D.</td>
<td>274.9</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>330.6</td>
<td>31.8</td>
</tr>
<tr>
<td><strong>TOTAL USE</strong></td>
<td>23,925.7</td>
<td>20,784.6</td>
<td>3,887.2</td>
<td>644.7</td>
<td>1,629.5</td>
<td>723.1</td>
</tr>
<tr>
<td><strong>PERCENT CHANGE</strong></td>
<td>15%</td>
<td>503%</td>
<td>125%</td>
<td>74%</td>
<td>468%</td>
<td>44%</td>
</tr>
</tbody>
</table>
### JANUARY 2018

<table>
<thead>
<tr>
<th>Member Agency</th>
<th>January 2018</th>
<th>January 2013</th>
<th>32 Months Ended</th>
<th>CY 2013</th>
</tr>
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<tbody>
<tr>
<td>Carlsbad M.W.D.</td>
<td>1,096.0</td>
<td>1,024.1</td>
<td>39,622.3</td>
<td>47,053.1</td>
</tr>
<tr>
<td>Del Mar, City of</td>
<td>68.7</td>
<td>60.2</td>
<td>2,577.6</td>
<td>3,023.9</td>
</tr>
<tr>
<td>Escondido, City of</td>
<td>1,398.4</td>
<td>1,164.6</td>
<td>44,777.6</td>
<td>57,718.4</td>
</tr>
<tr>
<td>Fallbrook P.U.D.</td>
<td>420.2</td>
<td>424.8</td>
<td>18,339.6</td>
<td>22,699.8</td>
</tr>
<tr>
<td>Helix W.D.</td>
<td>2,112.9</td>
<td>2,164.3</td>
<td>76,755.1</td>
<td>92,750.7</td>
</tr>
<tr>
<td>Lakeside W.D.</td>
<td>238.9</td>
<td>234.3</td>
<td>9,108.2</td>
<td>11,385.3</td>
</tr>
<tr>
<td>Oceanside, City of</td>
<td>1,585.6</td>
<td>1,557.5</td>
<td>62,004.2</td>
<td>75,864.3</td>
</tr>
<tr>
<td>Olivenhain M.W.D.</td>
<td>1,097.1</td>
<td>980.7</td>
<td>46,920.1</td>
<td>56,445.8</td>
</tr>
<tr>
<td>Otay W.D.</td>
<td>2,057.0</td>
<td>1,816.9</td>
<td>73,078.4</td>
<td>86,751.8</td>
</tr>
<tr>
<td>Padre Dam M.W.D.</td>
<td>677.7</td>
<td>625.5</td>
<td>24,531.0</td>
<td>30,374.3</td>
</tr>
<tr>
<td>Pendleton M.C.B.</td>
<td>398.2</td>
<td>500.9</td>
<td>16,169.2</td>
<td>20,948.6</td>
</tr>
<tr>
<td>Poway, City of</td>
<td>682.6</td>
<td>514.6</td>
<td>25,024.0</td>
<td>32,836.1</td>
</tr>
<tr>
<td>Rainbow M.W.D.</td>
<td>528.2</td>
<td>500.4</td>
<td>26,103.2</td>
<td>29,807.8</td>
</tr>
<tr>
<td>Ramona M.W.D.</td>
<td>270.2</td>
<td>303.5</td>
<td>9,382.0</td>
<td>13,007.9</td>
</tr>
<tr>
<td>Rincon Del Diablo M.W.D.</td>
<td>335.3</td>
<td>303.6</td>
<td>13,568.6</td>
<td>17,627.6</td>
</tr>
<tr>
<td>San Diego, City of</td>
<td>12,304.0</td>
<td>12,492.4</td>
<td>444,467.4</td>
<td>529,923.8</td>
</tr>
<tr>
<td>San Dieguito W.D.</td>
<td>402.3</td>
<td>366.6</td>
<td>14,887.9</td>
<td>17,555.0</td>
</tr>
<tr>
<td>Santa Fe I.D.</td>
<td>566.1</td>
<td>491.0</td>
<td>24,564.3</td>
<td>30,790.7</td>
</tr>
<tr>
<td>Sweetwater Authority</td>
<td>1,247.5</td>
<td>1,353.3</td>
<td>46,919.9</td>
<td>57,201.2</td>
</tr>
<tr>
<td>Vallecitos W.D.</td>
<td>1,000.2</td>
<td>885.4</td>
<td>36,384.4</td>
<td>43,316.8</td>
</tr>
<tr>
<td>Valley Center M.W.D.</td>
<td>468.4</td>
<td>542.4</td>
<td>19,925.1</td>
<td>25,142.4</td>
</tr>
<tr>
<td>Vista I.D.</td>
<td>1,202.0</td>
<td>1,091.0</td>
<td>45,438.9</td>
<td>52,035.1</td>
</tr>
<tr>
<td>Yuima M.W.D.</td>
<td>400.2</td>
<td>508.4</td>
<td>18,430.6</td>
<td>25,921.8</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td><strong>30,557.7</strong></td>
<td><strong>29,906.4</strong></td>
<td><strong>1,138,979.6</strong></td>
<td><strong>1,380,182.2</strong></td>
</tr>
<tr>
<td><strong>PERCENT CHANGE</strong></td>
<td><strong>2%</strong></td>
<td></td>
<td>-17%</td>
<td></td>
</tr>
</tbody>
</table>

**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. The conservation regulation expired completely on November 25, 2017. Agencies have continued to report to SWRCB beyond November.
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; January 2013, four times; and June-December 2013 three times, in order to establish a base period of 32 months.
5. Sweetwater Authority is comprised of member agencies city of National City and South Bay Irrigation District.
## MONTHLY WATER RESOURCES REPORT
### Reservoir Storage

**Reservoir Storage (acre-feet)**

#### JANUARY 2018

<table>
<thead>
<tr>
<th>Member Agency</th>
<th>Reservoir</th>
<th>Capacity</th>
<th>JAN. 2018</th>
<th>% of Capacity</th>
<th>JAN. 2017</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>191</td>
<td>32%</td>
<td>405</td>
<td>68%</td>
<td>104</td>
</tr>
<tr>
<td>Escondido, City of</td>
<td>Dixon</td>
<td>2,606</td>
<td>2,379</td>
<td>91%</td>
<td>2,219</td>
<td>85%</td>
<td>(61)</td>
</tr>
<tr>
<td></td>
<td>Wohlford</td>
<td>6,506</td>
<td>2,198</td>
<td>34%</td>
<td>2,362</td>
<td>36%</td>
<td>24</td>
</tr>
<tr>
<td><strong>Subtotals</strong></td>
<td></td>
<td>9,112</td>
<td>4,577</td>
<td>50%</td>
<td>4,581</td>
<td>50%</td>
<td>(37)</td>
</tr>
<tr>
<td>Fallbrook P.U.D.</td>
<td>Red Mountain</td>
<td>1,335</td>
<td>263</td>
<td>20%</td>
<td>429</td>
<td>32%</td>
<td>25</td>
</tr>
<tr>
<td>Helix W.D.</td>
<td>Guaymarca</td>
<td>8,195</td>
<td>958</td>
<td>7%</td>
<td>3,258</td>
<td>40%</td>
<td>47</td>
</tr>
<tr>
<td></td>
<td>Jennings</td>
<td>9,790</td>
<td>9,002</td>
<td>92%</td>
<td>8,384</td>
<td>86%</td>
<td>77</td>
</tr>
<tr>
<td><strong>Subtotals</strong></td>
<td></td>
<td>17,985</td>
<td>9,600</td>
<td>53%</td>
<td>11,642</td>
<td>65%</td>
<td>123</td>
</tr>
<tr>
<td>Poway, City of</td>
<td>Poway</td>
<td>3,330</td>
<td>2,862</td>
<td>86%</td>
<td>3,000</td>
<td>90%</td>
<td>(73)</td>
</tr>
<tr>
<td>Rainbow M.W.D.</td>
<td>Ramona</td>
<td>12,000</td>
<td>2,354</td>
<td>20%</td>
<td>2,642</td>
<td>22%</td>
<td>3</td>
</tr>
<tr>
<td>San Diego, City of 2</td>
<td>Barrett</td>
<td>34,806</td>
<td>12,187</td>
<td>35%</td>
<td>32,615</td>
<td>29%</td>
<td>(2,444)</td>
</tr>
<tr>
<td></td>
<td>El Capitan</td>
<td>112,807</td>
<td>32,028</td>
<td>28%</td>
<td>32,615</td>
<td>29%</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>Hodges</td>
<td>10,633</td>
<td>10,777</td>
<td>101%</td>
<td>7,740</td>
<td>73%</td>
<td>389</td>
</tr>
<tr>
<td></td>
<td>Lower Otay</td>
<td>47,067</td>
<td>29,208</td>
<td>62%</td>
<td>38,475</td>
<td>82%</td>
<td>(1,175)</td>
</tr>
<tr>
<td></td>
<td>Miramar</td>
<td>6,682</td>
<td>5,383</td>
<td>81%</td>
<td>5,438</td>
<td>81%</td>
<td>(82)</td>
</tr>
<tr>
<td></td>
<td>Morena</td>
<td>50,694</td>
<td>4,046</td>
<td>8%</td>
<td>1,946</td>
<td>4%</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>Murray</td>
<td>4,684</td>
<td>4,106</td>
<td>86%</td>
<td>4,083</td>
<td>87%</td>
<td>(8)</td>
</tr>
<tr>
<td></td>
<td>San Vicente</td>
<td>91,695</td>
<td>62,533</td>
<td>68%</td>
<td>48,297</td>
<td>53%</td>
<td>434</td>
</tr>
<tr>
<td></td>
<td>Sutherland</td>
<td>29,508</td>
<td>13,351</td>
<td>45%</td>
<td>5,011</td>
<td>17%</td>
<td>158</td>
</tr>
<tr>
<td><strong>Subtotals</strong></td>
<td></td>
<td>388,576</td>
<td>173,619</td>
<td>45%</td>
<td>148,865</td>
<td>38%</td>
<td>(2,060)</td>
</tr>
<tr>
<td>San Dieguito WD / Santa Fe ID</td>
<td>San Dieguito</td>
<td>883</td>
<td>376</td>
<td>43%</td>
<td>415</td>
<td>47%</td>
<td>(17)</td>
</tr>
<tr>
<td>Sweetwater Authority</td>
<td>Loveland</td>
<td>25,400</td>
<td>13,907</td>
<td>55%</td>
<td>12,195</td>
<td>48%</td>
<td>157</td>
</tr>
<tr>
<td></td>
<td>Sweetwater</td>
<td>28,079</td>
<td>6,643</td>
<td>24%</td>
<td>3,998</td>
<td>14%</td>
<td>(583)</td>
</tr>
<tr>
<td><strong>Subtotals</strong></td>
<td></td>
<td>53,479</td>
<td>20,550</td>
<td>38%</td>
<td>16,193</td>
<td>30%</td>
<td>(426)</td>
</tr>
<tr>
<td>Valley Center M.W.D.</td>
<td>Turner</td>
<td>1,612</td>
<td>1,200</td>
<td>74%</td>
<td>1,388</td>
<td>86%</td>
<td>33</td>
</tr>
<tr>
<td>Vista I.D. 3</td>
<td>Henshaw</td>
<td>51,774</td>
<td>3,566</td>
<td>7%</td>
<td>8,578</td>
<td>17%</td>
<td>218</td>
</tr>
<tr>
<td><strong>MEMBER AGENCY TOTAL</strong></td>
<td></td>
<td>541,151</td>
<td>219,323</td>
<td>41%</td>
<td>198,456</td>
<td>37%</td>
<td>(2,099)</td>
</tr>
<tr>
<td>Water Authority 4</td>
<td>Olivenhain</td>
<td>24,774</td>
<td>17,956</td>
<td>15%</td>
<td>18,889</td>
<td>15%</td>
<td>(2,485)</td>
</tr>
<tr>
<td></td>
<td>San Vicente - Comprised of:</td>
<td></td>
<td>157,663</td>
<td>124,592</td>
<td>137,664</td>
<td>(143)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Emergency</td>
<td>28,902</td>
<td>33,395</td>
<td>70%</td>
<td>98,746</td>
<td>29%</td>
<td>(229)</td>
</tr>
<tr>
<td></td>
<td>Carryover</td>
<td>50,694</td>
<td>4,046</td>
<td>8%</td>
<td>5,524</td>
<td>156</td>
<td>66</td>
</tr>
<tr>
<td></td>
<td>Operating</td>
<td>20,000</td>
<td>4,058</td>
<td>2%</td>
<td>8,291</td>
<td>358</td>
<td>(30)</td>
</tr>
<tr>
<td><strong>Subtotals</strong></td>
<td></td>
<td>202,437</td>
<td>147,056</td>
<td>73%</td>
<td>164,844</td>
<td>81%</td>
<td>(424)</td>
</tr>
<tr>
<td>Water Authority Storage Accounts 5</td>
<td>El Capitan</td>
<td>112,807</td>
<td>12,000</td>
<td>10%</td>
<td>0</td>
<td>0</td>
<td>(1)</td>
</tr>
<tr>
<td></td>
<td>Lower Otay</td>
<td>49,510</td>
<td>9,175</td>
<td>17%</td>
<td>3,416</td>
<td>66</td>
<td>27</td>
</tr>
<tr>
<td></td>
<td>Sweetwater (Temporary)</td>
<td>28,079</td>
<td>2,438</td>
<td>86%</td>
<td>967</td>
<td>27</td>
<td>(27)</td>
</tr>
<tr>
<td><strong>Subtotals</strong></td>
<td></td>
<td>11,614</td>
<td>4,383</td>
<td>39</td>
<td>(2,485)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL WATER IN STORAGE</strong></td>
<td></td>
<td>743,588</td>
<td>377,993</td>
<td>51%</td>
<td>367,684</td>
<td>49%</td>
<td>(2,099)</td>
</tr>
<tr>
<td>OTHER AGENCIES</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>36,989</td>
<td>84%</td>
<td>36,626</td>
<td>83%</td>
<td>(2,618)</td>
</tr>
<tr>
<td></td>
<td>Diamond Valley</td>
<td>810,000</td>
<td>747,846</td>
<td>92%</td>
<td>565,591</td>
<td>70%</td>
<td>(177,475)</td>
</tr>
<tr>
<td>State Water Project</td>
<td>Oroville</td>
<td>3,537,577</td>
<td>1,408,227</td>
<td>40%</td>
<td>2,841,754</td>
<td>80%</td>
<td>(696,823)</td>
</tr>
<tr>
<td><strong>TOTAL OTHER WATER IN STORAGE</strong></td>
<td></td>
<td>4,391,841</td>
<td>2,193,062</td>
<td>50%</td>
<td>3,443,971</td>
<td>78%</td>
<td>184,173</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 Dieguito WD, and California American Mutual (Cal-Am) Water Company.
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 January 2018 include evaporation/seepage estimates.
5. No defined capacities for storage accounts in El Capitan, Lower Otay and Sweetwater Authority reservoirs. Figures for January 2018 include evaporation/seepage estimates.
## Tier 1 Estimated Deliveries to Member Agencies
(Figures in acre-feet)

