Congressional Schedule

Both the House and Senate are currently in recess. Both houses are back in session on Monday, September 9. Except for some brief one-week recesses, both houses remain in session until their target year-end adjournment date of December 13.

FY20 Appropriations Update

In late July, the White House and Speaker of the House Nancy Pelosi announced that they had reached a budget deal. The details of the agreement are as follows:

- Extends the debt ceiling until July 2021, ensuring that this issue would not need to be addressed again before the 2020 elections
- Raises discretionary spending caps set by the 2011 budget agreement by $320 billion. The new topline discretionary spending cap will be $1.375 trillion
  - Defense discretionary cap: $738 billion ($22 billion increase)
  - Non-defense cap: $632 billion ($27 billion increase)
- Agreement stipulates there will be no legislative provisions (referred to as poison pill riders) included in the appropriations bills that do not have bipartisan support

Before Congress adjourned for the August recess, the House and the Senate passed the budget agreement and sent it to the President for his signature.

This budget agreement will allow the FY20 appropriations process to move forward. As a reminder, the House has passed 10 of the 12 FY20 appropriations bills (the Homeland Security and Legislative Branch bills still outstanding). The Senate has yet to act on their bills. Upon the announcement of the budget deal, the Chair of the Senate Appropriations Committee, Richard Shelby (R-AL) stated that the Senate Appropriations committee staff will work on the Senate
FY20 appropriations bills during the August Congressional recess, with the plan to consider the bills in committee in September. As of now, the order in which the bills will be considered is unknown, but rumors are the Defense; Labor-Health and Human Services and Education; and Energy and Water bills could likely be up first for consideration.

Shelby also acknowledged that it will likely be difficult to get all 12 FY20 appropriations bills passed and signed into law by the start of the new fiscal year on October 1st, and that a short-term continuing resolution may need to be passed in order to allow time to finish the 12 spending bills and avoid a government shutdown.
August 21, 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 August 19 and 20, 2019. The MWD committees and Board meet next on September 9, 10, and 24.

Discussion
The Delegates supported 10 of 16 action items approved by the MWD Board at its August 2019 meeting. MWD Board actions of interest to the Water Authority include:

- Authorized a Local Resources Program (LRP) agreement with the Upper San Gabriel Valley Municipal Water District’s and La Puente Valley County Water District for the La Puente Recycled Water Project (to provide up to 60 acre-feet per year and receive maximum of $510,000 in LRP subsidies over 25-year contract term);
- Adopted the ad valorem property tax rate (tax rate) for fiscal year 2020 at 0.0035 percent—the same rate it has been since fiscal year 2013;
- Received the tabulation of member agencies’ assessed valuation and vote entitlement as of August 20, 2019 (the Water Authority’s vote entitlement is 17.37 percent, a slight decline of 0.05 percent from the previous year);
- Authorized an increase in the maximum amount payable under contract for legal services with Horvitz & Levy, LLP in the amount of $150,000 for a total amount not to exceed $600,000 for the rate litigation;1 and
- Increased the compensation for the General Manager, General Counsel, and General Auditor.

The Delegates opposed setting the fiscal year 2019 tax rate at the same level it has been held at since fiscal year 2013.2 The MWD Act limits the ad valorem tax MWD can levy in its service area to the amount required to fund its debt from its general obligation and portion of the state general obligation bonds used to finance the construction of the existing State Water Project3 unless the Board finds it “essential” to MWD’s “fiscal integrity” to suspend this limitation. Following staff’s presentation on this item in the Finance and Insurance (F&I) Committee, Director Goldberg asked if MWD had completed an analysis to justify the suspension “based on it being essential” to MWD’s “fiscal integrity,” and what risk the Board may be facing should taxpayer advocates challenge the suspension. Interim Assistant General Manager and Chief Financial Officer Skillman said, during

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1 This action brings the total amount authorized by the MWD Board for the rate litigation legal expenses to almost $29.3 million.
2 The Water Authority General Counsel’s August 17, 2019 letter regarding the tax rate found here: https://mwdprograms.sdewa.org/wp-content/uploads/2019-08-17-WA-GC-ltr-to-MWD-re-Tax-Rate.pdf
3 The state obligation bonds for the State Water Project are also called Burns Porter bonds.
the fiscal year 2019 and 2020 budget and rate process, MWD “laid out our administrative record in that suspension, and yes, we do believe the ad valorem tax is essential to Metropolitan’s fiscal health;” she did not offer to provide any additional analysis. Assistant General Counsel Beatty added that MWD has since posted additional materials to further support the Board’s determination. Director Smith stated he would like to work with MWD staff, MWD’s new Chief Financial Officer,4 and the F&I committee to create a long-range financial plan like the Water Authority’s Long-Range Financing Plan, which would examine and consider the use of the tax and other financial policies. He added this plan would allow the Board to ensure its meeting its “fiduciary responsibility” and protect MWD from financial risks.

