NOTICE TO THE PUBLIC

[NOTICE]: PER GOVERNOR NEWSOM'S EXECUTIVE ORDERS, THE BELOW MEETING WILL NOT BE HELD IN PERSON BUT ELECTRONICALLY. DIRECTORS WILL BE PROVIDED ELECTRONIC ACCESS INFORMATION SEPARATELY. THE PUBLIC MAY ACCESS THE MEETING ELECTRONICALLY BY GOING TO THIS WEB LINK: https://www.sdcwa.org/meetings-and-documents AND THEN CLICKING THE LINK LISTED BELOW “LIVE STREAM” ON THE RIGHT HAND SIDE OF THE PAGE.

PUBLIC COMMENT MAY BE SUBMITTED BY EITHER OF THESE TWO METHODS:

(1) BEFORE THE MEETING SUBMIT YOUR TELEPHONE NUMBER BY E-MAIL TO THE CLERK AT MNELSON@SDCWA.ORG AND THE CLERK WILL CALL YOU WHEN THE BOARD IS READY TO HEAR YOUR PUBLIC COMMENT (THREE MINUTES OR LESS); OR

(2) BEFORE THE MEETING E-MAIL YOUR COMMENT TO THE WATER AUTHORITY GENERAL COUNSEL AT MHATTAM@SDCWA.ORG AND MAY BE READ ALOUD AT THE PUBLIC COMMENT PERIOD (THREE-MINUTE LIMIT).

IF MODIFICATIONS OR ACCOMMODATIONS FROM INDIVIDUALS WITH DISABILITIES ARE REQUIRED, SUCH PERSONS SHOULD PROVIDE A REQUEST AT LEAST 24 HOURS IN ADVANCE OF THE MEETING BY E-MAIL TO THE WATER AUTHORITY GENERAL COUNSEL AT MHATTAM@SDCWA.ORG

BOARD OF DIRECTORS’ REGULAR
MEETING 9:00 A.M. NOVEMBER 19, 2020

1. UNIFIED AGENDA: This unified agenda provides a brief description of each item to be considered by the Board. As allowed by the Water Authority Administrative Code, there will be no committee meetings on November 19, 2020, and all business will be conducted at the regular Board meeting.

2. DOCUMENTS: Staff reports and any other public information provided to the Board before the meeting relating to items on the agenda are available for public review on the Water Authority website at https://www.sdcwa.org/meetings-and-documents. Additional documents may be distributed at the meeting electronically, and will be made available. Copies of individual items are available through the Clerk of the Board at (858) 522-6614.

3. MEETING TIMES: The Board meeting will commence at 9:00 a.m. on November 19, 2020, and will continue until complete.

4. CONSENT CALENDAR: The agenda contains items listed on a consent calendar which is for matters considered routine or otherwise not requiring further deliberation. The Board will take action as recommended by one motion. There will be no individual discussion on such items prior to the vote unless an item is removed for discussion.

5. PUBLIC HEARINGS OR COMMENT: Any comments related to a public hearing should be made as stated in the special notice section above.

6. ACCESS FOR THE DISABLED: See above notice.

7. RULES GOVERNING MEETINGS: The Water Authority’s Administrative Code Chapter 2.00 governs conduct of meetings of the Board and the Committees. The Administrative Code is available online at www.sdcwa.org.
[NOTICE: PER GOVERNOR NEWSOM’S EXECUTIVE ORDERS, THE BELOW MEETING WILL NOT BE HELD IN PERSON BUT ELECTRONICALLY. DIRECTORS WILL BE PROVIDED ELECTRONIC ACCESS INFORMATION SEPARATELY. THE PUBLIC MAY ACCESS THE MEETING ELECTRONICALLY BY GOING TO THIS WEB LINK:

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AGENDA
FORMAL BOARD OF DIRECTORS’ MEETING

The mission of the San Diego County Water Authority is to provide a safe and reliable supply of water to its member agencies serving the San Diego region.

NOVEMBER 19 2020
9:00 a.m.

1. Call to Order.

2. Roll call, determination of quorum.
2-A Report on proxies received.

3. Additions to Agenda. (Government code Sec. 54954.2(b)).

4. Approve the minutes the Formal Board of Directors’ meeting of October 22, 2020.

5. Opportunity for members of the public who wish to address the Board on matters within the Board’s jurisdiction.
6. **REPORT BY CHAIR**

6-A Chair’s Report: Chair Croucher

7. **ACTION/DISCUSSION/PRESENTATION**

7.1 Recognition of Marvin Sylakowski, Supervising Land Surveyor, Employee of the 1st Quarter.

7.2 Final Reports on Committee Work Plans for calendar years 2019 and 2020.
   a. Administrative and Finance Committee
   b. Engineering and Operations Committee
   c. Imported Water Committee
   d. Legislation and Public Outreach Committee
   e. Water Planning and Environmental Committee

7.3 Audit Committee Annual Report.
Audit Committee recommendations:
   a. Accept and file the Audit Committee Annual Report pursuant to the Administrative Code, Section 2.00.066.
   b. Accept and file the Comprehensive Annual Financial Report (CAFR) for Fiscal Year ended June 30, 2020 prepared in accordance with Generally Accepted Accounting Principles (GAAP). (Action)

7.4 **Adopt Annual Statement of Investment Policy, as amended, and continue to delegate authority to the Treasurer to invest Water Authority funds for Calendar Year 2021.**
Staff recommendation: Adopt the Annual Statement of Investment Policy, as amended, and continue to delegate authority to the Treasurer to invest Water Authority funds for calendar year 2021. (Action)

7.5 **Change Orders to OHL USA, Inc. DBA Group OHL North America for the Mission Trails Flow Regulatory Structure II and Flow Control Facility project.**
Staff recommendation: Accept staff executed Change Order 1 for a cost of $186,120 and authorize the General Manager to execute a pending change order for up to $500,000 to replace Water Authority furnished pipe with new piping to connect the Mission Trails Flow Regulatory Structure II to the Second Aqueduct. (Action)

7.6 **Regional Conveyance System Study – Phase B.**
Staff recommendation:
   a. Transfer $452,000 within the Capital Improvement Program (CIP) Lifetime Budget from Pipeline 6 to the RCSS for an overall net zero impact to the CIP to address feedback received during the Board-directed three-month outreach process; and
b. Authorize the General Manager to execute Amendment 2 to the professional services contract with Black & Veatch Corporation (BV) for a period of 18 months, in the amount of $622,000, increasing the authorized cumulative contract amount from $1,890,000 to $2,512,000; and

c. Authorize staff to implement the revised Phase B scope of work for the RCSS. (Action)

7.7 MWD Regional Recycled Water Program update. (Presentation) Liz Mendelson-Goossens

7.8 Washington report by Ken Carpi. (Supplemental Materials)

7.9 Sacramento report. (Presentation) Glenn Farrel

7.10 Proposed 2021 Legislative Policy Guidelines. (Presentation) Glenn Farrel

Staff recommendation: Adopt the proposed 2021 Legislative Policy Guidelines. (Action)


Staff recommendation:

1. Sponsor or co-sponsor the following state legislative proposals:

   - Legislative Proposal #1 to create a statutory or administrative path for pumped hydropower storage to provide renewables integration and grid stability services.
   
   - Legislative Proposal #2 to pursue an Open Access arrangement for energy services to reduce energy costs associated with water production, treatment, and transmission.
   
   - Legislative Proposal #3 to improve Integrated Regional Water Management grant award cashflow for nonprofit organizations, disadvantaged communities, and tribes.

2. Adopt federal priorities for 2021. (Action)
7.12 Amendment to extend the federal advocacy services contract with Carpi & Clay.

Staff recommendation: Staff recommends the Board of Directors take the following actions with regard to federal advocacy services:

1. Extend an agreement with Carpi & Clay for federal advocacy services for a period of 30 months, from January 1, 2021 through June 30, 2023.

2. Increase compensation under the Carpi & Clay contract by a 3 percent cost-of-living adjustment factor from $11,696/month to $12,047/month effective January 1, 2021, for a total compensable contract amount not to exceed $380,160 (inclusive of reimbursable expense allowance) over the contract term. (Action)

7.13 Fiscal Year 2020 Annual Report. (Presentation)

7.14 Update on water supply conditions. (Presentation)

8. CONSENT CALENDAR

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

8.2 Vote Entitlement Resolution for Calendar Year 2021.
Staff recommendation: Adopt Resolution No. 2020-___ establishing vote and representative entitlements of each member agency to be effective January 1, 2021.

8.3 Approve Capacity Fee Refund to Pardee Homes.
Staff recommendation: Authorize the General Manager to issue a capacity charges refund in the amount of $281,447 to Pardee Homes.

8.4 Abandonment of easements along El Paseo Road.
Staff recommendation: Authorize General Manager/General Counsel to file documentation with the San Diego County Recorder’s Office to abandon Water Authority easements along El Paseo Road.

8.5 Butterfly and Plug Valve Procurements.
Staff recommendations:

1. Authorize the General Manager to award a contract to KPR Consulting, Inc. in the amount of $118,557.53 to purchase 43 butterfly valves for various capital improvement projects.

2. Authorize the General Manager to award a contract to B&K Valves & Equipment, Inc. in the amount of $191,985 to purchase 40 plug valves for various capital improvement and operating projects. (Action)
8.6 Professional services contract with CDM Smith to provide engineering services for the Moosa Canyon Pipelines Repair and Replacement Planning Study.
Staff recommendation: Authorize the General Manager to award a professional services contract to CDM Smith, in an amount not-to-exceed $600,000 to complete the Moosa Canyon Pipelines Repair and Replacement Planning Study.

8.7 Amendment to Professional Services Contract with WSA Marketing for continued implementation of the QWEL training program.
Staff recommendation: Authorize the General Manager to execute an amendment to the professional services contract with WSA Marketing to increase the contract capacity by $221,000, from $247,500 to $468,500, and to extend the contract termination date for two years. (Action)

Staff recommendation: Award a professional services contract to Woodard & Curran for Integrated Regional Water Management (IRWM) support services in the amount of $982,253 for the period from January 1, 2021, to June 30, 2024. The awarded contract term includes an option to extend for an additional 18 months, contingent upon Board approval.

9. INFORMATION
9-A Controller’s report on monthly financial activities.
9-B Annual Reimbursements to Board Members and Staff.
9-C Board Calendar
9-D Metropolitan Water District Delegates Report. (Supplemental Materials)
9-E Government Relations Update.

10. SPECIAL REPORTS
10-A GENERAL MANAGER’S REPORT – Ms. Kerl
10-B GENERAL COUNSEL’S REPORT – Mr. Hattam
10-C SANDAG REPORT – Director Katz
   SANDAG Subcommittees: Borders Committee – Director Saxod
   Regional Planning Committee – Director Heidemann
10-D AB 1234 Compliance Reports – Directors

11. CLOSED SESSION(S)
11-A Conference with Legal Counsel – Existing Litigation
   Government Code §54956.9(d)(1)
   SDCWA v. Metropolitan Water District of Southern California; San Francisco Superior Court Case Nos. CPF-10-510830; CPF-12-512466; CPF-14-514004; CPF-16-515282; CPF-16-515391; CGC-17-563350; CPF-18-516389; California Court of Appeal (1st District) Case Nos. A146901; A148266; A154325; California Supreme Court Case Nos. S243500; and S251025
11-B Conference with Legal Counsel – Existing Litigation
Government Code §54956.9(d)(1)
Food & Water Watch and Center for Food Safety v. Metropolitan Water District of Southern California and All Persons Interested in the Matter; Los Angeles Superior Court Case No. BC 720692; California Court of Appeal (2nd District) Case No. B297553

11-C Conference with Legal Counsel – Existing Litigation
Government Code §54956.9(d)(1)
Vallecitos Water District v. San Diego County Water Authority; San Diego County Superior Court Case No. 37-2020-00034563-CU-BC-NC

12. ACTION FOLLOWING CLOSED SESSION

13. OTHER COMMUNICATIONS

14. ADJOURNMENT

Melinda Nelson
Clerk of the Board
1. **CALL TO ORDER** Chair Croucher called the Board of Directors’ meeting to order at 9:01 a.m.

Chair Croucher welcomed the Board to the meeting and briefly discussed logistics of the meeting.

2. **ROLL CALL, DETERMINATION OF QUORUM**

Clerk of the Board Nelson called the roll. Directors present virtually were Chair Croucher, Vice Chair Guerin, Secretary Butkiewicz, and Directors Arant, Ayala, Barnum*, Bebee*, Boyle, Cate, Cherashore, Evans*, Fong-Sakai, Hall, Hedberg, Heidemann, Heinrichs, Hilliker, Katz, Kennedy, Lewinger, Madaffer, Martinez, Miller, Murtland*, Mosca*, Preciado*, Reeh, Rios, Saxod, Scalzitti, Smith, Steiner, Udrys, Wilson, and Supervisor Desmond.

Directors absent were Hogan and Simpson.

Staff present included General Manager Kerl, Deputy General Manager Denham, General Counsel Hattam, Director of Administrative Services Foster, Director of the Colorado River Program Rodgers, Director of Engineering Reed, Director of Finance Harris, Director of Government Relations Farrell, Director of Human Resources Kite, Director of MWD Program Chen, Director of Operations & Maintenance Fisher, Director of Public Affairs Vedder, Director of Water Resources Gage, Operations & Maintenance Manager Coghill, Water Resources Manager Crutchfield, Principal Engineer Faber, Principal Water Resources Specialist Mathews, Public Affairs Representative II Balben, Public Affairs Representative Mora, and Clerk of the Board Nelson. Also present was Ken Carpi of Carpi & Clay, Inc.

2-A **Report on proxies received.** No proxies were received.

3. **ADDITIONS TO THE AGENDA**

Chair Croucher announced that items 7.12 and 8.3 were pulled from the agenda and would return to the Board at the November 19, 2020 meeting.

Pulled items:

7.12 Amendment to extend the federal advocacy services contract with Carpi & Clay.

Staff recommendation: Staff recommends the Board of Directors extend an agreement with Carpi & Clay for federal advocacy services for a period of 24
months, from January 1, 2021 through December 31, 2022, for a total amount – including monthly retainer and reimbursable expenses – not to exceed $375,000.

8.3 Abandonment of easements along El Paseo Road.
Staff recommendation: Authorize General Manager/General Counsel to file documentation with the San Diego County Recorder’s Office to abandon Water Authority easements along El Paseo Road.

* Director Mosca arrived at 9:10 a.m.

4. APPROVAL OF MINUTES
Director Ayala moved, seconded by Director Katz, and the motion carried at 88.278% of the vote to approve the minutes of the Formal Board of Directors’ meeting of September 24, 2020. Ms. Nelson took a roll call vote.

5. PUBLIC COMMENT
There were no members of the public who requested to address the Board.

6. REPORT BY CHAIR
Chair Croucher announced that two Water Authority CIP Projects had received awards. The Pipeline 5 Relining Project was recognized with two awards, the first was The American Public Works Association “Honor Award”, and the second was The American Society of Civil Engineers “Award of Excellence”. The Moosa Canyon Pipeline Emergency Repair Project was recognized with The American Society of Civil Engineers “Award of Honor”. He congratulated all Staff involved in the award-winning projects. He also reported that the Water Authority had again received an “Achievement of Excellence in Procurement Award” from the National Procurement Institute.