**Calendar Year 2018 (1 Month)**

<table>
<thead>
<tr>
<th>Member Agency</th>
<th>CY2018 Tier 1 Threshold</th>
<th>CYTD Firm Deliveries</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>972.7</td>
<td>7.9%</td>
</tr>
<tr>
<td>Del Mar, City of</td>
<td>935.0</td>
<td>68.7</td>
<td>7.3%</td>
</tr>
<tr>
<td>Escondido, City of (^3)</td>
<td>17,859.0</td>
<td>637.7</td>
<td>0.4%</td>
</tr>
<tr>
<td>Fallbrook P.U.D.</td>
<td>10,325.0</td>
<td>600.4</td>
<td>5.8%</td>
</tr>
<tr>
<td>Helix W.D.</td>
<td>25,519.0</td>
<td>1,163.3</td>
<td>4.6%</td>
</tr>
<tr>
<td>Lakeside M.W.D.</td>
<td>3,168.0</td>
<td>172.6</td>
<td>5.4%</td>
</tr>
<tr>
<td>Oceanside, City of</td>
<td>19,383.0</td>
<td>1,428.0</td>
<td>7.4%</td>
</tr>
<tr>
<td>Olivenhain M.W.D.</td>
<td>13,071.0</td>
<td>1,102.1</td>
<td>8.4%</td>
</tr>
<tr>
<td>Otay W.D.</td>
<td>21,390.0</td>
<td>2,057.0</td>
<td>9.6%</td>
</tr>
<tr>
<td>Padre Dam M.W.D.</td>
<td>9,939.0</td>
<td>688.3</td>
<td>6.9%</td>
</tr>
<tr>
<td>Pendleton M.C.B. / South Coast W.D.</td>
<td>758.0</td>
<td>13.2</td>
<td>1.7%</td>
</tr>
<tr>
<td>Poway, City of</td>
<td>9,348.0</td>
<td>548.6</td>
<td>5.9%</td>
</tr>
<tr>
<td>Rainbow M.W.D.</td>
<td>19,018.0</td>
<td>886.7</td>
<td>4.7%</td>
</tr>
<tr>
<td>Ramona M.W.D.</td>
<td>8,052.0</td>
<td>364.7</td>
<td>4.5%</td>
</tr>
<tr>
<td>Rincon Del Diablo M.W.D.</td>
<td>5,482.0</td>
<td>336.3</td>
<td>6.1%</td>
</tr>
<tr>
<td>San Diego, City of</td>
<td>144,555.0</td>
<td>10,383.7</td>
<td>7.2%</td>
</tr>
<tr>
<td>San Dieguito W.D.</td>
<td>3,116.0</td>
<td>220.3</td>
<td>7.1%</td>
</tr>
<tr>
<td>Santa Fe I.D.</td>
<td>5,226.0</td>
<td>321.5</td>
<td>6.2%</td>
</tr>
<tr>
<td>Sweetwater Authority (^4)</td>
<td>9,650.0</td>
<td>0.0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Vallecitos W.D.</td>
<td>10,557.0</td>
<td>759.5</td>
<td>7.2%</td>
</tr>
<tr>
<td>Valley Center M.W.D.</td>
<td>29,774.0</td>
<td>1,152.4</td>
<td>3.9%</td>
</tr>
<tr>
<td>Vista I.D. (^3)</td>
<td>11,876.0</td>
<td>74.3</td>
<td>0.6%</td>
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<tr>
<td>Yuima M.W.D.</td>
<td>2,165.0</td>
<td>274.9</td>
<td>12.7%</td>
</tr>
</tbody>
</table>

**MEMBER AGENCY TOTALS**

<table>
<thead>
<tr>
<th>CY2018 Tier 1 Threshold</th>
<th>CYTD Firm Deliveries</th>
<th>% of Tier 1 Threshold (Pre-QSA)</th>
</tr>
</thead>
<tbody>
<tr>
<td>393,542.0</td>
<td>23,652.9</td>
<td>6.0%</td>
</tr>
</tbody>
</table>

**Less: QSA deliveries-calendar year 2018**

| Deliveries to CWA storage-calendar year 2018 \(^5\) | 281.8 |
| MWD Under-10% Flows-calendar year 2018 | 3.7 |
| Deliveries from CWA storage-calendar year 2018 \(^6\) | 0.0 |
| Water Authority WPA desalination deliveries-calendar year 2018 | (3,363.5) |

**Estimated Tier 1 deliveries calendar year to date**\(^7\)

| Estimated Tier 1 deliveries calendar year to date | 3,266.6 |
| Invoked Tier 1 deliveries calendar year to date | 3,652.5 |

---

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. Escondido and Vista I.D. deliveries exclude Supplemental wheeled water
4. Sweetwater Authority is comprised of member agencies city of National City and South Bay Irrigation District.
5. Includes storage puts to San Vicente Reservoir, forced deliveries or deliveries to Olivenhain Reservoir.
6. Includes sales from Water Authority storage accounts, including Olivenhain Reservoir
7. Estimated Tier 1 deliveries are based on member agency deliveries net of QSA deliveries, seawater desalination and storage puts/takes. Invoked deliveries are as reported on Metropolitan’s invoice. Difference between Estimated and Invoked 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
JANUARY 2018

Member Agency Deliveries (AF)

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>20,749</td>
<td>24,145</td>
</tr>
<tr>
<td>Trailing 12 Months</td>
<td>435,863</td>
<td>396,368</td>
</tr>
</tbody>
</table>

Member Agency Water Use

- **Imported & Desal**: 71%
- **Surface**: 12%
- **Well & Brackish Recovery**: 5%
- **Recycled, Supplemental & Local Desal**: 12%

**JANUARY 2018**

- **Imported & Desal**: 77%
- **Well & Brackish Recovery**: 4%
- **Recycled, Supplemental & Local Desal**: 8%

**Previous 12 Months**

Member Agency Storage (AF)

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>198,456</td>
<td>219,323</td>
</tr>
<tr>
<td>Trailing 12-Month Average</td>
<td>159,825</td>
<td>247,699</td>
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</table>

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February 14, 2018

Attention:  Water Planning Committee

CLOSED SESSION:
Conference with Legal Counsel – Anticipated Litigation
Government Code §54956.9(d)(2)
Significant Exposure – One Case

Purpose
This memorandum is to recommend a closed session, pursuant to Government Code §54956.9(d)(2), to discuss the above-referenced matter at the February 22, 2018 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
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)

2. Short-Term General Counsel Contract Extension. Mark Muir
   Chair recommendation: Extend current General Counsel contract from March 14 through June 30, 2018. (Action)
II. ACTION/DISCUSSION/PRESENTATION

1. Funding Strategy Discussion for Water Authority Pension. (3-Part Presentation Series) Lisa Marie Harris

   Part A: CalPERS and Water Authority Funding Status and Future Funding Assumptions. (Presentation)

2. Cost of Service Update. (Presentation) Lisa Marie Harris

III. INFORMATION


2. Board calendar.

IV. CLOSED SESSION

1. Conference with Legal Counsel – Anticipated Litigation Mark Hattam
   Government Code §54956.9(d)(2)
   Significant Exposure – One Case

V. ADJOURNMENT

Melinda Nelson
Clerk of the Board

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.
February 14, 2018

**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 January 31, 2018. 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 7, 2017. 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 79 percent currently invested in AAA rated or AAA/AA+ split-rated securities. In January 2018, the Water Authority’s overall portfolio yield increased slightly from 1.47 percent to 1.49 percent and continues to exceed the investment benchmark of 1.18 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 MASTER SUMMARY

**as of January 31, 2018**

#### 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>$65 Million</td>
<td>8.56%</td>
<td>$32,239,442</td>
</tr>
<tr>
<td>Banker's Acceptances</td>
<td>40%</td>
<td>0.00%</td>
<td>-</td>
</tr>
<tr>
<td>Treasury Securities</td>
<td>100%</td>
<td>15.94%</td>
<td>60,084,102</td>
</tr>
<tr>
<td>Agency Securities</td>
<td>100%</td>
<td>40.19%</td>
<td>151,507,430</td>
</tr>
<tr>
<td>Asset-Backed, Mortgage-Backed, Mortgage Pass-Through Securities, and</td>
<td>20%</td>
<td>0.00%</td>
<td>-</td>
</tr>
<tr>
<td>Collateralized Mortgage Obligations</td>
<td></td>
<td></td>
<td></td>
</tr>
<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>Certificates of Deposit (Placement, Negotiable &amp; Time Deposits)</td>
<td>30%</td>
<td>0.00%</td>
<td>-</td>
</tr>
<tr>
<td>Commercial Paper</td>
<td>25%</td>
<td>5.25%</td>
<td>19,787,566</td>
</tr>
<tr>
<td>Medium Term Notes/Corporates</td>
<td>30%</td>
<td>9.07%</td>
<td>34,189,203</td>
</tr>
<tr>
<td>Municipal Securities</td>
<td>30%</td>
<td>0.00%</td>
<td>-</td>
</tr>
<tr>
<td>JPA Pools (CAMP)</td>
<td>25%</td>
<td>20.86%</td>
<td>78,623,957</td>
</tr>
<tr>
<td>Mutual Funds and Money Market Mutual Funds</td>
<td>20%</td>
<td>0.13%</td>
<td>506,200</td>
</tr>
<tr>
<td></td>
<td></td>
<td>100.00%</td>
<td>$376,937,900</td>
</tr>
<tr>
<td>Accrued Interest (unavailable for investing)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Checking/Petty Cash/Available Funds (unavailable for investing)</td>
<td></td>
<td></td>
<td>757,814</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Subtotal for Pooled Funds:</strong></td>
<td>$377,695,714</td>
</tr>
<tr>
<td>Debt Service Reserve (DSR) Funds Excluded from Portfolio Percentages:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trinity Plus - Reserve (GIC) - Series 1998A COPs</td>
<td></td>
<td></td>
<td>12,240,775</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Subtotal for Debt Service Reserve Funds (unavailable for CIP expenditures):</strong></td>
<td>$12,240,775</td>
</tr>
<tr>
<td>Total Cash and Investments</td>
<td></td>
<td></td>
<td>$389,936,489</td>
</tr>
</tbody>
</table>

#### PORTFOLIO INFORMATION

<table>
<thead>
<tr>
<th></th>
<th>Pooled Funds *</th>
<th>Debt Service Reserve</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portfolio Yield to Maturity - 365 Days</td>
<td>1.36%</td>
<td>5.55%</td>
<td>1.49%</td>
</tr>
<tr>
<td>Average Term</td>
<td>696</td>
<td>1</td>
<td>674</td>
</tr>
<tr>
<td>Average Days to Maturity (730 Days Maximum)</td>
<td>302</td>
<td>1</td>
<td>292</td>
</tr>
</tbody>
</table>

* Pooled Funds include Operating, Pay Go, RSF, Equipment and Stored Water funds.
On January 31st the FOMC kept the federal funds range at 125-150 basis points. The next meeting is March 21st.
### Managed Pool Accounts

