July 24, 2019

Attention: Imported Water Committee

Metropolitan Water District Delegates’ Report. (Discussion)

Purpose
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 (Delegates). This report includes MWD Board activities from July 8, 9, and 23, 2019. The MWD committees and Board meet next on August 19, 20, and 27.

Discussion
The Delegates supported 13 of 14 action items approved by the MWD Board at its July 2019 meeting. MWD Board actions of interest to the Water Authority include:

- Adopted a resolution authorizing the reimbursement of up to $280 million in capital expenditures from bond proceeds for fiscal years 2019 and 2020;
- Authorized amendments to the Administrative Code regarding deliveries of member agency water supplies in MWD’s system in an emergency;
- Authorized payments of up to $3.43 million for participation in the State Water Contractors for fiscal year 2020; and
- Approved the employment contract for new Ethics Officer, Abel Salinas.

The Delegates abstained on MWD’s action to authorize the reimbursement of capital expenditures from bond proceeds. By adopting the resolution, MWD may use up to $280 million in tax-exempt bond proceeds or other debt to reimburse the cost of some capital projects that MWD initially used Pay-As-You-Go revenues (PAYGo) to fund in fiscal years 2019 and 2020. This resolution would allow MWD to issue up to $200 million in unbudgeted debt and use it to free-up PAYGo for other operating expenses. Attachment 1 summarizes MWD’s presentation on this item and the Board’s subsequent discussion.

The Finance and Insurance (F&I) Committee received presentations on demand management cost allocation and MWD’s unfunded pension liability. Attachment 2 summarizes the Board’s discussion of demand management cost allocation. Related to unfunded pension liability, MWD’s consultant outlined three potential options for it to reduce its unfunded liability, which was estimated at almost $639 million as of June 30, 2019. In response to Director Barbre (Municipal Water District of Orange County), Interim Assistant General Manager/Chief Financial Officer Skillman said MWD’s pension liability is 72 percent funded. Barbre advocated that MWD establish an internal 115 trust1 to allow more payment “flexibility.” Director Smith noted there are downsides to using a 115 trust, including the cost of establishing the trust. Smith supported MWD making a direct payment to California Public Employees’ Retirement System.

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1 A 115 trust is a vehicle for segregating agency funds from general assets for the purpose of funding essential governmental functions. For example, a 115 trust can be used to set aside monies to meet future pension contributions or liabilities.
because there is “no other mechanism to get a higher rate of return” and said MWD would spend “$100 million to save $275 million.” However, alluding to the Committee’s previous item that would allow MWD to issue unbudgeted debt, Smith said the Board needs to figure out how it would fund the payment. Skillman said staff will present options, including “hybrid” approaches, for how MWD could reduce its pension liability at the committee’s August or September meeting.

At the Water Planning and Stewardship Committee, California Natural Resources Secretary Crowfoot addressed MWD, focusing on Governor Newsom’s water resilience portfolio approach. Attachment 3 summarizes Crowfoot’s remarks and the subsequent discussion. During his Bay-Delta Matters report to the WP&S Committee, Assistant General Manager/Strategic Water Initiatives Patterson said that at the end of June, the state released a status report on the voluntary agreements for the Bay-Delta Water Quality Control Plan. Patterson said a “final [voluntary agreements] package” is expected in October, which will be followed by a yearlong evaluation process including California Environmental Quality Act review. Also, Patterson reported that the Department of Interior indicated it will need an additional 60 days to complete the revised biological opinions, which are expected to be released by September.

As part of MWD’s effort to increase stormwater recharge, the Conservation and Local Resources (C&LR) Committee received a presentation on staff’s proposed goals and framework for a pilot program on using stormwater for groundwater recharge. This pilot would evaluate “how MWD can participate” in stormwater projects and gather data on the projects’ water supply benefit and costs. Staff will return to the Board later with a proposed pilot program.

At its July 23 Board Workshop on the potential Regional Recycled Water Program, MWD staff presented options to implement the program, including options to accelerate its construction and deliveries. Staff also described the additional work and costs needed for the program to provide raw water augmentation (Direct Potable Reuse, or DPR) to MWD’s Diemer or Weymouth Water Treatment Plants. There was general concurrence that MWD should explore advancing the potential of DPR through adding facilities and testing at the demonstration plant. Additionally, staff noted that MWD and the city of Los Angeles signed a Letter of Intent with plans to enter into a Memorandum of Understanding to promote collaboration and coordination on MWD’s program and Los Angeles’ effort to reuse 100 percent of the effluent from its Hyperion Water Reclamation Plant by 2035.

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3 On July 11, 2019, as part of Interior’s process to revise the biological opinions, the Bureau of Reclamation released a draft Environmental Impact Statement and an overview of its public meetings and input process. More information found here: [https://mavensnotebook.com/2019/07/11/this-just-in-reclamation-seeks-comment-on-proposed-changes-to-its-operations-in-california/](https://mavensnotebook.com/2019/07/11/this-just-in-reclamation-seeks-comment-on-proposed-changes-to-its-operations-in-california/)

4 Subsequently, the Los Angeles Times published an article, *Salmon study may foil Trump’s plan to boost water deliveries to Central Valley farms*, on July 18, 2019 covering Interior’s request for a two-month extension, which is found here: [https://www.latimes.com/environment/story/2019-07-18/endangered-salmon-threaten-trump-delta-plan](https://www.latimes.com/environment/story/2019-07-18/endangered-salmon-threaten-trump-delta-plan)

5 At the May and June 2019 C&LR Committee meetings, MWD staff presented on a proposed stormwater for direct use pilot.
Although supportive of local resource development, several directors including the Delegates raised questions about the program, such as:

- Establishing that there are consistent demands for the program’s water;
- Its connection to the 2015 Integrated Water Resources Plan;
- The benefits of accelerating the program’s implementation;
- The need for commitments to purchase the program’s water from agencies benefiting from the program;
- The need for the program to collaborate with other local supply efforts;
- Ensuring that the Los Angeles County Sanitation Districts are strong program partners, including that they provide funding for the benefits they receive from the program; and
- The required clean-up effort of the location where the full-scale Advanced Water Treatment Plant would be located, which was formerly home to an oil refinery.

This is the first of two workshops for the Board to review and provide input on two white papers on the program. The first white paper, *Program Implementation and Delivery*, was released on July 17.⁶ The next white paper and workshop will focus on program costs and financial agreements.

C&LR Committee Chair Gold (Los Angeles) announced it was his last meeting serving as Board member since he accepted the Governor’s appointment to serve as Deputy Secretary for Oceans and Coastal Policy and Director of the Ocean Protection Council at the California Natural Resources Agency. Subsequently Los Angeles Mayor Garcetti nominated Tracy Quinn to fill the seat vacated by Gold.⁷ Quinn is the California Director of Water Efficiency for the Natural Resources Defense Council. Lastly, the Legal and Claims went into closed session, without the Delegates in attendance, to review the Water Authority’s settlement proposal and hear a report on the rate litigation.

