Proposed Staff Recommendation Consent Calendar for February 22, 2018

IMPORTED WATER COMMITTEE
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.

LEGISLATION AND PUBLIC OUTREACH COMMITTEE
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.

ADMINISTRATION AND FINANCE COMMITTEE
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.
Attention: Imported Water Committee

Metropolitan Water District Delegates’ Report (Discussion)

Background
This report summarizes key discussions held and actions taken at the Metropolitan Water District (MWD) committee and Board meetings, as reported by the Water Authority Delegates. This report includes MWD Board activities for February 2018. The MWD committees and Board met on February 12 and 13, 2018, and meet next on March 12 and 13.

Discussion
The key action at the February MWD Board and committee meetings was: setting MWD’s March 2018 Board meeting as the combined public hearing date for its proposed calendar years 2019 and 2020 water rates and charges and the suspension of the ad valorem property tax rate limit for fiscal years 2019 and 2020. During the Finance and Insurance Committee (F&I Committee), staff presented a summary of the proposed 2019 and 2020 biennial budget, rates and charges, along with an updated 10-year rate forecast. The F&I Committee also received a Quarterly Financial Update. Attachment 1 provides further details on the Quarterly Financial Update and the committee’s discussion on the proposed biennial budget and rates. The Board also received a presentation on proposed modifications to the conservation program during the Conservation and Local Resources Committee. Attachment 2 summarizes the Board’s discussion of these proposed changes.

During the Water Planning and Stewardship Committee (WP&S Committee), the Board received an update on the new “phased” version of California WaterFix, which was announced by the Department of Water Resources on February 7 after Central Valley Project (CVP) contractors’ failed to support funding their 45 percent of the project’s cost. During the discussion, some directors expressed concern with the phased approach, suggesting that MWD explore funding the CVP’s share so the project could be constructed without phasing. Attachment 3 is a summary of staff’s presentation on the phased project and the committee’s subsequent discussion.

Also, during the WP&S Committee, staff reported on MWD’s plan to evaluate its regional storage programs. This evaluation aims to identify potential future storage options and re-evaluate MWD’s emergency storage requirements; staff identified management of storage accounts as a key priority in the upcoming budget cycle. Staff emphasized that member agency input will be sought through a series of meetings and workshops, and the effort will culminate in a presentation of the evaluation’s findings to the Board in December 2018. Expressing support for the evaluation, Director Steiner asked if staff is looking to increase MWD’s existing 6 million acre-feet (MAF) of storage capacity, noting that MWD has more than 3.5 MAF of storage capacity available. General Manager Kightlinger replied there are no “preconceived thoughts” and since MWD has heavily utilized its storage over the past years, staff is seeking to see if there are any “lessons learned.” Suggesting the effort should work with the member agencies
similarly to how MWD did during the 2007 Integrated Area Studies, Director Lewinger urged MWD to have “serious discussions” with its member agencies to gain their assistance in increasing storage, including put and take capacities, for little cost. Kightlinger said that was MWD’s “intent.” In the same vein as Lewinger, Director Peterson (Las Virgenes) suggested MWD consider system interties as a way to utilize member agencies’ storage capacities.

**Overview**

The Water Authority Delegation supported all 12 action items approved by the MWD Board. In closed session, the Legal and Claims Committee heard a report on the rate litigation; the Delegates did not attend nor participate. During MWD’s Board meeting, five representatives from MWD’s supervisors’ association expressed concern regarding labor negotiations with MWD’s management. Also, three residents from MWD’s service area expressed opposition to WaterFix, focusing on the project’s cost impacts to water ratepayers. Attachment 4 is a copy of MWD’s February 2018 committee and Board meeting agendas and summary report.

Prepared by:  Suki Chhokar, Assistant Management Analyst  
Liz Mendelson-Goossens, Senior Water Resources Specialist

Reviewed by:  **Communications and Legislation Committee** by Keith Lewinger  
**Conservation and Local Resources Committee** by Michael Hogan and Fern Steiner  
**Engineering and Operations Committee** by Fern Steiner  
**Finance and Insurance Committee** by Keith Lewinger  
**Legal and Claims Committee** by Fern Steiner  
**Real Property and Asset Management** by Michael Hogan  
**Water Planning and Stewardship Committee** by Keith Lewinger and Fern Steiner

Attachment 1: Discussion Summary of MWD’s Financial items  
Attachment 2: Discussion Summary of MWD’s Proposed Conservation Program Modifications  
Attachment 3: Discussion Summary of California WaterFix Update  
Attachment 4: MWD’s committee and Board meeting agendas and Board summary, dated February 12 and 13, 2018
**Discussion Summary of MWD’s Proposed Biennial Budget and Rates**

The MWD Board in February approved setting March 13, 2018 as the combined public hearing date on (1) the proposed water rates and charges for calendar years (CYs) 2019 and 2020, and (2) the continued suspension of ad valorem property rate limitation for fiscal years (FYs) 2019 and 2020. During the Finance and Insurance Committee (F&I Committee), staff presented the proposed biennial budget and rates for fiscal years 2019 and 2020 and calendar years 2019 and 2020, respectively.

Prior to hearing staff’s budget and rates presentation, staff presented the Quarterly Financial Update, which described MWD’s current financial condition. Staff reported that water sales for fiscal year 2018 are trending at 1.36 million acre-feet, or about 150,000 acre-feet below budget, which equates to about $99 million in lost water sales revenue. Higher-than-budgeted tax¹ and power revenues are expected to partially offset the sales revenue deficit, resulting in MWD’s fiscal year 2018 revenues tracking at about $74 million below budget. However, fiscal year 2018 expenditures are projected to be under budget by almost $98 million largely due to lower-than-budgeted State Water Project (SWP), supply programs, and Colorado River Aqueduct power costs. MWD forecasts it will collect $23 million more in revenues than needed to cover its expenses. Although MWD water sales are tracking below budget by 150,000 acre-feet, after considering increases in required reserves and contributions to the Water Authority’s “set-aside” fund ($ 9 million), MWD will still end the year with a $1 million increase in its unrestricted reserves million, raising them to $401 million.²

Following staff’s presentation, Director Lewinger requested that in the future, MWD include in its reports separate line items for water sales and exchanges in addition to depicting the total “transaction” trends. Lewinger said that presenting the information in this manner would allow the Board to better understand budget variances, which are mainly due to water sales activity. General Manager Kightlinger and Chief Finance Officer Breaux said staff would “look at” providing that information. Responding to Lewinger question about the change in the balance of the rate litigation set aside, Breaux said about $262 million was removed from that “set-aside” fund and was used “primarily” to “paydown a revolving credit loan”³ that MWD utilized earlier to ensure it had adequate funding in its unrestricted reserves.