<table>
<thead>
<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</th>
<th>YTM</th>
<th>Days to Maturity</th>
<th>Maturity Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>CASH35</td>
<td>73</td>
<td>CAMP - OPERATING/POOLED</td>
<td>123,610,374.07</td>
<td>01/29/2018</td>
<td>78,623,957.40</td>
<td>78,623,957.40</td>
<td>78,623,957.40</td>
<td>1.20</td>
<td>AAA</td>
<td>1.460</td>
<td></td>
<td>January 31, 2018</td>
</tr>
<tr>
<td>CASH45</td>
<td>4004</td>
<td>CAMP - 2010B BONDS-BABS</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>CASH43</td>
<td>4001</td>
<td>GOLDMAN - 2010B BONDS-BABS</td>
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<td></td>
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<tr>
<td>CASH11</td>
<td>0002</td>
<td>GOLDMAN - OPERATING/POOLED</td>
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<tr>
<td>CASH13</td>
<td>72</td>
<td>LAIF - OPERATING</td>
<td></td>
<td></td>
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<td></td>
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<td></td>
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<tr>
<td>CASH41</td>
<td>4002</td>
<td>LAIF - 2010B BONDS-BABS</td>
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<tr>
<td>CASH17</td>
<td>204</td>
<td>TRINITY PLUS - 1998A</td>
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<tr>
<td>CASH33</td>
<td>208</td>
<td>US BANK MONEY MARKET FUND</td>
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<td></td>
<td></td>
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</tr>
</tbody>
</table>

**Subtotal and Average** 118,154,642.58 123,610,374.07 123,610,374.07 123,610,374.07 118,154,642.58 1.841 1

### Medium Term Notes

<table>
<thead>
<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</th>
<th>YTM</th>
<th>Days to Maturity</th>
<th>Maturity Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>037833AQ3</td>
<td>20001</td>
<td>APPLE INC.</td>
<td>34,189,202.50</td>
<td>01/29/2018</td>
<td>12,240,775.00</td>
<td>12,240,775.00</td>
<td>12,240,775.00</td>
<td>5.55</td>
<td>AA+</td>
<td>5.550</td>
<td></td>
<td>January 31, 2018</td>
</tr>
<tr>
<td>037833AJ9</td>
<td>20004</td>
<td>APPLE INC.</td>
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<tr>
<td>084670B80</td>
<td>20002</td>
<td>BERKSHIRE HATHAWAY INC.</td>
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<tr>
<td>06406RAA5</td>
<td>20015</td>
<td>Bank of New York Mellon Corp</td>
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<tr>
<td>166764AE0</td>
<td>20000</td>
<td>CHEVRON CORP.</td>
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<td>166764AN0</td>
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</tr>
<tr>
<td>532457BQQ</td>
<td>20017</td>
<td>Eli Lilly &amp; Co.</td>
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<tr>
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<td>EXXON MOBIL</td>
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<td>MICROSOFT CORP.</td>
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</tr>
<tr>
<td>742718EG0</td>
<td>20003</td>
<td>PROCTER &amp; GAMBLE</td>
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<tr>
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<tr>
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**Subtotal and Average** 34,189,202.50 33,950,000.00 33,756,126.50 34,189,202.50 34,189,202.50 1.768 646

### Commercial Paper - Discount

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**Portfolio CWA2**

CC
PM (PRF_PM2) 7.3.0
Report Ver. 7.3.3b
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Portfolio Details - Cash
January 31, 2018
### SDCWA - Fiscal Year 2018
Portfolio Management
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<td>5</td>
<td>1</td>
<td>768</td>
</tr>
<tr>
<td>April</td>
<td>2017</td>
<td>68</td>
<td>340,922,757.33</td>
<td>1.283</td>
<td>1.300</td>
<td>1.500</td>
<td>2</td>
<td>15</td>
<td>713</td>
</tr>
<tr>
<td>May</td>
<td>2017</td>
<td>70</td>
<td>342,564,985.08</td>
<td>1.300</td>
<td>1.318</td>
<td>1.549</td>
<td>3</td>
<td>1</td>
<td>729</td>
</tr>
<tr>
<td>June</td>
<td>2017</td>
<td>75</td>
<td>347,798,134.11</td>
<td>1.340</td>
<td>1.358</td>
<td>1.717</td>
<td>5</td>
<td>0</td>
<td>756</td>
</tr>
<tr>
<td>July</td>
<td>2017</td>
<td>76</td>
<td>356,290,512.27</td>
<td>1.349</td>
<td>1.368</td>
<td>1.730</td>
<td>6</td>
<td>0</td>
<td>752</td>
</tr>
<tr>
<td>August</td>
<td>2017</td>
<td>79</td>
<td>366,235,679.75</td>
<td>1.372</td>
<td>1.391</td>
<td>1.816</td>
<td>4</td>
<td>1</td>
<td>768</td>
</tr>
<tr>
<td>September</td>
<td>2017</td>
<td>79</td>
<td>377,843,462.19</td>
<td>1.388</td>
<td>1.408</td>
<td>1.873</td>
<td>1</td>
<td>1</td>
<td>791</td>
</tr>
<tr>
<td>October</td>
<td>2017</td>
<td>70</td>
<td>359,683,297.80</td>
<td>1.408</td>
<td>1.428</td>
<td>1.753</td>
<td>0</td>
<td>9</td>
<td>732</td>
</tr>
<tr>
<td>November</td>
<td>2017</td>
<td>71</td>
<td>378,358,659.08</td>
<td>1.413</td>
<td>1.433</td>
<td>1.701</td>
<td>2</td>
<td>1</td>
<td>699</td>
</tr>
<tr>
<td>December</td>
<td>2017</td>
<td>70</td>
<td>370,296,770.16</td>
<td>1.448</td>
<td>1.468</td>
<td>1.843</td>
<td>0</td>
<td>1</td>
<td>711</td>
</tr>
<tr>
<td>January</td>
<td>2018</td>
<td>69</td>
<td>389,178,674.95</td>
<td>1.470</td>
<td>1.490</td>
<td>1.841</td>
<td>0</td>
<td>1</td>
<td>674</td>
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</tbody>
</table>

Average 74 370,279,177.16 1.331% 1.350% 1.654 2 3 742 353
February 14, 2018

Attention: Administrative and Finance Committee

Short-Term General Counsel Contract Extension. (Action)

This matter pertains to a short (less than four-month) contract extension for the General Counsel so as to better coordinate executive review dates for both the General Manager and General Counsel.

Chair recommendation
Extend current General Counsel contract from March 14 through June 30, 2018.

Alternatives
Do not extend current General Counsel contract from March 14 through June 30, 2018.

Fiscal impact
There is no fiscal impact, as General Counsel would be on staff in any event (one-year contract renewal occurs if no Board action).

Discussion
The General Counsel’s current contract expires March 14, 2018. Normally, his review and potential annual contract extension would have been addressed in January. The General Manager’s review is due in July of each year. The Officers and several Board members have expressed interest in coordinating the General Manager and General Counsel’s review to both be at the same time, at the May Board meeting annually. By extending the contract through June, this allows the Board to review both executives at the same time. If there is any salary adjustment decided in May for the General Counsel, it will be retroactive to March 14.

Prepared by: Mark Muir, Chair
February 14, 2018

Attention: Administrative & Finance Committee

Funding Strategy Discussion for Water Authority Pension (3-Part Presentation Series)

Part A: CalPERS and Water Authority Funding Status and Future Funding Assumptions (Presentation)

Purpose
The purpose of this 3-Part Pension Presentation Series is to provide information on statewide and local pension trends and status of pension funding levels and explore potential future funding options for the Water Authority’s pension plan.

Background
The Water Authority funds employer contributions to CalPERS on an annual basis. As part of this contribution, the Water Authority also makes payments to the unfunded liability. Beginning in Fiscal Year 2018 CalPERS will collect unfunded accrued liability payments as whole dollar amounts rather than a percentage contribution rate. This change addresses potential funding that can lead to underfunding of the plan.

In addition, in December 2016, the CalPERS Board of Administration lowered the discount rate assumption, the long-term rate of return, from 7.50 percent to 7.00 percent using a three-year phase-in beginning with the June 30, 2016 actuarial valuation. This will increase public agency employer contribution costs beginning in Fiscal Year 2018-19. The phase in of the discount rate change approved by the Board for the next three Fiscal Years is as follows:

<table>
<thead>
<tr>
<th>Valuation Date</th>
<th>Fiscal Year for Required Contribution</th>
<th>Discount Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30, 2016</td>
<td>2019</td>
<td>7.38%</td>
</tr>
<tr>
<td>June 30, 2017</td>
<td>2020</td>
<td>7.25%</td>
</tr>
<tr>
<td>June 30, 2018</td>
<td>2021</td>
<td>7.00%</td>
</tr>
</tbody>
</table>

Lowering the discount rate means the Water Authority will see increases in both normal costs (the cost of pension benefits accruing in one year for active members) and the accrued liabilities. These increases will result in higher required employer contributions. In addition, active members hired after January 1, 2013, under the PEPRA may also see their contributions rates rise.
Previous Board action: On May 25, 2017, the Board approved a supplemental payment to CalPERS of $9,582,404, which is reflected in deferred outflows, to reduce the unfunded pension liability. The effects of this will be seen in the June 30, 2017 actuarial report as a reduction to the unfunded pension liability as well as a reduction to future annual employer contributions to CalPERS.

Discussion

The first part of the 3-part presentation series, a CalPERs Actuarial representative will provide a general overview on CalPERS and the Water Authority Funding status and background information on pension funding trends. In addition, CalPERs will provide details regarding the number of changes to their key pension assumptions that determine future funding levels such as the projected discount rate and how these assumptions impact the Water Authority.

This board presentation will offer a framework for the second pension presentation scheduled in March which will cover Pension funding options and a summary of current local government practices. The third presentation scheduled in April will offer recommendations for funding the water Authority pension.

Prepared by: Christopher Woidzik, Controller
Reviewed by: Lisa Marie Harris, Director of Finance/Treasurer
Approved by: Dan Denham, Assistant General Manager
February 14, 2018

Attention: Administrative and Finance Committee

Cost of Service Update (Presentation)

Purpose
The purpose of this report is to provide an overview of the cost of service activities to date in support of the proposed rates and charges for calendar year 2019.

Background

Comprehensive Cost of Service Reviews Conducted
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 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.

Previous Board Actions
On June 22, 2017, the Board received the detailed staff report and Carollo’s final cost of service study recommending the proposed CY 2018 rates and charges. Also, on June 21, 2017, the Board Adopted Ordinance No. 2017-01 setting rates and charges for the delivery and supply of water, use of facilities, and provision of services.

Calendar Year 2018 Cost of Service Process Overview

As a part of the 2017-2021 board adopted Business Plan and best management practices, during fiscal year 2018 the Water Authority retained Carollo to provide financial rate modelling support to update the rate model and to develop a rate modeling staff training program. In support of the validation of the Rate Model, Carollo also completed a comprehensive review of water rate methodologies, board policies, and rate compliance with industry standards and law. Their review concluded that the Water Authority’s rate setting and the rate model infrastructure is in compliance with industry standards and law. Below is a summary of upcoming milestones of cost of service and calendar year rates and charges activities.
Timeline for Cost of Service Activities and CY 2019 Rates and Charges

**January 2018**  
Electronic copy of Rate Model provided to Member Agency Managers  
Presentation on Revenue Requirement Calculation and Rate Model overview

**February 2018**  
Presentation to Member Agency Managers regarding the Functional Allocation Methodology

**March 2018**  
Presentation to Member Agency Managers regarding the Rate Calculation Methodology

**April 2018**  
Water Authority Rate recommendations and continued outreach  
Draft Final CY 2019 Rates and Charges

**May & June 2018**  
Public Hearing and adoption of Rates and Charges

Prepared by: Lisa Marie Harris, Director of Finance/Treasurer  
Approved by: Dan Denham, Assistant General Manager
February 14, 2018

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 six-month period of July 1, 2017 through December 31, 2017, to the period-to-date adopted budget. Budgeted amounts for the six-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: debt service, QSA mitigation, annual insurance premiums, and contributions to the Six Agency Fund.

Net Water Sales Revenue
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.

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1 All information regarding water sales volumes, revenues and costs are based on the Adopted Multi-Year Budget for Fiscal Years 2018 and 2019.
Net Water Sales Revenue for the six months ended December 31, 2017 was $84.1 million, or 8 percent higher than the period-to-date budgeted amount of $77.6 million. Water Purchase and Treatment Costs were below the anticipated amounts due to lower than projected water sales as well as reduced purchases from the Carlsbad Desalination Plant resulting from unanticipated plant downtime for repairs. Detailed information relating to Net Water Sales Revenue is described below and shown on Attachments 1, 2, and 3.

Total acre-feet (AF) of water sold were budgeted to be 242,655 AF for the six months ended December 31, 2017. The actual water sales volume was 222,937 AF, 19,718 AF or 8 percent lower than budgeted (Attachment 1). Total Water Sales Revenue for the six months ended December 31, 2017 was $317.1 million, $26.4 million or 8 percent lower than the period-to-date budgeted amount of $343.5 million (Attachment 2). Lower Water Authority sales to member agencies are the result of 2 primary factors: 1) Total regional water demand remained virtually flat compared to the same period last year (a slight increase in water demand was projected); 2) Greater than projected member agency use of local surface water supplies.

Total Water Purchases and Treatment costs were budgeted at $265.8 million for the six months ended December 31, 2017. Actual costs were $232.9 million, $32.9 million or 12 percent lower than budgeted (Attachment 3). This cost category included $32.0 million for the 50,000 AF of water purchased from IID, and $41.3 million for MWD’s conveyance charges related to IID, Coachella Canal and All-American Canal water. Also reflected in actual costs were water purchases from Poseidon Resources (Channelside) LP of approximately $44.8 million for the six months ended December 31, 2017.