The F&I Committee also received presentations on demand management cost allocation, which is summarized in Attachment 1, and MWD’s pension and other post-employment benefits (OPEB) liabilities. Skillman outlined options to reduce MWD’s unfunded pension liability, including direct payments to the California Public Employees’ Retirement System or establishing a supplemental pension trust. Director Dake (Los Angeles) urged the Board to let the staff know that it wants to move forward with an approach soon to allow staff time to incorporate it into the upcoming 2021 and 2022 budget and rate setting process. Skillman added that MWD does not currently have unrestricted reserves in excess of the “target” level, and the use of any reserves below the “target” would be an exception to MWD’s current policy. She also stated that she would return to the committee next month to discuss where MWD “expect[s] to be with reserves” and “we just have to wait to see how 2020 shapes up before we commit funds in fiscal year 2020” to pay down unfunded liabilities. Given that water transactions and revenues are “pretty significantly below budget” for the current year, MWD will look for ways to “conserve cash” to “make sure that we make our expenditures” until MWD can issue bonds.5 Smith noted that the Water Authority and Otay Water District were able to set up a “mechanism in the budget” to annually fund its effort to reduce its unfunded liabilities and asked MWD to consider that approach.

The Delegates supported the LRP agreement for the La Puente Recycled Water Project. The Water Authority General Counsel Hattam submitted a letter commenting on MWD staff’s “unsupported claims” that the “project is needed to “[decrease] the burden on the district’s infrastructure [reduce] system costs, and [free] up conveyance capacity.”6 At the Water Planning and Stewardship (WP&S) Committee Group Manager of Water Resource Management Coffey responded to Hattam’s letter, “the east side of our system were actually capacity constrained,” and “the project described in this item would have freed up capacity during several months of that year [2017], which could have allowed us to deliver a like amount of water to other agencies, or to move more water into storage,” but he did not reference or provide any supporting

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4 On August 19, MWD announced the selection of Katano Kasaine to serve as MWD’s Assistant General Manager and Chief Financial Officer; she will start on August 26.
5 Although MWD’s revenues were significantly under budget for fiscal year 2019, mainly due to lower-than-budgeted water sales, this month, MWD preliminary reported that is will end the fiscal year with about $461 million in unrestricted reserves, $46 million more than planned for in its adopted budget.
documents. The Committee also received a report on MWD’s approach to provide input on the Governor’s California’s Water Resilience Portfolio, which is summarized in Attachment 2.

Additionally, the WP&S Committee received a presentation on a proposed pilot program for the direct use of stormwater, which would provide subsidies to retrofit existing projects with metering equipment or construct new projects, which would include metering equipment. Director Ortega (Fullerton) asked if MWD anticipate that the pilot program’s “data will yield a formula for up front rebates” or the needed information to offer performance-based subsidies. Coffey answered that he “won’t pre-suppose that answer,” but MWD is “hoping that there will still be quantifiable ability for pay-for-performance.” During the Conservation and Local Resources Committee, the Board also received a report on stormwater governance and regulatory framework, which illustrated the complexity of stormwater regulations that MWD will need to navigate when moving forward on stormwater projects.

At the Legal and Claims (L&C) Committee, the Board received a presentation about the risk of public officials blocking users and deleting comments posted on social media since official social media accounts for public officials are considered public forums. In response to Smith, General Counsel Scully said MWD has a social media policy within its operating policies, and it covers what employees can post “on MWD’s official social media accounts.” The L&C Committee 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. Lastly, the Board approved providing the General Manager and General Auditor each with a 5 percent merit increase and a 3 percent cost of living adjustment (COLA), and the General Counsel with a 3.5 percent merit increase and a 3 percent COLA. These increases result in the General Manager, General Counsel, and General Auditor having annual salaries of $434,387, $324,837, and $269,380, respectively. The Board also voted to retroactively grant the salary increases effective as of July 1, 2019. The Delegates opposed the merit and COLA increased for the General Manager and General Counsel. The three members of the Los Angeles Delegation present—Directors Dake, Murray, and Paskett—did not support the merit or COLA increase for the General Manager.

Tana L. McCoy, representing the city of Compton, was inducted to the Board; she replaced Jana Zurita.

Prepared by: Megan Couch, Assistant Management Analyst
Liz Mendelson-Goossens, Senior Water Resources Specialist
Skylar Stephens, Management Analyst

Reviewed by: Communications and Legislation Committee by Jerry Butkiewicz & Tim Smith
Conservation and Local Resources Committee by Michael Hogan
Engineering and Operations Committee by Tim Smith
Finance and Insurance Committee by Gail Goldberg & Tim Smith

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7 At the May, June, and July 2019 Conservation and Local Resources Committee meetings, MWD staff presented on a proposed stormwater for direct use pilot; the pilot program approach presented this month was largely consistent with what was previously presented.
Imported Water Committee
August 21, 2019
Page 4 of 4