Later, staff presented its proposed budget and rates for 2019 and 2020. Overall, staff is proposing average rate increases of 3 percent in each calendar year.⁴ During the Board’s discussion on the proposed budget and rates, Lewinger requested that MWD provide actual and projected actuals for past and current fiscal years in future budget presentations. Breaux agreed to provide that data. Turning to MWD’s proposed rates, Lewinger sought to understand the impacts of MWD’s debt service coverage ratio of 2 times on its proposed rates. Breaux replied that MWD is not setting its rates to meet that ratio but MWD is “trying to grow back” its

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¹ MWD attributed the above budget tax revenue to higher assessed values.
² This month MWD reported that it began fiscal year 2018 with $400 million in unrestricted reserves; however, in its September 2017 “Mid-Cycle Biennial Budget Review,” MWD stated that unrestricted reserves were $372 at the close of fiscal year 2017. The cause of this difference is unclear.
³ MWD reported that as of December 31, 2017 the “set-aside” fund held $53 million.
⁴ More information on the proposed budget and rates can be found in the “MWD Program Report” starting on page 55 in the Water Authority’s February 2018 Board Packet: [http://www.sdcwa.org/meetings-and-documents](http://www.sdcwa.org/meetings-and-documents)
reserves “a bit, which maybe, kind of equates to the same thing.” Lewinger requested analysis on how the two times coverage policy impacts MWD’s rates. F&I Committee Chair Barbre (Municipal Water District of Orange County) suggested that lowering this ratio would impact MWD’s borrowing costs to which Lewinger pointed out that over the past few years MWD’s actual debt coverage ratio has been below the two times policy and MWD holds AAA credit ratings. Breaux said staff would accommodate Lewinger’s request, adding that MWD’s rates and cost-of-service is set on keeping MWD’s reserves at a “healthy level.” Lewinger highlighted that where MWD is aiming to maintain its reserves is a Board policy discussion. Later, Chairman Record (Eastern) said there are “so many unknowns in front of us that” he would like reserves to go up and supported MWD’s two times debt service coverage ratio.

Switching gears, Director Blois (Calleguas) noted that many public agencies are concerned with rising pension and employee benefits costs and asked if MWD was considering “out-of-the-box” cost containment measures. Kightlinger responded that MWD aims to control costs through managing debt service but the “other big driver” is rising medical and pension liabilities which MWD has “limited tools” to manage besides funding its liabilities. Noting that the majority of MWD’s treatment costs are fixed but recovered entirely through a variable rate, Blois referenced the Board adopted policy principles related to MWD’s treatment costs and questioned if those principles would ever be reflected in MWD’s rate structure. Kightlinger responded that the “General Manager’s Strategic Priorities” intend to reflect Board policy, and that MWD has made efforts to contain treatment costs and incorporate the Board’s direction related to treatment costs and rates in its proposed budget.

Turning to the budget’s proposal to fund 14 new staff positions, Director Dake (Los Angeles) highlighted that none of these positions would be in the conservation program. Dake questioned the ability for MWD to effectively implement its conservation program should a drought occur without additional staff. Assistant General Manager/Chief Operating Officer Upadhyay said the conservation program’s budget includes $5 million annually for outreach and that MWD continues to use its external vendor “for maintenance of the ongoing conservation incentive program.” Additionally, Upadhyay reported that MWD had reassigned staff to its conservation program but is not planning to add any full-time employees.

Responding to Director Steiner’s questions about the Water Management Fund, Breaux said that MWD projects to have $60 million to $70 million in the fund at the end of fiscal year 2018 and is proposing to move any remaining balance into the Water Stewardship Fund (WSF). Breaux said staff was recommending this fund movement because the Board had previously earmarked those monies for the conservation program but they were not spent, and by moving the funds into WSF, these funds could be “available” if, “as an example, spending on Conservation Credit Program was higher than” budget. Director Abdo (Santa Monica) urged that those funds be exclusively used for MWD’s conservation program. Breaux commented that they would be “available to be spent on conservation” but that the use of these monies would require Board authorization and Kightlinger said that future Boards could utilize these funds for something

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5 Breaux agreed with Lewinger’s characterization that MWD has a minimum reserve level, which MWD does not want to drop below, and then a “target” reserve level, which is really a maximum reserve level, and that MWD aims to be between those two levels.
other than conservation. Echoing Lewinger, McKenney requested to see actual conservation expenditures compared to budgeted expenditures.

Switching gears, Lewinger requested more information on how the budget achieves the General Manager’s strategic objectives and asked for an analysis on how sensitive MWD’s rates are to its SWP allocation assumption. Without agreeing to provide this analysis, Kightlinger said the impact of MWD’s SWP budget assumption is “minor” compared to other ones, such as MWD’s sales assumption. Returning to Abdo’s and McKenney’s comments on using funds for their intended purposes, Lewinger noted that the balancing accounts he has been asking MWD to consider would ensure unspent money budgeted for a purpose is saved to cover future expenses for that purpose. Barbre said the Board had a balancing accounts “workshop” and the concept did not gain traction. Although Lewinger pointed out that now more Board members may have interest in balancing accounts, Barbre stifled further discussion. Wrapping up the discussion on the proposed budget and rates, Record reflected that MWD is looking “pretty good” and that due to the uncertainty ahead of MWD he believes maintaining MWD’s debt coverage ratio at two times, and the needed reserves to do so, is where he thinks MWD “should be.”

Staff then presented its proposed 10-year rate forecast, which sparked further Board discussion. Lewinger asked if MWD was still setting its budget based on a water sales assumption that it expects to exceed in seven out of 10 years. Breaux replied that MWD has “never set our budgeted sales to exceed seven out of 10 years.” Kightlinger said that this proposed budget “picks the middle ground” for its sales assumption.

Moving on, Lewinger pointed out that the proposed budget includes a resolution for reimbursement, which would preauthorize the sales of bonds to reimburse Pay-As-You-Go (PAYGo) expenditures. Breaux said this resolution allows MWD over the next biennial budget to “time our debt issuance whenever we choose” and this debt could be used for capital expenses covered by operating revenues (PAYGo). Kightlinger added that PAYGo provides the Board with “flexibility” and “helps protect” rate increases.

MWD will hold its second budget and rates workshop on February 27.

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6 MWD continues to assume a SWP allocation of 50 percent. In September 2017, MWD reported it has budgeted for more revenue than needed to cover its SWP costs since fiscal year 2014 even though the actual SWP allocation has fluctuated over this time period, ranging from 5 percent to 85 percent.

7 At the April 2013 F&I Committee meeting, Breaux said “You know the 1.7 [million acre-feet sales assumption] when we set that, as well as the 1.75 [million acre-feet sales assumption], I think we were pretty clear with the board that in seven out of 10 years we’re going to do a little bit better.” Also, during MWD’s March 2013 F&I Committee meeting, Kightlinger stated “we walked through it very carefully and we said 1.7 [million acre-feet sales assumption] is lower” and “three out of four times we’re probably going to sell more than that.”

8 In November 2015, MWD adopted a resolution to issue $250 million in debt to reimburse PAYGo expenses that it had budgeted to cash-fund. Ultimately, MWD reimbursed $208 million in capital expenses that were initially paid for with PAYGo.
**Discussion Summary of MWD’s Proposed Conservation Program Modifications**

At MWD’s February 2018 Conservation and Local Resources Committee (C&LR Committee) meeting, staff presented proposed modifications to the conservation program. MWD proposed five main changes: 1) launching a Regional Landscape Transformation Program (a rebranding of the Turf Removal Program); 2) implementing a Professional Landscape Training Program; 3) allowing member agencies to utilize funds through the Member Agency Administered Program for programs that lack measurable water savings; 4) piloting a “market-based” rebate program; and 5) expanding the Public Agency Program. Staff requested director feedback on the proposed modifications before seeking Board approval for the changes in April.

