ITEM 7.4  ADOPT THE WATER AUTHORITY’S RATES AND CHARGES FOR CALENDAR YEAR 2021.

LETTER FROM OLIVENHAIN MWD

THE ATTACHED INFORMATION WAS RECEIVED AFTER POSTING OF THE AGENDA PACKET FOR THE JUNE 25, 2020 BOARD MEETING
June 22, 2020

Board of Directors
San Diego County Water Authority
4677 Overland Avenue
San Diego, CA 92123

Re: Olivenhain Municipal Water District’s Comments on San Diego County Water Authority’s (SDCWA) Proposed Rates and Charges for Calendar Year 2021

Dear Board of Directors,

On behalf of Olivenhain Municipal Water District (OMWD), I would like to submit the following comments on SDCWA’s Proposed 2021 rates and charges to be entered into the public record of the June 25, 2020 public hearing for consideration by the SDCWA’s Board of Directors.

OMWD understands the importance of maintaining SDCWA’s financial health and the need to preserve the excellent bond ratings which ultimately provide considerable savings to ratepayers. During these uncertain times and economic crisis, OMWD is asking SDCWA to be extremely sensitive to the retail water agencies’ water customers who, in effect, would be expected to cover SDCWA’s budget shortfalls.

Beginning with Governor Newsom’s emergency declaration, several executive orders were issued in response to the COVID-19 outbreak, including a stay-at-home order and restrictions on water service disconnections that have resulted in a revenue shortfall and increased water delinquencies for all SDCWA member agencies. The reduction in revenue due to the COVID-19 economic crisis combined with a reduction in water demands from commercial, industrial, and agricultural customers has already impacted OMWD substantially.

I am proposing the following suggestions for the Board’s consideration:

First, I suggest that SDCWA consider a program that would provide temporary financial assistance for retail agencies during the COVID-19 pandemic; such a program could assist retail agencies with potential cash flow issues due to increased delinquencies and restrictions on water shutoffs for non-payment due to the Governor’s Executive Order by offering a 30-day extension to member agencies after the bill due date on SDCWA’s monthly water payment. This financial assistance program would help retail agencies’ finances but would not be a significant impact to SDCWA, especially at this time of record-low interest rates being available.
OMWD estimates less than a $1 million reduction in the Fiscal Years 2020 and 2021 investment income projection to SDCWA of the total projected ending reserves balance of approximately $280 million in fiscal year 2020.

Second, the proposed SDCWA’s calendar year 2021 rates and charges include a 3% increase to the overall fixed charges effective January 1, 2021. (Actual monthly increase in SDCWA’s fixed charges to all retail agencies’ fixed charges in 2021 will vary based on Member Agency’s Allocation of SDCWA’s Fixed Charge calculations.) The overall 3% increase includes a 14% increase in SDCWA Infrastructure Access Charge (IAC) and a 9% increase in SDCWA’s Supply Reliability Charge, which are then offset by a reduction in storage cost of 8% in 2021. OMWD has a pass-through ordinance that authorizes OMWD’s Board to pass through, any and all, Pass-Through increases and Adjustments not to exceed 9% per year, including SDCWA-IAC pass through. OMWD would have to absorb any increase in one fiscal year of a pass through fixed cost from SDCWA greater than 9%. OMWD requests that SDCWA consider phasing in the IAC ramp up over a two year period so as to not exceed a 9% increase in any one year. If any other member agency has a pass through restriction amount less than 9%, OMWD would request SDCWA limit their annual fixed costs increase of the IAC charge to that lesser amount. With the financial impacts from the COVID 19 pandemic to retail water agencies, absorbing a pass through that we cannot pass on to our customers without another 218 process would be burdensome.

Finally, the SDCWA budget proposes an expenditure of $1.3 million on Phase B of the Regional Conveyance System Study (RCCS) which directly effects the rates being proposed. OMWD suggests delaying this next step of expenditures on this RCCS project for many reasons. Expenditure of an additional $1.3 million on a project of this tenuous nature while member agencies are dealing with the extraordinary financial impacts of the COVID 19 pandemic is hasty. The recently released 545 page Black and Veatch RCCS Study, along with the Independent Analysis by Hunter Pacific Group which diverged from the Black and Veatch report by over $270 million in its own independent review, deserves more time for review, understanding and participation by the member agencies and the greater San Diego community. All of the aforementioned, combined with the currently underway Metropolitan Water District’s Integrated Resource Plan process, which will have a direct bearing on the costs of an RCCS, require that SDCWA exercise prudence and allow additional time before moving on the next Phase of RCCS. The savings of $1.3 million in this next budget cycle could be used to fund any loss in revenue through investment earnings that SDCWA would incur by implementing the first suggestion in this comment letter. Allowing member agencies the additional 30 days to pay will immediately and directly benefit the member agency cash flow issues, a wise expenditure during this COVID 19 pandemic.

OMWD appreciates that SDCWA is taking into account the needs of its member agencies, who are directly accountable to the public. I appreciate the opportunity to comment.