**Revenues and Other Income**
As shown in Attachment 4, total Revenues and Other Income were budgeted at $44.4 million for the six-month period ended December 31, 2017. Actual revenues were $51.5 million, $7.1 million higher than budgeted. The variance is explained in detail below.

Categories of revenues in which actual revenues were higher than the six-month period-to-date budget included the following: Grant Reimbursements, Other Income, Property Taxes and In-Lieu Charges, Capacity Charges, and Hydroelectric Revenue. Actual Grant Reimbursements revenue for Integrated Regional Water Management Program (IRWMP) Grants were $4.5 million more than budgeted due to the timing of reimbursements received. Actual Other Income was $3.0 million more than budgeted due to an insurance refund received from Liberty Mutual for the Emergency and Carryover Storage Project, miscellaneous revenue reimbursements received, and shortfall revenue related to the Carlsbad Desalination Plant. Actual Capacity Charges were $0.4 million higher than anticipated compared to the period-to-date budget due an increase in the number of permits issued. Actual Property Taxes and In-Lieu Charges and Hydroelectric Revenue were higher than budgeted by $0.7 million and $0.1 million, respectively, for the six months ended December 31, 2017.
Categories of revenues in which actual revenues were less than the six-month period-to-date budget included Contributions in Aid of Capital Improvement Program (CIAC), Infrastructure Access Charges, and Water Standby Availability Charges which were lower by $0.8 million, $0.3 million, and $0.1 million, respectively, due to less than anticipated receipts. Actual Build America Bonds Subsidy was lower than the period-to-date budget by $0.4 million. The Water Authority receives semi-annual subsidy payments from the United States Treasury equal to 35 percent of the interest payable on the Series 2010B Bonds. The IRS subsidy payment received was reduced by 6.9%, the IRS sequestration reduction rate applied to payments processed from October 1, 2016 through September 30, 2017. A yearly sequestration reduction rate will be applied unless and until a law is enacted that cancels or otherwise affects the sequester, at which time the sequestration reduction rate is subject to change.

Expenses
As shown in Attachment 4, total Expenses were budgeted at $96.6 million for the six-month period ended December 31, 2017. Actual expenses were $89.0 million, $7.6 million lower than budgeted. The variance is explained in detail as follows.

Overall Operating Department expenses shown in Attachment 5 were lower than budgeted by $4.9 million for the six-month period ended December 31, 2017 due to the timing of expenses. Actual Grant Expenses were $2.4 million lower than the period-to-date budget resulting from the lower-than-projected activity levels and the timing delay in expense recognition of pass-through IRWMP grants. Actual Equipment Replacement was lower than budget by $0.5 million due to timing. Actual Other Expenses were $0.2 million higher than the six-month period-to-date budget.

CIP Expenses
Attachment 4 shows that CIP Expenses were budgeted at $29.2 million for the six-month period ended December 31, 2017. Actual expenses were $21.3 million, $7.9 million lower than the period-to-date budgeted amount. The variance was primarily attributed to the timing of expenses.

Cash and Investments
As of December 31, and November 30, 2017, the overall balance in the Water Authority’s cash and investments was $383.8 million and $392.6 million, respectively (Attachment 6). As of December 31, 2017, the cash and investments balance was approximately 60 percent unrestricted funds with the remaining 40 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 December 31, 2017, the Rate Stabilization Fund was funded at $135.8 million, approximately 97 percent of the maximum approved level of $139.9 million.

Prepared by:  Jocelyn Matsuo, Senior Accountant
Reviewed by:  Christopher W. Woidzik, Controller
Approved by:  Lisa Marie Harris, Director of Finance/Treasurer
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 2018 and 2019.

WATER SALES VOLUMES
Budget Versus Actual (in Acre-Feet) for the 6 Months Ended December 31, 2017

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>*Budget (a)</td>
<td>50,172</td>
<td>100,133</td>
<td>144,944</td>
<td>183,572</td>
<td>214,851</td>
<td>242,655</td>
<td>266,443</td>
<td>288,214</td>
<td>315,331</td>
<td>348,044</td>
<td>386,055</td>
<td>431,353</td>
</tr>
<tr>
<td>Actual</td>
<td>41,812</td>
<td>85,217</td>
<td>124,748</td>
<td>166,200</td>
<td>199,748</td>
<td>222,937</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>AF Difference (b)</td>
<td>(8,360)</td>
<td>(14,916)</td>
<td>(20,196)</td>
<td>(17,372)</td>
<td>(15,103)</td>
<td>(19,718)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cum. Actual AF</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% Difference (b/a)</td>
<td>-17%</td>
<td>-15%</td>
<td>-14%</td>
<td>-9%</td>
<td>-7%</td>
<td>-8%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

*Budgeted amounts are based on the Adopted Multi-Year Budget for Fiscal Years 2018 and 2019.
*Budgeted amounts are based on the Adopted Multi-Year Budget for Fiscal Years 2018 and 2019.

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>*Budget (a)</td>
<td>$68.0</td>
<td>$135.9</td>
<td>$197.7</td>
<td>$253.0</td>
<td>$300.1</td>
<td>$343.5</td>
<td>$383.5</td>
<td>$421.3</td>
<td>$464.8</td>
<td>$514.8</td>
<td>$570.7</td>
<td>$635.1</td>
</tr>
<tr>
<td>Actual</td>
<td>58.2</td>
<td>117.8</td>
<td>173.2</td>
<td>230.9</td>
<td>278.4</td>
<td>317.1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Difference (b)</td>
<td>$(9.8)</td>
<td>$(18.1)</td>
<td>$(24.5)</td>
<td>$(22.1)</td>
<td>$(21.7)</td>
<td>$(26.4)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cum. Actual % Difference (b/a)</td>
<td>-14%</td>
<td>-13%</td>
<td>-12%</td>
<td>-9%</td>
<td>-7%</td>
<td>-8%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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</tr>
</tbody>
</table>

WATER SALES REVENUES
Budget Versus Actual (in Millions $)
for the 6 Months Ended December 31, 2017

*Budgeted amounts are based on the Adopted Multi-Year Budget for Fiscal Years 2018 and 2019.
*Budgeted amounts are based on the Adopted Multi-Year Budget for Fiscal Years 2018 and 2019.

Fiscal Year 2018 Cumulative Cost of Water Purchases and Treatment (in Millions $)

<table>
<thead>
<tr>
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<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>*Budget (a)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actual</td>
<td>53.9</td>
<td>107.6</td>
<td>155.6</td>
<td>188.5</td>
<td>233.8</td>
<td>265.8</td>
<td>296.6</td>
<td>325.9</td>
<td>359.4</td>
<td>398.8</td>
<td>443.1</td>
<td>495.1</td>
</tr>
<tr>
<td>Difference (b)</td>
<td>(9.0)</td>
<td>(20.2)</td>
<td>(30.9)</td>
<td>(29.9)</td>
<td>(30.2)</td>
<td>(32.9)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cum. Actual</td>
<td>-17%</td>
<td>-19%</td>
<td>-20%</td>
<td>-15%</td>
<td>-13%</td>
<td>-12%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

*Budgeted amounts are based on the Adopted Multi-Year Budget for Fiscal Years 2018 and 2019.
San Diego County Water Authority  
Fiscal Year 2018 Budget Status Report  
For the 6 Months Ended December 31, 2017

### Revenues

<table>
<thead>
<tr>
<th></th>
<th>FY 2018 Adopted Budget</th>
<th>6 Months (50%) Adopted Budget</th>
<th>Variance Actual to FY 2018</th>
<th>[C / A]</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Water Sales Revenue</strong></td>
<td>$635,069,193</td>
<td>$343,483,251 (b)</td>
<td>($317,071,492)</td>
<td>50%</td>
</tr>
<tr>
<td>Water Sales</td>
<td>$495,079,731</td>
<td>$265,849,763 (b)</td>
<td>$32,926,467</td>
<td>47%</td>
</tr>
<tr>
<td>Total Net Water Sales Revenue</td>
<td>$139,989,462</td>
<td>$77,633,488</td>
<td>$6,514,708</td>
<td>60%</td>
</tr>
</tbody>
</table>

**Revenues and Other Income**

<table>
<thead>
<tr>
<th></th>
<th>FY 2018 Adopted Budget</th>
<th>6 Months (50%) Adopted Budget</th>
<th>Variance Actual to FY 2018</th>
<th>[C / A]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infrastructure Access Charges</td>
<td>32,477,000</td>
<td>16,215,918 (l)</td>
<td>15,906,282 (309,636)</td>
<td>49%</td>
</tr>
<tr>
<td>Property Taxes and In-Lieu Charges</td>
<td>12,555,000 (c)</td>
<td>5,328,002 (l)</td>
<td>6,000,354</td>
<td>627,352</td>
</tr>
<tr>
<td>Investment Income</td>
<td>5,175,000 (d)</td>
<td>2,587,372 (l)</td>
<td>2,614,761 27,389</td>
<td>51%</td>
</tr>
<tr>
<td>Hydroelectric Revenue</td>
<td>3,535,000 (e)</td>
<td>1,662,913 (l)</td>
<td>1,785,718 122,805</td>
<td>47%</td>
</tr>
<tr>
<td>Grant Reimbursements</td>
<td>15,470,000</td>
<td>8,375,654 (m)</td>
<td>4,508,154</td>
<td>100%</td>
</tr>
<tr>
<td>Build America Bonds Subsidy</td>
<td>11,303,000</td>
<td>5,267,179 (m)</td>
<td>4,860,194 (384,300)</td>
<td>47%</td>
</tr>
<tr>
<td>Other Income</td>
<td>489,000</td>
<td>244,382</td>
<td>2,297,279 659%</td>
<td></td>
</tr>
<tr>
<td>Capacity Charges</td>
<td>16,629,000 (f)</td>
<td>5,820,066 (l)</td>
<td>413,400 37%</td>
<td></td>
</tr>
<tr>
<td>Water Standby Availability Charges</td>
<td>11,114,000 (g)</td>
<td>2,222,800 (l)</td>
<td>2,095,641 (127,159)</td>
<td>19%</td>
</tr>
<tr>
<td>Contributions in Aid of Capital Improvement Program (CIAC)</td>
<td>1,570,000 (h)</td>
<td>784,878 (i)</td>
<td>- (784,878)</td>
<td>0%</td>
</tr>
<tr>
<td>Total Revenues and Other Income</td>
<td>$110,317,000</td>
<td>$44,385,310</td>
<td>51,502,716 (7,117,406)</td>
<td>47%</td>
</tr>
</tbody>
</table>

**Total Revenues**

<table>
<thead>
<tr>
<th></th>
<th>FY 2018 Adopted Budget</th>
<th>6 Months (50%) Adopted Budget</th>
<th>Variance Actual to FY 2018</th>
<th>[C / A]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt Service</td>
<td>138,577,000 (i)</td>
<td>51,038,916 (l)</td>
<td>15,906,282 (309,636)</td>
<td>49%</td>
</tr>
<tr>
<td>QSA Mitigation</td>
<td>10,165,000 (j)</td>
<td>10,164,816 (l)</td>
<td>-</td>
<td>100%</td>
</tr>
<tr>
<td>Equipment Replacement</td>
<td>2,292,000</td>
<td>1,146,000</td>
<td>633,039 512,961</td>
<td>28%</td>
</tr>
<tr>
<td>Grant Expenses</td>
<td>15,720,000</td>
<td>7,860,000</td>
<td>2,360,082 512,961</td>
<td>35%</td>
</tr>
<tr>
<td>Other Expenses</td>
<td>500,000</td>
<td>250,000</td>
<td>457,189 (207,189)</td>
<td>91%</td>
</tr>
<tr>
<td>Operating Departments (see below)</td>
<td>51,370,917 (k)</td>
<td>26,138,901 (l)</td>
<td>21,192,558 (4,946,343)</td>
<td>41%</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>$218,624,917</td>
<td>$96,598,631</td>
<td>$7,612,197 41%</td>
<td></td>
</tr>
</tbody>
</table>

**Net Revenues Before CIP**

<table>
<thead>
<tr>
<th></th>
<th>FY 2018 Adopted Budget</th>
<th>6 Months (50%) Adopted Budget</th>
<th>Variance Actual to FY 2018</th>
<th>[C / A]</th>
</tr>
</thead>
<tbody>
<tr>
<td>CIP Expenses</td>
<td>$31,681,545</td>
<td>$25,420,167</td>
<td>$6,264,478 (21,244,311)</td>
<td>147%</td>
</tr>
<tr>
<td>CIP Expenses by Funding Source</td>
<td>$58,323,000</td>
<td>$29,161,500</td>
<td>$21,256,436 (7,905,064)</td>
<td>36%</td>
</tr>
<tr>
<td>Pay As You Go Fund</td>
<td></td>
<td></td>
<td>$21,256,436 100%</td>
<td></td>
</tr>
</tbody>
</table>