In response to Director Steiner, staff said member agencies that already have existing professional landscape programs can switch and participate in MWD’s regional one, or continue with their own programs and seek MWD funding through their share of the Member Agency administered Program (MAAP). Steiner advocated that MWD allow member agencies with their own programs to receive funds from MWD’s budget for its regional professional landscape program rather than use their MAAP funds. Staff did not indicate if MWD would consider this option. Further, Steiner highlighted the Water Authority’s successful partnership with community colleges as part of its professional landscape program. Staff said MWD was looking to mimic the Water Authority’s partnership with the colleges.

Director McKenney (Municipal Water District of Orange County) suggested that MWD’s bigger goal should be “changing attitudes” and MWD needs to pay attention to the message it sends to the public. For example, McKenney suggested that having a limited budget can help create a sense of urgency so customers participate in programs as soon as they become available.

Regarding the proposed “market-based” subsidy program, McKenney cautioned MWD that increasing rebate amounts from their previous levels might send the message that residents will receive a larger subsidy if they wait to install water-efficient devices. (MWD proposes to increase the subsidy amount significantly in order to move the “market” demand for water efficient devices; for example, providing $300 per high efficient washer instead of an $80 subsidy that is based on the estimated value of the water saved.) He supported staff’s recommendation that the MAAP funds should be available to programs with hard to quantify water savings because it would foster attitude changes. In contrast, Director Blois (Calleguas) supported funding programs that have a clear water supply benefit, specifically better quantifying the water savings associated with the landscape transformation program. Related to the market-based rebate program, Director Lewinger noted that MWD historically had based the subsidy amount for devices on how much water a device would save, but now staff is suggesting that a “market-based” approach with a higher subsidy because a device costs more. He said that while there may be value to providing a subsidy that is higher than the water savings for outdoor landscape in publicly visible areas to create the “multiple effects,” he questioned that the same multiple effect would occur for indoor devices. C&LR Committee Chair Gold said that staff should provide the data on how it calculated the market-based rebates because he believes Lewinger’s “assumption” may not be accurate. Lewinger doubted that rebates would have jumped so much (more than tripling in some cases) had staff based the newly proposed subsidy amount on the value of water saved. In a similar vein, later, Director Pressman (Beverly Hills)
noted that staff’s presentation failed to provide metrics, specifically requesting some be provided for the landscape transformation program and the indoor device rebate program.

Turning to the proposed landscape transformation program, Lewinger offered that instead of limiting member agency supplemental funding to $1 per square-foot that MWD allocate funding for that program among the member agencies and allow them to determine the appropriate supplemental funding amount. If this approach was implemented, Lewinger suggested that if some member agencies are unable to utilize their allocated funds by a certain date then that money could be redistributed to agencies with higher program subscription. Later, in response to Director Abdo (Santa Monica), staff said that MWD placed a limit on supplemental funding because agencies with higher supplemental funding experience higher program participation and because it would be harder for MWD to administer a program that allocated funds to each member agency. Abdo agreed that the program should be as easy as possible to administer but that an equally important goal is to reduce water use. Earlier, Director Kurtz (Pasadena) said without having the proposed budget presented it was hard to discuss the total budget cap for the landscape transformation program and if the program should be suspended when the budgeted amount is reserved. Kurtz also suggested that the public agency component of the landscape transformation program have a similar visibility requirement as the residential component.

Related to program administration, Director Murray (Los Angeles) supported increasing conservation program staffing and said he would make a motion to do so at the appropriate time. He also said that MWD should not have unspent conservation funds remaining at the end of the fiscal year since there is clearly a need in the region for MWD’s programs. Abdo echoed Murray’s call for additional conservation staff and that MWD strive to expend its entire conservation budget.

Wrapping up the discussion, Gold suggested that if residents participating in the landscape transformation program transform their front yards, and have not exceeded the program’s square-foot cap, that they be able to use MWD funding to transform the backyard’s landscape until that cap is reached. He also asked staff to provide information on how it derived that program’s supplemental funding cap.
Discussion Summary of California WaterFix Update

At MWD’s February 2018 Water Planning and Stewardship Committee meeting, staff presented on the new staged approach for California WaterFix. According to staff, due largely to Central Valley Project (CVP) contractors’ unwillingness to pay for the project, the Department of Water Resources (DWR) announced on February 7 a phased approach consisting of two stages that will ultimately lead to the completion of the 9,000 cubic feet per second (cfs) capacity project when funding is secured. The first stage would involve building a 6,000 cfs facility with one tunnel, one intermediate forebay in the north Delta, two intakes, and one pumping station in the south end of the Delta. To bring the capacity to the full 9,000 cfs, the second stage would consist of building a third intake with 3,000 cfs capacity, a second tunnel, and a second pumping station.

Stage 1 would primarily be funded by south-of-Delta State Water Project (SWP) contractors. Staff reported that since MWD is about 47 percent of the SWP, MWD’s new adjusted share for stage 1’s cost will be $5.2 billion,1 almost a billion dollar increase from the $4.3 billion cost share authorized by the Board in October 2017,2 if Stage 1 is funded solely by the SWP contractors. Previously, MWD assumed WaterFix’s total supply benefit was 1.3 million acre-feet (MAF); and that MWD’s 25.9 percent share would have provided about 340,000 acre-feet (AF) of supply benefit. With the new approach, stage 1 is projected to offer a 0.9 MAF supply benefit. Page 4 is a comparison of MWD’s annual projected costs and budget impacts for stage 1 versus implementing the project as originally proposed. Although MWD did not report its projected WaterFix supply benefit for Stage 1, MWD’s unit cost analysis (see page 4) is based on its share of WaterFix supply benefit being proportional to its financial participation, or about 423,000 AF.3 General Manager Kightlinger added that there are ongoing discussions with CVP contractors about contributing to 1,000 cfs of stage 1. If CVP contractors were to participate in 1,000 cfs, then Kightlinger said MWD would have the “same benefits, same costs” as it projected with the original 9,000 cfs project. If CVP contractors don’t participate, then MWD’s costs “are relatively minor and there’s added benefits as well,” Kightlinger said. Staff plans to provide additional information, including a review of the state’s economic analysis of stage 1, at MWD’s February 27 Bay-Delta Committee meeting.

Following staff’s presentation, the Board discussed WaterFix’s staged approach. In response to Director Quiñonez (Los Angeles), Kightlinger said that “each Board is going to approach it their own way” and “a number of State Water contractors didn’t even bother taking a vote,” these Boards take the perspective the “whatever gets built, we’ll pay our bill.” Regarding environmental impact, Quiñonez asked if there will be additional environmental review.4 Noting

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1 MWD staff said that overall projected project costs remain unchanged at $16.3 billion (in 2017 dollars), but the cost of proceeding with stage 1 is $10.7 billion (in 2017 dollars); MWD’s share may be about $4.3 billion, if CVP contractors agree to fund 1,000 cfs of stage 1’s capacity.
2 During the February 2018 budget and rate workshop, General Manager Kightlinger confirmed that MWD’s proposed budget assumes MWD’s share of WaterFix reflects the October 2017 Board action, but that assumption “can be adjusted.”
3 If CVP contractors agree to fund 1,000 cfs of stage 1’s cost, MWD’s share of the supply benefit would be about 352,500 AF.
4 In its announcement of the phased project, DWR stated a draft supplemental Environmental Impact Report will be released in June 2018 and the final version issued in October 2018.
that the current environmental documentation, along with updated modeling, can be used to analyze stage 1, Kightlinger said the review should be a “relatively straightforward process” as “every permutation known to mankind has been studied on this project.” Later, Director Dake (Los Angeles) asked about MWD’s additional planning costs for California Environmental Quality Act (CEQA) compliance. Kightlinger said that staff will provide that information. In response to Director Lefevre’s (Torrance) question regarding CVP contractors’ participation, Kightlinger stated that many details are unknown, but with approval from the Bureau of Reclamation (Bureau), participating CVP contractors would directly enter into contracts with DWR for their portion of stage 1. Kightlinger further clarified that the Bureau is one of the lead agencies on the project and it is assumed it would continue to participate in the environmental review and State Water Resources Control Board’s (SWRCB) permitting processes. He added that if CVP contractors participate in stage 1, the Bureau would also need to secure change in the point of delivery permitting from the SWRCB.