Regards,

Kimberly A. Thorner
General Manager
CC: Board of Directors, Olivenhain Municipal Water District
House to Consider Infrastructure Package

House Democrats have unveiled a $1.5 trillion infrastructure package, entitled the “Moving Forward Act” (HR 2) that is expected to be considered on the House floor the week before July 4th. The transportation reauthorization bill, known as the “INVEST in America Act,” that was passed out of the House Transportation and Infrastructure Committee last week will serve as the base of the bill. As Democrats laid out last week, additional infrastructure provisions have been added to the INVEST Act, including the following of particular interest to the Water Authority:

- Provides $40 billion for the Clean Water SRF program for FY21-FY25
- Establishes a grant program under the Safe Drinking Water Act to provide assistance to water utilities to pay for capital costs associated with treatment for per- and polyfluoralkyl substances (PFAS).
- Adds to the list of private activity bonds that are not subject to the volume cap to include bonds for water and sewerage facilities.
- Provides permanent extension of Buy American provisions of the Safe Drinking Water Act.
- Increases and extends the authorization for the Drinking Water State Revolving Fund and the Drinking Water System Resilience Funding program.
- Directs the EPA Administrator to review existing guidance on evaluating the financial resources a municipality has available to implement the requirements of the Clean Water Act. Directs the Administrator to consult with, and solicit advice and recommendations from, State and local government officials and other stakeholders, and to consider several public reports, as well as recommendations of the Environmental Financial Advisory Board. Also directs the Administrator to report to Congress, within 18 months, on the results of this review, including any recommendations for revisions to the guidance.

When the bill goes to the House floor for consideration, it is expected that Members will be looking to offer additional amendments on a range of topics, including possible funding for programs at the Bureau of Reclamation. The bill’s prospects beyond the House are bleak at best. Senator Majority Leader Mitch McConnell (R-KY) has indicated that he does not have any plans for the Senate to consider the legislation. House Democrats are hoping that this bill will place additional pressure on Senate Republicans and the White House to come to the table for a discussion about infrastructure.
Federal Funds for San Diego Area Projects

The Bureau of Reclamation announced the award of $16.6 million to nine congressionally authorized Title XVI Water Reclamation and Reuse projects. This funding, part of the WaterSMART Program, is for the planning, design, and construction of water recycling and reuse projects in partnership with local government entities.

The San Diego area projects selected are:

- The City of Escondido, Membrane Filtration Reverse Osmosis Facility: $3,069,303
- City of San Diego, Pure Water San Diego Program: $1,160,139
- Padre Dam Municipal Water District, East County Advanced Water Purification Program: $4,000,000

FY21 Appropriations Update

Recently, the Chair of the House Appropriations Committee, Rep. Nita Lowey (D-NY) announced that schedule for the House Appropriations Committee to consider their Fiscal Year (FY) 2021 appropriations bills. The markup schedule is as follows:

<table>
<thead>
<tr>
<th>Appropriations Bill</th>
<th>Subcommittee Mark Up</th>
<th>Full Committee Mark Up</th>
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<tbody>
<tr>
<td>Agriculture</td>
<td>July 6&lt;sup&gt;th&lt;/sup&gt;</td>
<td>July 9&lt;sup&gt;th&lt;/sup&gt;</td>
</tr>
<tr>
<td>Commerce, Justice, Science</td>
<td>July 8&lt;sup&gt;th&lt;/sup&gt;</td>
<td>Week of July 13-16</td>
</tr>
<tr>
<td>Defense</td>
<td>July 8&lt;sup&gt;th&lt;/sup&gt;</td>
<td>Week of July 13-16</td>
</tr>
<tr>
<td>Energy &amp; Water</td>
<td>July 7&lt;sup&gt;th&lt;/sup&gt;</td>
<td>July 10&lt;sup&gt;th&lt;/sup&gt;</td>
</tr>
<tr>
<td>Financial Services</td>
<td>July 8&lt;sup&gt;th&lt;/sup&gt;</td>
<td>Week of July 13-16</td>
</tr>
<tr>
<td>Homeland Security</td>
<td>July 7&lt;sup&gt;th&lt;/sup&gt;</td>
<td>Week of July 13-16</td>
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<tr>
<td>Interior &amp; the Environment</td>
<td>July 7&lt;sup&gt;th&lt;/sup&gt;</td>
<td>July 10&lt;sup&gt;th&lt;/sup&gt;</td>
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<tr>
<td>Labor, HHS, Education</td>
<td>July 7&lt;sup&gt;th&lt;/sup&gt;</td>
<td>Week of July 13-16</td>
</tr>
<tr>
<td>Legislative Branch</td>
<td>July 7&lt;sup&gt;th&lt;/sup&gt;</td>
<td>Week of July 13-16</td>
</tr>
<tr>
<td>Military Construction/VA</td>
<td>July 6&lt;sup&gt;th&lt;/sup&gt;</td>
<td>July 9&lt;sup&gt;th&lt;/sup&gt;</td>
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<tr>
<td>State/Foreign Ops</td>
<td>July 6&lt;sup&gt;th&lt;/sup&gt;</td>
<td>July 9&lt;sup&gt;th&lt;/sup&gt;</td>
</tr>
<tr>
<td>Transportation/HUD</td>
<td>July 8&lt;sup&gt;th&lt;/sup&gt;</td>
<td>Week of July 13-16</td>
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</table>

House leadership it still hoping to have all 12 FY21 appropriations bills passed on the floor before the August Congressional recess. On the Senate side, Appropriations Committee Chair Richard Shelby (R-AL) has yet to announce timeline for when the committee will consider its FY21 appropriations bills.