Chair Croucher reported the MWD Board had unanimously elected Chair Gray as Chair of the MWD Board for a second term and he congratulated her on her achievement. He also announced the retirement of Terry Fulp, Lower Colorado River Basin Regional Director with US Bureau of Reclamation, on October 23, 2020. He recognized him for years of service to the public, thanked him for his many contributions and achievements, and congratulated him on his retirement.

Chair Croucher concluded his report with a reminder of the upcoming Special Water Planning & Environmental Committee meeting on November 12, 2020 at 1:30 p.m. He stated the topic of the meeting would be the preparation of the 2020 Urban Water Management Plan, and he encouraged all Board members to attend virtually.

* Directors Barnum, Evans, and Preciado arrived at 9:22 a.m.
7. **ACTION/DISCUSSION/PRESENTATION**

7.1 Recognition of Supervisor Greg Cox for his public service and leadership.

Chair Croucher recognized Supervisor Cox for his outstanding public service and leadership to the Region. He spoke briefly on achievements and accomplishments of Supervisor Cox, covering his decades of public service. He introduced Supervisor Cox to address the Board, and Supervisor Cox spoke briefly and thanked Chair Croucher and the Water Authority Board for the recognition.

Supervisor Desmond provided additional comments recognizing Supervisor Cox and congratulated him on his retirement.

* Director Murtland arrived at 9:33 a.m.

7.2 Notice of Biennial Review of the Representatives to the Metropolitan Water District of Southern California.

Chair Croucher announced the continued appointments of MWD Delegates Butkiewicz, Goldberg, Hogan, and Smith. He stated that the Delegate appointments would be reviewed again after the MWD General Manager hiring was complete.

Director Ayala moved, seconded by Director Fong-Sakai, and the motion carried at 94.62% of the vote to approve the Chairs recommendation. Ms. Nelson took a roll call vote.

7.3 Rates & Charges and Budget Update.

Ms. Harris presented a summary of mid-term budget actions that resulted in significant budget savings, and a summary of implemented debt management strategies including water revenue refunding bonds. She reviewed approved CY 2021 rates and charges and drivers, MWD Fall 2020 rate review, and an overview of the current environment. She concluded the presentation with a review of next steps.

Directors Cate and Preciado made comments and asked questions, and Staff responded.

Ms. Kerl commented in response to a request by Director Cate for information regarding revenue shortfalls and stated staff would return with the information.
7.4 **Approve the selection of pool of Financial Advisors to provide financial advisory services.**

*Staff recommendation:* Authorize the General Manager to award professional service contracts to Financial Advisors for a total base amount not-to-exceed $300,000 for the three-year period from December 1, 2020 to December 1, 2023. The contracts will have two one-year renewal options.

Ms. Harris provided a presentation that included a general background of selecting Financial Advisors, an overview of the request for approval process, and she concluded with a review of the staff recommendation.

Director Steiner moved, seconded by Director Hilliker, and the motion carried at 96.037% of the vote to approve staffs’ recommendation. Ms. Nelson took a roll call vote.

7.5 **San Vicente Project Negotiations Work Group update.**

Director Heinrichs provided an update to the Board on the San Vicente Project Negotiations Work Group and highlighted achievements and accomplishments.

* Director Bebee arrived at 9:45 a.m.

7.6 **Detachment Update.**

Ms. Kerl provided a brief update on the detachment process. She stated that Rainbow and Fallbrook had filed applications to annex to Eastern in Riverside County, and that MWD had submitted a report to LAFCO as an interested party in the proceedings. She reported that the Water Authority filed a detailed response addressing major issues with the applications. She briefly discussed an inaccurate report that was filed with the LAFCO applications, and stated that a response to that report would also be filed. She concluded with next steps including a LAFCO advisory committee meeting scheduled for November.

Directors Arant, Bebee, Cherashore, and Kennedy made comments and asked questions, and Mr. Hattam responded.

Chair Croucher provided further comments on the process. He stated that he had met with the agencies’ general managers and he was hopeful that a solution could be reached to keep the agencies within the Region. He announced that he would schedule follow-up meetings with the agencies, and possibly form a work group to continue discussions.

7.7 **Asset Management Program Briefing.**
Mr. Coghill provided a presentation on the Asset Management Program. He reviewed the program background, and major managed assets including 310 miles of large-diameter pipelines, and 98 Flow Control Facilities. He reviewed a map of the County that showed the location of major assets, discussed condition assessment protocols and timing, and asset management tools. He concluded the presentation by highlighting the Asset Management Team members, and the “Innovating Asset Management” Regional Collaboration with Otay Water District.

Directors Heinrichs, Smith, and Miller made comments and asked questions, and Staff responded.

7.8 Colorado River Salinity Control update.

Ms. Mathews presented an update on several components of Colorado River Salinity Control that included program background, an update on the Paradox Valley Unit, program funding overview, and water quality issues related to Colorado River salinity control.

Directors Kennedy and Wilson made comments and asked questions, and Ms. Mathews responded.

7.9 Regional Salinity Reduction Study.

Mr. Faber provided an update on the Regional Salinity Reduction Study. He reviewed Water Authority sources of treated water including imported water and Carlsbad Desalination supplies, and reviewed a map of treated water source locations. He provided an overview of the 2018 Water Research Foundation Study and report conclusions, reviewed State Water Project blends, and salinity reduction efforts. He concluded with a review of participating member agencies and next steps.

Directors Kennedy and Cherashore made comments and asked questions, and Mr. Faber responded.

7.10 Washington report by Ken Carpi.

Mr. Carpi provided a Washington report which included updates related to issues of interest of the Water Authority. He stated that the focus of Washington was the upcoming election, and a possible Covid relief bill.

Chair Croucher and Director Katz asked questions and Mr. Carpi responded.

7.11 Sacramento Report.
Mr. Farrell provided a report on legislative activities in Sacramento and reviewed issues of interest to the Water Authority. He stated the 2020 legislative session adjourned August 31, 2020 and that Legislature would convene on December 7, 2020 to organize for the 2021-2022 legislative session. He concluded his presentation with a recap of 2020 legislature including Water Authority sponsored bills.

Director Lewinger asked a question and Mr. Hattam responded.


Mr. Farrel presented an update on the Draft Proposed 2021 Legislative Policy Guidelines that included a review of proposed substantive content changes, and next steps. He stated that Staff requested suggestions from Board members and member agencies by November 4, 2020 and that the final proposed Legislative Policy Guidelines would return to the Board for approval at the November 19, 2020 meeting.

Chair Croucher, and Directors Steiner, Preciado, Rios and Butkiewicz made comments and asked questions, and Staff responded.


Mr. Crutchfield presented a report on FY 2020 Carlsbad Desalination Plant Operations that included an overview of plant performance and delivery challenges, total delivered water figures, Water Authority demand shortfalls, and water purchase costs.

Director Bebee asked a question and Mr. Crutchfield and Chair Croucher responded.

7.15 Quarterly report on Public Affairs activities.

Ms. Vedder provided brief opening comments and introduced Ms. Mora to the Board.

Ms. Mora provided a presentation on the “Faces of the Water Industry” outreach campaign, which highlights professionals in the Water and Wastewater industry. She concluded her presentation by sharing three short videos with the Board of Directors.

Ms. Vedder continued the presentation on the Public Affairs quarterly report with the announcement of outreach video collaborations with John Foreman of Switchfoot, which was paid for by grants. She concluded by sharing the videos with the Board.

Chair Croucher commented on the campaign and clarified that the outreach costs were all paid using Grant funds.

Secretary Butkiewicz made comments and thanked staff.
7.16 Small Contractor Outreach and Opportunities Program (SCOOP) Annual Report.

Mr. Balben presented an update on the SCOOP program that included an overview of the program and program goal, FY 2020 outreach and training, program participation figures, and he concluded with a review of next steps.

Directors Hedberg and Lewinger made comments and asked questions, and Mr. Balben and Chair Croucher responded.

8. **CONSENT CALENDAR**

Director Katz moved, seconded by Director Heinrichs, and the motion carried at 98.312% of the vote to approve Consent Calendar items, 8.1, 8.2, 8.4, and 8.5. Ms. Nelson took a roll call vote. Directors voting no, or abstaining are listed under the item.

Director Cate recused on item 8.5. Director Mosca recused on item 8.4.

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

8.2 Establish 2021 Board meeting dates.
**Staff recommendation:** Combine the November and December Board meeting dates to November 18, 2021 and approve the 2021 Board meeting dates calendar.

8.4 Agreement for the storage or sale of Local Water to the San Diego County Water Authority by the Santa Fe Irrigation District and San Dieguito Water District.
**Staff recommendations:**
1) Approve the agreement between the Water Authority and Santa Fe Irrigation District and San Dieguito Water District for the storage or sale of local water.
2) Authorize the General Manager to purchase local water per the terms of the agreement.

Director Mosca recused on 8.4. The motion carried at 97.241%

8.5 Approve memorandum of understanding with City of San Diego and County of San Diego for implementation of Integrated Regional Water Management Program activities.
**Staff recommendation:** Approve the MOU with the City and the County for IRWM activities.

Director Cate recused on 8.5. The motion carried at 98.312%

The Board recessed at 11:40 a.m. and reconvened at 11:50 a.m.
The following Information items were received and filed:

9. **INFORMATION**
9-B Board Calendar.
9-C Colorado River Board Representative’s report.
9-D Metropolitan Water District Delegates Report.
9-E Government Relations Update.
9-F Final Status Report on State Legislation and Legislative Positions.
9-G Water Resources report.

10. **SPECIAL REPORTS**
10-A GENERAL MANAGER’S REPORT – Ms. Kerl stated that the Water Authority held the Employee Recognition event in a virtual setting and that it was a big success. She thanked the ERC committee for all the work involved, and attempted to share a video produced for the event, however, due to technical difficulties, she announced the video would be brought back at the November meeting.

    Ms. Kerl commented in response to an earlier question by Director Steiner and stated more information would be brought back to the Board.

10-B GENERAL COUNSEL’S REPORT – Mr. Hattam stated he had nothing further to report.
10-C SANDAG REPORT – No report was provided.
    SANDAG Subcommittees: Borders Committee – No report was provided.
    Regional Planning Committee – No report was provided.
10-D AB 1234 Compliance Reports – No reports were given.

11. **CLOSED SESSION(S)**
Mr. Hattam took the Committee into Closed Session at 11:57 a.m.

11-A Conference with Legal Counsel – Existing Litigation
    Government Code §54956.9(d)(1)
    SDCWA v. Metropolitan Water District of Southern California; San Francisco Superior Court Case Nos. CPF-10-510830; CPF-12-512466; CPF-14-514004; CPF-16-515282; CPF-16-515391; CGC-17-563350; CPF-18-516389; California Court of Appeal (1st District) Case Nos. A146901; A148266; A154325; California Supreme Court Case Nos. S243500; and S251025

11-B Conference with Legal Counsel – Existing Litigation
    Government Code §54956.9(d)(1)
    Food & Water Watch and Center for Food Safety v. Metropolitan Water District of Southern California and All Persons Interested in the Matter; Los Angeles Superior Court Case No. BC 720692; California Court of Appeal (2nd District) Case No. B297553
11-C  Conference with Legal Counsel – Existing Litigation
Government Code §54956.9(d)(1)
Name of Case:  Bonnie Kessner et al v. City of Santa Clara et al;
Santa Clara Superior Court Case No. 20CV364054;
and Santa Cruz County Superior Court JCCP No. 5103

*Director Preciado left the meeting at 12:55 p.m.
*Director Evans left the meeting at 1:00 p.m. and recused from Item 11-D.

11-D  Conference with Legal Counsel – Existing Litigation
Government Code §54956.9(d)(1)
Name of Case:  Vallecitos Water District v. San Diego County Water Authority;
San Diego County Superior Court Case No. 37-2020-00034563-CU-BC-NC

11-E  Conference with Legal Counsel – Anticipated Litigation
Government Code §54956.9(d)(2)
Two Cases

*Directors Ayala, Bebee, Cate, Kennedy and Supervisor Desmond recused from item 11-E.

12.  ACTION FOLLOWING CLOSED SESSION
Mr. Hattam brought the Board out of Closed Session at 1:46 p.m. and stated there was no reportable action.

13.  OTHER COMMUNICATIONS
Chair Croucher reported that he was reviewing the set-up of the Board room, to prepare for social distancing requirement compliance and precautions. for a future return to in-person meetings. He provided a brief update on the Fiscal Sustainability Committee and concluded his report with an announcement of a plan to schedule Board workshops and retreats that would include member agency general managers.

14.  ADJOURNMENT
There being no further business to come before the Board, Chair Croucher adjourned the meeting at 1:52 p.m.

__________________________________________________________________________
Gary Croucher, Chair                      Jerry Butkiewicz, Secretary

__________________________________________________________________________
Melinda Nelson, Clerk of the Board
November 11, 2020

Attention: Administrative and Finance Committee

Final Report on the Administrative and Finance Committee Work Plan for Calendar Years 2019 and 2020. (Chair’s Report)

Purpose
This information item provides a progress report on the Administrative and Finance Committee Work Plan for Calendar Years 2019 and 2020.

Background

Discussion
The Administrative and Finance Committee is responsible for administrative and finance matters including rates, fees, charges, and other sources of revenue; budget; audit; investments; human resources; employer-employee relations; information technology; insurance; risk management; and other matters of general business operations.

The attached report lists the Administrative and Finance Committee Work Plan for Calendar Years 2019 and 2020 and provides the activities taken to achieve the work plan. The work plan was prepared by staff under the direction of the Administrative and Finance Committee Chair and Vice Chairs.

Prepared by: Lisa Marie Harris, Director of Finance/Treasurer
Jason Foster, Director of Administrative Services
Ashley Kite, Director of Human Resources

Reviewed by: Frank Hilliker, Chair, Administrative and Finance Committee

Attachment:

Attachment 1 – Final Report on Administrative and Finance Committee Work Plan
1. **Financial Rate Model Program Upgrade and Full Cost of Service Study**
   Review existing financial rate model and make necessary improvements. In addition, complete a review of all rates and charges as part of a Full Cost of Service Study. (April 2019 – Business Services Objective 1*)

   **Activities**
   With the help of its Cost of Service Consultant, the Water Authority replaced its nearly two decades old Financial and Rate Modeling Program (FRMP). While the previous model has been updated annually by staff and reflected some previous enhancements, a new, streamlined, and more user-friendly model was deemed necessary. In parallel with the CY 2020 Rate setting process, the new model was successfully completed and better allows staff to calculate and analyze the entire rate-setting and cost of service process.

2. **Rates and Charges**
   Review and consider adoption of rates and charges for the 2020 and 2021 calendar years. (June 2019 and June 2020)

   **Activities**
   On June 27, 2019, the Board adopted Ordinance No. 2019-02 and 2019-03, approving the calendar year 2020 rates and charges. Based on the recommendation from the Water Authority’s Cost of Service Consultant, the CY 2020 IAC was increased (Year 1 of Ramp-Up) to be in full compliance with the Board Policy. This followed numerous presentations with the Board, Member Agency Finance Officers, and Member Agency General Managers.