Responding to Director Barbre (Municipal Water District of Orange County), Kightlinger said because of the revised Biological Opinions, MWD along with other stage 1 participants, should be “relieved” from the south-of-Delta pumping restrictions. On a similar note, Director Lewinger sought clarification on the rules governing the two water projects’ exports. Kightlinger said the pumping rules are dictated by the fishery agencies and will remain unchanged. To avoid confusion in the future about stage 1 benefits, Lewinger asked if the participating SWP contractors and nonparticipating CVP contractors would need to agree on the stage’s water supply benefit. Kightlinger responded that only the Biological Opinions are needed to define the benefits. Not directly addressing Lewinger’s concern about the importance of having an upfront agreement, staff continued to highlight the direct (water supply) and indirect (water quality) benefits of stage 1. Later, Lewinger noted that the original 9,000 cfs project had the reported benefit of taking a “big gulp” when water is plentiful and asked how this benefit would change with the smaller stage 1 project. Assistant General Manager Patterson said MWD would provide this analysis.

Director DeJesus (Three Valleys) asked about the additional benefits to participating in stage 2. Kightlinger said that MWD would “presumably” only participate in stage 1 and that stage 2 would be implemented if those that did not participate in the first stage (CVP contractors) were later able to obtain funding. Later, Director Murray (Los Angeles) requested that, assuming the Board’s support, MWD make it clear that it would be only participate in stage 1. Kightlinger said that Board’s action “would be on stage 1.”

Director McKenney (Municipal Water District of Orange County) surmised that if the CVP contractors did not participate in stage 1 then MWD could pick-up the remaining 1,000 cfs of the stage in proportion to its Table A allocation. If MWD were to pick-up this portion then it could reduce the amount of water resources it develops locally to meet the resource development targets described in the 2015 Integrated Water Resources Plan (IRP), McKenney suggested. In the same vein as project benefits, Director Peterson (Las Virgenes) asked if the CVP contractors who chose to participate in the staged project would have their supply benefit impacted by the senior priority rights (wildlife refuges and exchange contractors). Noting that clarification from

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5 DWR’s announcement stated that since “there are no new water quality or aquatic issues related to staging the implementation” there are no anticipated changes to the environmental review.
the Bureau would be needed, Kightlinger said that these contractors’ priority should not “take away the benefits of investing in this project from those CVP contractors that did.”

Director Atwater (Foothill) stated that MWD should “show leadership” and consider doing stage 2 of the project as well. After clarifying with Atwater, Kightlinger agreed that staff would provide the analysis of “costs [to MWD] of doing the whole project.” Directors Blois (Calleguas) and Barbre agreed with Atwater’s suggestion and Blois added that MWD should buy as much water as it can “from the cheapest source that’s available.” Supporting Atwater’s recommendation to analyze MWD funding the full project, Peterson said the analysis should also include the “true benefits” of doing the 9,000 cfs project versus stage 1. Pointing out the large cost of MWD participating in both stages, Lewinger requested staff to also consider in its analysis the impact on its ability to develop local resources as targeted in the IRP. Nothing that it’s one thing to have pumping capacity and another to have actual water rights, Kightlinger responded that MWD will prepare the analysis, which will include the implications on the IRP.
### Cost Comparisons (Approximate)
#### 2017 Dollars

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<th>Stage 1 Base Case¹ (4% Interest)</th>
<th>Full Project Base Case (4% Interest)</th>
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¹ Stage 1 assumes that up to 1,000 cfs of capacity is available for CVP use. The cost range shown is from 0 to 1,000 cfs of CVP use.
² Based on Metropolitan’s 2017/18 Revenue Requirement of $1,574 M
³ Approximate based on Metropolitan’s 2017/18 sales budget of 1.70 million acre-feet

Source: MWD February 2018 Water Planning and Stewardship Committee Item 6a
Finance and Insurance Committee/Budget and Rates Workshop #1

Meeting with Board of Directors*

February 12, 2018

9:30 a.m. -- Room 2-145

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* The Metropolitan Water District’s Finance and Insurance Committee meeting is noticed as a joint committee meeting with the Board of Directors for the purpose of compliance with the Brown Act. Members of the Board who are not assigned to the Finance and Insurance Committee may attend and participate as members of the Board, whether or not a quorum of the Board is present. In order to preserve the function of the committee as advisory to the Board, members of the Board who are not assigned to the Finance and Insurance Committee will not vote on matters before the Finance and Insurance Committee.

1. Opportunity for members of the public to address the committee on matters within the committee's jurisdiction (As required by Gov. Code Section 54954.3(a))

2. Approval of the Minutes of the meeting of the Adjourned Finance and Insurance Committee held January 8, 2018

3. CONSENT CALENDAR ITEMS — ACTION

None
4. OTHER BOARD ITEMS — ACTION

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

Recommendation:
Option #1:

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

a. Schedule a combined public hearing on March 13, 2018, to receive input regarding (1) the proposed water rates and charges for calendar years 2019 and 2020 necessary to meet the revenue requirements for fiscal years 2018/19 and 2019/20, and (2) any board action on the limit on ad valorem property taxes for fiscal years 2018/19 and 2019/20 pursuant to Section 124.5 of the MWD Act; and

b. Direct the General Manager to cause publication of a notice of the public hearing in newspapers of general circulation within Metropolitan’s service area, and give written notice to the offices of the Speaker of the Assembly and the President pro tempore of the Senate, at least ten days prior to the hearing

5. BOARD INFORMATION ITEMS

9-2 Proposed biennial budget and revenue requirements for fiscal years 2018/19 and 2019/20; proposed water rates and charges for calendar years 2019 and 2020 to meet revenue requirements for fiscal years 2018/19 and 2019/20; ten-year forecast; and Cost of Service Report

6. COMMITTEE ITEMS

a. Update on Other Post-Employment Benefits (OPEB)

b. Quarterly Financial Update

c. Oral Report on Investment Activities

Date of Notice: January 31, 2018
7. MANAGEMENT REPORT
   a. Chief Financial Officer’s report

8. BUDGET AND RATES WORKSHOP #1

9. FOLLOW UP ITEMS
   None

10. FUTURE AGENDA ITEMS

11. ADJOURNMENT

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

Date of Notice: January 31, 2018
Water Planning and Stewardship Committee

Meeting with Board of Directors*

February 12, 2018

12:00 p.m. – Room 2-456

1. Opportunity for members of the public to address the committee on matters within the committee’s jurisdiction (As required by Gov. Code Section 54954.3(a))