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Reviewed by: *Audit and Ethics Committee* by Jerry Butkiewicz & Tim Smith
*Board Workshop: Regional Recycled Water Program* by Jerry Butkiewicz, Gail Goldberg, & Tim Smith
*Communications and Legislation Committee* by Jerry Butkiewicz & Tim Smith
*Conservation and Local Resources Committee* by Michael Hogan
*Engineering and Operations Committee* by Tim Smith
*Executive Committee* by Jerry Butkiewicz & Tim Smith
*Finance and Insurance Committee* by Gail Goldberg & Tim Smith
*Legal and Claims Committee* by Gail Goldberg & Tim Smith
*Organization, Personnel and Technology Committee* by Michael Hogan & Tim Smith

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⁷ More information on Quinn’s nomination found here: [https://www.lamayor.org/mayor-garcetti-nominates-tracy-quinn-metropolitan-water-district-board-directors](https://www.lamayor.org/mayor-garcetti-nominates-tracy-quinn-metropolitan-water-district-board-directors)
Attachments:
Attachment 1 – Discussion Summary of Reimbursement Resolution Authorization
Attachment 2 – Discussion Summary of Demand Management Cost Allocation Presentation
Attachment 3 – Discussion Summary of Secretary Crowfoot’s Address to the MWD
Attachment 4 – MWD’s committee and Board meeting agendas dated July 8, 9, and 23, 2019
Discussion Summary of Reimbursement Resolution Authorization

At its July 2019 Finance and Insurance (F&I) Committee, staff recommended the MWD Board adopt a reimbursement resolution to free up to $280 million of capital expenditures paid by Pay-As-You-Go revenues (PAYGo) to be funded by bond proceeds. Before hearing staff’s presentation on its recommendation, Director Barbre (Municipal Water District of Orange County) moved the item with a second from Director Blois (Calleguas). Although there was a motion on the floor, F&I Committee Chair Dake (Los Angeles) directed staff to present on the item.

Interim Assistant General Manager/Chief Financial Officer Skillman reported that the reimbursement resolution would allow the Board to use tax-exempt bond proceeds or other forms of indebtedness to reimburse itself for capital expenditures initially paid or to be paid by PAYGo during fiscal years 2019 and 2020. Skillman said, “this type of resolution is useful when an agency has significant amount of cash-funded capital expenditures because it has the capacity to increase the amount of debt that it would otherwise issue if it finds that it needs to.” According to Skillman, MWD has not used reimbursement resolutions “in recent history” because its capital expenses were debt-funded, and it did not have “capacity to issue additional debt.” However, she said MWD approved similar resolutions in 2015 and 2016 when MWD used unbudgeted debt proceeds to reimburse its capital expenditures and freed-up PAYGo for operating expenses.

Turning to the MWD’s adopted fiscal years 2019 and 2020 biennial budget, Skillman noted that the Capital Investment Plan (CIP) budget and rates are based on roughly 80 percent of Engineering Services’ estimated capital expenditures ($514 million). Therefore, Skillman said MWD budgeted for annual capital expenditures of $200 million, of which 60 percent,1 or $120 million, is budgeted to be cash-funded by PAYGo, while 40 percent, or $80 million, is budgeted to be debt-funded.2

Skillman said the resolution is a tool to provide “financial flexibility” to help manage:

- Fiscal years 2019 and 2020 CIP expenditures that are tracking over budget, cumulatively, by $79 million;
- The Board’s unbudgeted expenditure (to participate in a water banking program with Antelope Valley-East Kern Water Agency);3
- Below budget fiscal year 2019 water sales, which are at historically low levels and a contributing factor to MWD’s anticipated $50 million withdrawal from unrestricted reserves in fiscal year 2019;4 and
- The likelihood that fiscal year 2020 water sales will continue to fall “significantly” below budget.

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1 According to MWD’s Adopted Fiscal Years 2019 and 2020 Biennial Budget, the budgeted “PAYGo expenditures are set at a level that is consistent with the board policy adopted in 2014 that 60 percent of the CIP expenditures would be funded from revenues.”
2 When MWD initially proposed its current biennial budget, staff indicated that adopting a reimbursement resolution for capital expenditures would be part of its recommended budget action. However, the actual budget action considered by the Board at its April 2018 meeting did not include this resolution.
3 MWD expects to incur costs between $26 million and $30 million in fiscal year 2020 for this program.
4 Even with this forecast withdrawal, MWD projects it will close fiscal year 2019 with about $10 million more in unrestricted reserves than its Adopted Fiscal Years 2019 and 2020 Biennial Budget planned for.
Additionally, Skillman said that although MWD already issued the budgeted debt for fiscal year 2019, it had yet to do so for fiscal year 2020. Therefore, according to Skillman, adopting the resolution would allow MWD to aggregate its debt and time its issuance to coincide with more favorable market conditions and when it has a better idea of how much debt it needs.

Following her presentation, in response to Director Smith, Skillman clarified that the $280 million request includes $80 million already budgeted to be debt funded, allowing the potential for up to $200 million of unbudgeted debt to be issued. She said that although the resolution would allow MWD to issue up to $280 million, it might not “necessarily issue” that much, adding that staff “hope[s]” to have a “clearer understanding” of MWD’s financial condition by the September 2019 F&I Committee meeting.

Although “not opposed to taking this kind of action under extraordinary or unforeseeable circumstances,” Director Hogan expressed concern that if staff’s recommendation is approved, then in three of the last four years MWD will have used reimbursement resolutions to issue debt beyond what it had budgeted. He observed that MWD is essentially using PAYGo as a reserve fund, which is “not a normal practice.” Hogan called for MWD to develop alternatives rather than the routine use of reimbursement resolutions. Skillman replied that MWD used reimbursement resolutions in 2015, when “we were in extraordinary drought and the governor had basically mandated conservation”—lowering water sales and subsequently MWD’s revenues—and in 2016, when MWD made the $175 million unbudgeted Delta Islands purchase. Observing that was “an extraordinary time,” Hogan said the current situation is “a little bit different” and encouraged MWD to examine its budgeting methodology “to avoid this.” Skillman responded that some agencies that fund their CIP expenses with “a lot of operating revenues” use reimbursement resolutions on an annual basis. She added, “not to necessarily drop names, but I know of a particular water agency who goes through the fiscal year using operating revenues [(PAYGo)] and then in June, they issue bonds and the reimburse themselves.” (This is not the practice of the Water Authority; it is unclear which agency Skillman was referring to). General Manager Kightlinger added that MWD has been using reimbursement resolutions “for some time, decades at Metropolitan, periodically.” He stated that resolutions are used for “timing the market perfectly for bonds” to achieve “maximum flexibility” rather than MWD’s PAYGo policy.

Switching gears, Director Goldberg asked about the financial impact of the second alternative Skillman presented—to not approve the reimbursement resolution. If the Board did not approve the resolution, Skillman said MWD “would want to go to the market as soon as possible” to ensure “that we had bond funds to pay for our capital program.” Skillman added that taking that course “would have a cost,” but did not provide any details on the financial impact to MWD or how that option would compare to staff’s recommendation.

Subsequent to its discussion, the F&I Committee approved staff’s recommendation with the Water Authority’s two committee members—Goldberg and Smith—abstaining. Similarly, at its meeting, the MWD Board adopted the reimbursement resolution with the Water Authority delegation abstaining.
Discussion Summary of Demand Management Cost Allocation Presentation

At its July 2019 meeting, the Finance and Insurance Committee received a second presentation on demand management cost allocation from MWD consultant Peter Mayer, principal of Water Demand Management, LLC. Interim Assistant General Manager/Chief Financial Officer Skillman prefaced Mayer’s presentation “to remind” the Board that MWD incurs demand management costs for its conservation, Local Resources, and Future Supply Action Funding programs, and the programs’ “supporting departmental costs.” In its 1996 Integrated Water Resources Plan (IRP), Skillman said MWD identified the “Preferred Resource Mix” as a least-cost method to meet Metropolitan’s forecast demands. This approach “assumed that by reducing regional demands, investments in infrastructure could be avoided or deferred, particularly investments in conveyance and distribution assets.” According to Skillman, this assumption “provided the primary nexus between the Water Stewardship Rate and transportation.”

In his presentation, Mayer proposed that MWD’s demand management cost functionalization be based on avoided costs. Specifically, demand management costs should be allocated to four of the six functional revenue requirement categories identified in MWD’s cost of service: supply, conveyance and aqueduct, distribution, and storage. Mayer excluded the treatment and hydroelectric categories. He presented an “example,” which closely tracked MWD’s current revenue requirements allocation, that demand management costs would have the following “functional assignment:”

- 20 percent to supply;
- 51 percent to conveyance and aqueduct;
- 12 percent to storage; and
- 17 percent to distribution.