   On July 25, 2019, the Board voted to reconstitute the FSTF. Topics to be addressed included capital funding mix, fixed cost recovery targets, future fixed rates including the Infrastructure Access Charge (IAC), the Transitional Special Agriculture Water Rate (TSAWR), and available rate mitigation methods.

   Between August 2019 and August 2020, the FSTF met on 11 occasions. The meeting covered a myriad of topics. To better frame these discussions, subject matter experts presented key data that impact rates and charges including budget and its development process, water demand and forecasts, cost of service and rate setting, operations and maintenance, and capital budgeting and planning.

   On January 23, 2020, February 27, 2020, March 26, 2020, and August 27, 2020, the Board received updates on the work of the Fiscal Sustainability Task Force to explore potential rate management tools or alternatives.

   Between February and May (2020), the Board received multiple presentations covering the rate setting overall process for calendar year 2021 (February), draft assumptions and inputs (April), and preliminary rate recommendations (May).
On May 28, 2020, the Board received a preliminary assessment of potential calendar year 2021 rates and charges and approved a resolution setting a June 25, 2020 public hearing date for the Water Authority’s proposed calendar year 2021 rates and charges.

Following input from the Board, the General Manager directed staff to review and update all assumptions given the extremely fluid and erratic economic climate stemming from the COVID-19 pandemic. As such, staff was able to reduce the May rate proposal by 30%.

On June 25, 2020 the Board conducted the public hearing and adopted a rate increase of 4.9 percent for treated water and 4.8 percent for untreated water for calendar year 2021. These increases were reduced from initial projections of 20%, driven largely by cost mitigation and debt optimization efforts.

As MWD rates accounted for 94% of the Water Authority’s overall revenue increase, the Water Authority Board also directed staff to return in the fall with any other cost savings, specifically, any potential rate reductions from the Metropolitan Water District of Southern California (MWD) and to revisit the Water Authority’s approved rate increases later in 2020 to accommodate any adjustments made by MWD.

On October 22, 2020, the Board received an update on efforts to secure additional rate relief from MWD. The Board was informed MWD did not take additional rate relief measures that would allow the Water Authority to further reduce its approved increases for water rates and charges in calendar year 2021.

The Water Authority utilized $32 million in rate stabilization funds. This planned draw is part of a multi-year $90 million effort to mitigate larger rate increases.

Following a recommendation from the FSTF, the CY 2021 rate package included a permanent special agricultural water rate (PSAWR) to replace the existing TSAWR program.

3. **Budget and Debt Management**

Review and consider adoption of the multi-year budget for fiscal years 2020 and 2021 and consideration of any mid-term budget adjustments for fiscal year 2021. (June 2019 and June 2020)

**Activities**

On January 24, 2019, the Board was given an update from which they provided input on the development of the fiscal years 2020 and 2021 Budget.

On June 11 and 13, 2019, the Board reviewed presentations on the General Manager’s Recommended Budget for Fiscal Years 2020 and 2021 during two special committee meetings. The presentations included information on water sales, the Capital Improvement Program, debt service, cyber and facility security, the Equipment Replacement Fund, grants, plans for enhanced member agency engagement and all operating departments.

*Item(s) related to the 2019-2023 Business Plan.*
On June 27, 2019, the Board adopted Resolution No. 2019-13, approving the General Manager’s Recommended Budget for Fiscal Years 2020 and 2021, for operations and capital improvements and appropriating $1,687,565,781 consistent with the approved budget.

On March 26, 2020 the Board approved a comprehensive debt management strategy that included the issuance of Water Revenue Refunding Bonds and optimization of outstanding debt that generated significant budgetary savings and rate relief.

On April 23, 2020, the Board received an update on the fiscal years 2020-2021 midterm budget preparation.

On May 28, 2020, the Board received a fiscal years 2020-2021 midterm budget update from General Manager Sandy Kerl.

On June 25, 2020, the Board approved adopting Resolution No. 2020-07 amending the bi-annual budget for fiscal years 2020 and 2021. The midterm budget update included several cuts and deferrals in spending designed to help the Water Authority and its member agencies adjust to declining water sales and potential impacts from the COVID-19 pandemic. Total savings identified were $44.5 million, including savings in the Capital Improvement Program, the Operating Departments, Debt Service and the Equipment Replacement Fund.

On June 25, 2020, the Board approved the issuance of two series of Water Revenue Refunding Bonds (2020A and 2021A) to refund certain outstanding long-term debt.

On July 23, 2020, the Board received a report summarizing the refunding transactions whereby all three major rating agencies – S&P, Moody’s and Fitch affirmed the Water Authority’s positive ratings and stable outlook that resulted in $67.4 million in savings, the most significant savings from bond refundings in the past decade.


On October 22, 2020, the Board authorized the General Manager to award professional service contracts to financial advisors for a total base amount not to exceed $300,000 from December 1, 2020 through December 1, 2023. The contracts also included two one-year renewal options.

4. Investment
   Review and consider implementation of an investment management strategy for Investment Portfolio for years 2020 and 2021. (June 2019 – Business Services Objective 3*)

   Activities
   On July 25, 2019, the Board received a report on the Investment Manager’s performance and the investment portfolio through Fiscal Year 2019.

*Item(s) related to the 2019-2023 Business Plan.
On October 24, 2019, the Board approved a professional services contract with Chandler Asset Management to provide external investment management services to manage the Water Authority’s short-term and long-term investment portfolio.

Chandler Asset Management provides investment management services for a non-discretionary, actively managed investment portfolio comprised of permitted investments pursuant to the California Government Code and the Water Authority’s Investment Policy to maintain the Water Authority’s overall portfolio diversification and returns.

On November 21, 2019, the Board reviewed and approved the updated Annual Statement of Investment Policy to continue to delegate authority to the Treasurer to invest water Authority funds for Calendar Year 2020.

On February 27, 2020, the Board adopted Resolution No. 2020-01 amending the titles of authorized officers and employees to investment monies in the Local Agency Investment Fund (LAIF).

On March 26, 2020, the Board received a financial market update by the Water Authority’s Investment Manager. The update provided information on the impact of coronavirus on the economic outlook and financial impacts to fixed income investments and the municipal bond market.

On November 19, 2020, the Board is expected to review and approve the updated Annual Statement of Investment Policy to continue to delegate authority to the Treasurer to invest water Authority funds for Calendar Year 2021.

5. **Pension Plan & Other Post-Employment Benefits Policy Status Review**

   Develop an Other Post-Employment Benefits funding policy covering the Water Authority’s retiree medical benefit offered to employees and an annual review of recently adopted Pension Plan funding strategy to ensure compliance with adopted framework. (September 2019 and September 2020)

   **Activities**

   On January 23, 2020, the Board received a pension funding update, approved establishing an OPEB funding policy framework, and approved drawing down excess funds in the OPEB Trust annually and contribute those funds to CalPERS. The budgeted $2 million supplemental pension plan payment called for in the policy was deferred to reduce Calendar Year 2021 rates and charges.

6. **Financial Board Trainings**

   On January 15, 2020, The Water Authority disclosure counsel, Lisa Greer Quateman with Polsinelli provided the Board a training presentation on Securities Law Municipal Disclosure training. This training provided an overview of responsibilities of Board members under federal securities laws and a summary of applicable federal antifraud securities laws.

*Item(s) related to the 2019-2023 Business Plan.*
On July 23, 2020, the Controller and Jennifer Farr, audit partner with Davis Farr LLP, (the Water Authority’s auditor) provided the Board a training presentation on the Comprehensive Annual Financial Report (CAFR), covering its purpose, contents and an overview of the financial statements.

7. **Cybersecurity**
   Review and consider approving cybersecurity initiatives that protect and preserve the Water Authority’s infrastructure and critically important information. (Business Support - Objective 7*).
   
   **Activities**
   On June 11, 2019, the Board reviewed the Water Authority’s cybersecurity activities during Fiscal Year 2019 and plans to enhance cybersecurity in Fiscal Years 2020 and 2021 as part of a workshop on the General Manager’s Recommended Budget for Fiscal Years 2020 and 2021.

8. **Business Insurance**
   Review and consider approving business insurance renewals for the workers’ compensation, general liability and property programs. (June 2019 and June 2020 – Business Support – Objective 8*).
   
   **Activities**
   On June 27, 2019, the Board authorized the purchase of business insurance for Fiscal Year 2020 in the amount of $208,086 to Swiss Reinsurance Company Ltd. for property insurance, $345,697 to Allied World Insurance Company – CalMutuals JPRIMA for liability insurance, and $274,014 to Zenith Insurance Company – CalMutuals JPRIMA for workers’ compensation insurance.

   On November 21, 2019, the Board reviewed the Water Authority’s level of inverse condemnation coverage in its general liability policies and discussed strategies to minimize this risk.

   On June 25, 2020, the Board authorized the purchase of business insurance for Fiscal Year 2021 in the amount of $208,429 to Swiss Reinsurance Company Ltd. for property insurance, $337,053 to Allied World Insurance Company – CalMutuals JPRIMA for liability insurance, and $294,633 to Zenith Insurance Company – CalMutuals JPRIMA for workers’ compensation insurance.

9. **Work Environment**
   Review and consider approving programs and projects designed to support a safe, secure, sustainable, and efficient work environment. (Business Support – Objectives 2 through 6, and 9*)
   
   **Activities**
   On March 28, 2019, the Board approved amendments for standby confined space rescue service contracts with Capstone Fire Management, Inc., and Total Safety US, Inc. for continued services to the Water Authority through Dec. 31, 2020. The amendments were $120,000 each for a period of 12 additional months, increasing the total contract funding to an amount not to exceed $270,000 per contract.

*Item(s) related to the 2019-2023 Business Plan.*
On March 28, 2019, the Board approved an amendment with Industrial Scientific Corporation for lease of an air/gas monitoring equipment system for $51,933.29 and an additional 12 months through Oct. 31, 2020. The amendment increased the total contract funding to an amount not to exceed $193,897.87.

On March 28, 2019, the Board received a presentation that reviewed how Water Authority staff use GIS technologies and develop web applications to help carry out essential business functions such as water ordering, CIP project tracking, and others.

On April 25, 2019, the Board authorized the General Manager to execute an agreement with SoftwareOne in the amount of $448,571 to renew the Water Authority’s Microsoft Office 365 software licenses and provide related Microsoft services for a three-year period ending in May 2022.

On May 23, 2019, the Board received a presentation reviewing the structure and accomplishments of the Water Authority’s Innovation Program.

On June 27, 2019, the Board adopted Resolution No. 2019-12 approving amendments to and extension of the consolidated memorandum of understanding with the Teamsters Local 911 Union representing the technical/support, professional/administrative, and managerial/supervisory bargaining groups; approving compensation plan adjustments for executive, senior management, and confidential employees; and approving classification and salary schedules for the period from July 1, 2019 through June 30, 2021.

On July 25, 2019, the Board received a presentation reviewing the structure and accomplishments of the Employee Development, Growth and Empowerment Program.

On August 22, 2019, the Board received a presentation on the annual report of the Water Authority’s 2019-2023 Business Plan performance.

On September 26, 2019, the Board received a report on purchase orders and contracts for goods and services above $10,000.

On March 26, 2020, the Board approved a resolution declaring a COVID-19 emergency, authorizing the General Manager to alter and amend normal Water Authority work practices to enable the organization to respond safely and effectively to the emerging pandemic.

On July 23, 2020, the Board received a presentation updating the accomplishments of the Water Authority’s Innovation Program.

On August 27, 2020, the Board received an annual report on 2019-2023 Business Plan performance and reviewed the updated 2021-2025 Business Plan.

On August 27, 2020, the Board approved an amendment to the agreement for professional services contract with Alliant Insurance Services, Inc., to provide health insurance services. The amendment increased the contract limit by an additional $87,000, from $281,000 to a new maximum of $368,000, and extended the term through December 31, 2021.

*Item(s) related to the 2019-2023 Business Plan.
On September 24, 2020, the Board received a presentation on the Water Authority’s regional workforce development efforts.

On September 24, 2020, the Board received a report on purchase orders and contracts for goods and services above $10,000.

*Item(s) related to the 2019-2023 Business Plan.
November 11, 2020

Attention: Engineering and Operations Committee

Final Report on the Engineering and Operations Committee Work Plan for Calendar Years 2019 and 2020. (Chair’s Report)

Purpose
This information item provides a progress report on the Engineering and Operations Committee Work Plan for Calendar Years 2019 and 2020.

Background

Discussion
The Engineering and Operations Committee is responsible for matters of design, construction, replacement, maintenance and operation of the Water Authority’s facilities, property and equipment, including: administration of the Capital Improvement Program; administration of the Aqueduct Protection Program; right of way acquisition and management; system and facility security; water quality; other matters relating to facility operations.

The attached report lists the Engineering and Operations Committee Work Plan for Calendar Years 2019 and 2020 and provides the activities taken to achieve the work plan. The work plan was prepared by staff under the direction of the Engineering and Operations Committee Chair and Vice Chairs.

Prepared by: Jerry Reed, Director of Engineering
Jim Fisher, Director of Operations and Maintenance
Reviewed by: Marty Miller, Chair, Engineering and Operations Committee

Attachment:
Attachment 1 – Final Report on Engineering and Operations Committee Work Plan
Engineering

1. **Hauck Mesa Storage Reservoir**
   Provide oversight to complete the design of the Hauck Mesa Storage Reservoir project. (May 2019 - *Infrastructure/CIP Goal #9)

   **Activities**
   Design was completed in May 2019, but construction was deferred to reduce agency costs to help mitigate water rates. The project has been advertised for bids and a staff recommendation to award a construction contract is anticipated for the January 2021 Board meeting. Major construction will begin in summer of 2021.

2. **2013 Energy Management Policy Update**
   Provide oversight of the update to the 2013 Energy Management Policy. (July 2019 - *Water System Management Goal #2)

   **Activities**
   This work plan item is complete. In June 2019, the Board adopted the 2019 Energy Management Policy with a primary focus on reducing energy costs at the Claude “Bud” Lewis Desalination Plant and continuing progress on the proposed San Vicente Energy Storage Facility.

3. **ESP – North County Pump Station**
   Provide oversight to complete the Member Agency agreements for the design and construction of the ESP – North County Pump Station projects. (July 2019 - *Infrastructure/CIP Goal #14)

   **Activities**
   The Board directed staff to defer work on this project pending resolution of the Fallbrook PUD and Rainbow MWD applications to the San Diego LAFCO to detach from the San Diego County Water Authority and to annex into Eastern MWD.