Legal and Claims Committee by Tim Smith
Organization, Personnel and Technology Committee by Michael Hogan & Tim Smith
Water Planning and Stewardship Committee by Gail Goldberg & Michael Hogan

Attachments:
Attachment 1—Discussion Summary of Demand Management Cost Allocation
Attachment 2—Discussion Summary of Presentation on California Water Resilience Portfolio
Attachment 3—MWD’s committee and Board meeting agendas dated August 19 and 20, 2019
Discussion Summary of Demand Management Cost Allocation

At its August 2019 Finance and Insurance (F&I) Committee meeting, the MWD Board received a staff presentation on MWD’s effort to examine its demand management cost allocation. Staff reviewed a report by MWD’s outside consultant Peter Mayer, principal of Water Demand Management. At the F&I Committee’s May meeting, Mayer presented an overview of MWD’s demand management programs and costs and how demand management costs may relate to avoided costs; last month, he followed up with a presentation describing his proposal to allocate demand manage costs to MWD’s “functional categories” based on avoided costs. This month, Mayer provided a written report supporting his presentation in July. In this report, Mayer recommends allocating MWD’s demand management costs based on an “avoided-costs” methodology. Mayer opined that MWD’s demand management programs—the Local Resources, Conservation, and Future Supply Actions Funding programs—avoid costs in four of MWD’s seven “operational functions:” 1) supply; 2) conveyance and aqueduct; 3) distribution; and 4) storage. (The Appellate Court ruled that MWD cannot allocate demand management costs based on avoided-costs.) Mayer proposed that MWD allocate the demand management costs across these four categories in proportion to their revenue requirements in each biennial budget. Staff reported that Mayer’s recommendation is “phase 1” of it two phase process. Phase 1 consisted of MWD’s effort to examine the cost allocation of its demand management expenses; however, no Board action is expected. Phase 2 will focus on staff determining if Mayer’s recommendation should be incorporated into the cost-of-service for MWD’s 2021 and 2022 rates and charges. If Mayer’s recommendation is incorporated, it is anticipated that about 70 percent of MWD’s demand management costs will be allocated onto MWD’s transportation rates and charges.

Following staff’s presentation, Director Smith focused on the slide that stated: “Mr. Mayer concluded that Metropolitan’s prior functionalization and cost allocation to transportation was reasonable.” Smith asked which records Mayer relied on to draw this conclusion and in absence of a response, Smith said that he reviewed the list of sources provided in the report and noticed that it did not include MWD’s rate model, which he thought would be needed to make this determination. Smith requested that MWD provide a complete list of the records Mayer used in his analysis. Interim Assistant General Manager and Chief Financial Officer Skillman agreed to accommodate his request.

Director Pressman (Beverly Hills) opined that through unbundling its rates and charges, MWD has been left “open to an incredible number of nitpicking questions—and I don’t mean Director Smith, I mean everybody all over the years.” Pressman requested MWD “prepare either a workshop or a discussion” about “re-bundling” its rates and charges, including “disadvantages and advantages,” to “get out of this constant fighting about what goes where.” General Manager Kightlinger agreed it was “time to revisit it” since MWD unbundled its rates more than 15 years ago, in 2003.

Director Goldberg asked if any of the input the Board provided during the July 2019 F&I Committee’s discussion was reflected in Mayer’s recommendation. Skillman replied that she would have to “go back and listen” but it was her “sense” that last month’s questions aimed to

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1 On August 19, MWD announced the selection of Katano Kasaine to serve as MWD’s Assistant General Manager/Chief Financial Officer and will start on August 26.
better understand Mayer’s proposal. On a different note, Goldberg asked if Mayer considered Proposition 26 in his analysis. Skillman said that “wasn’t his charge;” Assistant General Counsel Beatty added that Mayer is “not a lawyer” and “he was not “providing an assessment under to court of appeal decision.” Furthermore, Beatty stated that MWD has not completed a Proposition 26 analysis related to demand management cost allocation because “the Appellate Court did not rule that Prop 26 applies to Metropolitan and we contend that it does not apply to Metropolitan.”

Hearing staff’s response, Goldberg asked MWD to “elaborate” on Mayer’s experience related to rate setting and cost-of-service. Skillman replied that Mayer has “lengthy experience” of “working in water demand management and water demand management issues, so he is uniquely qualified to talk to us about water demand management and how it fits in in the industry.” Skillman said Mayer’s “purpose was to help us figure out how we can take what we have, which are real dollars that we spend for demand management, and how we can put those, perhaps, into functional buckets to recover them.” Goldberg rephrased her question, asking if “we have expertise” in rate setting and cost of service. Skillman responded that during phase 2 of this process, “we’ll be relying on experts in cost of service and rate making” since phase 1 was not intended to deal with “that specific issue.” Responding to Director Butkiewicz, Skillman said MWD will “address” if Mayer’s proposed methodology applies to MWD’s wheeling rates during phase 2. Beatty added that there is “confusion” about MWD’s wheeling rate. She said the “only set wheeling rate that Metropolitan has,” as defined in its MWD’s Administrative Code, “applies in a narrow circumstance” of wheeling for one-year or less. Continuing, Beatty said “all other wheeling transactions or exchanges are negotiated between Metropolitan and the other party and there’s not a rate the applies per se.”