Mayer’s presentation was high-level and no accompanying report, analysis, or was additional documentation provided to support its conclusions.

Following Mayer’s presentation, Director Smith asked if Mayer was “equating revenue requirements with expected costs.” Mayer said he was and confirmed Smith’s understanding that expected costs would be attributed to a functional category to allocate costs. Mayer added that expected costs “will also change with each biennial cycle.” Turning to the functional categories to which Mayer assigned demand management costs, Smith noted that Mayer said treatment was excluded because MWD is not building new treatment facilities. Smith asked if the same concept could apply to MWD’s aqueduct and conveyance and distribution categories since MWD’s aqueducts “aren’t full.” Mayer said costs to increase the capacity of “the aqueducts have already been [and continue to be] avoided” and MWD “need[s] to acknowledge historical context.” In response to Smith’s suggestion that treatment costs could also be viewed

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1 The 1996 IRP identified the “Preferred Resource Mix”—a combination of targets for imported supplies, local supply development, and conservation—as MWD’s strategy to ensure water supply reliability.

2 The Appellate Court found: “Metropolitan’s payments to member agencies to fund water conservation programs is not a cost of using the conveyance system to wheel water. Funding conservation programs may lessen capital expenditures for system expansion in the future, as Metropolitan asserts, but that potential savings is not recoverable under the terms of the statute that permits recovery for actual conveyance costs—not avoided costs.” Page 28 of the Appellate Court’s June 21, 2017 decision found here: https://www.sdcwa.org/sites/default/files/AppellateCase.pdf
through a “historical context,” Mayer said the difference is that “treatment is actually being downsized,” and MWD identified conveyance and aqueduct projects that it didn’t construct due to reduced demands.3

Smith said because operations and maintenance (O&M) of pipelines and conveyance is “a relatively small amount of money” compared to overall O&M expenditures, he would expect supply and storage to comprise a larger portion of the functional assignment than that presented in Mayer’s example. Although it was a “hypothetical example,” Mayer said the numbers he presented are “within the ballpark” of MWD’s functional assignment. Skillman agreed with Mayer and added that MWD’s conveyance and aqueduct costs include State Water Project costs in addition to the costs associated with its own system.

Switching gears, Director Barbre (Municipal Water District of Orange County) questioned the exclusion of hydroelectric costs. Mayer replied that demand management results in lower demands or increased local supplies, neither of which produces hydroelectricity or “helps” avoid future hydroelectric costs. Barbre indicated he still didn’t understand the exclusion but moved on and asked if Mayer’s analysis considered the reduction of imported water supplies over time. Mayer said his analysis did not include forecasts. Instead his analysis considered “the actual water savings that had been documented” since avoided costs are “instantaneous” and equate to the “value” of the next “increment” of supply. Barbre said he has “a philosophical problem with considering conservation demand management as a supply” because MWD is “trying to catch-up” with the loss of its imported water supplies through an “all-of-the-above pursuit” of which conservation is one of the “control measures to make up for the difference.” General Manager Kightlinger said “our demands have shrunk at a faster rate that our supplies,” allowing MWD to store water, but agreed “there is growing pressure on imported water.”

Returning to MWD’s reduction in treatment capacity, Director Ortega (Fullerton) asked how Mayer’s calculations factor in treatment’s “stranded cost” and the impact of recycled water being held to “the same efficiency standards as normal water.” Mayer said he is providing “a general approach” that MWD may customize, and that he was unfamiliar with specific stranded costs and how those may apply. Ortega explained that if MWD “had never built the [treatment] facility” in excess of demands, then it would not have incurred its costs or had to downsize it. Related to recycled water, Ortega said “it’s going to be worth less” since it will be held to the same efficiency standards as potable water and no longer be a “demand management tool.” Mayer argued that under “a one water perspective,” recycled water is “as valuable” as potable water, and that’s why the same efficiency standards are applied. Mayer said stranded assets relate to the treatment functional category and since MWD has treatment capacity that “is no longer needed” and is being reduced, the category was excluded from the demand management cost allocation; however, if MWD expands treatment capacity in the future then it may be included.

Returning to Barbre’s comments on conservation as a source of demand management, Director Peterson (Las Virgenes) noted that since he joined the Board, MWD’s sales have reduced by more than a million acre-feet while the region has added millions of people and “to deny” conservation is a supply is not “reality.” Additionally, Peterson said in reference to “the issue of the aqueduct being built,” MWD must pay for the system’s costs regardless of whether it gets water and surmised that those costs are part of the distribution functional category.

On a different note, Director Blois (Calleguas) asked how assets’ varying lifespans are considered in Mayer’s calculations. Mayer replied, “it is important to look at the short-term and long-term costs” and consider if demand management impacts them. Wrapping up the discussion, Blois “disagree[d]” with the “assumption” that demand management is or is not avoiding costs in the functional categories “at any given point of time.” However, Blois raised concern with “exclud[ing] a bucket where you actually are having a lot of costs, i.e. treatment.” He said, the “argument” the Board faces is “figuring out what those actual buckets are.” Mayer responded that what he included in the demand management cost allocation is based on the expenses MWD avoids in the future “as a result of demand management at this time.”
Discussion Summary of Secretary Crowfoot’s Address to the MWD

During his address to MWD’s Water Planning and Stewardship (WP&S) Committee, California Secretary for Natural Resources Crowfoot highlighted Governor Newsom’s “commitment on water” and underscored the importance water plays in ensuring California has a “prosperous future.” To manage the state’s expected population growth, maintain economic prosperity, and mitigate climate change impacts, Crowfoot said it is critical that California has “resilient” water supplies while continuing to “take care of our environment.” Crowfoot referenced Newsom’s April 2019 Executive Order,1 which laid out “a set of principles” to “guide” the state’s “strategy”—the “Water Resilience Portfolio.” Per the Executive Order, Crowfoot, Secretary for Environmental Protection Blumenfeld, and Secretary of the California Department of Food and Agriculture Ross are working together to develop the portfolio. Their agencies are evaluating “priority investments, policies, programs the Newsom Administration needs to put in the place to ensure a resilient water system for coming decades,” and to make decisions “that provide multiple benefits, so for example, supply projects that can benefit both the environment and communities.”

Crowfoot discussed the importance of a Bay-Delta project to manage climate change and seismic risks, but also said the “state needs to modernize and safeguard our water infrastructure beyond the Bay-Delta.” He reiterated “the Newsom Administration doesn’t support the twin tunnel project” but does “support a single tunnel, smaller capacity project that we think is feasible because its impacts can be limited and it’s affordable.” For that project, the administration plans to release a Notice of Preparation of an Environmental Impact Report in September or October 2019. By Thanksgiving 2019, the administration plans to deliver a “road map that will really be clear in terms of the broad portfolio of investments we need to diversify our water supplies,” make progress on a Bay-Delta project, and “take care of” the environment.

Following Crowfoot’s comments, Director Murray (Los Angeles) highlighted the City of Los Angeles’ efforts to develop local water supplies and expressed strong support on behalf of the city for the Water Resilience Portfolio and a one-tunnel Bay-Delta project. Crowfoot expressed appreciation for Mayor Garcetti’s leadership on water issues and reiterated the need for a diverse water supply portfolio, so the state can reduce its dependence on imported water supplies.

Director Peterson (Las Virgenes) asked Crowfoot for “any assurances” that the administration will “deliver” a Bay-Delta project. Crowfoot answered “no” since there are many factors outside the administration’s control but emphasized that it is making the project a priority and working with other agencies “to move the project forward.”