Federal Agency Nominations/Positions

**Department of the Interior.** The Department of the Interior’s Assistant Secretary for Water and Science Tim Petty was announced as a new co-chair of the federal National Drought Resilience Partnership, an interagency task force on federal drought resilience coordination. The National Drought Resilience Partnership was created in 2016 as a result of a Presidential Memorandum signed by President Obama directing federal agencies to build national capabilities for long-term drought resilience.
Office of Management and Budget. The Senate Homeland Security and Governmental Affairs Committee approved along party lines the nomination of Russ Vought to be the budget director at the Office of Management and Budget (OMB). His nomination will now go before the full Senate for a vote.

Federal Agency Grant Announcements

WaterSMART Drought Resiliency Program Deadline Extension. The Bureau of Reclamation announced that the deadline to submit applications for the WaterSMART Drought Resiliency Program has been extended to August 5th.

WaterSMART Water and Energy Efficiency Grant. The Bureau of Reclamation has released a funding opportunity for the WaterSMART Water and Energy Efficiency Grant Program. This program focuses on water management organizations developing projects that result in quantifiable and sustained water savings, increase the production of hydropower and support broader water reliability benefits. Applications are due September 17th.

Congressional Actions Related to COVID-19

Garamendi introduces legislation for Special Districts. Rep. John Garamendi (D-CA) introduced legislation entitled the “Special Districts Provide Essential Services Act.” This bill would ensure that special districts are eligible for any additional direct federal financial assistance provided by Congress to state, county, and local governments. Specifically, the bill would provide:

- Eligibility for Coronavirus Relief Fund and Future Federal Assistance: Make special districts eligible for direct federal financial assistance appropriated by Congress in the future, along with state, county, and local governments and subject to the same oversight requirements. This would not apply retroactively to the $150 billion provided under the CARES Act.

- Access to Municipal Liquidity Facility: Provide special districts access to the Federal Reserve’s Municipal Liquidity Facility, which provides states, counties, and cities federally guaranteed “bridge financing” to offset unexpected short-term revenue shortfalls caused by the current pandemic. Like states, counties, and cities, many special districts serve large populations and have the legal authority to issue short-term tax and revenue anticipation notes. However, special districts are not currently granted direct access to the Municipal Liquidity Facility.

Senators Feinstein and Harris Send Letter Asking Fed to Lift Cap on Short-Term Loans for Special Districts. On June 15th, Senator Dianne Feinstein (D-CA) and Senator Kamala Harris (D-CA) sent a letter urging the Treasury Department and the Federal Reserve to make short-term loans to special districts that had substantial revenue loss from COVID-19.
Bipartisan Group of House Members send Letter regarding Debt. Reps. Scott Peters (D-CA) and Jodey Arrington (R-TX) led a bipartisan letter along with 58 other Members, to House leadership asking that Congress begin to focus on the federal debt as the nation works to recover from the COVID-19 pandemic. The letter requests that “further pandemic-response legislation include provisions for future budget reforms to ensure we confront these issues when the economy is strong enough. These reforms should have broad, bipartisan support. They should not stand in the way of our making the necessary decisions to deal with the crisis at hand. They should ensure that, in addition to addressing health and economic needs, we lay the foundation for a sustainable fiscal future by building on reforms with established bipartisan support.”

Senate Approves Nomination for Pandemic IG. The Senate approved by a vote of 51-40 Brad Miller to be the Special Inspector General for Pandemic Recovery. Along with a budget of $25 million and a staff of more than 100, Mr. Miller will oversee how the Treasury Department and the Federal Reserve deploy $454 billion to create upwards of $4 trillion in lending facilities aimed at keeping financial markets operational and offering larger businesses enough bridge lending to survive the sharp recession caused by COVID-19.

White House/Agency Actions Related to COVID-19

Economic Development Administration Grant Applications Still Open. The Economic Development Administration (EDA) announced that it will allocate $1.5 billion in CARES Act funds to aid communities across the country in preventing, preparing for, and responding to the coronavirus pandemic. EDA will make CARES Act Recovery Assistance grants under the authority of the Economic Adjustment Assistance (EAA) program, which is intended to be flexible and responsible to the economic development needs and priorities of local and regional stakeholders.

OSHA Issues FAQ About Face Coverings, Surgical Masks and Respirators in the Workplace. The Occupational Safety and Health Administration (OSHA) has published a series of frequently asked questions and answers regarding the use of masks in the workplace. This guidance outlines the differences between cloth face coverings, surgical masks and respirators. It further reminds employers not to use surgical masks or cloth face coverings when respirators are needed. In addition, the guidance notes the need for social distancing measures, even when workers are wearing cloth face coverings, and recommends following the CDC’s guidance on washing face coverings.

CDC Issues Information for Sanitation and Wastewater Workers Regarding COVID-19. The Centers for Disease Control and Prevention has issued guidance for reducing health risks to workers involved in wastewater management, including those at wastewater treatment facilities.
June 22, 2020

Attention: Administrative and Finance Committee

Purchase of Water Authority Business Insurance for Fiscal Year 2021. (Action)

Staff recommendation
Authorize the General Manager to purchase property insurance from Swiss Reinsurance Company Ltd in the amount of $208,429, liability insurance from Allied World Assurance Company – CalMutuals JPRIMA in the amount of $337,053, and workers’ compensation insurance from Zenith Insurance Company – CalMutuals JPRIMA in the amount of $294,633, for a total amount of $840,115.

Alternatives
1. Increase the deductible for property insurance from $50,000 to $75,000 and increase the deductible for liability insurance from $75,000 to $100,000. This would result in a reduction of $19,895 in premiums. The total combined premium for all three lines of insurance would be reduced from $840,115 to $820,220.