F&I Committee Chair Dake called on Director Hogan but said it would be the last question on this item. Returning to Beatty’s comment on wheeling rates, Hogan asked if the wheeling statute applies to MWD’s one-year wheeling service. Beatty responded that MWD’s wheeling rate and “any wheeling transactions that Metropolitan enters into as a matter of contract between Metropolitan and another party, if it is wheeling, is subject to the wheeling statute.”

Wrapping up the discussion, Hogan asked for clarification on the use of “functionalization” in Mayer’s report and if it means “cost causation.” Skillman replied that functionalization refers to “the cost functions that Metropolitan has identified in terms of the services that we provide, so they are service functions that are specified in our cost of service study.” Beatty added that “the term cost causation can mean different things to different people,” noting that the “term has come up a lot in our litigation over the past nearly 10 years” and that “those two words do not have a meaning; somebody has to explain what they are referring to when they say cost causation. We have used it to mean something different than others have meant.” Lastly, Hogan requested that the Water Authority’s General Counsel’s letter on this item be included in the administrative record.2

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Discussion Summary of Presentation on California Water Resilience Portfolio

At the August 2019 Water Planning and Stewardship (WP&S) Committee meeting, Water Resource Management Group Manager Coffey presented on MWD’s approach to engaging in the Newsom Administration’s effort to create a Water Resilience Portfolio. He reported that MWD is participating in the statewide effort through industry associations and also plans to submit a comment letter from its General Manager to the Administration by September 1, 2019. Coffey said MWD intends to encourage the Administration to take an approach like MWD’s Integrated Water Resources Plan (IRP). According to Coffey, MWD is also seeking input from member agencies through the member agency managers’ meeting. The proposed key messages to be conveyed through MWD’s letter are:

- Align state, regional, and local roles and responsibilities;
- Allow policies to bear fruit;
- Advance regional cooperation;
- Support local supply development and water use efficiency;
- Stabilize Bay-Delta supplies and implement “conveyance;”
- Improve collaboration for water portfolio managers; and
- Invest in human infrastructure.

After the presentation concluded, Director McKenney (Municipal Water District of Orange County) asked whether MWD had considered including in its comments ideas for “dealing with the Feds.” General Manager Kightlinger asked McKenney to clarify if he was referring to “the state’s interaction with the federal government on water issues,” which has involved “filing lawsuits.” McKenney confirmed he was and said it will be important for MWD to promote alignment between key government agencies. Kightlinger noted that “clearly it’s a problem when you don’t have state and federal alignment,” especially given MWD’s need for project permits from both levels of government. He said that staff would consider including McKenney’s recommendation. McKenney added that MWD could highlight its IRP process as a demonstration of “getting agencies in the region to function together.” On a different note, Director Peterson (Las Virgenes) encouraged MWD to focus on conveying the importance of “implementing Delta conveyance.”

In reference to the process of gathering input, Director Murray (Los Angeles) suggested a more “productive” process would be inclusive, having “maximum [Board] participation or at least opportunity to participate.” He suggested that the September 1 deadline seems “arbitrary” and urged MWD to have a process to gather substantial feedback from member agencies, staff, the WP&S Committee, and the rest of the Board, and asked MWD to postpone submitting a formal comprehensive comment until October 1, 2019. Kightlinger replied that based on discussions with Administration officials, MWD will provide comments by September 1 but that he is “sure there will be opportunities to follow up.” Assistant General Manager/Strategic Water Initiatives Patterson agreed with Kightlinger, adding that the Administration “really wanted to hear, particularly from Met” to inform the first “roll-out” of the portfolio and would continue “to listen” to any “good ideas” as they come in. Chairwoman Gray (West Basin) agreed that MWD should meet the September 1 deadline and has a good process in place to get Board input. Director Abdo (Santa Monica) asked for clarification about this; Kightlinger replied that staff would send out a draft letter to the Board via email and that Board members could provide
feedback. Abdo noted that “it would be useful” to review the input of other Board members so all agencies are “supportive of what is put into the letter,” to which Kightlinger replied that staff would distribute comments to the Board as they are submitted.

Director Ortega (Fullerton) added that the comment letter will be submitted “at the intersection of a lot of activity,” including the IRP’s 2020 update and State Water Project contract negotiations. He expressed concern that MWD’s input to the Administration may steer MWD toward setting certain policies and emphasized that the letter should not “compromise the Board’s ability to set policy” and that it should remain able to take “different strategic directions.” Ortega questioned “at what point and who’s the judge of the adherence to the present policies as well as who’s the gate-keeper in the event that some of the input you get, for example, points to the idea that we might want to change those policy principles in the future,” suggesting that having Board review of and support for the letter is critical. Later, McKenney agreed with Ortega that it is important for the Board to retain control over setting policy but encouraged MWD to provide comments to the Administration by September 1. So that all Board members could review the submissions, McKenney suggested that MWD could consult with counsel to post the input received from Board members on the Board webpage without violating the Brown Act.