Director Blois (Calleguas) explained that Ventura County is “particularly vulnerable” without a Bay-Delta Project since “we’re 95 [percent] or more dependent on State Water supply” and “a major recycling facility anywhere else within the district really does us very little good other than indirect benefit of, you know, increasing the supply to all of Southern California.” Blois expressed dismay at the project’s downsizing over time and the lack of progress made towards

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its implementation. He asked Crowfoot if there was any way to “speed up what project we physically can count on,” so MWD can “spend some money toward the engineering design effort.” Crowfoot noted that “this is a beneficiary pays project” and “if it doesn’t provide a capacity for an operational profile that works for water users down here, it’s not going to get done.” He said “our hope” is that a “preferred alternative” is identified in the Notice of Preparation document. He also highlighted the administration’s effort to transition from “management by regulation and litigation to more of a collaborative management between water users and other stakeholders,” specifically noting the voluntary agreements effort.

Director McKenney (Metropolitan Water District of Orange County (MWDOC)) expressed support for the voluntary agreements process because it requires the parties to look at resilience and “balance benefits.” He articulated that the Water Resilience Portfolio should avoid “tell[ing] us all the things we should do” and instead should “create a state framework for facilitating and using regional planning efforts.” In response, Crowfoot said there will be a “very heavy focus on supporting regional leadership within the portfolio,” and the administration wants to “align our regulations,” encouraging the Board to work with the administration on aligning the regulations.

Director Barbre (MWDOC) asked Crowfoot about how storage will fit into the portfolio and the Bay-Delta project, asking if he “can give an assurance, since we’re going to be footing 50 percent of the bill for this, that we are actually going to get some storage and some long-term benefits for the customers here in Southern California.” Crowfoot said, “new appropriately positioned storage has to be part of the solution moving forward.” In response to Barbre’s question if this included groundwater or surface water storage, Crowfoot said both but “start with below ground.” Turning to California WaterFix (WaterFix), Barbre said the project “wasn’t going to cost the state one penny,” and “it was ready to go, and the previous administration, which I believed you served, that was moving forward, and now it’s all changed.” He asked, “what scientifically changed” to cause Newsom to change the project. Crowfoot responded that “reasonable people differ on the impacts in the capacity of those tunnels and reasonable people have different opinions in terms of the deliverability of the project based on its cost.” He continued, “most people agree that reducing the capacity will reduce potential impacts and will reduce costs.” Earlier, Crowfoot noted that the project’s capacity is not the key “restriction,” rather “the restriction is finding a management approach that avoids making extinct fish while taking advantage in a nimble way of getting as much water through the Delta and exported during these wet periods.” While Crowfoot expressed appreciation for MWD’s “leadership” on WaterFix, he said “we are committed to this single tunnel conveyance, and we’re going to move it forward.”

Director Gold (Los Angeles) asked Crowfoot how the administration will evaluate existing water facilities and its vulnerabilities in their planning efforts, adding that the state “dodg[ed] a bullet, a billion dollar bullet up in Oroville.” Crowfoot confirmed that portfolio approach is based on undertaking an assessment that considers “climate impacts as well as existing supplies and projected demand” to “position the recommendations that we make to the governor.” In response to Gold, Crowfoot added that the assessment will “identify as to the best of our ability what the [infrastructure] vulnerabilities are.”
WP&S Committee Chair Atwater (Foothill) paused the discussion and indicated he would like to wrap it up, telling Crowfoot “we’d like to invite you to come back.” After Crowfoot confirmed he had “time,” Chairwoman Gray (West Basin) urged that the discussion continue to “make sure the Board members get their questions in.”

Director Morris (San Marino) echoed McKenney, encouraging the administration to consider the implications of “increasing regulations” on supply reliability, offering the example of groundwater basin productivity being impacted by increased regulation of Pre- and Polyfluoroalkyl Substances (PFAS). In a similar vein, Director Ortega (Fullerton) agreed that regulations can have impacts on local supply production; he noted that with the potential enhanced PFAS regulations, Fullerton would be forced to increase its imported water purchases which would hinder the governor’s water resiliency effort. He also said, “many of us in Southern California would like to have the guarantee of conveyance that protects our baseline supplies and the integrity of local resource portfolios.” Crowfoot acknowledged Ortega’s concerns.

Director Butkiewicz expressed the Water Authority’s appreciation for the administration’s support for local resources development and for Crowfoot’s acceptance to tour the supply diversification efforts the San Diego region has implemented later in the month. Related to the water use efficiency standards being established by the state, Director Hogan asked if they are going to be “integrated into determining the [water] demand for the future.” Crowfoot called Hogan’s question “great” and referred to the recently passed legislation to “Make Conservation a California Way of Life” saying the state is trying to “reduce water waste,” and that “these new standards will be implemented in a way where urban water agencies can actually abide these standards, [and] continue to support the quality of life.” He wrapped up his response by suggesting the new standards will be factored into the demand forecasts.

Later, during his report to the Committee, Water Resource Management Group Manager Coffey referenced Crowfoot’s comments on the Water Resilience Portfolio and described MWD’s process on how it will “be addressing comments” on the state’s approach. Coffey said MWD will “build upon our successful water portfolio approach for the region that we developed through the Integrated Water Resources Plan.” He went on to explain that MWD staff will seek member agency input through the July member agency managers’ meeting and incorporate feedback into an “oral report,” which they will present to the Board in August. Also, in August, MWD will solicit Board feedback to incorporate into a letter that General Manager Kightlinger will send to the administration by the September 1 deadline. Additionally, MWD will participate “in the statewide effort through industry associations” like the Association of California Water Agencies and the California Municipal Utilities Association.
Finance and Insurance Committee

Meeting with Board of Directors*

July 8, 2019

9:30 a.m. -- Room 2-456

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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 Finance and Insurance Committee held June 10, 2019

3. CONSENT CALENDAR ITEMS — ACTION

   None

4. OTHER BOARD ITEMS — ACTION

   8-1 Adopt resolution authorizing the reimbursement of capital expenditures from bond proceeds for fiscal years 2018/19 and 2019/20 and other capital expenditures relating to Metropolitan’s water delivery systems; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA
5. BOARD INFORMATION ITEMS

None

6. COMMITTEE ITEMS

a. Prefunding PERS and OPEB: Presentation No. 2
b. Demand Management Cost Allocation: Presentation No. 2

7. MANAGEMENT REPORT

a. Interim Chief Financial Officer’s report

8. FOLLOW-UP ITEMS

None

9. FUTURE AGENDA ITEMS

10. ADJOURNMENT

NOTE: This committee reviews items and makes a recommendation for final action to the full Board of Directors. Final action will be taken by the Board of Directors. Agendas for the meeting of the Board of Directors may be obtained from the Board Executive Secretary. This committee will not take any final action that is binding on the Board, even when a quorum of the Board is present.

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.

Date of Notice: June 26, 2019
Engineering and Operations Committee

Meeting with Board of Directors*

July 8, 2019

10:30 a.m. – Room 2-145

* 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 June 10, 2019

3. CONSENT CALENDAR ITEMS — ACTION

7-1 Award $475,000 construction contract to Mehta Mechanical Company, Inc. to construct a weather enclosure at the Yorba Linda Power Plant; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Date of Notice: July 2, 2019
4. OTHER BOARD ITEMS — ACTION

8-3 Award $14,784,000 contract to Helix Electric, Inc. for Stage 2 Electrical Upgrades at the Joseph Jensen Water Treatment Plant; the proposed action is in furtherance of a project that was previously determined to be exempt from CEQA

8-4 Authorize amendments to the Administrative Code regarding deliveries of member agency water supplies in Metropolitan’s system in an emergency; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

5. BOARD INFORMATION ITEMS

None

6. COMMITTEE ITEMS

a. Update on Headquarters Improvements Construction

b. Update on Colorado River Source Water Protection

Revised c. Update on Emerging Water Quality Issues: Per- and Polyfluoroalkyl Substances

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

NOTE: This committee reviews items and makes a recommendation for final action to the full Board of Directors. Final action will be taken by the Board of Directors. Agendas for the meeting of the Board of Directors may be obtained from the Board Executive Secretary. This committee will not take any final action that is binding on the Board, even when a quorum of the Board is present.