### Operating Departments

<table>
<thead>
<tr>
<th></th>
<th>FY 2018 Adopted Budget</th>
<th>6 Months (50%) Adopted Budget</th>
<th>Variance Actual to FY 2018</th>
<th>[C / A]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative Services</td>
<td>$5,843,546</td>
<td>$3,250,295 (l)</td>
<td>$2,688,287 (562,008)</td>
<td>46%</td>
</tr>
<tr>
<td>Colorado River Program</td>
<td>1,669,583</td>
<td>959,709 (l)</td>
<td>703,786 255,923</td>
<td>42%</td>
</tr>
<tr>
<td>Engineering</td>
<td>3,532,727</td>
<td>1,766,364</td>
<td>1,505,155 281,209</td>
<td>43%</td>
</tr>
<tr>
<td>Finance</td>
<td>2,437,485</td>
<td>1,218,743</td>
<td>1,098,179 120,564</td>
<td>45%</td>
</tr>
<tr>
<td>General Counsel</td>
<td>3,480,151</td>
<td>1,740,076</td>
<td>1,445,134 294,942</td>
<td>42%</td>
</tr>
<tr>
<td>General Manager &amp; Board of Directors</td>
<td>4,877,034</td>
<td>2,439,517</td>
<td>1,989,484</td>
<td>543,033</td>
</tr>
<tr>
<td>MWD Program</td>
<td>2,238,155</td>
<td>1,119,078</td>
<td>1,097,707 21,371</td>
<td>49%</td>
</tr>
<tr>
<td>Operations &amp; Maintenance</td>
<td>19,642,917</td>
<td>9,821,459</td>
<td>9,821,459 2,173,105</td>
<td>39%</td>
</tr>
<tr>
<td>Public Outreach and Conservation</td>
<td>3,882,715</td>
<td>1,941,358</td>
<td>1,564,338</td>
<td>377,320</td>
</tr>
<tr>
<td>Water Resources</td>
<td>3,766,604</td>
<td>1,883,302</td>
<td>1,883,302 336,868</td>
<td>41%</td>
</tr>
<tr>
<td>Total Operating Departments</td>
<td>$51,370,917</td>
<td>$26,138,901</td>
<td>$21,192,558 (4,946,343)</td>
<td>41%</td>
</tr>
</tbody>
</table>
Notes to the Budget Status Report:

a) Period-to-date budgeted amounts are 6/12ths (50%) of Fiscal Year 2018 adopted 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 $559,402 for Fiscal Year 2018 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 2018 contributions of $1,850,000 due July 2017 and $8,314,814 due December 2017; QSA JPA Fiscal Year 2019 contributions of $1,750,000 due July 2018 and $6,914,667 due December 2018.
k) Amounts include capital equipment purchases.
l) Period-to-date budgeted amounts adjusted based on items occurring on a periodic basis.
m) 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 $389,952 for Fiscal Year 2018.
San Diego County Water Authority
Comparison of Adopted Budget and Period-to-Date Adopted Budget (50% Overall) to Actual Operating Expenses by Departments
For the 6 Months Ended December 31, 2017

Actual Operating Expenses to Adopted Budget in Percentages (%)
San Diego County Water Authority  
Schedule of Cash and Investments  
As of December 31, and November 30, 2017

<table>
<thead>
<tr>
<th></th>
<th>December</th>
<th>November</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Fund</td>
<td>$ 95,554,170</td>
<td>$ 89,726,455</td>
<td>$ 83,337,000</td>
</tr>
<tr>
<td>Stored Water Fund</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Equipment Replacement Fund</td>
<td>288,619</td>
<td>393,723</td>
<td></td>
</tr>
<tr>
<td>Rate Stabilization Fund</td>
<td>135,830,600</td>
<td>135,778,159</td>
<td>$ 97,400,000</td>
</tr>
<tr>
<td>Total Unrestricted Funds</td>
<td>-</td>
<td>-</td>
<td>$ 97,400,000</td>
</tr>
<tr>
<td>Pay As You Go Fund</td>
<td>129,591,198</td>
<td>144,172,769</td>
<td></td>
</tr>
<tr>
<td>Debt Service Reserve Funds</td>
<td>22,582,788</td>
<td>22,572,605</td>
<td></td>
</tr>
<tr>
<td>Total Restricted Funds</td>
<td>40% 152,173,986</td>
<td>42% 166,745,374</td>
<td></td>
</tr>
<tr>
<td>Total Cash and Investments</td>
<td>$ 383,847,375</td>
<td>$ 392,643,711</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 139% of the targeted value of $97,400,000 and 97% of the maximum balance of $139,900,000.

(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.)
MARCH 2018
• 07 MWD Delegates meeting at 11:00 a.m.
• 08 No Special Board Meeting
• 22 Committees begin at 9:00 a.m.
  Formal Board meeting begins at 3:00 p.m.

APRIL 2018
• 04 MWD Delegates meeting at 11:00 a.m.
• 12 Special Board Meeting / Workshop – 8:30 a.m. to 3:30 p.m.
• 26 Committees begin at 9:00 a.m.
  Formal Board meeting begins at 3:00 p.m.

MAY 2018
• 02 MWD Delegates meeting at 11:00 a.m.
• 10 No Special Board Meeting
• 24 Committees begin at 9:00 a.m.
  Formal Board meeting begins at 3:00 p.m.
February 14, 2018

Attention: Administrative and Finance Committee

CLOSED SESSION:
Conference with Legal Counsel – Anticipated Litigation
Government Code §54956.9(d)(2)
Significant Exposure – One Case

Purpose
This memorandum is to recommend a closed session, pursuant to Government Code §54956.9(d)(2), to discuss the above-referenced matter at the February 22, 2018 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

FEBRUARY 22, 2018

Tony Heinrichs – Chair
Frank Hilliker – Vice Chair
Marty Miller – Vice Chair
Jack Bebee
Vic BIANES
Brian Boyle
Jerry Butkiewicz
Lois Fong-Sakai

Michael Hogan
Ron Morrison
Ken Olson
Jose Preciado
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. Energy Items:

   1-A San Vicente Energy Storage Task Force Update. (Presentation) 
       Michael Hogan

   1-B Battery System at Twin Oaks Valley Water Treatment Plant. (Presentation) 
       Andrea Altman

III. INFORMATION

1. Advertisement for Bids for Pipeline Structures Rehabilitation project. 
   Andrew Oleksyn
IV. CLOSED SESSION

1. Conference with Legal Counsel – Existing Litigation
   Mark Hattam
   Government Code §54956.9(d)(1)
   Shimmick Construction Co., Inc./Obayashi Corp., joint venture
   v. San Diego County Water Authority, Riverside Superior Court
   Case No. RIC 1609196

V. ADJOURNMENT

Melinda Nelson
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.
February 14, 2018

Attention: Engineering and Operations Committee

Battery System at Twin Oaks Valley Water Treatment Plant (Presentation)

Purpose
This item provides an overview of the battery system recently installed at the Twin Oaks Valley Water Treatment Plant.

Background
Energy is a significant cost in water production, treatment, and delivery. The Water Authority’s Energy Management Policy, adopted by the Board in 2013, provides direction to develop cost-effective energy projects that help control the Water Authority’s operational costs. To help advance this policy, the Water Authority deployed energy storage technology at its Twin Oaks Valley Water Treatment Plant through a public-private partnership with battery storage provider ENGIE, formerly called Green Charge.

Discussion
In May 2016, the Water Authority entered into a no-cost Power Efficiency Agreement with ENGIE to install a 1 megawatt/2 megawatt-hour energy storage system at Twin Oaks. In May 2017, the Water Authority in collaboration with ENGIE applied for and received a one million-dollar incentive from the California Public Utilities Commission to build and deploy this battery system. This incentive reduced the overall capital cost for ENGIE and created additional shared savings for both parties.

In February 2018, four industrial sized batteries were installed and commissioned to help maximize the energy at Twin Oaks. During off-peak hours the batteries will store up to 2 megawatt-hours of energy that can be discharged for use during high-demand periods. This battery system is coupled with advanced control software that will allow the Water Authority to reduce spikes in demand by shifting energy usage from the electric grid to off-peak times.

Per the terms of the Power Efficiency Agreement with ENGIE, they will own, operate, and maintain the system at Twin Oaks for 10 years. At the end of the Agreement, the Water Authority will have three options, purchase the batteries, have ENGIE remove the batteries and return the site to its original condition, or extend the Agreement. The batteries are expected to save the Water Authority an estimated $100,000 dollars annually in energy costs.

A presentation at the February 22, 2018 Engineering and Operations Committee meeting will provide an overview of the battery system recently installed at the Twin Oaks Valley Water Treatment Plant.

Prepared by: Andrea Altmann, Senior Management Analyst
Reviewed by: Jerry Reed, Director of Engineering
Approved by: Sandra L. Kerl, Deputy General Manager

Attachments:
Figure 1 – Vicinity Map
Figure 2 – Site Plan
TWIN OAKS VALLEY WATER TREATMENT PLANT

PROJECT:

TWIN OAKS VALLEY WATER TREATMENT PLANT

FIGURE 1
TWIN OAKS VALLEY
WATER TREATMENT PLANT
FIGURE 2

Battery Installation
February 14, 2018

Attention: Engineering and Operations Committee

Advertisement for Bids for Pipeline Structures Rehabilitation project. (Information)

Background
The Asset Management Program identified pipeline valve and access structures on Pipelines 3, 4, and 5 that require rehabilitation due to advanced corrosion. The corrosion is affecting piping and valves in below grade structures. This project will rehabilitate metal components by applying corrosion inhibiting products to prevent further corrosion and mitigate valve or piping replacement.

Discussion
This project will utilize corrosion inhibiting products to rehabilitate 15 distressed structures on the Second Aqueduct. The project includes surface preparation and product application to existing piping and valves. The objective is to delay the need for component replacement by approximately 20 years. Timely rehabilitation also reduces the risk of premature, unexpected failures that would require emergency aqueduct shutdown to repair. Rehabilitating the valves and piping in-place does not require pipeline shutdowns.

This project is included in the Fiscal Years 2018 and 2019 Capital Improvement Program appropriation. Staff expects to advertise the construction contract for public bid in March 2018. The construction cost estimate is between $250,000 and $300,000. Staff anticipates returning to the Board in May 2018 with a recommendation to award a construction contract. Construction is expected to be complete in Fall 2018.

Prepared by: Andrew Oleksyn, Engineer PE
Reviewed by: Jerry Reed, Director of Engineering
Approved by: Sandra L. Kerl, Deputy General Manager

Attachments:
Figure 1 – Vicinity Map
February 14, 2018

Attention: Engineering and Operations Committee

CLOSED SESSION:
Conference with Legal Counsel – Existing Litigation
Government Code §54956.9(d)(1)
Name of Case: Shimmick Construction Co., Inc./Obayashi Corp., joint venture
v. San Diego County Water Authority, Riverside Superior Court
Case No. RIC 1609196

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 February 22, 2018 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
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.

FEBRUARY 22, 2018
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 January 25, 2018.

6. Opportunity for members of the public who wish to address the Board on matters within the Board’s jurisdiction.

7. PRESENTATIONS & PUBLIC HEARINGS

   7-A Retirement of Director. Adopt Resolution honoring Yen Tu upon her retirement from the Board of Directors.

   7-B Appointment of Director. Appointment of Vic Bianes representing the City of San Diego. Term ending February 24, 2019.

   7-C Appointment of Director. Appointment of Chris Cate representing the City of San Diego. Term ending January 30, 2021.

   7-D Recognition of Mike Lee, Senior Public Affairs Representative, Employee of the 2nd Quarter.

8. REPORTS BY CHAIRS

   8-A Chair’s Report: Chair Muir
8-B  Report by Committee Chairs
Imported Water Committee                  Director Weston
Legislation and Public Outreach Committee  Director Guerin
Water Planning Committee                  Director Cherashore
Administrative and Finance Committee      Director Saxod
Engineering and Operations Committee      Director Heinrichs

9.  CONSENT CALENDAR

9-1.  Authorize the General Manager to continue the lease agreement for the Water Authority’s Los
      Angeles Office.
      Authorize the General Manager to continue the existing lease agreement for Water Authority’s
      Los Angeles Office space for 14 additional months through fiscal year 2019 and increase the
      General Manager’s authority to pay the lease payments by $16,702, for a new amount not to
      exceed $266,159.

      Adopt federal legislative priorities for 2018.

9-3.  Approve enhanced value of water regional communications program and authorize the General
      Manager to enter into a professional services agreement with Southwest Strategies.
      1.   Approve the enhanced value of water regional communications program Brought to
           You by Water;

      2.   Authorize the General Manager to enter into a 12-month professional services
           agreement with Southwest Strategies in an amount not to exceed $244,000 for public
           outreach services to assist in the implementation of the program; and

      3.   Approve the reallocation of $55,000 from the General Manager’s budget contingency
           fund to the Public Outreach and Conservation Department’s FY 2018 and 2019 budget
           to implement the program.

      Note and file monthly Treasurer’s Report.

9-5.  Short-Term General Counsel Contract Extension.
      Extend current General Counsel contract from March 14 through June 30, 2018.