Director Smith noted that several of staff’s key messages, as well as McKenney’s comments related to federal and state government alignment, have a regulatory aspect to them. He suggested that the comment letter include information related to “regulatory input and advancement” for issues like direct potable reuse. Director Record (Eastern) advocated that the costs of programs and projects be considered in the portfolio discussion, stating that “a lot of things feel good but not until you have to pay for it.” Returning the Peterson’s comment about “supporting the Delta conveyance,” Director Dake (Los Angeles) encouraged MWD to convey “that having a healthy State Water Project supply makes a lot of these groundwater projects possible because of the water quality concerns.” Director Pressman (Beverly Hills) suggested MWD encourage the state to “work on aligning itself internally and work a little more positively so things move along more quickly.”

Concluding the discussion, Gray requested Kightlinger review MWD’s comment process for the committee members. Kightlinger summarized that staff will send a draft letter to the Board and member agency managers for review and comment. As staff receives comments, it will “try” to post them on the Directors’ website so that they are accessible to all Board members. Staff will then send the final letter to the Administration and Board on September 1, and the letter will be on the September Board meeting agenda. Kightlinger added that “if there is further input, we can always supplement the record.”
Adjourned Finance and Insurance Committee

Meeting with Board of Directors*

August 19, 2019

9:30 a.m. – Room 2-456

* 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 July 8, 2019**

3. **OTHER MATTERS**

   **Subject corrected**

   5A Report on list of certified assessed valuations for fiscal year 2019/20 and tabulation of assessed valuations, percentage participation, and vote entitlement of member agencies as of August 20, 2019

4. **CONSENT CALENDAR ITEMS — ACTION**

   None
5. OTHER BOARD ITEMS — ACTION

8-1 Adopt resolution establishing the tax rate for fiscal year 2019/20; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA.

6. BOARD INFORMATION ITEMS

9-3 Report on Demand Management Costs Functionalization

7. COMMITTEE ITEMS

a. Prefunding PERS and OPEB Presentation No. 3
b. Quarterly Financial Review: June 30, 2019 (Preliminary)
c. Investment Activities for July 2019

8. MANAGEMENT REPORT

a. Interim Chief Financial Officer’s report

9. FOLLOW-UP ITEMS

None

10. FUTURE AGENDA ITEMS
11. 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.
Adjourned Engineering and Operations Committee

Meeting with Board of Directors*

August 19, 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 July 8, 2019**

3. **CONSENT CALENDAR ITEMS — ACTION**

   None
4. **OTHER BOARD ITEMS — ACTION**

8-2 Award $10,439,354 contract to McMillen Jacobs Associates to replace radial gates along the Colorado River Aqueduct; authorize a $600,000 increase to an agreement with Lee & Ro, Inc., for a new not-to-exceed total of $920,000; the proposed actions are in furtherance of a project that the General Manager has determined is exempt or otherwise not subject to CEQA.

8-3 Award $32,946,000 contract to J.F. Shea Construction, Inc. for installation of discharge line isolation coupling assemblies at each Colorado River Aqueduct pumping plant; the proposed action is in furtherance of a project that the General Manager has determined is exempt or otherwise not subject to CEQA.

8-4 Adopt CEQA determination that the proposed action was previously addressed in the certified 2005 Environmental Impact Report; and award $2,944,000 contract to Mehta Mechanical Company, Inc. for construction of water quality instrumentation improvements at the F. E. Weymouth Water Treatment Plant.

8-5 Authorize the General Manager to enter into an agreement with the State of California Department of Water Resources for the sale of output from four hydroelectric power plants; 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 Assessment of the Santa Monica Feeder

7. **MANAGEMENT REPORTS**

   a. Water System Operations Manager’s report

   b. Engineering Services Manager’s report

Date of Notice: August 7, 2019
8. FOLLOW-UP ITEMS

None

9. FUTURE AGENDA ITEMS

10. ADJOURNMENT

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Date of Notice: August 7, 2019
Adjourned Water Planning and Stewardship Committee

Meeting with Board of Directors*

August 19, 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 Water Planning and Stewardship Committee held July 8, 2019

3. CONSENT CALENDAR ITEMS — ACTION

7-2 Review and consider the Upper San Gabriel Valley Municipal Water District’s approved Mitigated Negative Declaration and authorize the General Manager to enter into a Local Resources Program agreement with Upper San Gabriel Valley Municipal Water District and La Puente Valley County Water District for the La Puente Recycled Water Project

* 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.
4. OTHER BOARD ITEMS — ACTION