2. Increase the deductible for property insurance from $50,000 to $100,000 and increase the deductible for liability insurance from $75,000 to $125,000. This would result in a reduction of $31,090 in premiums. The total combined premium for all three lines of insurance would be reduced from $840,115 to $809,025.

Fiscal impact
Funds for the purchase of property, liability, and workers’ compensation insurance for Fiscal Year 2021 are included in the Fiscal Years 2020 and 2021 Adopted Budget.

Executive Summary
- The Water Authority’s total premium increased 0.74 percent in fiscal year 2021.
- Premiums for workers’ compensation increased 5.17 percent, property increased 0.16 percent, and due to an overall reduction in coverage levels (see memo), liability decreased 2.50 percent.
- The overall premium amount is within the Administrative Services Department budget.

Background
The Water Authority purchases property, liability, and workers’ compensation insurance coverage on an annual basis. In fiscal year 2020, property coverage was provided by SwissRe, while automobile physical damage coverage was provided by Travelers Insurance Company. Liability coverage was purchased from Allied World Assurance Company, and two layers of excess liability coverage by Great American Assurance Company and Berkley National Assurance Company. Since fiscal year 2018, the Water Authority has purchased workers’ compensation insurance from the California Association of Mutual Water Companies Joint
Powers Risk and Insurance Management Authority (CalMutuals JPRIMA), a pooled insurance program.

**Discussion**

Workers’ compensation coverage is statutory in the State of California. This means that the coverage terms and conditions are fairly standard, with no material differences in coverage among the various providers. The premium for fiscal year 2021 increased 5.17 percent ($14,475) when compared to fiscal year 2020 (from $280,158 to $294,633). The coverage provided by CalMutuals JPRIMA is underwritten by Zenith Insurance Company, which has provided workers’ compensation coverage since 1937, and authorized in California since 1950. A.M. Best rates Zenith Insurance Company at A X (A=Excellent / X=$500M to $750M financial size).

The premium for property insurance coverage for fiscal year 2021 is virtually flat, increasing by 0.16 percent ($343) from fiscal year 2020 (from $208,086 to $208,429). Property insurance rates continue to increase, particularly in California, as the State recovers from notable losses in recent years as a result of extensive damage from wildfires, and the Country as a whole recovers from major losses due to record-breaking hurricanes and flooding. However, by simplifying its coverage structure, the Water Authority was able to minimize the rate increase in fiscal year 2021 without a reduction in coverage. Coverage continues to be provided by SwissRe. A.M. Best rates SwissRe at A+ XV (A+ = Superior / XV = $2B + financial size).

Total premiums for liability coverage in fiscal year 2021 decreased 2.50 percent ($8,644) when compared to fiscal year 2020 (from $345,697 to $337,053). In recent years the Water Authority has purchased excess liability limits of $46 million. This premium represents a decline in the Water Authority’s total excess liability coverage limit to $31 million, a result of dramatically increased minimum premiums for higher layers of excess liability insurance coverage, and an overall downturn in the liability insurance market. Staff believe that this is still an adequate excess liability limit as the Water Authority has an excellent loss history and does not have some of the higher risk operations of other public entities, such as public safety and transit. Notably, while inverse condemnation coverage continues to be available, it only covers up to $21 million of excess liability. This reflects the fact that some insurers are no longer providing this coverage in California, while remaining carriers are doing so at greatly increased rates. The Water Authority’s liability coverage is provided by Allied World Assurance Company, rated by A.M. Best as A XV, Berkley National Insurance Company, and Great American Assurance Company, both rated at rated at A+ XV.

The table below summarizes the cost comparison of all three lines of business insurance between fiscal years 2020 and 2021. Compared to fiscal year 2020, the combined fiscal year 2021 total cost for premiums increased 0.74 percent. As stated in the two alternative staff recommendations, additional premium savings could be achieved by raising the deductibles for liability and property; however, staff recommend the deductibles in the following table as the appropriate levels.
<table>
<thead>
<tr>
<th>Line of Coverage</th>
<th>FY 20 Deductibles</th>
<th>FY 20 Premiums</th>
<th>FY 21 Deductibles</th>
<th>FY 21 Premiums</th>
<th>Delta FY 20 to FY 21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property</td>
<td>$50,000</td>
<td>$208,086</td>
<td>$50,000</td>
<td>$208,429</td>
<td>$343</td>
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<tr>
<td>Liability</td>
<td>$75,000</td>
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<td>$75,000</td>
<td>$337,053</td>
<td>-$8,644</td>
</tr>
<tr>
<td>Workers’ Comp</td>
<td>$0</td>
<td>$280,158</td>
<td>$0</td>
<td>$294,633*</td>
<td>$14,475*</td>
</tr>
<tr>
<td><strong>TOTAL COST</strong></td>
<td><strong>$833,941</strong></td>
<td>***</td>
<td><strong>$840,115</strong></td>
<td></td>
<td><strong>$6,174</strong></td>
</tr>
</tbody>
</table>

*Estimated amount. Final cost based on actual payroll.

Prepared by: Vadim Livshits, Senior Management Analyst
Reviewed by: Jason Foster, Director of Administrative Services
Approved by: Sandra L. Kerl, General Manager
June 24, 2020

Attention: Imported Water Committee

Metropolitan Water District Delegates’ Report. (Information)¹

Purpose
This report summarizes activities of interest at the Metropolitan Water District (MWD) committee and Board meetings. This report includes MWD Board activities from June 8 and 9, 2020. The MWD Board also met on June 23 and will meet next on July 13 and 14.