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.
Water Planning and Stewardship Committee

Meeting with Board of Directors*

July 8, 2019

12:30 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))

   a. Comments from Wade Crowfoot, California Secretary for Natural Resources

2. Approval of the Minutes of the Water Planning and Stewardship Committee held June 10, 2019

3. CONSENT CALENDAR ITEMS — ACTION

   None
4. OTHER BOARD ITEMS — ACTION

Revised 8-5

Authorize payments of up to $3.43 million for participation in the State Water Contractors, Inc. for fiscal year 2019/20; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA. (Two-thirds vote required)

5. BOARD INFORMATION ITEMS

None

6. COMMITTEE ITEMS

a. Update on Water Surplus and Drought Management Plan

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
NOTE: This committee reviews items and makes a recommendation for final action to the full Board of Directors. Final action will be taken by the Board of Directors. Agendas for the meeting of the Board of Directors may be obtained from the Board Executive Secretary. This committee will not take any final action that is binding on the Board, even when a quorum of the Board is present.

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Organization, Personnel and Technology Committee

Meeting with Board of Directors*

July 8, 2019

1:30 p.m. – Room 2-145

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 Organization, Personnel and Technology Committee held June 10, 2019

3. CONSENT CALENDAR ITEMS – ACTION

None
4. OTHER BOARD ITEMS – ACTION

8-7 Authorize a professional services agreement with PlanNet, LLC not-to-exceed $1,900,000 to relocate Metropolitan enterprise data center systems to qualified colocation data center service providers; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA [Conference with Metropolitan Information Technology Unit Manager of the Program Management Office Alex Encarnacion, or designated agents, on threats to public services or facilities; to be heard in closed session pursuant to Gov. Code Section 54957(a)]

5. BOARD INFORMATION ITEMS

None

6. COMMITTEE ITEMS

a. Succession Planning: Preparing Tomorrow’s Talent


7. MANAGEMENT REPORT

a. Human Resources Manager’s report

b. Information Technology 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*

July 8, 2019

2:30 p.m. -- Room 2-456

*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.

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 June 10, 2019**

3. **CONSENT CALENDAR ITEMS — ACTION**

   None
4. OTHER BOARD ITEMS — ACTION

8-6 Express support for AB 296 (Cooley, D-Rancho Cordova): Climate change: Climate Innovation Grant Program: voluntary tax contributions; and AB 409 (Limón, D-Santa Barbara): Climate Change: agriculture: Agricultural Climate Adaptation Tools Program: grants; the General Manager has determined that the proposed actions are exempt or otherwise not subject to CEQA. (C&L)

5. BOARD INFORMATION ITEMS

None

6. COMMITTEE ITEMS

a. Update on Water Conservation Outreach Campaign
b. Update on Education Activities
c. Report on activities from Washington, D.C.
d. Report on activities from Sacramento

7. MANAGEMENT REPORT

a. External Affairs Management report

8. FOLLOW-UP ITEMS

None

9. FUTURE AGENDA ITEMS
10. ADJOURNMENT

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Legal and Claims Committee

Meeting with Board of Directors*

July 9, 2019

9:00 a.m. -- Room 2-145

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 Legal and Claims Committee meeting held June 11, 2019

3. MANAGEMENT REPORT
   a. General Counsel’s report of monthly activities

4. CONSENT CALENDAR ITEMS — ACTION
   None

* 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.
5. OTHER BOARD ITEMS — ACTION

None

6. BOARD INFORMATION ITEMS

None

7. COMMITTEE ITEMS

a. Review Settlement Proposal received from SDCWA and 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, CGC-17-563350, and CPF-18-516389; 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; the petition for extraordinary writ in the 2010 and 2012 actions, Court of Appeal for the First Appellate District Case No. A155310; and the petition for extraordinary writ in the second 2016 action, Court of Appeal for the First Appellate District Case No. A154325 and California Supreme Court Case No. S251025.

[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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**Meeting with Board of Directors**

* 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 June 11, 2019

3. CHAIR’S REPORT

4. COMMITTEE ITEMS
   a. Conservation Update
   b. Considerations for Stormwater Recharge Pilot Study
   
   **Revised**
   c. Update on Model Water Efficient Landscape Ordinance Workshops in Partnership with California Landscape Contractors Association Partnership

Date of Notice: July 5, 2019
5. FOLLOW-UP ITEMS

None

6. FUTURE AGENDA ITEMS

7. ADJOURNMENT

NOTE: This committee reviews items and makes a recommendation for final action to the full Board of Directors. Final action will be taken by the Board of Directors. Agendas for the meeting of the Board of Directors may be obtained from the Board Executive Secretary. This committee will not take any final action that is binding on the Board, even when a quorum of the Board is present.

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Real Property and Asset Management Committee

Meeting with Board of Directors*

July 9, 2019

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

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 May 13, 2019

3. CONSENT CALENDAR ITEMS — ACTION

7-2 Authorize the granting of a ten-year license agreement to E-Z Storage of Van Nuys, for storage containers and parking purposes on Metropolitan fee-owned property in the Van Nuys area of the city of Los Angeles; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

7-3 Authorize the granting of a ten-year license agreement to California TrusFrame, LLC (CTF) for temporary storage of roof and floor trusses on Metropolitan fee-owned property in the city of Perris, within the county of Riverside; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

* 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.
4. OTHER BOARD ITEMS – ACTION

None

5. BOARD INFORMATION ITEMS

None

6. COMMITTEE ITEMS

None

7. MANAGEMENT REPORT

a. Real Property Manager's Report

8. FOLLOW-UP ITEMS

9. FUTURE AGENDA ITEMS

10. ADJOURNMENT

NOTE: This committee reviews items and makes a recommendation for final action to the full Board of Directors. Final action will be taken by the Board of Directors. Agendas for the meeting of the Board of Directors may be obtained from the Board Executive Secretary. This committee will not take any final action that is binding on the Board, even when a quorum of the Board is present.

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Date of Notice: June 26, 2019
1. Call to Order

   (a) Invocation: Wayne Gutowski, Sr. System Operations Technician, Water System Operations Group

   (b) Pledge of Allegiance: Director Sylvia Ballin, City of San Fernando

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 Government Code Section 54954.3(a))

5. OTHER MATTERS

   A. Approval of the Minutes of the Meeting for June 11, 2019; and the corrected Minutes of the Meeting for December 11, 2018 (Copies have been mailed to each Director) Any additions, corrections, or omissions

   B. Report on Directors’ events attended at Metropolitan expense for month of June 2019

   C. Approve Commendatory Resolution for Director Zareh Sinanyan representing the City of Glendale

Date of Notice: July 2, 2019
D. Adopt motion to adjourn the August Board Meeting to August 20, 2019, to establish tax rate. (Committees to meet on August 19 and 20, 2019)

E. Approve committee assignments

F. Chairwoman's Monthly Activity Report

6. DEPARTMENT HEADS' REPORTS

A. General Manager’s summary of activities for the month of June 2019

B. General Counsel’s summary of activities for the month of June 2019

C. General Auditor’s summary of activities for the month of June 2019

D. Interim Ethics Officer’s summary of activities for the month of June 2019

7. CONSENT CALENDAR ITEMS — ACTION

7-1 Award $475,000 construction contract to Mehta Mechanical Company, Inc. to construct a weather enclosure at the Yorba Linda Power Plant; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA. (E&O)

7-2 Authorize the granting of a ten-year license agreement to E-Z Storage of Van Nuys, for storage containers and parking purposes on Metropolitan fee-owned property in the Van Nuys area of the city of Los Angeles; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA. (RP&AM)
7-3 Authorize the granting of a ten-year license agreement to California TrusFrame, LLC (CTF) for temporary storage of roof and floor trusses on Metropolitan fee-owned property in the city of Perris, within the county of Riverside; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA. (RP&AM)