8-6 Review the General Manager’s determination to initiate the Cyclic Cost-Offset Program effective August 1, 2019 and determine whether to suspend the Cyclic Cost-Offset program initiated by the General Manager; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

5. BOARD INFORMATION ITEMS

9-2 Information on Stormwater for Direct Use Pilot Program

6. COMMITTEE ITEMS

a. Report on California’s Water Resilience Portfolio

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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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.
Adjourned Organization, Personnel and Technology Committee

Meeting with Board of Directors*

August 19, 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 July 8, 2019

3. CONSENT CALENDAR ITEMS – ACTION

7-1 Adopt resolution designating Metropolitan’s maximum contribution for medical benefits in order to comply with the current authorized Memoranda of Understanding; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Date of Notice: August 7, 2019
4. OTHER BOARD ITEMS – ACTION

None

5. BOARD INFORMATION ITEMS

None

6. COMMITTEE ITEMS

a. Succession Planning: Engineering Career Launch Program

7. MANAGEMENT REPORT

a. Human Resources Manager’s report

b. Information Technology Manager’s report

8. FOLLOW-UP ITEMS

None

9. FUTURE AGENDA ITEMS

Date of Notice: August 7, 2019
10. ADJOURNMENT

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Adjourned Communications and Legislation Committee

Meeting with Board of Directors*

August 19, 2019

2:30 p.m. – Room 2-456

Monday, August 19, 2019

Meeting Schedule

<table>
<thead>
<tr>
<th>Time</th>
<th>Department</th>
<th>Room</th>
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<tbody>
<tr>
<td>9:30 AM</td>
<td>F&amp;I</td>
<td>2-456</td>
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<tr>
<td>10:30 AM</td>
<td>E&amp;O</td>
<td>2-145</td>
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<tr>
<td>12:30 PM</td>
<td>WP&amp;S</td>
<td>2-456</td>
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<tr>
<td>1:30 PM</td>
<td>OP&amp;T</td>
<td>2-145</td>
</tr>
<tr>
<td>2:30 PM</td>
<td>C&amp;L</td>
<td>2-456</td>
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</tbody>
</table>

* 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 July 8, 2019

3. CONSENT CALENDAR ITEMS — ACTION

   None

4. OTHER BOARD ITEMS — ACTION

   None
5. BOARD INFORMATION ITEMS

None

6. COMMITTEE ITEMS

a. Report on activities from Washington, D.C.

b. 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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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.
Adjourned Legal and Claims Committee

Meeting with Board of Directors*

August 20, 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 July 9, 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

8-7 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; and authorize increase in maximum amount payable under contract for legal services with Horvitz & Levy, LLP in the amount of $150,000 for a total amount not to exceed $600,000; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA. [Conference with legal counsel – existing litigation; to be heard in closed session pursuant to Gov. Code Section 54956.9(d)(1)] [To be posted separately]

6. BOARD INFORMATION ITEMS

None

7. COMMITTEE ITEMS

a. Social Media, Public Officials and the First Amendment

b. General Counsel’s Business Plan for Fiscal Year 2019/20
c. Review Settlement Proposal received from SDCWA in 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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Date of Notice: August 7, 2019
C&LR Committee
J. Abdo, Vice Chair  
L. Ackerman  
R. Atwater  
S. Blois  
G. Cordero  
J. Hall  
M. Hogan  
C. Kurtz  
R. Lefevre  
L. McKenney  
J. Morris  
B. Pressman

Conservation and Local Resources Committee
Meeting with Board of Directors*
August 20, 2019
10:30 a.m. – Room 2-456

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

* 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 July 9, 2019**

3. **CHAIR’S REPORT**

4. **COMMITTEE ITEMS**
   a. Conservation Update
   b. Report on Stormwater Governance and Regulatory Framework

Date of Notice: August 7, 2019
5. **FOLLOW-UP ITEMS**
   
   None

6. **FUTURE AGENDA ITEMS**

7. **ADJOURNMENT**

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Adjourned Board Meeting  
August 20, 2019  
12:00 p.m. – Boardroom

1. Call to Order
   (a) Invocation: Karen Robles, Real Estate Representative II, Real Property Group
   (b) Pledge of Allegiance: Director De Jesus

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
   Subject corrected
   A. Report on list of certified assessed valuations for fiscal year 2019/20 and tabulation of assessed valuations, percentage participation, and vote entitlement of member agencies as of August 4920, 2019. (F&I)
   B. Approval of the Minutes of the Meeting for July 9, 2019 and the Board Workshop on July 23, 2019  
(Copies have been mailed to each Director  
Any additions, corrections, or omissions
   C. Report on Directors’ events attended at Metropolitan expense for month of July 2019

Date of Notice: August 15, 2019
D. Induction of new Director Tana McCoy from the City of Compton
   (a) Receive credentials
   (b) Report on credentials by General Counsel
   (c) File credentials
   (d) Administer Oath of Office
   (e) File Oath