Discussion
The Water Authority Delegates (Delegates) supported 13 of the 14 action items approved by the MWD Board at its June 2020 meeting. MWD Board items of interest to the Water Authority were:

- Adopted a resolution authorizing the reimbursement of capital expenditures from bond proceeds for fiscal years 2021 and 2022;
- Authorized the General Manager to execute a funding agreement extension and payment of $736,000 for support of the Colorado River Board and Six Agency Committee for fiscal year 2021; and
- Authorized the General Manager to waive, at his discretion, Section 2121(c) of MWD’s Administrative Code to allow matters involving amounts greater than $2 million or requiring a roll call vote to be placed on the consent calendar for the duration of the State of Emergency related to COVID-19 declared by Governor Newsom’s March 4, 2020 Executive Order.

The Engineering and Operations (E&O) Committee reviewed staff’s proposed greenhouse gas (GHG) reduction target for MWD’s first Climate Action Plan (CAP). MWD is considering a CAP that will include a GHG reduction target of carbon neutrality by 2045 using a per capita emissions calculation and a carbon budget tracking methodology. (MWD reports it will meet the State’s 2030 GHG reduction target without additional efforts.) Staff’s cost analysis found that the CAP, if adopted by the Board, can help streamline environmental review of potential future MWD projects and lower their GHG mitigation costs. For example, staff estimated that implementation of the CAP could save MWD $14.5 million compared to the purchase of carbon offsets for the mitigation of its potential Regional Recycled Water Program (a project that has yet to be approved by the Board). Staff plans to complete drafting of the CAP by late 2020 and return for the Board’s consideration in early 2021. The E&O Committee also received a quarterly update on the Regional Recycled Water Program; MWD plans to hold a Board workshop on planning, agreements, and financial considerations in the fall of 2020. Staff reported that the Central Arizona Project “in cooperation with” the Arizona Department of Water Resources expressed an interest in being potential partners in the project. When asked by Director Hogan why the Municipal Water District of Orange County (MWDOC) was no longer listed as a potential partner, staff said it is still in talks with MWDOC, but “understand[s] that there are some other project interests that MWDOC may have.”

¹ This document provides a summary of certain discussions as summarized and understood by the Water Authority and is not intended to be any form of official transcript.
The Board unanimously adopted a resolution authorizing the reimbursement of capital expenditures from bond proceeds for fiscal years 2021 and 2022. This is the fourth time in at least the past 15 years that MWD has adopted this type of resolution; prior reimbursement resolutions were adopted in July 2015, September 2016, and July 2019. The July 2015 and 2019 resolutions were adopted in the middle of MWD’s biennial budget cycles and allowed MWD to issue unbudgeted debt to reimburse itself for capital expenditures and shift operating revenues budgeted for capital projects to fund other, largely unbudgeted, expenditures. The September 2016 resolution was used to issue unbudgeted debt to reimburse MWD’s unrestricted reserves for the unbudgeted $175 million Delta Islands purchase. All three prior resolutions were not adopted preemptively before the beginning of the budget cycle but were introduced based on a specific need. At the Finance and Insurance Committee, Directors Smith and Goldberg asked for clarity about the purpose and necessity of the resolution, and staff said it would not change the budgeted ratio of cash-to-bond funding and would give MWD the “option but not the obligation to reimburse itself.” Prior to the subsequent day’s Board meeting, the Delegates provided a letter to the MWD Board outlining their concerns with the reimbursement resolution and MWD provided a response. During MWD’s Board meeting, Smith sought and received confirmation from General Counsel Scully that “there’s a factual basis for the resolution and it complies with all the Treasury regulations.” Consequently, the Delegates supported the resolution.

The Board also discussed staff’s recommendation to take a watch position and “engage as needed to protect [MWD’s] interests” on Senate Bill 625 (Bradford, D-Gardena), which would dissolve the Central Basin Municipal Water District’s Board of Directors and place the district into the receivership of the Water Replenishment District of Southern California. General Manager Kightlinger said MWD’s interests in the bill include appointments to MWD’s Board and the administration of funds for conservation and Local Resource programs. Over 50 callers gave public comment in opposition or support of the bill during the Communication and Legislation (C&L) Committee and Board meetings. The action passed the C&L Committee with 14 supporting and one absent, and the Board ultimately approved staff’s recommendation with 76.9 percent support.

Directors Goldberg and Ortega (Fullerton) earlier requested a presentation on MWD staffing and, in particular, steps MWD is taking to manage costs in response to the impacts of COVID-19 on the economy. The Organization, Personnel, and Technology (OP&T) Committee received a presentation this month that covered MWD’s rate of separations and hires, plans for recruitment, and the ratio of managers to staff. It did not include Ortega’s request for a prioritized list of recruitment positions or Goldberg’s request for a list of MWD’s vacant positions and the potential to delay recruitment for these positions, construction schedules for MWD projects that have been or will be delayed, and other cost saving measures, which staff indicated would be provided in July. After the presentation, Director Smith asked staff how it accounts for potential budget savings as a result of unfilled staffing positions. Kightlinger said MWD sets its budget to

2 The Delegates’ concerns are articulated in their June 9, 2020 letter, found here: https://mwdprograms.sdcwa.org/wp-content/uploads/2020-06-09-WA-Del-ltr-re-7-3-Resol-of-Reimbursement.pdf

include a vacancy rate of three percent and does not collect funds for the vacant positions. He
did not address how MWD accounts for budget savings if there were more unfilled position than
the assumed vacancy rate, or why, unlike past budgets, MWD’s newly adopted budget for 2021
and 2022 does not include a line item of unfunded or vacant positions, which seems to suggest
the newly adopted budget fully funds the budgeted positions.