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 – Chair Muir
          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 - 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; CGC-17-563350; and CA Supreme Court Case No. S243500

12-B Conference with Legal Counsel – Existing Litigation
Government Code §54956.9(d)(1)
California Department of Water Resources v. All Persons Interested; Sacramento Superior Court Case No. 34-2017-00215965-CU-MC-GDS

12-C Conference with Legal Counsel – Anticipated Litigation
Government Code §54956.9(d)(2)
Significant Exposure – One Case

12-D Conference with Legal Counsel – Anticipated Litigation
Government Code §54956.9(d)(2)
Significant Exposure – One Case

12-E Conference with Legal Counsel – Existing Litigation
Government Code §54956.9(d)(1)
Shimmick Construction Co., Inc./Obayashi Corp., joint venture
v. San Diego County Water Authority, Riverside Superior Court
Case No. RIC 1609196

13. ACTION FOLLOWING CLOSED SESSION

14. OTHER COMMUNICATIONS

15. ADJOURNMENT

Melinda Nelson
Clerk of the Board

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.
WATER PLANNING COMMITTEE
CALL TO ORDER/ROLL CALL
Chair Cherashore called the Water Planning Committee meeting to order at 9:01 a.m. Committee members present were Chair Cherashore, Vice Chairs Boyle and Evans and Directors Bebee, Hedberg*, Kennedy, Muir*, Smith, and Weston. Committee members absent were Directors Ayala, Barnum, Lewinger, and Preciado. Also present were Directors Arant, Fong-Sakai, Guerin, Hall, Heinrichs, Hilliker, Hogan, Miller, 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 Managers Cushman and Denham, Water Resources Manager Roy, Acting Director of Public Outreach and Conservation Vedder, Principal Water Resources Specialist Bombardier, and Principal Water Resources Specialist Stephenson.

ADDITIONS TO THE 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 Cherashore welcomed everyone in attendance and provided a few brief announcements regarding the IRWM agreement with DWR, Sustainable Landscape incentives and WaterSmart Landscape Efficiency Program. Chair Cherashore also provided a progress report on calendar years 2017 and 2018 Water Planning Committee Work Plan. He highlighted several areas and welcomed anyone with questions to contact either himself, Mr. Yamada, or Ms. Vedder.

DIRECTORS’ COMMENTS
There were no Directors’ comments.

I. CONSENT CALENDAR
There were no Consent Calendar items.

II. ACTION/DISCUSSION/PRESENTATIONS
1. Weather Conditions/Climate Update.

Mr. Bombardier introduced Alex Tardy of the Nation Oceanic and Atmospheric Administration. Mr. Tardy provided a presentation on current weather conditions, assessment of
potential weather events in future months, and information on National Weather Service tools and resources available to decision makers.

* Director Hedberg arrived at 9:11 a.m., and Director Muir arrived at 9:17 a.m.

Mr. Bombardier provided a report on Water Utility Climate Alliance Activities including background, organizational purpose and structure, benefit of alliance, 2017-2021 strategic plan, 2018 workplan projects and budget, key project participation in 2018, and water authority continued engagement.

2. Update on water supply conditions and drought response activities.

Mr. Bombardier provided an update on Water Supply Conditions including Lake Oroville storage volume, status of Lake Oroville spillway repairs, San Luis reservoir storage volume, and upper Colorado River basin overview.


Mr. Stephenson provided an update on the SWRCB Proposed Regulation on Prohibited Water Use including a sample of proposed prohibitions, and permanent prohibitions timeline.

Staff responded to questions and comments posed by Directors. Director Guerin requested legal counsel review the letter sent by San Francisco Public Utilities Commission and provide a future presentation to the Board.

III. INFORMATION

The following information item was received and filed:


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 9:57 a.m.

LEGISLATION AND PUBLIC OUTREACH COMMITTEE

CALL TO ORDER/ROLL CALL

Chair Guerin called the Legislation and Public Outreach Committee to order at 10:05 a.m. Committee members present were Chair Guerin, Vice Chairs Butkiewicz and Hall, and Directors Arant, Croucher, Evans, Gallo, Hilliker, Muir, Scalzitti* and Steiner. Committee members absent were Directors Madaffer, Morrison and Supervisor Roberts. Also present were Directors Bebee, Boyle, Cherashore, Fong-Sakai, Hedberg, Heinrichs, Hogan, Kennedy, Miller,
Formal Board
Agenda Item Number 5
February 22, 2018
(January 25, 2018 minutes)

Murtland, Olson, Preciado, Saxod, Simpson, Smith, 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, Assistant General Managers Cushman and Denham, Acting Director of Public Outreach and Conservation Vedder, and Government Relations Manager Farrel. Also present was legislative representative Ken Carpi.

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 reported that on December 12, the Water Authority hosted a successful Legislative Roundtable event featuring Assemblymember Todd Gloria. During the roundtable he shared his perspectives on key legislative and regional issues.

Chair Guerin provided a progress report on the calendar years 2017 and 2018 Legislation and Public Outreach Committee Work Plan. She highlighted several of the committee’s accomplishments and stated anyone with questions should contact herself, Mr. Farrel or Ms. Vedder.

DIRECTORS’ COMMENTS
There were no Directors’ comments.

I. CONSENT CALENDAR
There were no Consent Calendar items.

II. ACTION/DISCUSSION/PRESENTATION
1. Legislative issues.

Mr. Carpi provided a Washington report which included updates related to ongoing federal budget challenges in Congress, and the potential implications of government shut-down actions. Additionally, he provided updates on federal infrastructure initiative proposals, and Waters of the U.S. regulatory and legal activities.
1-B Sacramento Report.

1. Water Use Efficiency.

Mr. Farrel provided a Sacramento report which included upcoming deadlines and an update on long-term water use efficiency legislation.

* Director Scalzitti arrived at 10:18 a.m.

2. Federal Legislative Priorities.

Mr. Farrel provided an overview of the Water Authority’s federal legislative action plan which included proposed federal legislative priorities and actions to implement the Board’s policy direction.


Director Evans reported the first meeting of the year was held January 12, 2018 and stated she was voted as Chair, and Director Verbeke as Vice Chair. She stated that the five-year operating agreement approved at the December 7, 2017 Board Meeting was signed by the Garden’s Executive Board.

She also reported that the Governance Committee would review the JPA agreement and work on modifications to ensure compliance with the new operation agreement. She stated the next Garden Board meeting would be in April and there was a presentation by Dr. Cindy Miles of Cuyamaca College scheduled covering the history of the Garden.

III. INFORMATION

The following information item was received and filed:

1. Government Relations Update.

IV. CLOSED SESSION

There were no Closed Session items.

V. ADJOURNMENT

There being no further business to come before the Legislation and Public Outreach Committee, Chair Guerin adjourned the meeting at 10:53 a.m.

ADMINISTRATIVE AND FINANCE COMMITTEE

CALL TO ORDER / ROLL CALL

Chair Saxod called the Administrative and Finance Committee meeting to order at 11:00 a.m. Committee members present were Chair Saxod, Vice Chairs Arant and Wilson, and Directors Cherashore, Croucher, Gallo, Guerin, Hall, Hedberg, Heinrichs, Murtland, Simpson, and Watkins. The Committee member absent was Director Ayala. Also present were Directors Bebee, Butkiewicz, Evans, Fong-Sakai, Hilliker, Hogan, Kennedy, Miller, Muir, Olson,
Preciado, Smith, Steiner, 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, Assistant General Managers Cushman and Denham, Director of Finance/Treasurer Harris, Director of Administrative Services Foster, Budget and Analysis Manager Whyte, and Controller Woidzik. Also present was Lisa Quateman, Bond Counsel of Polsinelli.

**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 Saxod provided a progress report on the calendar years 2017 and 2018 Administrative and Finance Committee Work Plan. She highlighted several accomplishments and asked if directors had additional comments related to the report.

Vice Chair Arant commended the Water Authority for its financial management and outreach to member agencies.

**DIRECTORS’ COMMENTS**

There were no Directors’ comments.

**I. CONSENT CALENDAR**

   Staff recommendation: Note and file the monthly Treasurer’s report.

   Director Murtland moved, Director Heinrichs seconded, and the motion to approve staffs’ recommendation passed unanimously.

**II. ACTION/DISCUSSION/PRESENTATION**

1. Update of the Water Authority’s Statement of Debt Management Policy.  
   Staff recommendations: Adopt the updated Statement of Debt Management and Disclosure Policy.

   Ms. Harris provided a presentation which included a review of core elements and key issues addressed in the policy, recent developments, and recommended changes to the policy.
Vice Chair Arant moved, Director Croucher seconded, and the motion to approve staffs’ recommendation passed unanimously.

III. INFORMATION
The following items were received and filed:
2. Board Calendar.

IV. CLOSED SESSION
1. Conference with Legal Counsel – Existing Litigation
   Government Code §54956.9(d)(1)
   San Diegans for Open Government v. SDCWA;
   San Diego Superior Court Case No. 37-2017-00021082-CU-MC-CTL

2. Conference with Legal Counsel – Anticipated Legislation
   Government Code §54956.9(d)(2)
   Significant Exposure – One Case

Mr. Hattam took the committee into Closed Session at 11:15 a.m.

Mr. Hattam brought the committee out of Closed Session at 12:05 p.m. and announced the following reportable action. Mr. Hattam reported that the committee had recommended the Board approve direction to engage counsel and initiate an action, and the action, the defendants and other particulars, shall, once formally commenced, be disclosed to any person upon inquiry unless to do so would jeopardize the agency’s ability to effectuate service of process on one or more unserved parties, or that to do so would jeopardize its ability to conclude existing settlement negotiations to its advantage.

V. ADJOURNMENT
There being no further business to come before the Administrative and Finance Committee, Chair Saxod adjourned the meeting at 12:06 p.m.

ENGINEERING AND OPERATIONS COMMITTEE
CALL TO ORDER / ROLL CALL
Chair Heinrichs called the Engineering and Operations Committee meeting to order at 1:04 p.m. Committee members present were Chair Heinrichs, Vice Chairs Hilliker and Miller, and Directors Bebee, Boyle, Butkiewicz, Fong-Sakai, Hogan, Morrison, Olson, Preciado, Simpson, Smith, and Watkins. Also present were Directors Arant, Barnum, Cherashore, Croucher, Evans, Gallo, Guerin, Hall, Hedberg, Kennedy, Madaffer, Muir, Murtland, Saxod, Scalzitti, Steiner, Weston, 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 Managers Cushman and Denham, Director of Operations and Maintenance Fisher, Director of Engineering Reed, Senior Engineering Manager Bousquet, Principal Engineers Griffis and Kuzmich, and Senior Engineer Conner.

**ADDITIONS TO AGENDA**
There were no additions to the agenda.

**PUBLIC COMMENT**
There were no members of the public who wished to speak.

**IV. CLOSED SESSION**
At that time, the agenda was taken out of order and Mr. Hattam took the committee into Closed Session at 1:05 p.m.

1. Conference with Legal Counsel – Existing Litigation
   Government Code §54956.9(d)(1)
   Shimmick Construction Co., Inc./Obayashi Corp., joint venture v. San Diego County Water Authority, Riverside Superior Court Case No. RIC 1609196

   Mr. Hattam brought the committee out of Closed Session at 1:52 p.m. and stated there was no reportable action.

**DIRECTORS’ COMMENTS**
There were no Directors’ comments.

**CHAIR’S REPORT**
Chair Heinrichs provided a progress report on the calendar years 2017 and 2018 Engineering and Operations Committee Work Plan. He highlighted several projects and stated anyone with questions should contact himself, Mr. Reed, or Mr. Fisher.

   Chair Heinrichs asked Mr. Reed to provide a brief update on the Pipeline 3 Relining Lake Murray to Sweetwater project which was one of the projects highlighted in the Work Plan. Mr. Reed presented a video of a Channel 8 interview conducted at the project site in La Mesa.

**I. CONSENT CALENDAR**
There were no Consent Calendar items.
II. ACTION/DISCUSSION/PRESENTATION

1. Energy Items.
   1-A San Vicente Energy Storage Task Force Update.
   1-B Amendment to the professional services contract with Black & Veatch Corporation for Owners’ Representative Services for San Vicente Energy Storage Facility.

   Staff recommendation: Authorize the General Manager to execute Amendment 2 to the professional services contract with Black & Veatch Corporation for a period of five months, in the amount of $600,000, increasing the authorized cumulative contract amount from $150,000 to $750,000.

Director Smith recused himself from the item and left the meeting at 2:00 p.m.

Director Hogan, San Vicente Energy Storage Task Force Chair, gave an update from the Task Force regarding negotiations status with Tenaska-Diamond for the Full-Service Team. Ms. Kerl announced the Energy Program had moved to the Engineering Department and Mr. Bousquet would lead the program. She turned it over to Mr. Bousquet to continue the presentation regarding the amendment to the professional services contract for Owner’s Representative Services. Mr. Bousquet presented an energy storage facility overview including the guiding principal for negotiations, project components, budget status, recommended actions, and future Board presentations and actions.

Director Preciado moved, Director Watkins seconded, and the motion to approve staffs’ recommendation passed unanimously. Director Olson abstained.

III. INFORMATION

1. Advertisement for Bids for Moosa Canyon Erosion Control project.

V. ADJOURNMENT

There being no further business to come before the Engineering and Operations Committee, Chair Heinrichs adjourned the meeting at 2:15 p.m.

IMPORTED WATER COMMITTEE
CALL TO ORDER / ROLL CALL

Chair Weston called the Imported Water Committee meeting to order at 2:15 p.m. Committee members present were Chair Weston, Vice Chairs Fong-Sakai and Kennedy, Directors Barnum, Hogan, Madaffer, Miller, Murtland, Olson, Saxod, Scalzitti, Steiner, and Wilson. Committee members absent were Director Lewinger and Supervisor Roberts. Also present were Directors Arant, Bebee, Boyle, Butkiewicz, Cherashore, Croucher, Evans, Gallo, Guerin, Hall, Hedberg, Heinrichs, Hilliker, Muir, Preciado, Simpson, Smith, 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 Managers Cushman and Denham, MWD Program Director Chen, Colorado River Program Director Rodgers, and Senior Water Resources Specialist Mathews.