E. Approve committee assignments

F. Chairwoman's Monthly Activity Report

G. Report on Fresno meetings with Central Valley farmers and the Latino Water Coalition

H. Presentation of Commendatory Resolution for Director Sinanyan representing the City of Glendale

I. Approve Commendatory Resolutions for Directors Mark Gold representing the City of Los Angeles and Janna Zurita representing the City of Compton

6. DEPARTMENT HEADS' REPORTS

A. General Manager's summary of activities for the month of July 2019

B. General Counsel's summary of activities for the month of July 2019

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

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

7. CONSENT CALENDAR ITEMS — ACTION

7-1 Adopt resolution designating Metropolitan’s maximum contribution for medical benefits in order to comply with the current authorized Memoranda of Understanding; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA. (OP&T)
7-2 Review and consider the Upper San Gabriel Valley Municipal Water District’s approved Mitigated Negative Declaration and authorize the General Manager to enter into a Local Resources Program agreement with Upper San Gabriel Valley Municipal Water District and La Puente Valley County Water District for the La Puente Recycled Water Project. (WP&S)

END OF CONSENT CALENDAR

8. OTHER BOARD ITEMS — ACTION

8-1 Adopt resolution establishing the tax rate for fiscal year 2019/20; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA. (F&I)

8-2 Award $10,439,354 contract to McMillen Jacobs Associates to replace radial gates along the Colorado River Aqueduct; authorize a $600,000 increase to an agreement with Lee & Ro, Inc., for a new not-to-exceed total of $920,000; the proposed actions are in furtherance of a project that the General Manager has determined is exempt or otherwise not subject to CEQA. (E&O)

8-3 Award $32,946,000 contract to J.F. Shea Construction, Inc. for installation of discharge line isolation coupling assemblies at each Colorado River Aqueduct pumping plant; the proposed action is in furtherance of a project that the General Manager has determined is exempt or otherwise not subject to CEQA. (E&O)

8-4 Adopt CEQA determination that the proposed action was previously addressed in the certified 2005 Environmental Impact Report; and award $2,944,000 contract to Mehta Mechanical Company, Inc. for construction of water quality instrumentation improvements at the F. E. Weymouth Water Treatment Plant. (E&O)
8-5 Authorize the General Manager to enter into an agreement with the State of California Department of Water Resources for the sale of output from four hydroelectric power plants; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA. (E&O)

8-6 Review the General Manager’s determination to initiate the Cyclic Cost-Offset Program effective August 1, 2019 and determine whether to suspend the Cyclic Cost-Offset program initiated by the General Manager; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA. (WP&S)

8-7 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; and authorize increase in maximum amount payable under contract for legal services with Horvitz & Levy, LLP in the amount of $150,000 for a total amount not to exceed $600,000; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA. (L&C)

[Conference with legal counsel – existing litigation; to be heard in closed session pursuant to Gov. Code Section 54956.9(d)(1)]
9. BOARD INFORMATION ITEMS

9-1 Update on Conservation Program
9-2 Information on Stormwater for Direct Use Pilot Program. (WP&S)
9-3 Report on Demand Management Costs Functionalization. (F&I)

10. OTHER MATTERS (Contd.)

10-1 Department Head Performance Evaluations
   [Public Employees’ performance evaluations; General Manager, General Counsel, and General Auditor; to be heard in closed session pursuant to Gov. Code 54957.]
10-2 Report on Department Head 2019 Salary Survey
10-3 Discuss and Approve Compensation Recommendations for General Manager, General Counsel, and General Auditor; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

11. FOLLOW-UP ITEMS

12. FUTURE AGENDA ITEMS

13. 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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Executive Summary

- In 2019, the Colorado River has experienced very good hydrology with above average conditions throughout the Basin.
- The Drought Contingency Plan (DCP), which aims to build elevation in Lake Mead to reduce the chance of a shortage, was executed in May 2019 and will be implemented as part of 2020 river operations.
- The Bureau of Reclamation (Reclamation)’s projections indicate there will not be a shortage in 2020, but there will be DCP contributions.
- The DCP updates and utilizes the Lake Mead storage program which the Water Authority continues to work towards participation in.

Background

Annual reservoir operations for Lake Powell and Lake Mead, the two major Colorado River system reservoirs, are determined each August by Reclamation. The current agreement that defines criteria for operations is the “2007 Colorado River Interim Guidelines for Lower Basin Shortages and Coordinated Operations for Lake Powell and Lake Mead” (2007 Interim Guidelines). The 2007 Guidelines also establish shortage levels in Lake Mead and associated cutbacks. An official shortage has never been declared on the river, which would result in reduced allocations to Arizona and Nevada, but no cuts to California due to its higher priority water rights. The DCP was executed in May 2019 and will be implemented as part of 2020 river operations. The DCP is an overlay to the 2007 Interim Guidelines and includes volume contributions from Lower Basin water users to build elevation in Lake Mead and reduce the chance of reaching critically low elevation levels. DCP contributions are separate from and in addition to any required shortage reductions. Both shortage cutbacks and DCP contribution volumes are determined by elevation-based trigger levels in Lake Mead.