4. **Pipeline 5 Relining Delivery Point to Sage Road**
   Provide oversight to complete the Pipeline 5 Relining Delivery Point to Sage Road project. (August 2019 - *Infrastructure/CIP Goal #17)

   **Activities**
   This work plan item is complete. Notice of Completion was filed in July 2019.

5. **Mission Trails Flow Regulatory Structure II and Flow Control Facility**
   Provide oversight to complete the design of the Mission Trails Flow Regulatory Structure II and Flow Control Facility. (August 2019 - *Infrastructure/CIP Goal #12)

   **Activities**
   This work plan item is complete. Construction is ongoing and completion of the project is scheduled for April 2022.
6. **Fallbrook Public Utility District 7/Rainbow Municipal Water District 14 Flow Control Facility**
   Provide oversight to complete design of the Fallbrook Public Utility District 7/Rainbow Municipal Water District 14 Flow Control Facility. (August 2019 - *Infrastructure/CIP Goal #6)

   **Activities**
   The Board directed staff to defer work on this project pending resolution of the Fallbrook PUD and Rainbow MWD applications to the San Diego LAFCO to detach from the San Diego County Water Authority and to annex into Eastern MWD.

7. **Vallecitos Water District 11/Vista Irrigation District 12 Flow Control Facility**
   Provide oversight to complete the Vallecitos Water District 11/Vista Irrigation District 12 Flow Control Facility. (June 2020 - *Infrastructure/CIP Goal #3)

   **Activities**
   This work plan item is complete. Notice of Completion was filed in November 2020.

8. **San Diego 28 Flow Control Facility Rehabilitation**
   Provide oversight to complete the San Diego 28 Flow Control Facility Rehabilitation project. (December 2020 - *Infrastructure/CIP Goal #5)

   **Activities**
   Construction is nearing completion. In January 2021, staff will recommend that the Board authorize the General Manager to file the Notice of Completion.

9. **San Vicente Energy Storage Project**
   Continue to facilitate the San Vicente Energy Storage Project through regulatory and legislative actions which support the Project and continue development of the Project Development Agreement. (December 2020 – *Water System Management Goal #4)

   **Activities**
   The 2020 legislative session concluded without successful pumped storage legislation. Staff is evaluating options for the 2021 legislative session and developing strategies to engage regulatory agencies in coordination with our partner, the City of San Diego, and our private developer, Brookfield Renewable.

**Operations & Maintenance**

10. **Lake Hodges Hydroelectric Facility Maintenance and Replacement Plan**
    Provide oversight to develop a major maintenance and replacement plan for the Lake Hodges Hydroelectric Pumped Storage Facility. (December 2019 – *Water System Management Goal #3)
Activities
This work plan item is complete. The Major Maintenance and Replacement Plan has been completed and will continue as a working document, serving as a critical tool in budgeting for equipment replacement and major maintenance functions.

11. **Escondido Operations Facility Master Plan**
Provide oversight and guidance on the recommended approach to meet the Escondido Facility space needs. (December 2019 – *Water System Management Goal #5)

Activities
This work plan item is ongoing. A real estate consultant is actively searching for potential sites for a new Operations and Maintenance Yard/Facility to meet the required space needs. Staff is evaluating a short list of potential properties to move forward.

12. **Facility Security Implementation and Upgrades**
Provide oversight of efforts required to implement identified physical security recommendations for critical facilities for continued water system protection against potential threats. (June 2020 – *Water System Management Goal #7)

Activities
This work plan item is ongoing. Scope and costs have been developed for the documented recommended improvements. Implementation of the improvements has commenced and are ongoing at various critical facilities.

13. **Lake Hodges Hydroelectric Facility Operation**
Provide oversight to achieve 97 percent uptime and produce $2.8 million annual revenue at the Lake Hodges Hydroelectric Pumped Storage Facility (December 2019/2020)

Activities
Based on current operations, the Lake Hodges Hydroelectric Pumped Storage Facility has achieved 99.8 percent uptime and generated $838,286 in revenue fiscal year-to-date and is on track to meet these goals. The Facility achieved 97.8 percent uptime and generated $3.3 million in revenue in fiscal year 2019, and 86.4 percent uptime and $2.8 in revenue in fiscal year 2020.

14. **Rancho Peñasquitos Hydroelectric Facility Operation**
Provide oversight to maximize hydroelectric energy revenue at the Rancho Peñasquitos Hydroelectric Facility. (December 2019/2020)

Activities
The Rancho Peñasquitos Hydroelectric Facility generated $820,799 in revenue in fiscal year 2019, exceeding the annual revenue goal of $320,000. For fiscal year 2020, the Facility generated $541,352 in revenue, not meeting the expected annual revenue goal of $750,000 due to reduced demands/flows through the Facility.
15. **Water Purchase Agreement Compliance**

Provide oversight for operation of the treated water system to achieve minimum annual desalinated water delivery of 48,000 acre-feet/year per the Water Purchase Agreement. (June 2019 and 2020)

**Activities**

This work plan item was met for fiscal year 2019 with water orders totaling 50,109 acre-feet. The work plan item was not met for fiscal year 2020, with water orders totaling 47,036 acre-feet. The fiscal year 2020 shortfall was a result of the significant rainfall, particularly in March/April, which reduced the water demand throughout the county.
November 11, 2020

Attention: Imported Water Committee


Purpose
This information item provides the final report on the Imported Water Committee Work Plan for Calendar Years 2019 and 2020.

Background

Discussion
The Imported Water Committee is responsible for imported water matters such as: activities and issues as a member agency of the Metropolitan Water District of Southern California (MWD), including those related to the State Water Project and San Joaquin-Sacramento Bay-Delta; administration of the Colorado River Quantification Settlement Agreement and related agreements; Colorado River Board of California; and other matters relating to water supplies from outside San Diego County.

Discussion
The attached report lists the Imported Water Committee Work Plan for Calendar Years 2019 and 2020 and provides the activities taken to achieve the work plan. The work plan was prepared by staff under the direction of the Imported Water Committee Chair and Vice Chairs.

Prepared by: Kelly Rodgers, Director of the Colorado River Program
Amy Chen, Director of MWD Program
Reviewed by: Keith Lewinger, Chair, Imported Water Committee

Attachment:

Attachment 1: Progress Report on Imported Water Committee Work Plan
ATTACHMENT 1
Final Report on Imported Water Committee Work Plan
for Calendar Years 2019 and 2020

Bay-Delta Plan

1. **Bay-Delta Activities**
   Review and provide guidance on strategies to address Bay-Delta activities impacting the supply reliability, water quality, and cost to San Diego water ratepayers. (June 2020 – Water Supply: Imported Water, Objective 5*)

**Activities**
The Committee received updates on Bay-Delta activities through monthly Metropolitan Water District (MWD) Program\(^1\) and Delegates’ reports, and detailed topic-specific written reports and presentations. These updates related to:

- Governor Newsom’s downsizing of California WaterFix to a single-tunnel project (as part of a larger Water Resilience Portfolio) (March 2019);
- The Water Resilience Portfolio (November 2019 and April 2020);
- The Bay-Delta Water Quality Control Plan update, including voluntary agreement negotiations between the California Natural Resources Agency, the California Environmental Protection Agency, water contractors, and non-governmental organizations (March 2019, November 2019, and April 2020);
- The updated Coordinated Operating Agreement between the Central Valley and State Water projects (March 2019);
- Biological Opinions update (for the Central Valley and State Water projects’ compliance with the U.S. Endangered Species Act) (March 2019 and November 2019);
- Incidental take permit (for the State Water Project’s compliance with the California Endangered Species Act) (April 2020);
- SWP Contractors and DWR supply contract amendment negotiations (November 2019 and April 2020);
- Notice of Preparation of an Environmental Impact Report for the proposed single-tunnel project (April 2020);
- Litigation over updates to the federal and state project operating rules (April 2020); and
- DWR’s program to address damage to the California Aqueduct resulting from subsidence (April 2020).

In July 2019, the Committee received an update on the single tunnel Bay-Delta project and the Governor’s portfolio approach. The same month, the Committee, and subsequently the Board, updated its Bay-Delta position statement and policy principles to unanimously support Governor Newsom’s Executive Order N-10-19, which directed the development of a Water Resilience Portfolio approach to meet California’s water needs through integrated multi-benefit solutions and a single-tunnel Bay-Delta project. The Board’s support for the single tunnel was contingent upon the project costs being

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\(^1\) To improve efficiency, the MWD Program Reports were discontinued starting in January 2020.
*Item(s) related to the 2019-2023 Business Plan.
characterized by the California Department of Water Resources (DWR) as supply costs, as similar facilities historically have been defined in MWD’s Water Project (SWP) contract with DWR.

2. **Bay-Delta Communications**

   Engage in communications on behalf of the Water Authority regarding its perspectives on Bay Delta activities, including proper allocation of WaterFix costs on MWD rates with San Diego civic leaders, opinion leaders, the media, and the business community. (June 2020 – Water Supply: Imported Water, Objective 5*)

   **Activities**

   The Committee received updates on the single-tunnel project and other Bay-Delta matters through MWD Program reports, Delegates’ reports, and four detailed reports and presentations in March, July, and November 2019 and April 2020. Staff also continues to communicate regularly with San Diego business leaders, civic leaders, and opinion leaders on the project.

   In June 2019, Water Authority Board Chair Madaffer and General Manager Kerl met with Nancy Vogel, the Governor’s Water Portfolio Program Director, and California Department of Food & Agriculture Secretary Ross to discuss the San Diego region’s investments in supply diversification and water use efficiency and regional solutions to water reliability. In July 2019, the Water Authority hosted California Secretary for Natural Resources Crowfoot, Ross, State Board Chair Esquivel, and Deputy Secretary Gibson, which included a tour of local projects the San Diego region has implemented to achieve a more resilient water portfolio supply and lunch event highlighting the Water Authority’s future water resiliency efforts.

   The Committee also received copies of Water Authority letters on Bay-Delta issues including on:
   - The draft environmental documents for the SWP contract extension (attached to the January 2019 Delegates’ Report);
   - Comments on the Governor’s Water Resilience Portfolio initiative (attached to the November 2019 Delegates’ Report); and
   - Comments on the negotiations for a State Water Project supply contract amendment for the proposed single-tunnel Bay-Delta project (attached to the April 2020 Bay-Delta Update memo).

**Colorado River Water Supplies**

1. **Water Supply Deliveries**

   Support and provide guidance to the Colorado River Work Group (CRWG) to ensure full access to supplies linked to the Quantification Settlement Agreement (QSA) and related agreements, including the study of the viability of alternate conveyance of QSA supplies to the San Diego region. (December 2019 and 2020 – Water Supply: Imported Water, Objective 6*)

*Item(s) related to the 2019-2023 Business Plan.*
Activities
The CRWG was formed in October 2018 to provide guidance to staff and make recommendations to the Board on issues related to the Colorado River. The CRWG received updates from staff throughout 2019 and 2020 and provided guidance on a variety of Colorado River issues related to the QSA, including the Regional Conveyance System Study (RCSS) work, Imperial Valley outreach efforts, and Basin States activities. The Committee approved the CRWG’s recommendation of the addition of the RCSS to the Capital Improvement Program budget in June 2019, $3.9 million for Phase A and B, and a $1.9 million professional services contract with Black & Veatch in July 2019 (for both phases), with the understanding that offramps for the Board be provided at the end of each phase.

In March 2020, both the CRWG and Committee received an update on Phase A study work, but a subsequent update in May 2020 was postponed due to COVID. The Committee was also scheduled to vote on proceeding with RCSS Phase B in June 2020 and the expenditure of the $1.3 million Phase B budget already in place. However, that action was deferred by a month due to COVID and then by another month to allow additional time for the consultant hired by some of the member agencies to review Phase A results to complete their work product and incorporate funding agencies’ comments into its final report. In August 2020, the Committee (and full Board) received an update on Phase A technical and economic analyses as well as an evaluation of the member agencies’ consultant report. At that meeting, the Board supported the General Manager’s recommendation to defer a decision on Phase B until November to allow time to further inform a future board action through the sharing of information, including consultant reports and continued dialogue with member agencies and stakeholders. The Board also approved the expenditure of a not-to-exceed amount of $200,000 of the Phase B budget to support this additional outreach by staff and consultants. In November, the Board will receive a report on these activities and consider a staff recommendation on Phase B.

2. Basin States Policy Discussions

Activities
The Committee received updates on the Drought Contingency Plan (DCP) (in coordination with larger hydrology updates) in February, April, May, and August 2019. 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. After years of work by the Basin States and Bureau of Reclamation, the DCP was executed in May 2019 and is now being implemented as part of Colorado River operations.

The Committee also received monthly reports on Colorado River Board (CRB) activities, including that preliminary informal discussions regarding the renegotiation of

*Item(s) related to the 2019-2023 Business Plan.
the 2007 Interim Guidelines are beginning. Staff attended a meeting in November 2019 that initiated informal discussions amongst California stakeholders regarding the Bureau of Reclamation’s (Reclamation) upcoming required evaluation of the effectiveness of the 2007 Interim Guidelines, which is the first step in the process to develop the next set of guidelines. In October 2020, Reclamation released its draft report, which evaluates the effectiveness of the guidelines and documents Reclamation’s operational experience under the guidelines. The report is expected to be finalized by the end of 2020.

3. **Salton Sea**

Support and provide guidance on the Water Authority’s perspectives on implementing responsible mitigation and restoration plans for the Salton Sea to secure the support of the QSA parties, Federal Government, the Governor’s Office, elected officials, and opinion leaders. (December 2019 and 2020 – Water Supply: Imported Water, Objectives 7 and 8*)

**Activities**

The Committee received a report in March and August 2019 regarding State Water Resource Control Board (SWRCB) workshops on the sea. The Committee was updated on the state’s lack of progress in meeting its objectives on playa coverage under the 2017 Stipulated Order. At that time, the state was just beginning to take more proactive steps to implement its Salton Sea Management Program (SSMP).

On September 24, 2020, the Committee received a third update on the SSMP as presented by the state at a SWRCB public workshop in August 2020. The update included that despite missing its annual milestones for completing projects through 2020, the state has taken steps over the course of the year to prioritize the sea, begin projects and develop a dust suppression plan that by 2022 would place the state back on target to meet its annual milestones. Specifically, the Committee learned that the state is filling ten new positions dedicated to the SSMP that will be based in the Imperial Valley, has finalized a design-build contract for its lead proof-of-concept project, the Species Conservation Habitat, has plans to implement more than 7,000 acres of dust suppression projects through 2022, and continues to look at long-term restoration of the sea. The SWRCB, during its workshop, stated its support for the steps taken under the SSMP.

The Committee also received a report that separately, the QSA JPA has completed more than 2,500 acres of ground roughening air quality projects with another 7,000 acres in planning phases, and the JPA mitigation projects can work hand-in-hand with the state’s SSMP efforts. Impacts of the QSA water transfers have been fully mitigated since 2003. The Water Authority continues to work with IID and other stakeholders to ensure the water transfer is implemented under the terms of the agreement.

4. **Imperial Valley Outreach**

Review and provide direction for quarterly stakeholder briefings with Imperial Valley stakeholders to enhance relationships, exchange perspectives, and advocate for balanced representation on matters related to QSA implementation, Salton Sea issues, and supply

*Item(s) related to the 2019-2023 Business Plan.
The Committee in March 2019 was presented a summary of general outreach activities in the Imperial Valley, including the efforts to strengthen relationships and foster a better understanding of the QSA along with ensuring an understanding of the Water Authority’s position on the DCP. That update specifically included a report on the 2019 tour organized for Imperial Valley representatives to visit water supply and development projects in San Diego, the use of blogs via the website, www.ivsandiegocurrents.org to share information and staff participation in various local civic events and meetings. The Committee also received reports through the year on the commencement of community presentations by staff on the RCSS.