END OF CONSENT CALENDAR

8. OTHER BOARD ITEMS — ACTION

8-1 Adopt resolution authorizing the reimbursement of capital expenditures from bond proceeds for fiscal years 2018/19 and 2019/20 and other capital expenditures relating to Metropolitan’s water delivery systems; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA. (F&I)

8-2 Approve naming the Lake Mathews Multiple Species Reserve in honor of former Metropolitan Board Chairwoman Lois B. Krieger; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA. (FNA)

8-3 Award $14,784,000 contract to Helix Electric, Inc. for Stage 2 Electrical Upgrades at the Joseph Jensen Water Treatment Plant; the proposed action is in furtherance of a project that was previously determined to be exempt from CEQA. (E&O)

8-4 Authorize amendments to the Administrative Code regarding deliveries of member agency water supplies in Metropolitan’s system in an emergency; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA. (E&O)
authorize payments of up to $3.43 million for participation in the State Water Contractors, Inc. for fiscal year 2019/20; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA. (WP&S) (Two-thirds vote required)

Express support for AB 296 (Cooley, D-Rancho Cordova): Climate change: Climate Innovation Grant Program: voluntary tax contributions; and AB 409 (Limón, D-Santa Barbara): Climate Change: agriculture: Agricultural Climate Adaptation Tools Program: grants; the General Manager has determined that the proposed actions are exempt or otherwise not subject to CEQA. (C&L)

Authorize a professional services agreement with PlanNet, LLC not-to-exceed $1,900,000 to relocate Metropolitan enterprise data center systems to qualified colocation data center service providers; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA. (OP&T)

[Conference with Metropolitan Information Technology Unit Manager of the Program Management Office Alex Encarnacion, or designated agents, on threats to public services or facilities; to be heard in closed session pursuant to Gov. Code Section 54957(a)]

9. BOARD INFORMATION ITEMS

9-1 Update on Conservation Program

10. OTHER MATTERS

10-1 Approve employment contract for new Ethics Officer; the General Manager has determined the proposed action is exempt or otherwise not subject to CEQA

10-2 Discussion of Department Head Evaluation Process Guidelines and Department Head Evaluation Presentations

[Public employee's performance evaluations; General Manager, General Counsel, General Auditor, and Ethics Officer, to be heard in closed session pursuant to Gov. Code Section 54957(b)]
11. FOLLOW-UP ITEMS

12. FUTURE AGENDA ITEMS

13. BOARD TRAINING

13-1 Security Awareness Board Training
[Conference with Metropolitan Interim Security Manager Tomer Benito, or designated agents, on threats to public services or facilities; to be heard in closed session pursuant to Gov. Code Section 54957(a)]

14. ADJOURNMENT

NOTE: 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.

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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.
Board Workshop: Regional Recycled Water Program

Special Meeting with Board of Directors*

July 23, 2019

9:30 a.m. – Boardroom

| MWD Headquarters Building | • | 700 N. Alameda Street | • | Los Angeles, CA 90012 |

1. Call to Order

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 Government Code Section 54954.3(a))

5. WORKSHOP ON PROGRAM IMPLEMENTATION AND DELIVERY

6. ADJOURNMENT

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Executive Committee

Meeting with Board of Directors*

July 23, 2019

12:00 p.m. – Boardroom

* The Metropolitan Water District’s Executive 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 Executive 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 Executive Committee will not vote on matters before the Executive Committee.

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

2. Approval of the Minutes of the meeting of the Executive Committee held June 25, 2019

3. CHAIRWOMAN’S REPORT

4. OTHER MATTERS

None

MWD Headquarters Building • 700 N. Alameda Street • Los Angeles, CA 90012

Date of Notice: July 17, 2019
5. **CONSENT CALENDAR ITEMS – ACTION**

None

6. **OTHER BOARD ITEMS – ACTION**

None

7. **BOARD INFORMATION ITEMS**

None

8. **DEPARTMENT HEAD’S REPORTS**

   a. General Manager's report of Metropolitan's activities
   b. General Counsel's report of Legal Department activities
   c. General Auditor's report of Audit Department activities
   d. Ethics Officer's report of Ethics Department activities

9. **COMMITTEE REPORTS AND ITEMS**

   a. Finance and Insurance Committee
   b. Water Planning and Stewardship Committee
   c. Engineering and Operations Committee
   d. Communications and Legislation Committee
   e. Organization, Personnel and Technology Committee
   f. Legal and Claims Committee

Date of Notice: July 17, 2019
g. Real Property and Asset Management Committee

h. Audit and Ethics Committee

i. Approve draft committee and Board meeting agendas, and schedule for August 2019

10. FOLLOW-UP ITEMS

None

11. FUTURE AGENDA ITEMS

12. ADJOURNMENT

NOTE: The Executive Committee may consider matters brought before other committees. The Agendas of other committees are available from the Board Executive Secretary.

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Audit and Ethics Committee

Meeting with Board of Directors*

July 23, 2019

12:30 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 Audit and Ethics Committee held June 25, 2019

3. MANAGEMENT REPORTS
   a. Ethics Officer's report
   b. General Auditor's report

4. COMMITTEE ITEMS
   a. Discussion on KPMG External Auditor Fiscal Year 2018/19 Audit Plan
   b. General Auditor’s Business Plan for Fiscal Year 2019/20

Date of Notice: July 17, 2019
5. CONSENT CALENDAR ITEMS – ACTION

None

6. OTHER BOARD ITEMS – ACTION

None

7. BOARD INFORMATION ITEMS

None

8. FOLLOW-UP ITEMS

None

9. FUTURE AGENDA ITEMS

10. ADJOURNMENT

NOTE:

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Date of Notice: July 17, 2019
COMMITTEE ASSIGNMENTS

None. (Agenda Item 5E)

FINANCE AND INSURANCE COMMITTEE

Adopted resolution authorizing the reimbursement of capital expenditures from bond proceeds for fiscal years 2018/19 and 2019/20 and other capital expenditures relating to Metropolitan’s water delivery systems as contained in the Board letter. (Agenda Item 8-1)

FACILITIES NAMING COMMITTEE

Approved naming The Lake Mathews Multiple Species Reserve in honor of former Metropolitan Board Chairwoman Lois B. Krieger. (Agenda Item 8-2)

ENGINEERING AND OPERATIONS COMMITTEE

Awarded $14,784,000 contract to Helix Electric, Inc. for the Stage 2 electrical upgrades at the Jensen plant. (Agenda Item 8-3)

Authorized amendments to the Administrative Code regarding deliveries of member agency water supplies in Metropolitan's system in an emergency. (Agenda Item 8-4)

WATER PLANNING AND STEWARDSHIP COMMITTEE

By a two-thirds vote, authorized the General Manager to make payment of up to $3.43 million to the State Water Contractors. (Agenda Item 8-5)

COMMUNICATIONS AND LEGISLATION COMMITTEE

Authorized the General Manager to express support for AB 296 (Cooley, D-Rancho Cordova): Climate change: Climate Innovation Grant Program: voluntary tax contributions; and AB 409 (Limon, D-Santa Barbara): Climate change: agriculture: Agricultural Climate Adaptation Tools Program: grants. (Agenda Item 8-6)

ORGANIZATION, PERSONNEL AND TECHNOLOGY COMMITTEE

Authorized a professional services agreement with PlanNet, LLC not-to-exceed $1,900,000 to relocate Metropolitan enterprise data center systems to qualified colocation data center service providers. (Agenda Item 8-7)
CONSENT CALENDAR

In other actions, the Board:

Awarded $475,000 contract to Mehta Mechanical Company, Inc. for installation of a weather enclosure at the Yorba Linda Power Plant. (Agenda Item 7-1)

Authorized the granting of a ten-year license to E-Z Storage for storage containers and parking purposes. (Agenda Item 7-2)

Authorized granting of a ten-year license to CTF for temporary storage of finished products. (Agenda Item 7-3)

OTHER MATTERS

Approved Commendatory Resolution for Director Zareh Sinanyan representing the City of Glendale. (Agenda Item 5C)

Adopted motion to adjourn the August Board Meeting to August 20, 2019, to establish tax rate. (Committees to meet on August 19 and 20, 2019) (Agenda Item 5D)

Approved an employment contract with Mr. Abel Salinas as Ethics Officer, containing the terms and conditions set forth in the Board letter. (Agenda Item 10-1)

Discussed Department head Evaluation Process Guidelines and Department Head Evaluation Presentations. (Agenda Item 10-2) (Heard in closed session)

Security Awareness Board Training. (Agenda Item 13-1) (Heard in closed session)

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

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

All current month materials, before they are moved to the Board Letter Archive, are available on the public website here: http://mwdh2o.com/WhoWeAre/archived-board-meetings
July 24, 2019

Attention: Imported Water Committee

Professional Services Contract with Black & Veatch Corporation for the Regional Conveyance System Study. (Action)

Staff recommendation
Authorize the General Manager to award a professional services contract to Black & Veatch Corporation to provide professional services to implement the Scope of Work for the Regional Conveyance System Study for a not-to-exceed amount of $1,890,000.