The OP&T Committee also discussed the general manager recruitment process. The OP&T
Committee was tasked by the Executive Committee to make a recommendation for the
recruitment and selection of the new general manager after Kightlinger announced his plan to
step down at the end of 2020. Following Human Resources Group Manager Pitman’s outline of
a potential recruitment process, Director Goldberg expressed her desire for the selection process
to be inclusive. Reflecting the October retreat center point that MWD is “at a crossroads,” she
said that the new general manager is going to be a “critical person” in shaping MWD’s future.
She expressed the importance for the entire Board to be part of the general manager selection
process and own the decision it makes. Lastly, she said, “I think it’s also important for the
person who ultimately is selected, that they understand and be comfortable that they’re coming
into an organization that’s inclusive, ethical, and transparent, and they need to understand that
they are not representing pieces of the Board, but the whole Board.” The meeting concluded
with a majority of the OP&T Committee concurring with Committee Chair Murray’s (Los
Angeles) proposal, which would involve the entire OP&T Committee and Board in the selection
of the general manager. The recruitment process was further discussed at a special OP&T
Committee meeting later in June, the Board action is expected in July.

At the Board meeting, Chairwoman Gray opened the meeting with remarks about the national
movement for racial justice and ways in which MWD can demonstrate leadership. (Finance and
Insurance Committee Chair Quiñonez and E&O Committee Chair Smith had similar opening
reflections at their respective committees.) Related to this movement, Directors Murray (Los
Angeles) and Ballin (San Fernando) requested that an update on MWD’s diversity initiatives and
recruitment be included on a future OP&T agenda. Lastly, Director Ardashes “Ardy”
Kassakhian was inducted to the Board to represent the City of Glendale, replacing Vartan
Gharpetian. Attachment 1 is a copy of MWD’s June 2020 committee and Board meeting
agendas and Board summary.

Prepared by: Megan Couch, Assistant Management Analyst
Reviewed by: Communications and Legislation Committee by Jerry Butkiewicz & Tim Smith
Engineering and Operations Committee by 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
Water Planning and Stewardship Committee by Gail Goldberg & Michael Hogan

Attachment:

Attachment 1 – MWD’s committee and Board meeting agendas dated June 8 and 9, 2020 and
Board summary dated June 9, 2020
Engineering and Operations Committee

Meeting with Board of Directors*

June 8, 2020

9:00 a.m.

Live streaming is available for all board and committee meetings on our mwdh2o.com website
(Click to Access Board Meetings Page)

Public Comment Via Teleconference Only: Members of the public may present their comments to the Board on matters within their jurisdiction as listed on the agenda via teleconference only. To participate call (404) 400-0335 and use Code: 9601962.

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

* 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 April 13, 2020**

3. **CONSENT CALENDAR ITEMS – ACTION**

7-5 Adopt the CEQA determination that the proposed action has been previously addressed in the certified 2016 Final Program EIR and related CEQA documents; and award a $429,295 contract to Pride Construction Engineering Services to construct erosion-control improvements for six sites in the Orange County region.
4. OTHER BOARD ITEMS – ACTION

8-1 Authorize an increase of $4,000,000 in change order authority for urgent prestressed concrete cylinder pipe relining on the Second Lower Feeder; the General Manager has determined that the proposed actions are exempt or otherwise not subject to CEQA.

8-2 Authorize an increase of $3 million, to an amount not-to-exceed $41.1 million, for an existing 5-year agreement with Securitas to provide security guard services through December 31, 2020; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA.

5. BOARD INFORMATION ITEMS


6. COMMITTEE ITEMS


b. Quarterly Regional Recycled Water Program Update.

7. MANAGEMENT REPORTS


Updated

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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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 3, 2020
Finance and Insurance Committee

Meeting with Board of Directors*

June 8, 2020

10:30 a.m.

Live streaming is available for all board and committee meetings on our mwdh2o.com website
(Click to Access Board Meetings Page)

Public Comment Via Teleconference Only: Members of the public may present their comments to the Board
on matters within their jurisdiction as listed on the agenda via teleconference only. To participate call
(404) 400-0335 and use Code: 9601962.

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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 May 11, 2020

3. CONSENT CALENDAR ITEMS — ACTION

7-2 Approve Metropolitan's Statement of Investment Policy for fiscal year 2020/21, and delegate authority to the Treasurer to invest Metropolitan's funds for fiscal year 2020/21; the General Manager has determined that the proposed actions are exempt or otherwise not subject to CEQA
7-3 Adopt resolution authorizing the reimbursement of capital expenditures from bond proceeds for fiscal years 2020/21 and 2021/22 relating to Metropolitan’s water delivery system; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Revised 7-4 Approve up to $1.378 million to purchase insurance coverage for Metropolitan’s Property and Casualty Insurance Program; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

4. OTHER BOARD ITEMS — ACTION

   None

5. BOARD INFORMATION ITEMS

   None

6. COMMITTEE ITEMS

   None

7. MANAGEMENT REPORT

   a. Chief Financial Officer’s report

8. FOLLOW-UP ITEMS

   None

9. FUTURE AGENDA ITEMS

Date of Notice: June 4, 2020
10. **ADJOURNMENT**

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Water Planning and Stewardship Committee

Meeting with Board of Directors*

June 8, 2020

12:00 p.m.