The Committee also received periodic updates on the Imperial Valley outreach efforts throughout 2020, focusing on meetings held with IID staff and board members, Imperial County staff, farmers and the environmental justice community on issues of common interest, and the RCSS. Outreach activities in the Valley related to the RCSS focused on building awareness of the study, receiving input from stakeholders, and addressing their concerns. Among key stakeholder groups, there was support voiced for the study in terms of developing a better understanding of how the proposed facilities could benefit the Imperial Valley and continuing dialogue.

Additionally, the Committee was updated on the January 2020 tour held in the Imperial Valley for the Water Authority Board. The tour focused on sites relevant to the RCSS as well on-farm conservation efforts in the Valley, and a stop at the Salton Sea for an update on the QSA JPA mitigation program and the state’s SSMP. The tour provided an opportunity to meet with a number of IID Board members and staff, farmers, county officials and state SSMP staff, further enabling the Water Authority Board to engage with and build relationships with Imperial Valley stakeholders and state representatives.

5. **Supply Flexibility**
Review and consider approval of Water Authority new and flexible water storage solutions, including an Intentionally Created Surplus (ICS) account for temporary storage of Colorado River water supplies in Lake Mead. (December 2019 – Water Supply: Imported Water, Objective 2*)

**Activities**
The Water Authority’s 277,700 acre-feet of QSA 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 requirements. It would also provide the Water Authority operational flexibility. Staff continues to work towards obtaining a Lake Mead storage account.

The Committee received periodic updates on this issue, including that staff and Committee Directors met with federal agencies during the annual San Diego Chamber of Commerce Washington, D.C., trip in September 2019 regarding establishment of a

*Item(s) related to the 2019-2023 Business Plan.
Water Authority ICS account. Additionally, staff participated in meetings and briefings with stakeholders throughout 2019 and 2020 to advance efforts to obtain a Lake Mead storage account.

**Metropolitan Water District (MWD) Water Supplies**

1. **MWD Water Supply**
   Review and consider recommendations to ensure MWD is a sustainable supplemental imported water supplier, providing quality supplies at an equitable cost for San Diego County water ratepayers. (December 2023 – Water Supply: Imported Water, Objective 10*)

**Activities**

The Committee received updates on MWD’s increased emergency storage objective (August 2019); the Board’s October 2019 retreat (February 2020); and the 2020 Integrated Water Resources Plan (IRP) (September 2020). The report on MWD's Board retreat focused on MWD being at a "crossroads" and needing to deal with “fundamental policy decisions,” most notably a “vision” for MWD’s second century centered around lower base demands for its water. This report stressed the importance of the 2020 IRP being data and analysis driven to inform these policy decisions. The IRP update highlighted that unlike past IRPs, the 2020 update will use a scenario planning approach to envision four “plausible futures,” and that MWD has yet to provide data and analysis to support the update process. The update also highlighted that if implemented, this program would expand MWD’s role from a supplemental imported water provider to also a local supply producer. In addition, the program may involve out-of-state partnerships.

The Committee also received information related to ensuring MWD is a sustainable supplemental imported water supplier through monthly MWD Program (in 2019 only) and Delegates’ reports, including reports and presentations on MWD’s:

- Antelope Valley-East Kern Water Agency High Desert Water Bank Program (January and April 2019);
- Future Supply Actions Funding Program (January 2019);
- DCP updates (January, February, March, and June 2019);
- Exchange agreement with Desert Water Agency and Coachella Valley Water District (February 2019);
- Landscape Transformation Program (February 2019);
- Cyclic storage agreements (March and April 2019),
- Updates to its Administrative Code to allow member agencies to use MWD’s system to transport local supplies during an emergency (March, June, and July 2019);
- Evaluation of its emergency storage requirement (March and May 2019);
- Potential Regional Recycled Water Program (January, March, June, July, and September 2019 and January, March, June, September, October, and November 2020);
- Role in local resources development (April 2019);

*Item(s) related to the 2019-2023 Business Plan.
• Stormwater for direct use pilot (June, August, and September 2019)
• Stormwater for groundwater basin recharge pilot (July, September, October, and November 2019);
• Approval of various Local Resources Programs (LRPs) agreements (May, August, September, October, and November 2019 and January and July 2020);
• IRP process (February and August 2020);
• Climate Action Plan (March 2020 and June 2020);
• Central Valley banking programs (May 2020);
• Battery energy storage system (July and October 2020);
• Sites Reservoir Project (October 2020);
• Bard District fallowing program (October 2020); and
• Transfer with the San Bernardino Valley Municipal Water District and potential agreement with the Santa Ana River Conservation Conjunctive Use Program (October 2020).

Over the two years, the Committee received copies of letters from the Water Authority Delegates, Board leadership, and staff to MWD focusing on several policy issues identified above and related to long-term resources. These letters along with others to MWD are listed in Attachment A.

2. **Rate Equity**

Review and consider recommendations to ensure MWD rates follow cost of service principles, including proper allocation of supply related costs on supply rates and securing final decision for the 2011-2014 rate cases through final court action or settlement and achieve favorable court rulings for the 2015-2018 rate cases. (December 2019 – Water Supply: Imported Water, Objective 1*; June 2020 – Water Supply: Imported Water, Objectives 1 and 10*)

**Activities**

The Committee received regular updates on the MWD rate litigation in closed session and through its closed sessions, the Water Authority made advancements in the rate litigation. In December 2019, the Water Authority considered a “settlement offer” provided by MWD and did not act on that offer, but instead, offered a comprehensive settlement. MWD did not accept this offer.\(^2\) Thus in February 2020, after securing more than $350 million in Local Resources Program funding, the Water Authority dismissed parts of the litigation and has since been awarded $44,373,872.29 in a final judgment for the 2010 and 2012 cases. A hearing will be held later in 2020 to determine the prevailing party’s right to recover attorneys’ fees and costs. With a judgment issued in the first two cases, the Water Authority is also working to narrow the scope of the remaining 2014, 2016, and 2018 cases.

Throughout the two years, the Committee received copies of letters from the Water Authority Delegates, Board leadership, and staff to MWD focusing on several policy issues related to rate equity.

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\(^2\) More information about the Water Authority and MWD’s settlement process is in the Imported Water Committee Work Plan progress report for Calendar Year 2019 and 2020 starting on page 50 in the Water Authority’s January 2020 Board packet, found here: [https://www.sdcwa.org/meetings-and-documents](https://www.sdcwa.org/meetings-and-documents).

*Item(s) related to the 2019-2023 Business Plan.
issues related to the rate litigation and settlement effort. These letters along with others to MWD are listed in Attachment A.

3. **MWD’s Long-Term Fiscal Sustainability**
   Review and provide guidance to address issues related to MWD policies and programs to ensure its long-term fiscal sustainability. (December 2023 – Water Supply: Imported Water, Objective 11*)

**Activities**
In January 2020, the Committee received an update on MWD’s demand management cost methodology and the MWD Board’s ultimate decision to not impose any demand management cost recovery mechanisms, including the Water Stewardship Rate for calendar years 2021 and 2022.

In March 2020, the Committee received an update on MWD’s proposed fiscal years 2021 and 2022 biennial budget, 10-year “financial” forecast, and calendar years 2021 and 2022 rates and charges. In May 2020, the Committee received an update on MWD’s adoption of its 2021 and 2022 budget, rates, and charges and the Board action directing staff to look at certain cost containment actions and prepare a report on these opportunities for the Board’s September 2020 review of its budget and rates. In September 2020, the Committee received an update on MWD Board’s September action to maintain its “overall” rate increases of 3 percent in 2021 and 4 percent in 2022 and to not incorporate the almost $12 million in cost containment measures staff identified to offer rate relief. The MWD Board did adopt a moratorium on non-emergency, unbudgeted spending; and directing staff to develop of potential revenue generating programs.

The Committee received updates on the Delegates efforts to promote MWD’s long-term financial sustainability in the Delegates’ monthly reports: Director Goldberg requested training about the Board fiduciary responsibility to review and approve bond disclosures (May 2019); Director Smith reiterated the Water Authority’s past requests for MWD complete a long-term financial plan (August 2019); Director Hogan requested that MWD set up a fiscal sustainability taskforce (February 2020) and that the IRP be linked to a formal long-range financial plan (August 2020).

The Committee also received updates on MWD’s:
- Demand management program and cost allocation (January, April, May, July, August, September, October, and November 2019 and January, July, and October 2020)
- Reimbursement of capital expenditures from bond proceeds (July 2019 and June 2020);
- Bond disclosure training (October 2019)
- Financial reports (February and November 2019 and January, May, and October 2020),
- Prefunding of its pension and other post-employment benefit liabilities (April, July, August, and September 2019);

*Item(s) related to the 2019-2023 Business Plan.
Final Report on Imported Water Committee Work Plan

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- Changes to its Official Statement (May 2019 and January and May 2020);
- Setting the fiscal year 2020 (August 2019) and 2021 tax rates (August 2020);
- Mid-cycle biennial budget review (September and October 2019);
- Tutorial of financial statements (September 2019);
- Authorizations for debt issuance (January 2020 and September 2020);
- Calendar years 2021 and 2022 water rates and charges and fiscal years 2021 and 2022 biennial budget (February, March, April, May, and September 2020); and
- Capital Investment Plan and funding (January, April, and July 2020).

Over the two years, the Committee received copies of letters from the Water Authority Delegates, Board leadership, and staff to MWD focusing on several policy issues related to MWD’s Official Statement, budget, rates, charges, and debt management focusing on several policy issues identified above and related to long-term resources. These letters along with others are listed in Attachment A.

4. **Equity and Transparency in MWD’s Decision Making Process**

Support the Board Officers and Water Authority’s MWD Delegates to advocate for equity and transparency in MWD’s decision making process. (December 2019 – Water Supply: Imported Water, Objective 4*)

**Activities**

The Committee received updates on issues of equity and transparency at MWD through the Program and Delegates Report and detailed topic-specific written reports on MWD’s:

- Proposed ethics-related amendments to the administrative code (June, September, October, November 2019);
- Selection process for its new general manager (March, April, May, June, July, and August 2020);
- “Rate refinement process” (January, March, May, August, September, and October 2020);
- Demand management program and cost allocation (January, April, May, July, August, September, October, and November 2019 and January, July, and October 2020);
- Efforts to deal with workplace and organizational culture issues (September, October, and June 2020);
- Board governance issues, including policies and procedures for MWD’s Board and committee meetings (November 2019 and August 2020);
- Cost allocation for the Regional Recycled Water Program (January, March, June, July, and September 2019 and January, March, June, September, October, and November 2020);
- Timely distribution of Board memos and presentations (October 2020);
- MWD’s rates and charges (February, March, April, May, and September 2020); and
- Underlying data and methodologies to support the 2020 IRP update (February and September 2020).

*Item(s) related to the 2019-2023 Business Plan.
Throughout the two years, the Water Authority Delegates, Board leadership, and staff wrote letters to MWD focusing on equity and transparency issues, which the committee received copies of. These letters along with others are listed in Attachment A.

5. **State Water Project**
   Review issues related to State Water Project, including contract amendments, cost allocation, facility maintenance, major repairs, and provide guidance on advocacy positions to protect San Diego ratepayers’ interests. (December 2020)

   **Activities**
   The Committee received updates on the State Water Project in MWD Program reports (in 2019 only), Delegates’ reports, and four detailed reports and presentations in March, July, and November 2019 and April 2020 (report only). For more detail, see descriptions under “Bay-Delta Activities” and “Bay-Delta Communications” above.

6. **Water Authority’s out-of-region storage**
   Review and provide guidance on opportunities to maximize the value of Water Authority carryover storage accounts in the Central Valley. (December 2020)

   **Activities**
   Due to the hydrological conditions in 2019 and reduced water demands in both 2019 and 2020, the Water Authority did not require the use of stored water nor store additional water in its out-of-region storage in the Central Valley.
Below is a complete list of Water Authority Delegates, Board Leadership, and staff letters to MWD related to:

### Local Supply and Demand Management Programs

- LRP applications contract language (February 13, 2019)
- Recommendation to change language in all demand management contracts and certain language in the current LRP contracts MWD signs with its member agencies be removed (April 4, 2019)
- LRP submittals (May 2, 2019)
- LRP agreement with Upper San Gabriel Valley Municipal Water District and La Puente Valley County Water District for the La Puente Recycled Water Project (two letters on August 19, 2019)
- Water Authority LRP Submittal for Padre Dam (February 3, 2020)

### Long-Term Resources Planning

- MWD’s emergency storage objective (May 11, 2019)
- 2020 IRP Update (May 11, 2020)
- IRP Stakeholder Online Workshops May 20 and May 22 (May 14, 2020)
- 2020 IRP Process – Member Agency Managers’ (including Water Authority General Manager) Feedback and Recommendations (May 8, 2020)
- 2020 IRP Process and Drivers of Change – Member Agency Managers’ (including Water Authority General Manager) Feedback and Comments (June 3, 2020)
- IRP Process and 2015 IRP Retrospective Report – Member Agency Managers' (including Water Authority General Manager) Feedback and Comments (July 31, 2020)
- Regional Recycled Water Program (November 8, 2020)

### Rate Litigation and Settlement

- November 12 Special Board Meeting — letter 1 (November 8, 2019)
- Public settlement negotiations for rate litigation (November 11, 2019)
- November 12 Special Board Meeting — letter 2 (November 12, 2019)
- MWD 998 offer (November 22 and December 2, 2019)
- Water Authority settlement offer to MWD (December 19, 2019)
- GM Kerl addressing MWD Board (January 11, 2020)
- Rate litigation with MWD (February 27, 2020)
- Inaccuracies in MWD “Litigation Update” memo (July 15, 2020)

### Official Statement, Budget, Rates, Charges, and Debt Management

- Resolutions fixing and adopting a readiness-to-serve charge and a capacity charge for calendar year 2020 (April 4, 2019)
<table>
<thead>
<tr>
<th>Event Description</th>
<th>Approval Date</th>
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</thead>
<tbody>
<tr>
<td>Resolution to continue MWD’s water standby charge for fiscal year 2020</td>
<td>May 2, 2019</td>
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<tr>
<td>Distribution of Appendix A for use in the issuance and remarketing of MWD's bonds</td>
<td>May 12, 2019</td>
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<tr>
<td>Demand management cost allocation</td>
<td>August 17, 2019</td>
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<tr>
<td>Resolution establishing the tax rate for fiscal year 2020</td>
<td>August 17, 2019</td>
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<tr>
<td>Demand management cost allocation</td>
<td>October 5, 2019</td>
</tr>
<tr>
<td>Distribution of Appendix A for use in issuance and remarketing of MWD Bonds</td>
<td>January 12, 2020</td>
</tr>
<tr>
<td>Public hearing regarding proposed water rates and charges for calendar years 2021</td>
<td>February 8, 2020</td>
</tr>
<tr>
<td>Proposed Biennial Budgets for fiscal years 2021 and 2022 and Water Rates for calendar years 2021 and 2022</td>
<td>April 9, 2020</td>
</tr>
<tr>
<td>Distribution of Appendix A for use in issuance and remarketing of MWD’s Bonds</td>
<td>May 10, 2020</td>
</tr>
<tr>
<td>Reimbursement resolution to PAYGo amounts forecasted to be expended, above and beyond normal CIP, in the next six months</td>
<td>June 9, 2020</td>
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<tr>
<td>Tax rate for fiscal year 2021</td>
<td>August 15, 2020</td>
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<tr>
<td>Administrative Code sections 4119 and 4405 (Wheeling Service) and Resolution 8520 (Fixing and Adopting Wheeling Rates) and other MWD votes</td>
<td>August 19, 2020</td>
</tr>
<tr>
<td>Rate relief for all Southern Californians</td>
<td>September 9, 2020</td>
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<tr>
<td>Water Revenue Bonds</td>
<td>September 11, 2020</td>
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</tbody>
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**Transparency**