Alternative
Do not approve staff’s recommendation and direct staff to conduct a Request for Proposals (RFP) process and negotiate with other professional service contractors. This process would delay completion of the study by four to six months and add up to $300,000 to the cost of the study.

Fiscal Impact
There are sufficient funds within the project budget and the fiscal years 2020 and 2021 Capital Improvement Program appropriation to support this action. The rate category for this project is customer service.

Executive Summary

- The Water Authority currently receives its Quantification Settlement Agreement (QSA) supplies through an Exchange Agreement with the Metropolitan Water District of Southern California (MWD) but has studied alternative conveyance of these supplies to the San Diego region for decades.
- A professional services contractor is needed to implement the scope of work for a new two-phase study that would not only evaluate alternative delivery options for the QSA supplies, but also potential multi-use, partnerships, and funding opportunities to provide regional benefits.
- Black & Veatch completed several past studies spanning 1996 to 2017 and, as a result, has extensive historical knowledge that would support efficient completion of the scope of work, saving up to $300,000 and four to six months.
- Upon Board approval, a professional service agreement totaling $1,890,000 would be executed for Phase A and B work, with each phase taking 12 months to complete.
- Staff would then return upon completion of Phase A to present study results and recommend for Board consideration a go/no-go decision to proceed to Phase B.

Background
As part of the 2003 QSA, the Water Authority has rights to 280,000 acre-feet of Colorado River supplies each year from a conserved water transfer with the Imperial Irrigation District (IID) and
the lining of the All-American and Coachella Canals. The Water Authority does not have a pipeline or aqueduct to the Colorado River to directly convey its QSA supplies to the San Diego region. These supplies are currently transported to the Water Authority service area through MWD’s system via an Exchange Agreement with MWD that was recently extended by 10 years to align with the term of the IID Water Transfer Agreement. While both agreements expire in 2047, the IID Water Transfer Agreement includes an option for extension through 2077, with mutual consent by both parties. The MWD Exchange Agreement does not contain a similar provision; therefore, the Water Authority does not have a guaranteed option for transportation of the IID transfer water past 2047.¹

Extending the MWD Exchange Agreement has allowed time to continue to explore alternative conveyance of QSA supplies to maintain the reliability of our region’s water supply at an affordable cost. The development of an alternative transportation option that would deliver water directly from Imperial Valley to San Diego is not a new concept, with reports dating back to a study by the Bureau of Reclamation in the 1940s and continuing to present day. Recent reports for an alternative conveyance by the Water Authority include a preliminary study completed by Black & Veatch in 1996 with updates in 2002 and 2013 as part of the Water Authority’s Regional Water Facilities Optimization and Master Plan Update (Master Plan), and most recently in 2017 as part of the decision to align the terms of the Exchange and Water Transfer Agreements.

Over the years, staff has engaged with the Board on this work and continues to do so through the Colorado River Work Group (CRWG), which was formed in October 2018 to provide guidance to staff and make recommendations to the Board on Colorado River issues, including the continued study of alternative conveyance. Thus far, the CRWG met in February, March, May, and July 2019. At these meetings, staff presented a draft scope of work for a proposed new study which incorporated comments received from the Member Agency Managers and ultimately addressed input received from the CRWG and Board as well. The CRWG also discussed the required budget for consultants and staff to implement the study, $3.9M, which was included in the FY 2020-2021 Board adopted budget. Staff also presented options for completing this work: (1) procuring professional services via an RFP process or, (2) contracting with Black & Veatch via a competitive acquisition waiver. Staff recommended entering into discussions with Black & Veatch for a potential contract because of their involvement in past studies and the efficiencies and cost savings their historical knowledge could provide. The CRWG concurred with staff’s recommendation. Staff returned to the CRWG to discuss the proposed scope and fee negotiated with Black & Veatch and received the CRWG’s concurrence to proceed with staff’s recommended action for consideration at the July 25, 2019 Imported Water Committee meeting.

Previous Board action: On June 27, 2019, the Board approved $3.9 million for the Regional Conveyance System Study as part of the Fiscal Year 2020 and 2021 Capital Improvement Program budget.

¹ Exchange of the Water Authority’s canal lining supplies is guaranteed for the 110-year term of the projects
Discussion
In keeping with the past incremental approach to studying alternative conveyance, this new study would build upon past studies, be conducted in two phases, Phase A and Phase B, and allow offramps for the Board at the end of each phase. It would also expand upon the previous single-use concept, meaning a pipeline for delivery of QSA supplies only, to a multi-benefit concept to provide regional benefits. As such, this study of a “Regional Conveyance System” (RCS) would also evaluate potential partners with compatible needs and funding opportunities. Some examples of potential partnership projects along the proposed RCS routes include surface water and underground storage, solutions for the Salton Sea, renewable energy generation and use, and bi-national projects with Mexico. Conceptually, the pipeline would be 96 inches in diameter with a length of approximately 75 to 90 miles and include other facilities such as pump stations and power generating facilities as needed and feasible.

There are three proposed alignments that would be studied further, two southern and one northern as shown in Attachment 1. Past studies focused on two proposed southern alignment options, 5A and 5C. Alignment 5A has significant tunneling and begins at the west end of the All-American Canal, extending north along IID’s Westside Main Canal, and then traveling west across Anza Borrego State Park and the Cleveland National Forest areas to San Vicente Reservoir. Alignment 5C is mainly open trench construction and begins at the west end of the All-American Canal, then extends westward close to the international border for much of the route before shifting north to San Vicente. A third proposed northern Alignment 3A, was assessed in 1996 but did not advance to subsequent studies as a preferred alignment due to a variety of factors. This alignment also has substantial tunneling and begins at the west end of the All-American Canal, extends north along the Westside Main Canal, and then traveling west across Borrego Springs and through Anza Borrego State Park to the Water Authority’s Twin Oaks Valley Water Treatment Plant (TOVWTP). Staff is proposing that Alignment 3A be re-evaluated to determine its feasibility resulting from changed conditions since 1996 such as the construction of TOVWTP and like the other alignments, the impact of potential multi-benefit, partnerships, and funding opportunities on offsetting costs and reducing risk to the Water Authority and its member agencies.

With regard to the study approach, Phase A entails bringing the study of Alignment 3A up to the same level of detail as that of Alignments 5A and 5C to facilitate equal comparison; refining all three alignments; evaluating elements that were not studied in the past, such as integration of the RCS into the Water Authority system; and considering the regional approach. The objective of Phase A is to narrow options down to less than three alignments—ideally two—based on criteria such as all-in-cost, net present value, and risk. The objective of Phase B would be to study any remaining alignments further to identify a preferred alignment. It is important to note that each phase would assess multi-benefit, partnership, and potential funding opportunities and conduct a sensitivity analysis of the potential impact on cost and project viability. Additionally, at the end of each phase, there would be offramps for the Board to consider next steps.