Discussion

Basin hydrology plays a critical role in providing water to the system and determining annual operations. In 2019, the Colorado River Basin experienced above average hydrologic conditions, with snowpack and precipitation reaching record levels in some areas. This year’s improved Upper Basin snowpack, which peaked at 133 percent of normal, and high precipitation at 118 percent of normal have resulted in a projected 2019 water year unregulated inflow to Lake Powell of 13.5 million acre-feet (MAF), which is 125 percent of average. Total system storage as of August 19 is 32.6 MAF (55 percent of capacity) which has increased by 3.5 MAF since this time last year. While storage increased over the past year, overall system storage has decreased...
significantly during the current 20-year drought period as annual inflows were supplemented with storage reserves to meet annual allocations to water users. The storage volumes in Lakes Powell and Mead are coordinated to balance contents in the two reservoirs via annual releases from Lake Powell. Typically, 8.23 MAF is released from Lake Powell each year but depending on reservoir conditions in both lakes, more or less water can be released. Reclamation’s August modeling indicates a standard release volume from Lake Powell of 8.23 MAF in 2020, which may increase at the mid-year review next April.

Decreases in storage coincide with falling reservoir elevations. In Lake Mead, reservoir levels are particularly important as shortages and DCP contributions are determined by elevation-based trigger levels of 1,075 feet, 1,050 feet, and 1,025 feet. These trigger elevations result in defined cuts to annual allocations to certain users. The first DCP contributions are required at or below Lake Mead elevation 1,090 feet with additional triggers down to 1,025 feet. California’s first DCP contributions begin at the 1,045-foot elevation level. The specific elevation used to compare to the shortage and DCP trigger levels is the August projection of the January 1 modeled Lake Mead elevation. Reclamation’s August modeling projects Lake Mead’s start-of-year elevation at 1,089 feet. This is above the first shortage trigger of 1,075 feet confirming that there will not be a shortage in 2020. Reclamation’s five-year outlook on the likelihood of a Lower Basin shortage (Table 1) was updated in June to incorporate the DCP and shows no shortage in 2020 and a much-reduced chance of shortage over the next five years compared to previous predictions. While there will not be a shortage in 2020, the projected elevation of 1,089 feet falls below 1,090 feet and triggers a total of 241,000 acre-feet of DCP contributions from Arizona, Nevada, and Mexico (Minute 323’s Binational Water Scarcity Contingency Plan serves as Mexico’s version of the DCP). Table 2 shows the breakdown of DCP contributions for 2020. In addition to these contributions, as part of the DCP, Reclamation will take actions to generate 100,000 acre-feet of conserved water to benefit the Colorado River system annually.

| Table 1. Lower Basin Shortage Probabilities (June 2019) |
|-----------------|-------|-------|-------|-------|-------|
| Year            | 2020 | 2021 | 2022 | 2023 | 2024 |
| % Chance of Lake Mead Shortage | 0%   | 6%   | 26%  | 31%  | 37%  |

The DCP and associated agreements make key updates to the Lake Mead Intentionally Created Surplus (ICS) storage program including the creation of a new category of water called DCP ICS; increased storage capacity; the ability to take stored water during a shortage; and additional projects approved for storage. DCP ICS was created to facilitate DCP contributions as the mechanism that allows DCP contributions to be stored in Lake Mead for future recovery under specified conditions. DCP contributions can be made through the conversion of stored ICS water into DCP ICS. DCP contributions may also be made with non-ICS water similar to an allocation cutback which would not be recoverable. Through the DCP, cumulative ICS storage capacities for each Lower Basin state increased by 200,000 acre-feet to 1.7 MAF for California, and...
500,000 acre-feet for both Nevada and Arizona. This increased capacity accommodates the expected creation of DCP ICS and allows for additional elevation increases to Lake Mead. The DCP also allows for states to share storage capacity or make DCP contributions on behalf of another state. With the DCP, users gain ability to remove stored water during a shortage which encourages utilization of the storage program without risk of losing stored assets if lake levels decline and helps prepare for DCP contributions while at the same time helping to prevent them. Another crucial update to the Lake Mead storage program is the approval of several new projects to create stored ICS water in Lake Mead, which could be converted to DCP ICS when DCP contributions are triggered.

Even with a positive hydrologic year for the river, continued drought has heightened concerns regarding long-term supply reliability in the Colorado River Basin. Implementation of the DCP will help maintain Lake Mead levels by updating and utilizing the Lake Mead storage program. The Water Authority’s 277,700 acre-feet of Quantification Settlement Agreement conserved water supplies are approved for storage in Lake Mead but the Water Authority currently lacks a designated storage account. The Water Authority’s ability to participate in this storage program could help the entire Colorado River Basin and potentially aid California in meeting its DCP requirement and continues to work towards obtaining a Lake Mead storage account.