<table>
<thead>
<tr>
<th>Event Description</th>
<th>Approval Date</th>
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<tbody>
<tr>
<td>Ethics Office review and draft recommendations</td>
<td>March 25, 2019</td>
</tr>
<tr>
<td>Ethics Office update on proposed ethics-related amendments to the administrative code</td>
<td>September 23, 2019</td>
</tr>
<tr>
<td>Proposed ethics-related amendments to the administrative code</td>
<td>November 3, 2019</td>
</tr>
</tbody>
</table>

**Colorado River Drought Contingency Plan**

<table>
<thead>
<tr>
<th>Event Description</th>
<th>Approval Date</th>
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</thead>
<tbody>
<tr>
<td>Intentionally Created Surplus and the Drought Contingency Plan</td>
<td>January 18, 2019</td>
</tr>
<tr>
<td>Authorize participation in the Lower Basin Drought Contingency Plan</td>
<td>March 10, 2019</td>
</tr>
</tbody>
</table>

**Other Correspondence**

<table>
<thead>
<tr>
<th>Event Description</th>
<th>Approval Date</th>
</tr>
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<tbody>
<tr>
<td>Invitation to June 27th Board meeting in celebration of 75th anniversary</td>
<td>June 10, 2019</td>
</tr>
<tr>
<td>Proposed revision to deliveries under the Exchange Agreement in calendar year 2020 due to urgent shutdown</td>
<td>March 19, 2020</td>
</tr>
<tr>
<td>Proposed Revision to 2020 QSA Modified Delivery Schedule</td>
<td>April 22, 2020</td>
</tr>
</tbody>
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November 11, 2020

Attention: Legislation and Public Outreach Committee

Final Report on the Legislation and Public Outreach Committee Work Plan for Calendar Years 2019 and 2020. (Chair’s Report)

Purpose
This information item provides a progress report on the Legislation and Public Outreach Committee Work Plan for Calendar Years 2019 and 2020.

Background

Discussion
The Legislation and Public Outreach Committee is responsible for Legislation and Public Outreach matters including legislation, advocacy and intergovernmental relations; community relations; media relations; public outreach; and the Small Contractor Outreach and Opportunities Program (SCOOP).

The attached report lists the Legislation and Public Outreach Committee Work Plan for Calendar Years 2019 and 2020 and provides the activities taken to achieve the work plan. The work plan was prepared by staff under the direction of the Legislation and Public Outreach Committee Chair and Vice Chairs.

Prepared by: Denise Vedder, Director of Public Affairs
Glenn Farrel, Director of Governmental Affairs
Reviewed by: Jerry Butkiewicz, Chair, Legislation and Public Outreach Committee

Attachment:
Attachment 1 – Final Report on Legislation and Public Outreach Committee Work Plan
ATTACHMENT 1
Progress Report on Legislative and Public Outreach Committee Work Plan
for Calendar Years 2019 and 2020

1. Legislative Positions
   Review and consider adopting positions on legislation that affects the Water Authority’s and member agencies’ interests and attainment of the Water Authority’s Business Plan goals. (September 2019 and September 2020 – Communications and Messaging – Government Relations Outreach – Objective 3, 6*)

Activities:
On March 28, 2019, the Committee approved and recommended to the full Board the following positions on bills:

- Adopt a position of Support on AB 292 (Quirk), relating to recycled water definitions.
- Adopt a position of Support on AB 533 (Holden), relating to income tax exclusion for water efficiency rebates.
- Adopt a position of Support on AB 557 (Wood), relating to state funding for atmospheric rivers research.
- Adopt a position of Support if Amended on SB 45 (Allen), relating to the Wildfire, Drought, and Flood Protection Bond Act of 2020.
- Adopt a position of Support and Seek Amendments on SB 204 (Dodd), relating to legislative oversight and transparency of State Water Project contract amendments and renewals.
- Adopt a position of Support on SB 772 (Bradford), relating to procurement of long duration bulk energy storage.

On March 28, 2019, the Committee approved and recommended full Board adopt positions on four safe drinking water legislative proposals that, if taken together, would constitute a comprehensive, interrelated package of bills designed to resolve complex challenges associated with providing a safe and reliable water supply for disadvantaged communities in the Central and Salinas Valley.

- Adopt a position of Oppose Unless Amended on SB 200 (Monning), relating to the creation of a Safe and Affordable Drinking Water Fund.
- Adopt a position of Support on SB 414 (Caballero), relating to creation of the Small System Water Authority Act of 2019.
- Adopt a position of Support on SB 669 (Caballero), relating to creation of a Safe Drinking Water Trust Fund.
- Adopt a position of Oppose Unless Amended on the Administration’s Budget Trailer Bill: Environmental Justice – Safe and Affordable Drinking Water and Exide Cleanup – dated February 1, 2019, which would impose a tax on water and agricultural production activities to finance a safe and affordable drinking water program. Direct the Water Authority staff and legislative advocates to encourage legislative leadership to have these four measures, as proposed to be amended, considered as an interrelated package of bills within the context of a conference committee or similar legislative mechanism.

*Item(s) related to the 2019-2023 Business Plan.
On April 25, 2019, the Committee approved and recommended the full Board adopt positions on the following bills:

- Adopt a position of Oppose Unless Amended on AB 217 (Garcia), relating to safe drinking water.
- Adopt a position of Support on AB 868 (Bigelow), relating to energy system de-energization protocols.
- Adopt a position of Support on AB 1180 (Friedman), relating to recycled water.
- Adopt a position of Support on SB 134 (Hertzberg), relating to water system loss enforcement.
- Adopt a position of Support on SB 487 (Caballero), relating to aerial snow surveys.
- Adopt a position of Support on SB 785 (Senate Committee on Natural Resources and Water), relating to exchange of property.

On May 23, 2019, the Committee approved and recommended the full Board adopt positions on the following bills:

- Adopt a position of Support on AB 841 (Ting), relating to drinking water contaminants.
- Adopt a position of Oppose on AB 854 (Mayes), relating to Imperial Irrigation District board membership.
- Adopt a position of Support on AJR 8 (Quirk), relating to eradication and control of nutria.
- Adopt a position of Oppose Unless Amended on SB 332 (Hertzberg), relating to limitations on discharge of treated wastewater through ocean outfalls.
- Adopt a position of Support on H.R. 2313 (Huffman), relating to income tax exclusion for water conservation rebates.

On June 27, 2019, the Committee approved and recommended the full Board adopt positions on the following bills:

- Adopt a position of Oppose Unless Amended on AB 402 (Quirk), relating to funding regulatory oversight of small public drinking water systems.
- Adopt a position of Support on AB 638 (Gray), relating to climate change vulnerabilities for water storage.
- Adopt a position of Support on AB 1657 (E. Garcia), relating to creation of an Office of the Salton Sea within the California Natural Resources Agency.
- Adopt a position of Support on the Drought Resiliency and Water Supply Infrastructure Act (Feinstein), relating to federal funding authorizations for water-related projects.

On October 24, 2019, the Committee approved and recommended the full Board adopt positions on the following bills:

- Adopt a position of Support on H.R. 2570 (Rouda), relating to perfluoroalkyl and polyfluoroalkyl substances.

*Item(s) related to the 2019-2023 Business Plan.*
On October 24, 2019, the Committee received a report from staff and provided comments on the final disposition of legislative measures that were reviewed and considered for position by the Water Authority Board of Directors during the first year of the 2019-2020 two-year legislative session.

On November 21, 2019, the Committee approved and recommended the full Board adopt positions on the following bills:

- Adopt a position of Support on H.R. 4611 (Peters), relating to discharge permitting requirements from the City of San Diego’s Point Loma Wastewater Treatment Plant (WTP) as long as certain conditions are met.

On March 26, 2020, the Board adopted positions on the following bills:

- Adopt a position of Support on AB 291 (Chu), relating to local emergency preparedness.
- Adopt a position of Support if Amended on AB 1936 (Rodriguez), relating to price gouging during public safety power shutoff events.
- Adopt a position of Support on AB 2178 (Levine), relating to declarations of local emergency during public safety power shutoff events.
- Adopt a position of Support and Seek Amendments on AB 2182 (Rubio), relating to emergency backup generators.
- Adopt a position of Oppose on AB 2629 (Mayes), relating to the Imperial Irrigation District jurisdictional boundaries.
- Adopt a position of Support on SB 952 (Nielsen), relating to sales and use tax exemptions during public safety power shutoff events.
- Adopt a position of Support if Amended on SB 996 (Portantino), relating to constituents of emerging concern.
- Adopt a position of Support on SB 1099 (Dodd), relating to emergency backup generators.
- Adopt a position of Support on SB 1100 (Atkins), relating to sea level rise.
- Adopt a position of Support if Amended on SB 1185 (Moorlach), relating to emergency backup generators.

On April 23, 2020, the Board adopted positions on the following bills:

- Adopt a position of Support on AB 2089 (Rivas), relating to climate change resiliency.
- Adopt a position of Support on AB 2619 (Stone), relating to sea level rise and coastal climate change.
- Adopt a position of Support if Amended on AB 2789 (Kamlager), relating to distributed energy resources and the electric transmission and distribution systems.
- Adopt a position of Support on AB 2839 (E. Garcia), relating to creation of the California Deserts Conservancy.
- Adopt a position of Oppose on AB 3147 (Gabriel), relating to connection fees and capacity charges.
- Adopt a position of Support if Amended on AB 3256 (E. Garcia), relating to the Wildfire Prevention, Safe Drinking Water, Climate Resilience, Drought Preparation, and Flood Protection Bond Act of 2020.

*Item(s) related to the 2019-2023 Business Plan.
o Adopt a position of Support on ACR 179 (Voepel), relating to Special Districts Week.
o Adopt a position of Support and Seek Amendments on SB 1188 (Stern), relating to the California Water Plan.
o Adopt a position of Support if Amended on SB 1215 (Stern), relating to electricity microgrids.
o Adopt a position of Support on the Desalination Development Act (Levin), relating to federal funding for eligible desalination projects.

On May 28, 2020, the Board adopted a position on the following bill:
o Adopt a position of Support if Amended on AB 2991 (Santiago), relating to environmental leadership projects.

On June 25, 2020, the Board adopted positions on the following bills:
o Adopt a position of Support on SB 1301 (Hueso), relating to development of a binational watershed management plan for the Tijuana River Valley.
o Adopt a position of Support on H.R. 7073 (Garamendi), relating to coronavirus financial assistance and relief for special districts.

On August 27, 2020, the Board adopted positions on the following bills:
o Adopt a position of Support on the Border Water Quality Restoration and Protection Act (Vargas), relating to reducing pollution along the U.S.-Mexico border and improving the water quality of the Tijuana and New Rivers.
o Adopt a position of Support on S. 4129 (Wicker), relating to advance refunding bonds.
o Adopt a position of Support on S. 4308 (Sinema), relating to coronavirus financial assistance and relief for special districts.
o Adopt a position of Support on the Border Water Quality Restoration and Protection Act (Feinstein), relating to reducing pollution along the U.S.-Mexico border and improving the water quality of the Tijuana and New Rivers.

2. Legislative Policy Guidelines
Review, provide input, and consider approving Legislative Policy Guidelines for the following calendar year. (December 2019 and November 2020)

On October 24, 2019, the Committee received a staff presentation and provided input on staff’s initial recommendations for Legislative Policy Guidelines for 2020.

On November 21, 2019, the Committee approved and recommended the full Board adopt the Legislative Policy Guidelines as revised and updated by staff with Committee and member agency input.

On October 22, 2020, the Committee received a staff presentation and provided input on staff’s initial recommendations for Legislative Policy Guidelines for 2021.

On November 19, 2020, the Board adopted the Legislative Policy Guidelines as revised and updated by staff with Committee, Board member, and member agency input.

*Item(s) related to the 2019-2023 Business Plan.
3. Federal Legislative Priorities
Review, provide input, and consider approving federal legislative priorities for the calendar year. (February 2019 ,February 2020, and November 2020)

On January 24, 2019, the Committee reviewed and sought input on proposed federal legislative priorities for 2019.

On February 28, 2019, the Committee approved and recommended to the full Board a final set of legislative priorities for 2019.

On November 19, 2020, the Board adopted federal priorities for the 2021 calendar year.

4. Advocacy Trips
Participate in at least one legislative advocacy trip to Sacramento and one advocacy trip to Washington, D.C. annually. (December 2019 and December 2020 – Communications and Messaging – Government Relations Outreach – Objective 7, 8*)

During the 2019 calendar year, Committee members and Board leadership participated in the following advocacy trips to Sacramento:

- April 1-2, meetings with San Diego legislative delegation, legislative leadership, and the Administration
- February 25-26, in conjunction with San Diego Regional Chamber of Commerce Leadership Delegation

During the 2019 calendar year, Committee members and Board leadership participated in the following advocacy trips to Washington, D.C.:

- February 26-27 – in conjunction with ACWA Washington, D.C., conference
- September 2019 – in conjunction with San Diego Regional Chamber of Commerce
- February 25-26 - – in conjunction with San Diego Regional Chamber of Commerce

In November-December 2019, Committee members and Board leadership engaged in a series of in-district legislative briefings with the San Diego legislative delegation. During those legislative briefings, Committee members discussed:

- Regional conveyance study
- Pumped hydropower storage legislation
- Update on MWD settlement discussions
- Resources bond needs for the San Diego region

5. Legislative Roundtables
Participate in at least two legislative roundtable events at the Water Authority office during each calendar year. (December 2019 and December 2020 – Communications and Messaging Program -Government Relations Outreach -Objective 9*)

*Item(s) related to the 2019-2023 Business Plan.
• On July 15, 2019, Committee and Board leadership participated in a legislative roundtable with state Senator Brian Jones (38th District).
• On November 6, 2019, Committee and Board leadership participated in a legislative roundtable with Congressman Mike Levin (49th District).