2. Approval of the Minutes of the Water Planning and Stewardship Committee held January 8, 2018

3. CONSENT CALENDAR ITEMS — ACTION

None

4. OTHER BOARD ITEMS — ACTION

None

5. BOARD INFORMATION ITEMS

None

Date of Notice: January 31, 2018

* The Metropolitan Water District’s Water Planning and Stewardship Committee is noticed as a joint committee meeting with the Board of Directors for the purpose of compliance with the Brown Act. Members of the Board who are not assigned to the Water Planning and Stewardship Committee may attend and participate as members of the Board, whether or not a quorum of the Board is present. In order to preserve the function of the committees as advisory to the Board, members of the Board who are not assigned to the Water Planning and Stewardship Committee will not vote on matters before the Water Planning and Stewardship Committee.
6. COMMITTEE ITEMS
   a. Update on the California WaterFix
   b. Evaluation of Regional Storage Portfolio
   c. Water Surplus and Drought Management Report
   d. Report on Integrated Water Resources Plan Implementation

7. MANAGEMENT REPORTS
   a. Bay-Delta Matters
   b. Colorado River Matters
   c. Water Resource Management Manager’s report

8. FOLLOW-UP ITEMS
   None

9. FUTURE AGENDA ITEMS

10. ADJOURNMENT

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REVISED AGENDA

Engineering and Operations Committee
Meeting with Board of Directors*

February 12, 2018

1:30 p.m. – Room 2-145

February 12, 2018

Meeting Schedule

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<tbody>
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<td>9:30 a.m.</td>
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<td>F&amp;I</td>
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<tr>
<td>12:00 p.m.</td>
<td>Rm. 2-456</td>
<td>WP&amp;S</td>
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<td>1:30 p.m.</td>
<td>Rm. 2-145</td>
<td>E&amp;O</td>
</tr>
<tr>
<td>3:00 p.m.</td>
<td>Rm. 2-456</td>
<td>C&amp;L</td>
</tr>
</tbody>
</table>

MWD Headquarters Building

* The Metropolitan Water District’s Engineering and Operations Committee meeting is noticed as a joint committee meeting with the Board of Directors for the purpose of compliance with the Brown Act. Members of the Board who are not assigned to the Engineering and Operations Committee may attend and participate as members of the Board, whether or not a quorum of the Board is present. In order to preserve the function of the committee as advisory to the Board, members of the Board who are not assigned to the Engineering and Operations Committee will not vote on matters before the Engineering and Operations Committee.

1. Opportunity for members of the public to address the committee on matters within the committee’s jurisdiction (As required by Gov. Code Section 54954.3(a))

2. Approval of the Minutes of the meeting of the Engineering and Operations Committee held January 8, 2018
3. CONSENT CALENDAR ITEMS — ACTION

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

Recommendation:

Option #1:

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

a. Appropriate $1.6 million;

b. Authorize final design of physical security improvements at Metropolitan’s Headquarters Building; and

c. Authorize agreement with IBI Group in an amount not to exceed $890,000

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

Recommendation:

Option #1:

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

a. Appropriate $1.6 million; and

b. Authorize construction to replace four chemical storage tanks at the Jensen plant
7-4 
Adopt CEQA determination and award $378,985 contract to Visionary Builders, Inc. to renovate two houses at Eagle Mountain Pumping Plant (Appropriation No. 15495)

Recommendation:

Option #1:
Adopt the CEQA determination that the proposed action is categorically exempt, and

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

4. OTHER BOARD ITEMS — ACTION

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

Recommendation:

Option #1:
Adopt the CEQA determination that the proposed action has been previously addressed in the certified 2005 Final EIR, findings, SOC, and MMRP, and that no further environmental analysis or documentation is required, and

a. Appropriate $3.8 million; and
b. Award $2,591,576 contract to Canyon Enterprises (dba RSH Construction) for seismic upgrades to the west washwater tank at the Weymouth plant.
Adopt CEQA determination and appropriate $2.3 million; award $985,000 contract to Unispec Construction, Inc. for water quality instrumentation upgrades at the Joseph Jensen Water Treatment Plant; and authorize increase of $200,000 to agreement with Arcadis US, Inc., for a new not-to-exceed total of $365,269-$400,000 (Appropriation No. 15486)

Recommendation:

Option #1:

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

a. Appropriate $2.3 million; and
b. Award $985,000 contract to Unispec Construction, Inc. for water quality instrumentation upgrades at the Jensen plant; and
c. Authorize increase of $200,000 to an agreement with Arcadis US, Inc., for a new not-to-exceed total of $365,269-$400,000, to provide technical support

5. BOARD INFORMATION ITEMS

None

6. COMMITTEE ITEMS

a. Capital Investment Plan quarterly report for period ending December 2017
b. Update on Lake Oroville Spillway
c. Update on Desert Housing Renovation Program

7. MANAGEMENT REPORTS

a. Water System Operations Manager’s report
b. Engineering Services Manager’s report
8. FOLLOW-UP ITEMS

None

9. FUTURE AGENDA ITEMS

10. ADJOURNMENT

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Communications and Legislation Committee
Meeting with Board of Directors*

February 12, 2018

3:00 p.m. -- Room 2-456

---

1. Opportunity for members of the public to address the committee on matters within the committee’s jurisdiction (As required by Gov. Code Section 54954.3(a))

2. Approval of the Minutes of the meeting of the Communications and Legislation Committee held January 8, 2018

3. CONSENT CALENDAR ITEMS — ACTION

   None

4. OTHER BOARD ITEMS — ACTION

   None

5. BOARD INFORMATION ITEMS

   None

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* The Metropolitan Water District’s Communications and Legislation Committee meeting is noticed as a joint committee meeting with the Board of Directors for the purpose of compliance with the Brown Act. Members of the Board who are not assigned to the Communications and Legislation Committee may attend and participate as members of the Board, whether or not a quorum of the Board is present. In order to preserve the function of the committee as advisory to the Board, members of the Board who are not assigned to the Communications and Legislation Committee will not vote on matters before the Communications and Legislation Committee.
6. COMMITTEE ITEMS
   a. Report on activities from Washington, D.C.
   b. Report on activities from Sacramento
   c. Metropolitan’s 2017 Attitudes and Awareness Survey

7. MANAGEMENT REPORT
   a. External Affairs Management report

8. FOLLOW-UP ITEMS
   None

9. FUTURE AGENDA ITEMS

10. ADJOURNMENT

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Date of Notice: January 31, 2018
REVISED AGENDA

Legal and Claims Committee

Meeting with Board of Directors*

February 13, 2018
9:00 a.m. -- Room 2-145

MWD Headquarters Building

* The Metropolitan Water District’s Legal and Claims Committee meeting is noticed as a joint committee meeting with the Board of Directors for the purpose of compliance with the Brown Act. Members of the Board who are not assigned to the Legal and Claims Committee may participate as members of the Board, whether or not a quorum of the Board is present. In order to preserve the function of the committee as advisory to the Board, members of the Board who are not assigned to the Legal and Claims Committee will not vote on matters before the Legal and Claims Committee.