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 May 11, 2020

3. CONSENT CALENDAR ITEMS — ACTION

7-7 Authorize the General Manager to execute a funding agreement extension, and, by a two-thirds vote, authorize payment of $736,000 for support of the Colorado River Board and Six Agency Committee for fiscal year 2020/21; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA. [Two-thirds vote required at Board]
4. OTHER BOARD ITEMS — ACTION

None

5. BOARD INFORMATION ITEMS

None

6. COMMITTEE ITEMS
   a. Update on Longfin Smelt Science Studies
   b. 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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Communications and Legislation Committee

Meeting with Board of Directors*

June 8, 2020

1:00 p.m.

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

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 March 9, 2020

3. CONSENT CALENDAR ITEMS — ACTION

7-9 Express support and seek amendments to AB 3256 (E. Garcia, D-Coachella) Economic Recovery, Wildfire Prevention, Safe Drinking Water, Drought Preparation, and Flood Protection Bond Act of 2020; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA
7-10 Watch and engage as needed to protect Metropolitan’s interests on SB 625 (Bradford, D-Gardena); Central Basin Municipal Water District: receivership; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA.

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

Date of Notice: May 28, 2020
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*

June 9, 2020

9:30 a.m.

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* The Metropolitan Water District’s meeting of the Organization, Personnel and Technology 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 Organization, Personnel and Technology 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 Organization, Personnel and Technology Committee will not vote on matters before the meeting of the Organization, Personnel and Technology 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 Organization, Personnel and Technology Committee held May 11, 2020**

3. **CONSENT CALENDAR ITEMS – ACTION**

   7-6 Authorize a professional services agreement with Flairsoft Limited not to exceed $825,000 for a cloud-based solution to manage Real Property business transactions; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA
4. OTHER BOARD ITEMS – ACTION

   None

5. BOARD INFORMATION ITEMS

   None

6. COMMITTEE ITEMS

   a. Hiring and Staffing update due to COVID-19
   b. General Manager Recruitment Process

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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Date of Notice: May 28, 2020
Legal and Claims Committee

Meeting with Board of Directors*

June 9, 2020

11:00 a.m.

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 May 12, 2020

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

4. CONSENT CALENDAR ITEMS — ACTION
   7-8 Authorize the General Manager to waive, at his discretion, Section 2121(c) of Metropolitan’s Administrative Code to allow matters involving amounts greater than $2 million or requiring a roll call vote to be placed on the consent calendar, for the duration of the State of Emergency declared by Governor Newsom’s March 4, 2020 Executive Order; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA
5. OTHER BOARD ITEMS — ACTION
   None

6. BOARD INFORMATION ITEMS
   None

7. COMMITTEE ITEMS
   None

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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Date of Notice: May 28, 2020
Regular Board Meeting
June 9, 2020
12:00 p.m.

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(Click to Access Board Meetings Page)

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1. Call to Order

Revised

(a) Invocation: Benita Horn, Principal Public Affairs Rep,
External Affairs Group
Tania Asef, Associate Environmental Specialist,
Environmental Planning Section,
Chief Administrative Office

(b) Pledge of Allegiance: Director Linda Ackerman,
Municipal Water District of Orange County

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 May 12, 2020
(Copies have been submitted to each Director)
Any additions, corrections, or omissions

B. Report on Directors’ events attended at Metropolitan expense for
month of May 2020

Date of Notice: June 4, 2020
C. Presentation of 5-year Service Pin to Director Stephen J. Faessell, representing the City of Anaheim

D. Presentation of 5-year Service Pin to Director Donald D. Galleano, representing Western Municipal Water District

E. Induction of new Director Ardashes “Ardy” Kassakhian from the City of Glendale
   (a) Receive credentials
   (b) Report on credentials by General Counsel
   (c) File credentials
   (d) Administer Oath of Office
   (e) File Oath

F. Approve committee assignments

G. Chairwoman's Monthly Activity Report

6. DEPARTMENT HEADS’ REPORTS

   A. General Manager's summary of activities for the month of May 2020

   B. General Counsel’s summary of activities for the month of May 2020

   C. General Auditor’s summary of activities for the month of May 2020

   D. Ethics Officer’s summary of activities for the month of May 2020

7. CONSENT CALENDAR ITEMS — ACTION

   7-1 Approve Commendatory Resolution for Director Vartan Gharpetian representing the City of Glendale
7-2 Approve Metropolitan's Statement of Investment Policy for fiscal year 2020/21, and delegate authority to the Treasurer to invest Metropolitan's funds for fiscal year 2020/21; the General Manager has determined that the proposed actions are exempt or otherwise not subject to CEQA. (F&I)

7-3 Adopt resolution authorizing the reimbursement of capital expenditures from bond proceeds for fiscal years 2020/21 and 2021/22 relating to Metropolitan’s water delivery system; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA. (F&I)

Revised 7-4 Approve up to $1.378 million to purchase insurance coverage for Metropolitan’s Property and Casualty Insurance Program; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA. (F&I)