6. **Sponsored Legislation**

Review and consider approving Water Authority sponsorship of legislation each year to advance or protect the Water Authority’s and member agencies’ interests. (December 2019 and December 2020 – Communications and Messaging – Government Relations Outreach – Objective 3*)

On November 21, 2019 the Committee approved and recommended to the full Board Water Authority sponsorship or co-sponsorship of the following legislative proposals:

- Legislative Proposal #1 to create a statutory path for pumped hydropower storage to provide renewables integration and grid stability services.
- Legislative Proposal #2 to pursue opportunities to shape any resources/resiliency/water bond legislation to reflect the San Diego region’s needs.
- Legislative Proposal #3 to partner with the City of Escondido to pursue statutory and funding solutions to address issues related to use of Wohlford Dam.

On November 19, 2020, the Board approved sponsorship or co-sponsorship fo the following legislative proposals:

- Legislative Proposal #1 to create a statutory or administrative path for pumped hydropower storage to provide renewables integration and grid stability services.
- Legislative Proposal #2 to pursue an Open Access arrangement for energy services to reduce energy costs associated with water production, treatment, and transmission.
- Legislative Proposal #3 to improve Integrated Regional Water Management grant award cashflow for nonprofit organizations, disadvantaged communities, and tribes.

7. **Public Outreach**

Review and consider supporting the development and implementation of regional outreach and communication initiatives that increase public awareness and support for policies, initiatives and investments that protect or enhance water supply reliability. (June 2019, Sept. 2020 – Communication and Messaging Program, Objectives 2, 5, 10*)

**Activities**

- On January 24, 2019, the Committee recommended the Board proclaim February 2019 as San Diego Brewing Month as part of the Brought to You by Water outreach and education program.
- On January 24, 2019, the Committee approved and recommended the Board extend a Professional Services Contract with Southwest Strategies to implement regional outreach activities.

*Item(s) related to the 2019-2023 Business Plan.*
on February 28, 2019, the Committee received a presentation on the Education Program activities.

On April 25, 2019, the Committee received a presentation and provided input to the Water Authority’s outreach partnership with the San Diego County Farm Bureau and member agencies to highlight the significance of the region’s $4.8 billion farm industry and its connection with maintaining the region’s safe and reliable water supplies.

On May 23, 2019, the Committee reviewed and recommended approval of a contract to provide school assembly programs for elementary public and private schools in San Diego County.

On May 23, 2019, the Committee received a presentation on plans for the “Summer of Social Influence” program featuring local recording artist Jon Foreman and provided input.

On July 25, 2019, the Committee received updates and provided comments on the activities that were executed as of the Brought to You by Water outreach partnership with the Farm Bureau.

On July 25, 2019, the Committee approved and recommended Board approval of three outreach contracts to support enhanced member agency engagement.

On August 22, 2019, the Committee received updates on the success of the first year of the Water News Network in working with the member agencies to cover the region’s water-related news.

On October 24, 2019, the Committee received updates and provided comments on Water Authority outreach and conservation program activities.

On November 21, 2019, the Committee received a presentation on the annual report.

On February 27, 2020, the Committee received a presentation on the achievements of the Water Authority’s social media activities toward engaging the community and member agencies on water issues.

On April 23, 2020, the Committee received a presentation and provided comments on the Water Authority’s enhanced outreach on water quality and safety, called Trust the Tap, and the launch of a Hispanic outreach program.

On May 28, 2020, the Committee received a presentation and provided input on enhanced outreach to build trust in the public water system, expansion of the Hispanic outreach program to include a social media influencer component and the launch of a video featuring water agency employees.

On June 25, 2020, the Committee received a presentation and a report on Water Authority efforts to assist member agencies with outreach and regional messaging.

On July 23, 2020, the Committee received a presentation and provided comments on the final report and results of the Hispanic Outreach Pilot project.

On October 22, 2020, the Committee received a presentation on the “Faces of the Water Industry” program and the continuation of grant-funded outreach featuring local recording artist Jon Foreman and provided input.

On November 19, the Committee received a presentation on the annual report.

*Item(s) related to the 2019-2023 Business Plan.
8. **Public Opinion Research**  
Provide input on suggested research topics and review findings of public opinion polls or other research to help gauge effectiveness of outreach activities or identify emerging needs. (June 2019 - Communication and Messaging Program, Objective 1*)

**Activities**  
- On March 28, 2019, the Committee heard a presentation and provided input on the 2019 Public Opinion Poll topic areas and content.  
- On September 26, 2019, the Committee heard a presentation by the consultant on the Public Opinion Poll findings and provided comments.

9. **Small-Business Outreach**  
Review and consider setting a small-business participation target as a percentage of total procurement dollars as needed; review semi-annually and provide input on efforts designed to enable the Water Authority to achieve the established target.

**Activities**  
- On March 28, 2019, the Committee received a presentation and mid-year update on small business outreach activities.  
- On August 22, 2019, the Committee reviewed and provided comments on the SCOOP annual report.  
- On March 26, 2020, the Committee received a presentation and a mid-year update on small business outreach activities and data on small business participation on Water Authority procurements.  
- On October 22, the Committee reviewed and provided final comments on the SCOOP annual report.
November 11, 2020

Attention: Water Planning and Environmental Committee

Final Report on the Water Planning and Environmental Committee Work Plan for Calendar Years 2019 and 2020. (Chair’s Report)

Purpose
This information item provides a progress report on the Water Planning and Environmental Committee Work Plan for Calendar Years 2019 and 2020.

Background
Previous Board action: On March 28, 2019, the Board adopted the Water Planning and Environmental Committee Work Plan for Calendar Years 2019 and 2020. On January 23, 2020, the Board reviewed a Progress Report on the Water Planning and Environmental Committee Work plan.

Discussion
The Water Planning and Environmental Committee is responsible for developing and implementing policies and plans relative to long range water resources planning, water conservation and water use efficiency, and local supply development including: the Urban Water Management Plan, Integrated Regional Water Management Plan, Regional Water Facilities Optimization and Master Plan Update; Water Shortage Contingency Plan; regional and member agency sponsored local water supply development and member agency assistance on local projects, annexation and other planning matters; and environmental compliance interests of the Water Authority including the Climate Action Plan and Natural Communities Conservation Plan.

The attached report lists the Water Planning and Environmental Committee Work Plan for Calendar Years 2019 and 2020 and provides the activities taken to achieve the work plan. The work plan was prepared by staff under the direction of the Water Planning and Environmental Committee Chair and Vice Chairs.

Prepared by: Kelley Gage, Director of Water Resources
Denise Vedder, Director of Public Affairs

Reviewed by: Tony Heinrichs, Chair, Water Planning and Environmental Committee

Attachment:

Attachment 1 – Final Report on Water Planning and Environmental Committee Work Plan
ATTACHMENT 1
Draft Water Planning and Environmental Committee Work Plan
for Calendar Years 2019 and 2020

Water Management Planning

1. **New Data Archival and Invoicing System**
   Review demonstration of new water resources database developed as part of the new water billing system. (March 2020 – Financial Management Program, Objective 6*)

   **Activities**
   Application development and system implementation for the Data Archival and Invoicing System (DAIS) was completed in early-2020. Subsequently, a series of user-specific (Finance, Water Resources, Information Systems and member agency) pre-testing training sessions were conducted. This was followed by DAIS business process, interface functionality and data integrity testing that was successfully completed in July 2020. Also in July 2020, staff provided the Board with a demonstration of the new database. In August 2020, the DAIS application was moved to the “Operational Go-Live” phase and the legacy invoicing system (PRIMA) was retired. The DAIS project was completed in October 2020.

2. **2020 Urban Water Management Plan**
   Provide input and direction on staff activities associated with preparation of the 2020 Urban Water Management Plan (UWMP), including review of the long-range demand forecast and projected water resources mix. State law requires the 2020 UWMP be submitted to the Department of Water Resources by July 2021. (December 2020 – Resource Planning Program, Objective 8*)

   **Activities**
   In January 2020, the Board authorized execution of a professional services contract with Woodard & Curran, Inc. to provide 2020 Urban Water Management Plan support services in an amount not-to-exceed $250,000. Also in January 2020, the WP&E Committee received a presentation on the requirements, approach and schedule for preparation of the Water Authority’s 2020 Urban Water Management Plan. In November 2020, staff delivered a presentation to the Board on the 2020 UWMP. The presentation included information on the contents of the plan, new state requirements, and related subjects.

   As part of the process to prepare the 2020 UWMP, an extensive member agency data collection effort was executed in 2019 and 2020 to support the long-range demand forecast development process. Compiled data included historic member agency monthly billed account totals, water production data, and water sales by customer class for the period January 2013 through September 2018. Additionally, a demand forecast modeling plan was drafted in November 2019 that outlined the statistical modeling approach to update sector-level models based on member agency data. The demand modeling process continued into 2020 with the presentation of the draft demand forecast at a Special Board meeting in November. Additional work on the demand forecast will continue into 2021.

*Items related to the 2017-2021 Business Plan.
3. **Integrated Regional Water Management (IRWM) Plan Update**
   Review and consider approving the IRWM Plan Update (Phases 1 and 2) to comply with state requirements and enhance plan content. (July 2019 – Resource Planning Program, Objective 3*)

   **Activities**
   Completed. The Board approved the 2019 San Diego IRWM Plan Update (Phases 1 and 2 combined), which strengthened plan contents in such areas as stormwater, climate change, flood and disadvantaged communities and incorporated revisions necessary to comply with new requirements and maintain the region’s eligibility to receive state grant funds.

4. **Integrated Regional Water Management Proposition 1 Grant Funding**
   Review and consider approving an application for the San Diego IRWM planning region’s share of IRWM grant funding from the first round of Department of Water Resources’ Proposition 1 implementation grants. (December 2019 – Resource Planning Program, Objective 5*)

   **Activities**
   Completed. The San Diego IRWM Program in December 2019 submitted an application for $14.4 million and seven projects in the first of two rounds of IRWM Proposition 1 implementation grant funding held by the Department of Water. Staff obtained Board approval of the application in September 2019. The grant was awarded in 2020 and staff is working with DWR to finalize an agreement by the end of the year. The second and final round of Proposition 1 implementation grant funding is expected to occur in 2021.

5. **Annexation Requests**
   Review and consider approving annexation requests in a manner consistent with Board adopted policies. (Ongoing)

   **Activities**
   In 2019 and 2020, the Board took action related to three proposed annexations. In January 2019, the Board adopted Resolution No. 2019-01 that established preliminary, informal terms and conditions for the Rincon del Diablo Municipal Water District’s proposed Sringeri Vidyah Bharati Foundation Temple Annexation (SVBFT Annexation). In February 2019, the Board adopted Resolution No. 2019-04 that established preliminary, informal terms and conditions for the Yuima Municipal Water District’s proposed Shadow Run Ranch Annexation. In April 2020, the Board again took action on the SVBFT Annexation and adopted Resolution No. 2020-04, that approved concurrent annexation to the Water Authority and Metropolitan. In June 2020, the Board adopted Resolution No. 2020-11, that approved the Yuima Municipal Water District’s proposed Rancho Corrido Annexation for concurrent annexation to the Water Authority and Metropolitan.

*Items related to the 2019-2023 Business Plan.
Water Shortage & Drought Response Management

1. **Water Shortage Contingency Plan and Model Drought Response Conservation Ordinance**
   Provide input and direction on staff activities associated with updating the Water Shortage Contingency Plan (WSCP) and Model Drought Response Conservation Ordinance (Model Drought Ordinance). State law requires the 2020 WSCP be submitted to the Department of Water Resources by July 2021. Review and consider approving the updated Water Shortage Contingency Plan and Model Drought Response Conservation Ordinance, ensuring documents are consistent with evolving state requirements and reflect lessons learned from previous shortage periods. *(December 2020–July 2021 – Resource Planning Program, Objective 6 and 7)*

   Activities
   The above Work Plan language was updated (edits in red) to match the language contained in the Business Plan. The process to update the WSCP and Model Drought Ordinance was initiated in 2020 as part of the process to prepare the 2020 UWMP. The updated WSCP and Model Drought Ordinance, which is contained within the WSCP, were revised to comply with 2018 updates to the California Water Code. The November 2020 staff presentation on the 2020 UWMP included information on the updated WSCP and Model Drought Ordinance.

2. **Water Supply and Drought Activities Reports**
   Review reports on current water supply, storage and demand conditions along with other potential drought activities. *(December 2020)*

   Activities
   Monthly water supply condition updates to the Water Planning and Environmental Committee for Water Year 2019 began in December 2018 and continued through May 2019. Reports for the 2020 water year started in November 2019 and continued through May 2020. Water supply condition updates for Water Year 2021 began in November 2020 and will continue into the next calendar year.

Water Use Efficiency

1. **New Long-Term Water Use Targets**
   Review reports and provide direction on activities related to new long-term water use objectives mandated by the state for urban water suppliers in California. *(December 2020)*

   Activities
   Staff is actively participating in the stakeholder workgroups responsible for developing recommendations for the long-term water use targets and provides regular updated on activities to the Board. In 2019, the Water Planning and Environmental Committee received updates on the state’s activities related to the new long-term water use objectives in April, June, July, and September.
In 2020, the Water Planning and Environmental Committee received updates on the state’s activities related to the new long-term water use objectives in January. The full Board was updated in March, July and September about the activities of stakeholder workgroups developing the water use efficiency targets. Final targets will not be adopted until 2022.

2. **Water Use Efficiency Programs**

Review and consider approving water use efficiency-related program contracts, and review and provide input on other activities that support the region’s compliance with any applicable long-term water use goals or targets. (Ongoing)

**Activities**

In January 2019, the committee received a staff presentation and update on the success of the WaterSmart Landscape Makeover program. More than 1,000 households have completed the four-class series; 87 design workshops reaching 4,300 homeowners have been held throughout the county; and 17 web-based videos have been produced using the program's curriculum. The committee also learned how state grant and MWD Member Agency Administered Program (MAAP) funds have been used to expand offerings and offset operational program costs.

In March 2019, staff provided an update to the committee on the Water Authority’s participation in MWD’s MAAP and provided information on member-agency projects.

In May 2019, the Board approved a Professional Services Agreement with Mission Resource Conservation District for WaterSmart Field Services.

In August 2019, the Board approved a Professional Services Agreement with WaterWise Consulting to administer a new direct contractor incentive program for large landscapes that would use MWD MAAP funding.

In April 2020, a presentation was made to the full Board on the implementation of the MWD Member Agency Administered Program in the San Diego region. Nearly $1 million dollars in two years was used to fund local conservation programs despite COVID and other challenges.

In August 2020, the contract extension for the WaterSmart landscaping education program was approved continuing to encourage water efficiency in residential landscape.

3. **External Funding**

Review and consider approving external funding agreements (grants, utility funding, other) that reduce, or supplement operational funds needed to support current and future water use efficiency programs. (December 2020 – Resource Planning Program, Objective 4*)
Activities
In September 2019, the Board approved an amendment to a Program Contract with San Diego Gas & Electric that would provide additional grant funding for energy and water efficiency upgrades and appliances for low-income households.

In August 2020, the Board approved resolution supporting a grant application to the United States Bureau of Reclamation to provide incentives for installing water efficient landscape devices to landscape contractors.