**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 Weston briefed the Board on the California WaterFix project. He announced the Department of Water Resources had named Karla Nemeth as the new Director.

Chair Weston provided a progress report on the calendar years 2017 and 2018 Imported Water Committee Work Plan. He highlighted several projects and stated any Directors with questions should contact himself, Ms. Chen for the MWD Program, or Ms. Rodgers for the Colorado River Program.

**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 reported on discussion and actions taken at recent MWD board meetings.

2. Colorado River Program.
   2-A Colorado River Board Representative’s report.

   Director Wilson briefed the Board on binational and administration items discussed at the Colorado River Board meetings held December 13, 2017 and January 10, 2018.

3. Water Transfer implementation update.

   Ms. Mathews provided an update on Imperial Irrigation District’s efforts to meet the conservation obligation for the Water Authority/IID water transfer. She supplied background information and explained the conservation efforts of fallowing, and efficiency-based. She
reviewed water transfer pricing, environmental mitigation, Salton Sea stipulated order and what would be ahead.

III. INFORMATION
The following information item was received and filed:
1. Metropolitan Water District Program Report.

V. CLOSED SESSION
Mr. Hattam took the committee into Closed Session at 2:50 p.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; A148266;
CGC-17-563350; and CA Supreme Court Case No. S243500

2. Conference with Legal Counsel – Existing Litigation
Government Code §54956.9(d)(1)
California Department of Water Resources v. All Persons Interested; Sacramento Superior Court Case No. 34-2017-00215965-CU-MC-GDS

Mr. Hattam brought the committee out of Closed Session at 3:24 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 3:25 p.m.

FORMAL BOARD OF DIRECTORS’ MEETING OF JANUARY 25, 2018
1. CALL TO ORDER Chair Muir called the Formal Board of Directors’ meeting to order at 3:30 p.m.

2. SALUTE TO THE FLAG Director Olson led the salute to the flag.

3. ROLL CALL, DETERMINATION OF QUORUM Secretary Croucher called the roll. Directors present were Arant, Barnum, Bebee, Butkiewicz, Boyle*, Cherashore, Croucher, Evans, Fong-Sakai, Gallo, Guerin, Hall, Hedberg, Heinrichs, Hilliker, Hogan, Kennedy, Madaffer, Miller, Muir, Murtland, Olson, Peciado, Saxod, Scalzitti, Smith, Steiner, Watkins, Weston, Wilson and Supervisor Roberts. Directors absent were Ayala, Lewinger (p), Morrison, and Simpson.

3-A Report on proxies received. Director Hall was the proxy for Director Lewinger.
4. **ADDITIONS TO AGENDA**
There were no additions to the agenda.

5. **APPROVAL OF MINUTES**
Director Kennedy moved, Director Barnum seconded, and the motion carried at 99.15% of the vote to approve the minutes of the Formal Board of Directors’ Meeting of December 7, 2017.

6. **OPPORTUNITY FOR MEMBERS OF THE PUBLIC WHO WISH TO ADDRESS THE BOARD ON MATTERS WITHIN THE BOARD’S JURISDICTION**
Mr. Mazzetti of the San Luis Rey Water Authority addressed the Board with his concerns regarding the 2003 Conveyance Agreement.

7. **PRESENTATIONS & PUBLIC HEARINGS**
7-A *Retirement of Director.* Adopt Resolution honoring Yen Tu upon her retirement from the Board of Directors.

Chair Muir announced that the Resolution honoring Yen Tu was postponed to the February 22, 2018 Formal Board Meeting.

7-B *Retirement of Director.* Adopt Resolution honoring Brian Brady upon his retirement from the Board of Directors.

Director Croucher moved, Director Kennedy seconded, and the motion carried at 99.15% of the vote to approve Resolution 2018-01 honoring Brian Brady upon his retirement from the Board of Directors.

7-C *Appointment of Director.* Appointment of Jack Bebee representing the Fallbrook Public Utility District. Term ending July 14, 2022.

7-D *Appointment of County Representative:* Ron Roberts, County Representative to the Board of Directors.

Chair Muir introduced and welcomed Director Bebee and Supervisor Roberts to the San Diego County Water Authority Board of Directors.

* Director Boyle left the meeting at 3:40 p.m., prior to the Consent Calendar vote.

8. **REPORTS BY CHAIRS**
8-A *Chairs report:* Chair Muir stated that applications were being accepted for the Spring 2018 Citizens Water Academy which would begin March 1, 2018. He encouraged Board Members to submit nominations for community leaders who may be interested and stated nominations were due February 5, 2018, to the Public Outreach and Conservation department.
Chair Muir announced that on behalf of the Board Officers he hosted and attended two employee appreciation events at the Escondido Operations Center and Kearny Mesa Headquarters in January.

8-B Report by Committee Chairs:
Water Planning Committee. Director Cherashore reviewed the meeting and stated that no action was taken.
Legislation and Public Outreach Committee. Director Guerin reviewed the meeting and stated that no action was taken.
Administrative and Finance Committee. Director Saxod reviewed the meeting and the action taken.
Engineering and Operations Committee. Director Heinrichs reviewed the meeting and the action taken.
Imported Water Committee. Director Weston reviewed the meeting and stated that no action was taken.

9. CONSENT CALENDAR
Director Evans moved, Director Heinrichs seconded, and the motion carried at 91.17% of the vote to approve the Consent Calendar. Directors voting no or abstaining are listed under the item.

The Board noted and filed monthly Treasurer’s Report.

The Board adopted the Debt Management and Disclosure Policy as amended.

9-3. Anticipated Litigation.
The Board approved direction to engage counsel and initiate an action, and the action, the defendants, and the other particulars shall, once formally commenced, be disclosed to any person upon inquiry, unless to do so would jeopardize the agency's ability to effectuate service of process on one or more unserved parties, or that to do so would jeopardize its ability to conclude existing settlement negotiations to its advantage.

9-4. Amendment to the Professional Services Contract with Black & Veatch Corporation for Owners’ Representative Services for San Vicente Energy Storage Facility.
The Board authorized the General Manager to execute Amendment 2 to the professional services contract with Black & Veatch Corporation for a period of five months, in the amount of $600,000, increasing the authorized cumulative contract amount from $150,000 to $750,000.

Director Smith Abstained on 9-4.
10. **ACTION/DISCUSSION**

11. **SPECIAL REPORTS**

11-A GENERAL MANAGER’S REPORT – Ms. Stapleton stated she had nothing further to report.

11-B GENERAL COUNSEL’S REPORT – Mr. Hattam stated he had nothing further to report.

11-C SANDAG REPORT – Chair Muir reported on the recent SANDAG Board Meeting and stated the focus was selection of a new General Manager. SANDAG Subcommittees:
- Borders Committee – Director Croucher announced the meeting was scheduled for January 26, 2018 and would feature presentations by Director Saxod and Mr. Denham on Minute 323.
- Regional Planning Committee – Director Olson reported on the January 5, 2018 Regional Planning Committee 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)
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)(2)
Significant Exposure – One Case

12-C Conference with Legal Counsel – Existing Litigation
Government Code §54956.9(d)(1)
Shimmick Construction Co., Inc./Obayashi Corp., joint venture v. San Diego County Water Authority, Riverside Superior Court Case No. RIC 1609196

12-D 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; CGC-17-563350; and CA Supreme Court Case No. S243500
12-E  Conference with Legal Counsel – Existing Litigation
Government Code §54956.9(d)(1)
California Department of Water Resources v. All Persons Interested;
Sacramento Superior Court Case No. 34-2017-00215965-CU-MC-GDS

13. **ACTION FOLLOWING CLOSED SESSION**

14. **OTHER COMMUNICATIONS**

15. **ADJOURNMENT**

There being no further business to come before the Board, Chair Muir adjourned the meeting at 3:47 p.m.

_______________________________  _______________________________
Mark Muir, Chair               Gary Croucher, Secretary

_______________________________
Melinda Nelson, Clerk of the Board
RESOLUTION NO. 2018-_______

RESOLUTION OF THE BOARD OF DIRECTORS OF THE
SAN DIEGO COUNTY WATER AUTHORITY
HONORING YEN TU
UPON HER RETIREMENT FROM THE BOARD OF DIRECTORS

WHEREAS, Yen Tu served as a member of the Board of Directors of the San Diego
County Water Authority, representing the City of San Diego from December 4, 2001 to her
retirement on December 11, 2017; and

WHEREAS, she served as a delegate on the Metropolitan Water District Board,
Representative and Alternate on the Conservation Action Committee, and Representative and
Alternate on the Water Conservation Garden JPA; and

WHEREAS, she served as Vice Chair on the Administrative and Finance Committee,
Chair and Vice Chair on the Administrative and Legal Committee, Vice Chair on the Imported
Water Committee, Chair and Vice Chair on the Legislation Conservation and Outreach
Committee, and Chair and Vice Chair on the Water Planning Committee; and

WHEREAS, she served as a member on the Administrative and Legal Committee,
Engineering and Operations Committee, Executive Committee, Imported Water Committee,
Legislation Conservation and Outreach Committee, Public Affairs Committee, and Water
Planning Committee; and

WHEREAS, she served as Chair, Vice Chair and member on the Small Contractor
Outreach and Opportunities Program, Chair on the Admin Code Recodification Subcommittee,
and as a member on the Ad Hoc Committee on Committees, Energy Ad Hoc Committee, and
Strategic Plan Ad Hoc Committee; and

WHEREAS, her contributions to the community extend beyond the activities with the
San Diego County Water Authority; and
WHEREAS, her service, both public and private, has resulted in a benefit to all people of San Diego County.

NOW, THEREFORE, BE IT RESOLVED, that on behalf of its individual members, past and present, its staff, and the people of San Diego County, the Board of Directors offers its most sincere appreciation to Yen Tu for her dedicated service to the San Diego region.

PASSED, APPROVED, and ADOPTED this 22nd day of February 2018.

Ayes:

Noes:

Abstain:

Absent:

__________________
Mark Muir,
Chair

ATTEST:

__________________
Gary Croucher,
Secretary

I, Melinda Nelson, Clerk of the Board of the San Diego County Water Authority, certify that the vote shown above is correct and this Resolution No. 2018- _____ was duly adopted at the meeting of the Board of Directors on the date stated above.

__________________
Melinda Nelson
Clerk of the Board
DATE:     February 14, 2018

TO:        Board of Directors

FROM:      Mark J. Hattam, General Counsel

RE:        Credentials of Vic Bianes
            The City of San Diego

Transmitted herewith is notification submitted by The City of San Diego appointing
Vic Bianes to the Water Authority’s Board of Directors. Mr. Bianes replaces Halla Razak. His
term will expire on February 24, 2019.

The credentials furnished are sufficient for the qualifications of Mr. Bianes as a
member of the Water Authority Board.

Mark J. Hattam
General Counsel

mkn

Attachment
DATE ISSUED: 1/2/2018

TO: City Council

FROM: Office Of The Mayor

SUBJECT: Appointment to the County Water Authority

Primary Contact: John Ly Phone: (619) 236-6330

Council District(s): Citywide

OVERVIEW:
Appoint Mr. Vic Bianes to the County Water Authority, replacing Ms. Halla Razak, for term expiring 2/24/19.

PROPOSED ACTIONS:
Adopt resolution confirming the Mayor's appointment to the County Water Authority.

DISCUSSION OF ITEM:
Council confirmation of the following appointment by the Mayor to serve as a member of the County Water Authority, for the term expiring as indicated:

<table>
<thead>
<tr>
<th>NAME</th>
<th>TERM ENDING</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vic Bianes</td>
<td>February 24, 2019</td>
</tr>
<tr>
<td>(Bonita)</td>
<td>(Filling the vacancy in the seat previously held by Halla Razak)</td>
</tr>
</tbody>
</table>

Declaring that pursuant to Council Policy 000-13, for purposes of deliberation and consideration of appointment, it is determined that Vic Bianes is a resident of San Diego County, but not the City of San Diego, and have unique qualifications to serve as a member of the Board.

City Strategic Plan Goal(s)/Objective(s): N/A
Fiscal Considerations: N/A
Environmental Impact: This activity is not a project as defined by the California Environmental Quality Act Section 21065 and State CEQA Guidelines Section 15378(b) (5), as it is an organizational or administrative activity of government that will not result in direct or indirect physical changes in the environment. The determination that this activity is not subject to CEQA, pursuant to Section 15060(c) (3), is not appealable and a Notice of Right to Appeal the Environmental determination (NORA) is not required.

Equal Opportunity Contracting Information (if applicable): N/A
Previous Council and/or Committee Actions: N/A
Key Stakeholders and Community Outreach Efforts: N/A
Francis Barraza
Chief of Staff/Department Director
DATE: January 2, 2018

TO: Honorable Myrtle Cole, Council President
    Honorable Councilmembers

FROM: Mayor Kevin L. Faulconer

SUBJECT: Appointment to the San Diego County Water Authority

It is my pleasure to appoint Mr. Vic Bianes to the San Diego County Water Authority.