The specific scope of work for each phase has addressed input received from the Member Agency Managers group, CRWG, and Board and includes necessary work that must be
completed to better inform the technical viability and all-in cost of each alignment. Table 1 summarizes key scope items, cost, completion time, and offramps by phase.

Table 1. Key Scope Items, Cost, Completion Time, and Offramps

<table>
<thead>
<tr>
<th>Phase A</th>
<th>Phase B</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Data Gathering, Site Reconnaissance, and Analysis</td>
<td>- Demand Forecast Update</td>
</tr>
<tr>
<td>- Description of RCS Operations</td>
<td>- Refine Conveyance Alignment</td>
</tr>
<tr>
<td>- Demand Forecast and Impact on Aqueduct Operations (System Integration)</td>
<td>- Refine Tunnels</td>
</tr>
<tr>
<td>- Power Supply Alternatives</td>
<td>- Geotechnical Desktop Study</td>
</tr>
<tr>
<td>- Treatment, Blending, and Brine Disposal Options</td>
<td>- Partnership, Funding, and Multi-benefit Opportunities</td>
</tr>
<tr>
<td>- Permit and Environmental Requirements Opportunities</td>
<td>- Project Implementation (Partnership Structures and Project Delivery Methods)</td>
</tr>
<tr>
<td>- Partnerships, Funding, And Multi-benefit Opportunities</td>
<td>- Refine Site Layouts</td>
</tr>
<tr>
<td>- Preliminary Cost Opinions and Economic Analysis</td>
<td>- Property Acquisition</td>
</tr>
<tr>
<td>- Risk Analysis (Qualitative/Quantitative) - Risk Register</td>
<td>- Refine Cost Update and Economic Analysis</td>
</tr>
<tr>
<td>- Comparison and Screening of Alternatives</td>
<td>- Risk Analysis Update</td>
</tr>
<tr>
<td>Phase Cost: $1,300,000</td>
<td>Phase Cost: $590,000</td>
</tr>
<tr>
<td>Phase Completion: 12 Months</td>
<td>Phase Completion: 12 Months</td>
</tr>
<tr>
<td>Offramp: Go/No-Go to Phase B</td>
<td>Offramp: Go/No-Go to next phase</td>
</tr>
</tbody>
</table>

As previously discussed, Black & Veatch is uniquely qualified to complete this work because of their extensive work on past studies dating back to 1996. The same Black & Veatch team that worked on the 2013 Master Plan Update and 2017 work related to the MWD Exchange Agreement decision would be the team engaged to complete the proposed scope. Waiving a competitive procurement process is deemed in the best interest of the Water Authority and its member agencies because of efficiencies gained by avoiding the learning curve for a new team. The cost of conducting an RFP process and the time spent for a new multidisciplinary team to review the Black & Veatch reports and several other reference documents completed since 1996 is estimated at $300,000. Additionally, the process for procuring a new team would delay the completion of the study by four to six months. In turn, the delay would affect the commencement of several long-lead activities required for a go/no-go decision on the project.

As such, staff recommends, and the CRWG concurs with, authorizing the General Manager to award a professional services contract to Black & Veatch Corporation to provide services to implement the Scope of Work for the Regional Conveyance System Study for a not-to-exceed amount of $1,890,000. Due to the limited subcontracting opportunities for this type of service, SCOOP outreach was not required.

It is also important to note that Water Authority staff and other consultants would work closely and collaboratively with the selected professional services contractor to integrate the technical, economic, financial, legal, and public outreach information into one comprehensive study.
Information provided by Water Authority staff would include the Urban Water Management Plan update and revised demand forecast, rate impact analysis and mitigation, funding analysis and financing alternatives, operational parameters, and information from meetings with potential partners and stakeholders. Other Water Authority consultant support would include legal counsel to support analysis of QSA and any new agreements; economists to assist with analysis of external factors; and financial advisors to assist with funding strategy, credit ratings impact, and grant/low interest alternatives.

Upon Board authorization, staff would execute a contract with Black & Veatch and provide authorization to proceed with Phase A. After completion of Phase A, or in approximately June 2020, staff would return to the Board to present the technical, financial, economic, and legal analysis results along with a go/no-go recommendation to proceed to Phase B, for the Board’s consideration. Black & Veatch would not proceed with Phase B until authorized to do so. Finally, staff would provide regular updates to and seek input from the Member Agency Managers group, CRWG, and Imported Water Committee as this work progresses.

Prepared by: Kelly Rodgers, Director of the Colorado River Program
Mojgan Poursadighi, Engineer P.E.
Reviewed by: Dan Denham, Assistant General Manager
Approved by: Sandra L. Kerl, Acting General Manager

Attachment:
Attachment 1 – Regional Conveyance System Study – Proposed Alignment Options
Attachment 1 – Regional Conveyance System Study – Proposed Alignment Options
FY20 Appropriations Update

The FY20 appropriations process is currently in a holding pattern. As previously discussed, the House of Representatives has passed 10 of the 12 FY20 spending bills (including both the Energy and Water Appropriations bill and the Interior and the Environment Appropriations bill). The Senate has yet to begin its work on the FY20 spending bills. The Chair of the Senate Appropriations Committee, Sen. Richard Shelby (R-AL), has been holding off Senate action on the bills until a bipartisan budget agreement was reached.

Yesterday, it was announced that the White House and Speaker of the House, Nancy Pelosi have reached a budget agreement. The deal would set spending caps for both FY20 and FY21 for a total increase of $320 billion over the two years for both defense and non-defense discretionary programs. Additionally, it includes increasing the debt ceiling until July 2021. Following the announcement, Chairman Shelby indicated that the Senate Appropriations Committee staff would spend the month of August drafting their spending bills so they could be voted on in September. He also acknowledged that there might not be enough time to finalize and pass all 12 appropriations bills by October 1 (the start of new fiscal year) and that a short-term continuing resolution may be needed to give both chambers enough time to finish all 12 bills.

Rep. Levin Introduces Legislation to Promote Desalination

Earlier this month, Rep. Mike Levin (D-CA) introduced the “Desalination Development Act” (HR 3723). The legislation would increase the authorized funding level for desalination projects in the Water Infrastructure Improvements for the Nation (WIIN) Act for desalination projects to $260 million over the next 5 years. Also, the bill would require that eligible projects comply with state environmental laws. Prior to introduction of the legislation, Rep. Levin’s office reached out to the Water Authority to share an early draft of the legislation and seek the Water Authority’s input on the proposed language. Additionally, the House Natural Resources Committee Water, Oceans and Wildlife Subcommittee will be holding a legislative hearing on Thursday, July 25th to discuss several bills, including HR 3723.
Last week, the Senate Energy and Natural Resources Committee Water and Power Subcommittee held a hearing to discuss several water infrastructure-related bills, including the “Drought Resiliency and Water Supply Infrastructure Act” (S 1932) recently introduced by Sens. Dianne Feinstein (D-CA), Cory Gardner (R-CO), Martha McSally (R-AZ) and Krysten Sinema (D-AZ). The bill aims to improve the nation’s water supply and drought resiliency through reauthorizing and improving several provisions in the WIIN Act (Water Infrastructure for Improvements to the Nation Act). While Senator Feinstein is not a member of the Committee, she did submit a statement for the record in support of her legislation, as well as a list of over 50 entities who support the bill, including the Water Authority. Now that the bill has had a hearing in the committee, the next step will be for the committee to vote on and approve the legislation.

Federal Agency Nominations Update

President Trump has renominated Aurelia Skipwith to be director of the U.S. Fish and Wildlife Service. Skipwith, co-founder of agricultural consulting firm AVC Global, served as deputy assistant secretary for the agency after first being tapped in 2017. The President initially nominated her in October of 2018, but since her nomination was not confirmed by the end of the last Congress, she needed to be nominated again. Her nomination will go before the Senate Energy and Natural Resources Committee, most likely sometime in September.