1. Opportunity for members of the public to address the committee on matters within the committee’s jurisdiction (As required by Gov. Code Section 54954.3(a))

2. Approval of the Minutes of the meeting of the Legal and Claims Committee held January 9, 2018

3. MANAGEMENT REPORT
   a. General Counsel’s report of monthly activities
4. **CONSENT CALENDAR ITEMS — ACTION**

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

**Added Recommendation:**

Option #1:

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

Authorize entering into this settlement agreement

5. **OTHER BOARD ITEMS — ACTION**

None

6. **BOARD INFORMATION ITEMS**

None

7. **COMMITTEE ITEMS**

a. Report on *San Diego County Water Authority v. Metropolitan Water District of Southern California, et al.*, San Francisco County Superior Court Case Nos. CPF-10-510830, CPF-12-512466, CPF-14-514004, CPF-16-515282, CPF-16-515391 and CGC-17-563350; and the appeal of the 2010 and 2012 actions, Court of Appeal for the First Appellate District Case Nos. A146901 and A148266 and California Supreme Court Case No. S243500. [Conference with legal counsel—existing litigation; to be heard in closed session pursuant to Gov. Code Section 54956.9(d)(1)]

8. **FOLLOW-UP ITEMS**

None

9. **FUTURE AGENDA ITEMS**
10. ADJOURNMENT

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Date of Notice: February 8, 2018
C&LR Committee
M. Gold, Chair
J. Abdo, V. Chair
L. Ackerman
S. Blois
G. Gray
M. Hogan
C. Kurtz
R. Lefevre
L. McKenney
B. Pressman
F. Steiner
L. Vasquez Wilson

Conservation and Local Resources Committee
Meeting with Board of Directors*

February 13, 2018
10:00 a.m. – Room 2-456

February 13, 2018
Meeting Schedule

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<tr>
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<th>Location</th>
<th>Committee</th>
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<tbody>
<tr>
<td>9:00 a.m.</td>
<td>Rm. 2-145</td>
<td>L&amp;C</td>
</tr>
<tr>
<td>10:00 a.m.</td>
<td>Rm. 2-456</td>
<td>C&amp;LR</td>
</tr>
<tr>
<td>11:00 a.m.</td>
<td>Rm. 2-145</td>
<td>RP&amp;AM</td>
</tr>
<tr>
<td>12:00 p.m.</td>
<td>Boardroom</td>
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* The Metropolitan Water District’s Conservation and Local Resources Committee meeting is noticed as a joint committee meeting with the Board of Directors for the purpose of compliance with the Brown Act. Members of the Board who are not assigned to the Conservation and Local Resources Committee may attend and participate as members of the Board, whether or not a quorum of the Board is present. In order to preserve the function of the committee as advisory to the Board, members of the Board who are not assigned to the Conservation and Local Resources Committee will not vote on matters before the Conservation and Local Resources Committee.

1. Opportunity for members of the public to address the committee on matters within the committee’s jurisdiction (As required by Gov. Code 54954.3(a))

2. Approval of the Minutes of the meeting of the Conservation and Local Resources Committee held January 9, 2018

3. CHAIRMAN’S REPORT

4. COMMITTEE ITEMS
   a. Update on Conservation Program
   b. Discuss Conservation Program approaches and modifications

Date of Notice: January 16, 2018
5. FOLLOW-UP ITEMS

None

6. FUTURE AGENDA ITEMS

7. ADJOURNMENT

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RP&AM Committee
M. Camacho, Chair
G. Dake, Vice Chair
P. Beard
D. Dear
L. Dick
M. Hogan
G. Peterson
M. Ramos
C. Treviño

Real Property and Asset Management Committee

Meeting with Board of Directors*

February 13, 2018

11:00 a.m. -- Room 2-145

February 13, 2018
Meeting Schedule

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<tr>
<td>12:00 p.m.</td>
<td>Boardroom</td>
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* The Metropolitan Water District’s Real Property and Asset Management Committee meeting is noticed as a joint meeting with the Board of Directors for the purpose of compliance with the Brown Act. Members of the Board who are not assigned to the Real Property and Asset Management Committee may attend and participate as members of the Board, whether or not a quorum of the Board is present. In order to preserve the function of the committee as advisory to the Board, members of the Board who are not assigned to the Real Property and Asset Management Committee will not vote on matters before the Real Property and Asset Management Committee.

1. **Opportunity for members of the public to address the committee on matters within the committee’s jurisdiction** (As required by Gov. Code Section 54954.3(a))

2. **Approval of the Minutes of the meeting of the Real Property and Asset Management Committee held December 12, 2017**

3. **CONSENT CALENDAR ITEMS — ACTION**

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

   **Recommendation:**

   **Option #1:**

   Adopt CEQA determination that the proposed action is not defined as a project and is not subject CEQA, and authorize granting a 30-year road license extension to Painted Hills Wind Developers.
7-6  Adopt CEQA determination and authorize granting a 30-year access road license extension to Energy Unlimited, LLC on Metropolitan-owned property located northeast of an unincorporated portion of Riverside County commonly referred to as Whitewater

Recommendation:

Option #1:

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

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

7-7  Authorize granting a permanent easement to Southern California Edison at Whitewater Canyon on Metropolitan-owned property in the county of Riverside

Recommendation:

Option #1:

Adopt CEQA determination that the proposed action is categorically exempt and

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

4.  OTHER BOARD ITEMS – ACTION

None

5.  BOARD INFORMATION ITEMS

None

6.  COMMITTEE ITEMS

None

Date of Notice:  January 25, 2018
7. MANAGEMENT REPORT
   a. Real Property Management Manager's Report

8. FOLLOW-UP ITEMS

9. FUTURE AGENDA ITEMS

10. ADJOURNMENT

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Requests for a disability related modification or accommodation, including auxiliary aids or services, in order to attend or participate in a meeting should be made to the Board Executive Secretary in advance of the meeting to ensure availability of the requested service or accommodation.
1. Call to Order
   
   (a) Invocation: Tuannee Holmes, Administrative Assistant II, External Affairs Group
   
   (b) Pledge of Allegiance: Director Russell Lefevre, City of Torrance

2. Roll Call

3. Determination of a Quorum

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

5. OTHER MATTERS

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

A. General Manager’s summary of activities for the month of January 2018

B. General Counsel’s summary of activities for the month of January 2018

C. General Auditor’s summary of activities for the month of January 2018

D. Interim Ethics Officer’s summary of activities for the month of January 2018

7. CONSENT CALENDAR ITEMS — ACTION

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

Recommendation:

Option #1:

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

Authorize the General Auditor to enter into a contract for external audit services with the firm of KPMG LLP for annual audits covering the fiscal years ending June 30, 2018 through June 30, 2021. The amount payable under this four-year contract will not exceed $1,764,900
7-2 Adopt CEQA determination and appropriate $1.6 million; authorize final design of physical security improvements at Metropolitan’s Headquarters Building; and authorize agreement with IBI Group in an amount not to exceed $890,000 (Appropriation No. 15499) [Conference with Metropolitan Assistant Group Manager Bart Koch or designated agent on physical security improvements at Metropolitan’s Headquarters Building; to be heard in closed session pursuant to Gov. Code Section 54957(a).] (E&O)

Recommendation:

Option #1:

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

a. Appropriate $1.6 million;

b. Authorize final design of physical security improvements at Metropolitan’s Headquarters Building; and

c. Authorize agreement with IBI Group in an amount not to exceed $890,000

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

Recommendation:

Option #1:

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

a. Appropriate $1.6 million; and

b. Authorize construction to replace four chemical storage tanks at the Jensen plant
7-4 Adopt CEQA determination and award $378,985 contract to Visionary Builders, Inc. to renovate two houses at Eagle Mountain Pumping Plant (Appropriation No. 15495) (E&O)

Recommendation:

Option #1:

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

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

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

Recommendation:

Option #1:

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

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

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

Recommendation:

Option #1:

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

Authorize granting a 30-year road license extension to Energy Unlimited LLC
7-7 Authorize granting a permanent easement to Southern California Edison at Whitewater Canyon on Metropolitan-owned property in the county of Riverside. (RP&AM)

Recommendation:

Option #1:

Adopt CEQA determination that the proposed action is categorically exempt and
Authorize the General Manager to grant a permanent easement to Southern California Edison

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

Added

Recommendation:

Option #1:

Adopt the CEQA determination that the proposed action is not defined as a project under CEQA, and
Authorize entering into this settlement agreement

END OF CONSENT CALENDAR
8. OTHER BOARD ITEMS — ACTION

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

Recommendation:

Option #1:

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

a. Schedule a combined public hearing on March 13, 2018, to receive input regarding (1) the proposed water rates and charges for calendar years 2019 and 2020 necessary to meet the revenue requirements for fiscal years 2018/19 and 2019/20, and (2) any board action on the limit on ad valorem property taxes for fiscal years 2018/19 and 2019/20 pursuant to Section 124.5 of the MWD Act; and

b. Direct the General Manager to cause publication of a notice of the public hearing in newspapers of general circulation within Metropolitan’s service area, and give written notice to the offices of the Speaker of the Assembly and the President pro tempore of the Senate, at least ten days prior to the hearing.

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

Recommendation:

Option #1:

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

a. Appropriate $3.8 million; and

b. Award $2,591,576 contract to Canyon Enterprises (dba RSH Construction) for seismic upgrades to the west washwater tank at the Weymouth plant
Adopt CEQA determination and appropriate $2.3 million; award $985,000 contract to Unispec Construction, Inc. for water quality instrumentation upgrades at the Joseph Jensen Water Treatment Plant; and authorize increase of $200,000 to agreement with Arcadis US, Inc., for a new not-to-exceed total of $365,269 $400,000 (Appropriation No. 15486) (E&O)

Recommendation:

Option #1:

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

a. Appropriate $2.3 million; and

b. Award $985,000 contract to Unispec Construction, Inc. for water quality instrumentation upgrades at the Jensen plant; and

c. Authorize increase of $200,000 to an agreement with Arcadis US, Inc., for a new not-to-exceed total of $365,269 $400,000, to provide technical support.

9. BOARD INFORMATION ITEMS

9-1 Update on Conservation Program

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

10. FOLLOW-UP ITEMS

11. FUTURE AGENDA ITEMS

12. ADJOURNMENT

Date of Notice: February 8, 2018
NOTE: At the discretion of the Board, all items appearing on this agenda and all committee agendas, whether or not expressly listed for action, may be deliberated and may be subject to action by the Board.

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

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

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

(Agenda Item 5C)

FINANCE & INSURANCE COMMITTEE

Scheduled a combined public hearing on March 13, 2018, to receive input regarding (1) the proposed water rates and charges for calendar years 2019 and 2020 necessary to meet the revenue requirements for fiscal years 2018/19 and 2019/20, and (2) any Board action on the limit on ad valorem property taxes for fiscal years 2018/19 and 2019/20 pursuant to Section 124.5 of the MWD Act; and directed the General Manager to cause publication of a notice of the public hearing in newspapers of general circulation within Metropolitan’s service area, and give written notice to the offices of the Speaker of the Assembly and the President pro tempore of the Senate, at least ten days prior to the hearing. (Agenda Item 8-1)

ENGINEERING AND OPERATIONS COMMITTEE

Appropriated $3.8 million; and awarded $2,591,576 contract to Canyon Enterprises (dba RSH Construction) for seismic upgrades to the west washwater tank at the Weymouth plant. (Appropriation No. 15369) (Agenda Item 8-2)

Appropriated $2.3 million; and awarded $985,000 contract to Unispec Construction, Inc. for water quality instrumentation upgrades at the Jensen plant; and authorized increase of $200,000 to an agreement with Arcadis US, Inc., for a new not-to-exceed total of $400,000, to provide technical support. (Appropriation No. 15486) (Agenda Item 8-3)

CONSENT CALENDAR

In other actions, the Board:

Authorized the General Auditor to enter into a contract for external audit services with the firm of KPMG LLP for annual audits covering the fiscal years ending June 30, 2018 through June 30, 2021. The amount payable under this four-year contract will not exceed $1,764,900. (Agenda Item 7-1)

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. (Appropriation No. 15499) (Agenda Item 7-2)

Appropriated $1.6 million; and authorized construction to replace four chemical storage tanks at the Jensen plant. (Appropriation No. 15486) (Agenda Item 7-3)
Awarded $378,985 contract to Visionary Builders, Inc. to renovate two houses at Eagle Mountain Pumping Plant. (Appropriation No. 15495) (Agenda Item 7-4)

Authorized granting a 30-year road license extension to Painted Hills Wind Developers. (Agenda Item 7-5)

Authorized granting a 30-year road license extension to Energy Unlimited LLC. (Agenda Item 7-6)

Authorized the General Manager to grant a permanent easement to Southern California Edison. (Agenda Item 7-7)

Authorized entering into a settlement agreement in United States of America vs Abex Aerospace, et al., Case No. 2:16-cv-02696. (Agenda Item 7-8)

OTHER MATTERS

The Board:

Presented a 25-year Service Pin to Glen Peterson, representing Las Virgenes Municipal Water District. (Agenda Item 5E)

Presented a 15-year Service Pin to Chairman of the Board Randy Record, representing Eastern Municipal Water District. (Agenda Item 5F)

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

Board letters related to the items in this summary are generally posted in the Board Letter Archive approximately one week after the board meeting. In order to view them and their attachments, please copy and paste the following into your browser http://edmsidm.mwdh2o.com/idmweb/home.asp

All current month materials, before they are moved to the Board Letter Archive, are available on the public website here: http://mwdh2o.com/WhoWeAre/archived-board-meetings
February 21, 2018

Attention: Imported Water Committee

Colorado River Board Representative’s report. (Discussion)

Purpose
The Colorado River Board (CRB) Representative’s report summarizes monthly activities of the Colorado River Board of California.

Discussion
This report covers activities from the February 14, 2018 CRB meeting in Ontario, California.

Agency Updates
The following CRB agencies provided updates:

- **Department of Water Resources (DWR)** – DWR reported hydrology in California is tracking with the driest year on record and forecast models do not show any significant storms in the future for this water year.
- **Metropolitan Water District of Southern California (MWD)** – The Colorado River aqueduct is currently on shutdown and will reopen in mid-March.
- **Los Angeles Department of Water and Power (LADWP)** – The Eastern Sierra snowpack is at 35 percent of normal, tracking with the driest year on record.

Colorado River Basin Water Report
The U.S. Bureau of Reclamation (Reclamation) finalized its 2018 Annual Operating Plan, which is now available on the Lower Colorado Region webpage and can be viewed at [https://www.usbr.gov/lc/region/g4000/aop/AOP18.pdf](https://www.usbr.gov/lc/region/g4000/aop/AOP18.pdf).

Dry conditions have persisted in the basin since late fall 2017 with snowpack remaining well below average. Long-term modeling forecasts indicate an extremely wet spring would be necessary to bring the basin’s water supply to an average level. Water supply and storage conditions as of February 12, 2018\(^1\) Reclamation Weekly Water Supply Report are shown in Table 1.