Mr. Bianes is the Director of the Public Utilities Department. He is a registered Civil Engineer who brings more than 30 years of water and wastewater experience. Mr. Bianes has a Bachelor of Science degree in civil engineering from San Diego State University, and a Masters of Business Administration from the University of Redlands.

I am confident he will bring invaluable experience and expertise to the San Diego County Water Authority and I would like to thank him for his willingness to serve in this capacity.

KLF:jl

cc: Honorable Mara Elliott, City Attorney
    Liz Maland, City Clerk
    Andrea Tevlin, Independent Budget Analyst
RESOLUTION NUMBER R-________________

DATE OF FINAL PASSAGE ________________

A RESOLUTION OF THE COUNCIL OF THE CITY
OF SAN DIEGO CONFIRMING AN APPOINTMENT TO THE
SAN DIEGO COUNTY WATER AUTHORITY BOARD OF
DIRECTORS

WHEREAS, the San Diego County Water Authority Board of Directors (Board) is the
governing body responsible for the oversight and allocation of the region’s imported water
supply; and

WHEREAS, the Board also advises on the diversification of the region’s water supply
portfolio, optimization of facilities, and development of local resources to ensure a safe and
reliable water supply to its twenty-four member agencies; and

WHEREAS, the Board is composed of ten members (Directors) representing the City, all
of whom are appointed by the Mayor and confirmed by the Council; and

WHEREAS, each Director is appointed to a six-year term and serves until a successor is
appointed and qualified; and

WHEREAS, the Mayor now seeks Council confirmation of the appointment of a
Director; NOW, THEREFORE,

BE IT RESOLVED, by the Council of the City of San Diego, that the following
appointment by the Mayor of the City of San Diego, to serve as a Director on the
San Diego County Water Authority Board of Directors, for the term ending as indicated, is made
and hereby confirmed:
BE IT FURTHER RESOLVED, that pursuant to Council Policy 000-13, for purposes of deliberation and consideration of this appointment, it is determined that Vic Bianes is a resident of San Diego County, but not the City of San Diego, and has unique qualifications to serve as a member of the Board.

APPROVED: MARA W. ELLIOTT, City Attorney

By

Sharon B. Spivak
Deputy City Attorney

SBS: jdf
01/04/18
Or.Dept: Mayor
Doc. No.: 1660047

I hereby certify that the foregoing Resolution was passed by the Council of the City of San Diego, at this meeting of ________________________

ELIZABETH S. MALAND
City Clerk

By ________________________
Deputy City Clerk

Approved: ________________________
(date) KEVIN L. FAULCONER, Mayor

Vetoed: ________________________
(date) KEVIN L. FAULCONER, Mayor

-PAGE 2 OF 2-
DATE: February 14, 2018

TO: Board of Directors

FROM: Mark J. Hattam, General Counsel

RE: Credentials of Chris Cate
   The City of San Diego

Transmitted herewith is notification submitted by The City of San Diego appointing Chris Cate to the Water Authority’s Board of Directors. Mr. Cate replaces Yen Tu. His term will expire on January 30, 2021.

The credentials furnished are sufficient for the qualifications of Mr. Cate as a member of the Water Authority Board.

Mark J. Hattam
General Counsel

mkn

Attachment
DATE ISSUED: 1/23/2018
TO: City Council
FROM: Office Of The Mayor
SUBJECT: Appointment to the County Water Authority

Primary Contact: John Ly Phone: (619) 236-6330

Council District(s): 6

OVERVIEW:
Appoint Councilmember Cate to the County Water Authority, replacing Ms. Yen Tu, for a term expiring 1/30/21.

PROPOSED ACTIONS:
Adopt resolution confirming the Mayor’s appointment to the County Water Authority.

DISCUSSION OF ITEM:
Council confirmation of the following appointment by the Mayor to serve as a member of the County Water Authority, for a term expiring as indicated:

<table>
<thead>
<tr>
<th>NAME</th>
<th>TERM ENDING</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chris Cate</td>
<td>January 30, 2021</td>
</tr>
<tr>
<td>(Mira Mesa)</td>
<td></td>
</tr>
<tr>
<td>(Filling the seat vacated by Yen Tu)</td>
<td></td>
</tr>
</tbody>
</table>

City Strategic Plan Goal(s)/Objective(s):
N/A
Fiscal Considerations:
N/A
Environmental Impact:
This activity is not a project as defined by the California Environmental Quality Act Section 21065 and State CEQA Guidelines Section 15378(b) (5), as it is an organizational or administrative activity of government that will not result in direct or indirect physical changes in the environment. The determination that this activity is not subject to CEQA, pursuant to Section 15060(c) (3), is not appealable and a Notice of Right to Appeal the Environmental determination (NORA) is not required.

Equal Opportunity Contracting Information (if applicable):
N/A
Previous Council and/or Committee Actions:
N/A
Key Stakeholders and Community Outreach Efforts:
N/A
Francis Barraza

Chief of Staff/Department Director
RESOLUTION NUMBER R-_________________

DATE OF FINAL PASSAGE ____________________

A RESOLUTION OF THE COUNCIL OF THE CITY
OF SAN DIEGO CONFIRMING AN APPOINTMENT TO THE
SAN DIEGO COUNTY WATER AUTHORITY BOARD OF
DIRECTORS

WHEREAS, the San Diego County Water Authority Board of Directors (Board) is the
governing body responsible for the oversight and allocation of the region's imported water
supply; and

WHEREAS, the Board also advises on the diversification of the region's water supply
portfolio, optimization of facilities, and development of local resources to ensure a safe and
reliable water supply to its twenty-four member agencies; and

WHEREAS, the Board consists of at least one representative from each public agency,
the area of which is within the authority, and representatives shall be designated and appointed
by the chief executive officers of those public agencies, and with the consent and approval of the
legislative bodies of the public agencies; and

WHEREAS, the Board includes ten members (Directors) representing the City of
San Diego, all of whom are appointed by the Mayor and confirmed by the Council; and

WHEREAS, each Director is appointed to a six-year term and serves until a successor is
appointed and qualified; and

WHEREAS, the California Water Code, App. Section 45-6 (the governing state law),
provides that any member of the governing body of a member agency may be appointed by that
member agency to the board of the authority to serve as the agency's representative; and

WHEREAS, the governing state law also provides that a majority of the members of the
governing body of an agency may not be appointed by the agency to serve as representatives on

-PAGE 1 OF 3-
the board of the authority, and, for a member agency that is not a water district, only one of the representatives of that agency may be a member of the governing body of the agency; and

WHEREAS, the governing state law further provides that any director holding dual offices shall not vote upon any contract between a county water authority and the member public agency he or she represents on the authority's board; and

WHEREAS, the Mayor may make, and the Council may confirm, the appointment of a Councilmember to the board even though the term of the board appointment may exceed the Councilmember's term in office; and

WHEREAS, the Mayor now seeks Council confirmation of the appointment of Councilmember Chris Cate to serve as a Director representing the City of San Diego on the board, filling the vacancy in the seat previously held by Yen Tu, for a term expiring January 30, 2021; NOW, THEREFORE,

BE IT RESOLVED, by the Council of the City of San Diego, that the following appointment by the Mayor of the City of San Diego, to serve as a City of San Diego representative on the San Diego County Water Authority Board of Directors, for the term ending as indicated, is made and hereby confirmed:

<table>
<thead>
<tr>
<th>NAME</th>
<th>TERM ENDING</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chris Cate</td>
<td>January 30, 2021</td>
</tr>
<tr>
<td>(Mira Mesa, District 6)</td>
<td></td>
</tr>
<tr>
<td>(Filling the seat previously held by Yen Tu)</td>
<td></td>
</tr>
</tbody>
</table>

APPROVED: MARA W. ELLIOTT, City Attorney

By

Sharon B. Spivak
Deputy City Attorney
I hereby certify that the foregoing Resolution was passed by the Council of the City of San Diego, at this meeting of ____________________.

ELIZABETH S. MALAND
City Clerk

By _________________________________
Deputy City Clerk

Approved: __________________________  
(date)  KEVIN L. FAULCONER, Mayor

Vetoed: _____________________________  
(date)  KEVIN L. FAULCONER, Mayor

-R-2018-295-

-PAGE 3 OF 3-
February 14, 2018

Attention: Board of Directors

General Counsel’s Report – January/February 2018

Purpose
This report discusses certain meaningful legal matters receiving attention during the months of January/February 2018.

Significant Developments in Pending Litigation

MWD Rate Cases

2010/2012 Rate Cases: As previously reported, the Court of Appeal decision is now final. A remittitur issued on October 24, 2017, so these cases will be renewed in the trial court.

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.

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 2016 case is also currently stayed.

2017 Rate Case: The case was filed in Los Angeles Superior Court on June 9, 2017, following MWD’s April 2017 approval of Readiness-to-Serve and Capacity Charges to be charged in 2018, and amended on July 18, 2017, after the MWD Board approved an amended RTS Charge for 2018. The nine MWD member agencies that have participated in the rate litigation each filed an answer. By stipulation, MWD’s answer was not due until after the case was transferred. All parties stipulated to transfer the case to San Francisco Superior Court, and the case was transferred on October 27, 2017. MWD has indicated that it will move to stay the 2017 case until completion of proceedings in the 2010/2012 case. On January 2, 2018, we received notice that the San Francisco Superior Court had received the case file for the 2017 case from Los Angeles, and we expect that the San Francisco court will enter a scheduling or case assignment order.

Public Records Act Case: The action to obtain a copy of the "financial planning" rate model used by MWD in 2016 to allocate its costs and set its rates for calendar years 2017 and 2018 has been fully briefed. It was scheduled to be heard on January 30, 2018, in San Francisco Superior
Court, but Judge Kahn transferred the case to Judge Mary Wiss, who is the judge assigned to the 2016 rate case. The hearing has been rescheduled to March 5.

**Shimmick/Obayashi Joint Venture v. San Diego County Water Authority**

This large CIP construction case went to trial in September and the jury issued a verdict on most claims in December, 2017. There is a mediation set for March 5. If the parties do not reach a settlement, the case will proceed on all remaining issues.

**San Diegans for Open Government v. San Diego County Water Authority**

This case was to have had our Demurrer heard in September, but Plaintiff’s counsel Corey Briggs had some form of medical emergency and the hearing was re-set for November 3. Plaintiff then made modifications to the Complaint, and we filed another demurrer, which was heard on January 19, 2018. Though the tentative ruling was in our favor, Mr. Briggs told the Court that the Water Authority’s MWD delegates were negotiating and signing contracts for the Water Authority, and the Court thus allowed limited discovery on such issues. The discovery process is now underway.

**Department of Water Resources v. All Persons Interested**

The Water Authority filed its Answer, which made clear we had specific issues that might or might not be at issue in the case. MWD demurred to our Answer, and also moved to strike portions of it, and we filed opposition briefs. The hearing took place on January 23, 2018. The MWD pleading challenges were all overruled. The case is now proceeding.

**Requests Pursuant to the Public Records Act Request**

<table>
<thead>
<tr>
<th>Requestor</th>
<th>Documents Requested</th>
</tr>
</thead>
<tbody>
<tr>
<td>WestWater Research</td>
<td>Carlsbad desalination unit price and volumes delivered</td>
</tr>
<tr>
<td>West Coast Inspection Services</td>
<td>Proposals submitted for Pipeline 3 Relining Project</td>
</tr>
<tr>
<td>H2bid</td>
<td>SDCWA’s vendors and bidders</td>
</tr>
</tbody>
</table>

Prepared by: Mark J. Hattam, General Counsel

Attachment: Special Counsel Expenditure Report
## On-going Litigation

<table>
<thead>
<tr>
<th>Special Counsel</th>
<th>Project</th>
<th>Total $ Expended for Jan/Feb-18 (Fees &amp; Costs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colantuono Highsmith &amp; Whatley</td>
<td>Metropolitan Rates</td>
<td>Privileged</td>
</tr>
<tr>
<td>Keeler Van Nest &amp; Peters</td>
<td>Metropolitan Rates</td>
<td>Privileged</td>
</tr>
<tr>
<td>Procopio Cory Hargreaves &amp; Savitch</td>
<td>Brown Act Case</td>
<td>Privileged</td>
</tr>
<tr>
<td></td>
<td>DWR Validation Matter</td>
<td>Privileged</td>
</tr>
<tr>
<td></td>
<td>San Vicente Dam Raise Project</td>
<td>Privileged</td>
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</table>

## Non-Litigation

<table>
<thead>
<tr>
<th>Special Counsel</th>
<th>Project</th>
<th>Total $ Expended for Jan/Feb-18 (Fees &amp; Costs)</th>
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</thead>
<tbody>
<tr>
<td>Allen Matkins</td>
<td>San Vicente Pumped Storage Project</td>
<td>$27,848.15 (CIP)</td>
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<tr>
<td>Orrick Herrington &amp; Sutcliffe</td>
<td>Bond Counsel Services</td>
<td>$1,131.40 (OP)</td>
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<td>Procopio Cory Hargreaves &amp; Savitch</td>
<td>General Legal Services</td>
<td>$36.50 (OP)</td>
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<tr>
<td>Reilly, Debra L.</td>
<td>Labor Issues</td>
<td>$9,593.00 (OP)</td>
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<tr>
<td>Van Ness Feldman</td>
<td>San Vicente Water Storage Facility</td>
<td>$202.50 (CIP)</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.