7-5 Adopt the CEQA determination that the proposed action has been previously addressed in the certified 2016 Final Program EIR and related CEQA documents; and award a $429,295 contract to Pride Construction Engineering Services to construct erosion-control improvements for six sites in the Orange County region. (E&O)

7-6 Authorize a professional services agreement with Flairsoft Limited not-to-exceed $825,000 for a cloud-based solution to manage Real Property business transactions; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA. (OP&T)

7-7 Authorize the General Manager to execute a funding agreement extension, and, by a two-thirds vote, authorize payment of $736,000 for support of the Colorado River Board and Six Agency Committee for fiscal year 2020/21; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA. (WP&S) [Two-thirds vote required at Board]

7-8 Authorize the General Manager to waive, at his discretion, Section 2121(c) of Metropolitan’s Administrative Code to allow matters involving amounts greater than $2 million or requiring a roll call vote to be placed on the consent calendar, for the duration of the State of Emergency declared by Governor Newsom’s March 4, 2020 Executive Order; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA. (L&C)
7-9 Express support and seek amendments to AB 3256 (E. Garcia, D-Coachella) Economic Recovery, Wildfire Prevention, Safe Drinking Water, Drought Preparation, and Flood Protection Bond Act of 2020; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA. (C&L)

7-10 Watch and engage as needed to protect Metropolitan’s interests on SB 625 (Bradford, D-Gardena); Central Basin Municipal Water District: receivership; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA. (C&L)

END OF CONSENT CALENDAR

8. OTHER BOARD ITEMS — ACTION

8-1 Authorize an increase of $4,000,000 in change order authority for urgent prestressed concrete cylinder pipe relining on the Second Lower Feeder; the General Manager has determined that the proposed actions are exempt or otherwise not subject to CEQA. (E&O)

8-2 Authorize an increase of $3 million, to an amount not-to-exceed $41.1 million, for an existing 5-year agreement with Securitas to provide security guard services through December 31, 2020; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA. (E&O)

9. BOARD INFORMATION ITEMS

9-1 Update on Conservation Program


9-3 District Housing Improvement Project Update
10. FOLLOW-UP ITEMS

11. FUTURE AGENDA ITEMS

12. 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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Committee Assignments

Appointed Director Kassakhian to Legal and Claims Committee and Real Property and Asset Management Committee. (Agenda Item 5F)

Engineering and Operations Committee

Authorized increase in change order authority of $4 million for the Second Lower Feeder Reach 2 Rehabilitation contract for an aggregate change order authority not to exceed $6,663,659. (Agenda Item 8-1)

Authorized a $3 million increase, to an amount not-to-exceed $41.1 million, for an existing 5-year agreement with Securitas to provide security guard services through December 31, 2020. (Agenda Item 8-2)

Consent Calendar

In other actions, the Board:

Approved Commendatory Resolution for Director Vartan Gharpetian representing the City of Glendale. (Agenda Item 7-1)

Approved Metropolitan’s Statement of Investment Policy for fiscal year 2020/21, and delegated authority to the Treasurer to invest Metropolitan’s funds for fiscal year 2020/21. (Agenda Item 7-2)

Adopted the resolution authorizing the reimbursement of capital expenditures from bond proceeds for FYs 2020/21 and 2021/22 and other capital expenditures relating to Metropolitan’s water delivery system as contained in Attachment 1 of the Board letter. (Agenda Item 7-3)

Approved up to $1.363 million to purchase insurance coverage for Metropolitan’s Property and Casualty Insurance Program to renew or replace all the expiring excess liability and specialty insurance policies. (Agenda Item 7-4)

Adopted the CEQA determination that the proposed action has been previously addressed in the certified 2016 Final Program EIR and related CEQA documents, and awarded a $429,295 contract to Pride Construction Engineering Services to construct erosion-control features at six sites in Orange County Operating region. (Agenda Item 7-5)
Authorized a professional services agreement with Flairsoft Limited not-to-exceed $825,000 for a cloud-based solution to manage Real Property business transactions.  
(Agenda Item 7-6)

Authorized the General Manager to execute the Six Agency Committee amendment to extend the current cost-sharing formula through June 30, 2025; and, by a two-thirds vote, authorized the General Manager to make payment of up to $736,000 for support of the Colorado River Board and Six Agency Committee for FY 2020/21.  
(Agenda Item 7-7)

Authorized Metropolitan’s General Manager to exercise his discretion to waive Metropolitan Water District’s Administrative Code section 2121(c), to place matters either involving amounts greater than $2 million, or requiring a roll call vote on the consent calendar for the duration of Governor Newsom’s March 4, 2020 Proclamation of a State of Emergency.  
(Agenda Item 7-8)

(Agenda Item 7-9)

Watch and engage as needed to protect Metropolitan’s interests on SB 625 (Bradford, D-Gardena); Central Basin Municipal Water District: Receivership.  
(Agenda Item 7-10)

OTHER MATTERS

Presented 5-year Service Pin to Director Stephen J. Faessel, representing the City of Anaheim.  
(Agenda Item 5C)

Presented 5-year Service Pin to Director Donald D. Galleano, representing Western Municipal Water District.  
(Agenda Item 5D)

Inducted new Director Ardashes “Ardy” Kassakhian from the City of Glendale.  
(Agenda Item 5E)

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://mwdh2o.com/WhoWeAre/Board/Board-Meeting/Pages/search.aspx

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