<table>
<thead>
<tr>
<th>Conditions as of February 12</th>
<th>Volume (million acre-feet)</th>
<th>Percent of Capacity</th>
<th>Elevation (feet)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lake Powell</td>
<td>13.55</td>
<td>56%</td>
<td>3,617.96</td>
</tr>
<tr>
<td>Lake Mead</td>
<td>10.66</td>
<td>41%</td>
<td>1,087.76</td>
</tr>
<tr>
<td>Total System Storage</td>
<td>31.75</td>
<td>53%</td>
<td>---</td>
</tr>
<tr>
<td>Water Year 2018 Precipitation</td>
<td></td>
<td>62% of average</td>
<td></td>
</tr>
<tr>
<td>Forecasted Inflows to Lake Powell in Water Year 2018</td>
<td></td>
<td>56% of average</td>
<td></td>
</tr>
</tbody>
</table>

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\(^1\) These hydrologic conditions are updated from those reviewed at the CRB meeting.
Reclamation released its January 2018 modeling results which show an increased chance of Lower Basin shortage condition from 2019 and beyond, compared to the previous results. The latest shortage projections are shown in Table 2. Updated projections will be released in April and August.

**Table 2. January 2018 Shortage Projections (Reclamation)**

<table>
<thead>
<tr>
<th>Projections from January 2018</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shortage Condition</td>
<td>0</td>
<td>17</td>
<td>49</td>
<td>58</td>
<td>63</td>
</tr>
<tr>
<td>1st Level (Elevation 1,075 to 1,050 ft)</td>
<td>0</td>
<td>17</td>
<td>48</td>
<td>43</td>
<td>39</td>
</tr>
<tr>
<td>2nd Level (Elevation 1,050 to 1,025 ft)</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>15</td>
<td>18</td>
</tr>
<tr>
<td>3rd Level (Elevation below 1,025 ft)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>&lt;1</td>
<td>5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Projections from August 2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shortage Condition</td>
<td>0</td>
<td>15</td>
<td>42</td>
<td>45</td>
<td>52</td>
</tr>
</tbody>
</table>

**Water Use & Accounting**

In January, the Southern Nevada Water Authority notified Reclamation of its intention to store 13,500 acre-feet of Nevada’s anticipated unused 2018 apportionment for storage by the Arizona Water Banking Authority (AWBA). AWBA has incorporated this proposed storage in its 2018 Plan of Operations.

**Drought Contingency Plan (DCP)**

A Principals meeting may be held to obtain clarification and direction to resolve the remaining issues on the Lower Basin DCP Key Terms. Representatives of the Basin States held a meeting in Phoenix, Arizona on February 13 to share progress on development of the Upper Basin and Lower Basin DCPs, including the need for federal legislation. The Lower Basin DCP is expected to be finalized by August 2018.

**Status of Minute 323**

The binational Environmental Work Group for Minute 323 met in January and is working to finalize 2018 restoration, monitoring, and water delivery plans for the Colorado River Delta. An estimated 7,400 acre-feet of water will be used to create 365 acres of habitat and maintain 560 acres of habitat.

**Glen Canyon Dam Adaptive Management Program**

The Technical Work Group of the Glen Canyon Dam Adaptive Management Work Group met via webinar at the end of January. It was reported the endangered humpback chub population below Glen Canyon Dam remains stable, and populations have more than tripled in 2017. The group is exploring the possibility of conducting either Trout Management Flows or Macroinvertebrate Production Flows in summer 2018, which would help native fish by either reducing the reproduction of invasive brown trout or increasing the food supply for native species.

Prepared by:  Kimberlyn Velasquez, Assistant Water Resources Specialist
Reviewed by:  Doug Wilson, CRB Representative
Budget Deal May Pave Way to Final FY2018 Spending Bill

After a brief government shutdown during the early hours of February 9, Congress and the President reached a deal to raise the government’s spending caps for FY2018-2019. The deal allows an additional $295 billion in spending over the two fiscal years, including $130.8 billion for domestic programs. Passage of the plan allowed the adoption of another Continuing Resolution (to run through March 23) to reopen government offices and may enable Congress to finally provide a final spending plan for FY2018, which began nearly five months ago.

Appropriators are now working to revise their spending bills that have either passed (in the House) or received committee approval (in the Senate). How they will divvy up the new funding is not yet clear. However, the funds are likely to reverse some of the program cuts that appeared likely before the deal. By including a funding agreement for FY2019, which begins October 1, appropriators may also be able to pass bills for the coming fiscal year with fewer delays than have become the “new normal” for budgeting.

A side agreement among the bipartisan congressional leadership accompanying the budget deal calls for $20 billion over two years to be devoted to infrastructure projects or programs that include water infrastructure. While loosely defined in the MOU, it remains to be seen if or how Congress will honor the pledge, how President Trump will interpret it, and what will benefit from any of the funding.

President Sends Budget Request to Congress

Just three days after signing the new budget caps into law, the President submitted his FY2019 budget request to Congress. The White House sent up the request with an addendum recognizing the additional funding called for under the new budget caps. It then parceled out this funding for several White House priorities (including restoring funding to EPA's Clean Water and Drinking Water SRFs that would have been cut in the request), while maintaining deep cuts to broad swaths of the domestic discretionary budget.
For more than 40 years, budget requests have been labeled “dead on arrival” in Congress, but considering the new budget caps, this one may be seen as “deader than dead.” For instance, as submitted, the request proposes to cut Interior’s WaterSMART program by 75 percent, including a 90 percent cut to the Title XVI program. Congress shows no signs of supporting cuts of this magnitude.

Infrastructure Principles Unveiled

After a wait of over a year, the President released a 55-page document entitled “Legislative Outline for Rebuilding Infrastructure in America.” The principles contained in the outline propose $200 billion in additional spending on infrastructure over the next ten years; financing reforms to support leveraging this spending into as much as $1.3 trillion in additional, non-federal funding; and a long list of changes to streamline project reviews and shorten project delivery times. The plan does not include suggestions on how to pay for the $200 billion in new funding, a hurdle that will be the centerpiece of congressional debate. However, many of the environmental reform proposals have the potential to be implemented either legislatively by Congress or through administrative actions.

Water storage, treatment, and delivery all feature in the President’s plan as does improving energy generation and distribution. However, none of the $200 billion is specifically set aside for water. The plan also calls for much greater reliance on the WIFIA financing program, although again, the plan does not devote specific dollar amounts to it. Finally, it proposes to flip the tradition federal/non-federal cost share of 80/20 or 50/50 to only a maximum 20 percent federal contribution for most types of infrastructure. The proposal would favor those project sponsors that can offer the most attractive local or private match arrangements. Given the high levels of existing debt among many states, counties, cities, and other authorities, the anticipated leveraging power of the proposal may be overstated.

Now that the principles have been released, Congress will begin to work through them to adopt, amend, or reject many of the ideas. Again, funding will be the most significant hurdle and finding support from 60 Senators will be a real challenge also. Nonetheless, many of the principle are likely to find their way into a bill later this year or into other infrastructure-related bills such as the FAA authorization or Water Resources Development Act (WRDA).

EPA Releases Strategic Plan

EPA Administrator Scott Pruitt released the agency’s strategic plan for FY 2018-2022. The plan reflects his “back-to-basics” agenda. This would focus on clean air, land and water, and ensuring chemical safety; rebalancing the power between Washington and the states; and administering the law “as Congress intended” to refocus EPA on its statutory obligations. Part of this plan is meant to finance an additional $40 billion in water projects through WIFIA and the SRF programs.