Environmental Management

1. **Environmental Compliance Documentation**
   Review, convene public hearings, as appropriate, and consider adoption of California Environmental Quality Act (CEQA) Documents for Water Authority Capital Improvement and energy projects. (Ongoing)

   **Activities**
   In November 2019, the Board authorized the execution of a professional services agreement with Dudek Environmental (Dudek) to provide As-needed Environmental Consulting Services for four years in an amount not to exceed $3,000,000. This contract supports the Water Authority in the preparation of environmental review documents in compliance with CEQA and National Environmental Policy Act, as well as regulatory permits from various federal and state agencies.

   In 2020, Dudek supported the Water Authority by conducting construction and restoration monitoring on various projects, conducting technical surveys in advance environmental review process, and initiating preparation of a Mitigated Negative Declaration for the I-15 Crossover Pipeline Repair Project. Additionally, staff developed and filed several CEQA exemptions in support of asset management activities.

2. **Mitigation Program**
   Review reports, provide direction and approve agreements associated with the acquisition, management or disposition of mitigation credits. (Ongoing)

   **Activities**
   In November 2019, the Board authorized execution of a professional services agreement with Helix Environmental Planning Inc. (Helix) to provide As-needed Habitat Restoration Maintenance Services for five years in an amount not to exceed $1,400,000. In 2020, Helix supported the Water Authority in meeting its permit obligations associated with the restoration, enhancement, and maintenance of mitigation sites and credits at thirteen projects throughout San Diego County.

   Environmental staff oversaw and tracked the use of mitigation credits from Water Authority Habitat Mitigation Areas (HMA), reported out to Regulatory Agencies on mitigation credit use during the Annual NCCP/HCP reporting period, and coordinated management and monitoring activities. These activities did not require a Board action or approval.

*Items related to the 2019-2023 Business Plan.*
Facilities Planning

1. **Contract Supplement to the Carlsbad Desalination Water Purchase Agreement**
   Review and consider approving two contract supplements to the Carlsbad Desalination Water Purchase Agreement designating financial responsibilities for phased implementation of the Intake Modifications Project. (September 2019 – Water Supply Local Water – Objective 6*)

   **Activities**
   The Board approved two contract supplements to the Carlsbad Desalination Water Purchase Agreement for the Intake Modifications and designated financial responsibilities. In April 2019, the Board approved a Contract Administration Memorandum (CAM) for the first phase of standalone operations which included modifications to utilize intake and discharge facilities associated with Encina Power Station’s once-through cooling system. Then in October 2019, the Board approved a subsequent CAM for the second phase of the project which includes new dilution pumps in lieu of pumps associated with Encina Power Station’s once-through cooling system.

2. **Climate Action Plan Update**
   Review and consider approval of the Climate Action Plan update that ensures conformity with new greenhouse gas (GHG) targets for 2030 and GHG inventory calculation with the Climate Registry’s current General Report Protocol. (June 2020 – Water Facilities Sustainability – Objective 3*)

   **Activities**
   In July 2020, staff presented the 2019 Climate Action Plan Update to the Board. The 2019 Climate Action Plan is a five-year update to the previous plan and allows the Water Authority to monitor and report its emissions, account for new and changing regulations, update construction and operational emissions, and identify existing or new potential emissions reduction measures that can be implemented to achieve state GHG targets. The plan demonstrates that the Water Authority is on track to meet GHG reduction targets set for 2020 and 2030, consistent with Assembly Bill 32 and Senate Bill 32. Staff will continue to monitor progress towards further reducing and offsetting emissions to ensure future state GHG targets are met.

Local Water Supply Development

1. **Potable Reuse**
   Provide policy level guidance to staff and the Potable Reuse Coordination Committee to support development and implementation of member agency potable reuse projects. (December 2020 – Local Water – Objective 11*)
Activities
In August 2019, the Water Planning and Environmental Committee received an update from staff on development of a California WateReuse Action Plan by WateReuse California and a national Water Reuse Action Plan by the United States Environmental Protection Agency. The Potable Reuse Coordination Committee (PRCC) met with staff in June 2019 to provide input into development of the plans to support member agency potable reuse projects. The state plan was finalized in July 2019, and the national plan was finalized in February 2020. Staff also worked closely with the PRCC in October 2019 to advocate to state regulators for direct potable reuse criteria to support projects in the region. The Final California Water Resilience Portfolio released in June 2020 includes actions from the state plan to support local projects. Staff is working with the PRCC to participate in implementing the federal plan in partnership with the WateReuse Association’s Policy Committee that meets monthly.

In November 2019, the committee received an update on developments related to constituents of emerging concern (CECs) known as “PFAS”, which have the potential to impact potable reuse projects through groundwater recharge. Staff is closely following state and federal regulatory and legislative developments related to CECs, including the establishment of a new CEC Program at the State Water Resources Control Board, and will continue to update the committee on developments.

2. Funding for Local Projects
Support efforts to secure funding for development and implementation of local water supply projects. (December 2020 – Local Water – Objective 9*)

Activities
The Board approved five draft agreements for local water supply project funding under Metropolitan’s Local Resources Program:

- Fallbrook Public Utility District’s Santa Margarita Conjunctive Use Project on July 25, 2019
- City of Oceanside’s Pure Water Oceanside on October 24, 2019
- City of San Diego for Pure Water San Diego on October 24, 2019
- East County Advanced Water Purification Program on June 25, 2020
- City of Escondido Membrane Filtration and Reverse Osmosis Program on June 25, 2020

Each draft agreement was subsequently approved by Metropolitan’s Board and the agreements should be finalized in 2020.
Attention: Board of Directors

Audit Committee Annual Report. (Action)

Audit Committee recommendations:
1. Accept and file the Audit Committee Annual Report pursuant to the Administrative Code, Section 2.00.066.
2. Accept and file the Comprehensive Annual Financial Report (CAFR) for Fiscal Year ended June 30, 2020 prepared in accordance with Generally Accepted Accounting Principles (GAAP).

Alternative:
Do not accept and file the Audit Committee’s Annual Report and CAFR for the Fiscal Year ended June 30, 2020. This alternative will cause the Committee to be out of compliance with the Administrative Code’s requirements, as well as cause delays in submission of the CAFR to required recipients, namely the state and other governmental agencies, grantors, rating agencies, bond investors and the public.

Fiscal Impact
There is no fiscal impact associated with these recommended actions.

Executive Summary
- The Audit Committee is required to submit an annual report summarizing the business it conducted each fiscal year and this report fulfills that requirement.
- The Audit Committee is also submitting the Water Authority’s Fiscal Year 2020 Comprehensive Annual Financial Report for Board acceptance.

Background
On August 27, 2009 the Board approved the establishment of an Audit Committee. The action was driven by the desire to separate oversight responsibilities for the audit function from the Administrative & Finance Committee, which is responsible for oversight of financial policy such as budgeting, financing, rates and charges.

Previous Board action: On August 27, 2009 the Board adopted Ordinance No. 2009-05 establishing the Audit Committee.

Discussion
The Committee’s work during the year focused on oversight of the annual financial audit for Fiscal Year 2020. The Water Authority’s auditor, Davis Farr, LLP, provided the Water Authority with an unmodified (or clean) opinion on the financial statements for the fiscal year ended June 30, 2020. There were no difficulties encountered during the audit and internal controls were tested and operated as designed.
Audit Committee Annual Report
In discharging its responsibilities, the Audit Committee held three public committee meetings and there was one independent telephonic meeting with Davis Farr, LLP Partner Jennifer Farr. The following are summaries of the business conducted at the various meetings.

- **May 4, 2020:** The FY2020 Audit Calendar was presented and a discussion on the audit and CAFR timeline was held. The future Audit Committee meeting dates were set at the meeting. Staff introduced Jennifer Farr, CPA, Partner with Davis Farr, LLP, who participated in the discussion covering the 2020 audit work plan, audit process, roles & responsibilities, required auditor communications, internal controls, deliverables and future audit developments. Additionally, Mrs. Farr gave a brief discussion on procurement card testing they were going to perform this year.

- **September 21, 2020:** Update provided on the status of FY2020 audit and financial statements. Director’s Katz and Scalzitti volunteered to be the audit sub-committee members to speak with audit partner Jennifer Farr concerning the progress of the audit as well as ask any questions they may have on audit and financial matters without management being present. A discussion was also held on the following four financial matters:

  - **Water Inventory Variance** – At June 30, 2020, a 570 acre-foot water inventory variance existed between the records of the City of San Diego and the Water Authority in the San Vicente reservoir. The City claimed the Water Authority had less inventory, but we disagreed. The difference approximated $375,000 which was brought to the auditor’s attention including our decision to delay recording an adjustment until a thorough reconciliation was completed and agreed to by both parties. The reconciliation would not be completed until after the financial statements were finalized, but the dollar variance was immaterial to the financial statements.

  - **Write-Off of CIP Project Expenses** – In Fiscal Year 2020 there were $19.8 million in CIP project expenses written-off on the following projects because they were either rescoped or they were repairs in nature:
    - Mission Trails FRS II $8.8 million (rescoped)
    - ESP Pump Station at Pipeline 3 $1.3 million (rescoped)
    - ESP Pipeline 3 Interconnect $.5 million (rescoped)
    - Carbon fiber repairs to Pipeline 4 and 5 $5.8 million (repairs)
    - Miscellaneous projects $3.4 million (various warranty, demolition, rehabilitation and repairs related costs)

  A discussion on cost capitalization and expensing rules was also conducted and the expensing of the costs was appropriate per the accounting rules. The auditors were in agreement with the Water Authority’s approach.
Operating Loss – The Water Authority experienced an Operating Loss of $74,000 that will be presented in the GAAP based financial statements of the CAFR. The main driver of the loss was reduced water sales. The loss would have been greater had management not taken measures including implementing a hiring freeze, deferring certain CIP projects, reducing professional services expenses, suspending most travel, limiting training to critical needs, postponing equipment purchases, and withholding the budgeted $1 million supplemental pension plan payment.

COVID-19 Pandemic Expenses – A recap of how the Water Authority responded to the pandemic was given and a summary of expenses, excluding labor, was presented. Through September 21, 2020, direct purchases of pandemic related items approximated $49,000 and the Water Authority plans to file a claim in November with FEMA to seek reimbursement for these unbudgeted costs including appropriate labor costs once finalized.

- October 15, 2020: Director’s Katz and Scalzitti conducted an independent phone call with Mrs. Jennifer Farr, as a sub-committee of the Audit Committee where they had an opportunity to ask questions. The discussion included an update on the Audit Process to date noting that all audit field work was completed for Fiscal Year 2020; that Mrs. Farr reported that staff was well prepared and responded to all inquiries timely; and, that there were no difficulties encountered during the audit.

- October 26, 2020: Mrs. Farr gave a presentation on the Fiscal Year 2020 audit results and explained the different auditor reports. She stated that the Water Authority received an unmodified (clean) opinion for Fiscal Year 2020 and that there were no issues noted concerning internal controls. Included in the presentation were comments on the procurement card testing procedures that were performed and that the testing showed that the purchases had appropriate approvals and they were for appropriate Water Authority business purposes. No audit issues were noted as part of this testing. An update was given on the water inventory variance mentioned earlier and the variance was significantly reduced in the Water Authority’s favor but not yet finalized, and that any remaining reconciling amount would be charged to Fiscal Year 2021 once determined. The original variance was immaterial to the Fiscal Year 2020 financial statements.

Additionally, Controller Woidzik gave a presentation covering the audit engagement, CAFR highlights, and Fiscal Year financial results focusing on changes in assets, liabilities and net position, as well as changes in revenues and expenses compared to Fiscal Year 2019.

The Committee members commented that they did a review of the CAFR and were appreciative of the responses to their questions. The Committee expressed their appreciation for the work of Davis Farr and staff that went into completing the annual audit and CAFR. The Audit Committee accepted the CAFR and directed staff to deliver the audited CAFR to the Board of Directors.
Comprehensive Annual Financial Statements
The Audit Committee directed staff to deliver the Fiscal Year 2020 CAFR to the Board along with the Audit Committee Annual Report. The CAFR includes the Letter of Transmittal from the General Manager and Director of Finance/Treasurer, Auditor’s Opinion Letter, Management’s Discussion and Analysis, Financial Statements, Notes to the Financial Statements, Required Supplementary Information, Other Supplementary Information, Statistical Section, and Continuing Disclosure. A hard copy will be provided to the Board members and an electronic copy will be posted on our website on November 11, 2020.

Prepared by: Betty Evans, Audit Committee Chair

Attachments:

Attachment 1 - Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards
Attachment 2 - Independent Auditor’s Letter on Communication with Those Charged with Governance at the Conclusion of the Audit
Attachment 3 - Water Authority Comprehensive Annual Financial report for the Fiscal Year ended June 30, 2020 in PDF format on the Water Authority’s website (physical copy to be provided to the Board members)
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Board of Directors
San Diego County Water Authority
San Diego, California

Independent Auditor’s Report

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States the financial statements of San Diego County Water Authority ("Authority") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated October 14, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was
not an objective of our audit, and accordingly, we do not express such an opinion. The
results of our tests disclosed no instances of noncompliance or other matters that are
required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control
and compliance and the results of that testing, and not to provide an opinion on the
effectiveness of the entity’s internal control or on compliance. This report is an integral part
of an audit performed in accordance with Government Auditing Standards in considering the
entity’s internal control and compliance. Accordingly, this communication is not suitable for
any other purpose.

Irvine, California
October 14, 2020
Board of Directors  
San Diego County Water Authority  
Irvine, California

We have audited the financial statements of San Diego County Water Authority (“Authority”) for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 24, 2020. Professional standards also require that we communicate to you the following information related to our audit.

**Significant Audit Findings**

**Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by San Diego County Water Authority are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the fiscal year ended June 30, 2020. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Examples of significant judgments and estimates reflected in the Authority’s financial statements include:

- Judgments involving the useful lives and depreciation methodology to use for capital assets
- Judgments concerning which capital project expenditures should be capitalized and depreciated versus expensed in the financial statements and judgments concerning which projects should be placed in service
- Estimates involving the calculation of the net pension liability and related transactions
- Estimates involving the calculation of the other post-employment benefit (OPEB) liability and related transactions

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:
Board of Directors
San Diego County Water Authority
Page 2

- The disclosure of pensions in note 12 to the financial statements
- The disclosure of commitments and contingencies related to litigation in note 17 to the financial statements

**Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

**Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We noted one uncorrected misstatement to adjust water inventory in the amount of $375,477. Management has determined that the effect of the uncorrected misstatement is immaterial to the financial statements taken as a whole. Additionally, there was one material adjustment made as a result of the audit process to remove projects from construction in progress that should have been written off in prior years and record the related prior period adjustment.

**Disagreements with Management**

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor’s report. We are pleased to report that no such disagreements arose during the course of our audit.

**Management Representations**

We have requested certain representations from management that are included in the management representation letter dated October 14, 2020.

**Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to San Diego County Water Authority’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as San Diego County Water Authority’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.
Other Matters

We applied certain limited procedures to Management’s Discussion and Analysis, Schedule of Changes in the Net Pension Liability and Related Ratios, Schedule of Pension Contributions, Schedule of Changes in the Net OPEB Liability and Related Ratios, and Schedule of OPEB Contributions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Budgetary Comparison Schedule, which accompanies the financial statements but is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the Introductory and Statistical Sections which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of Board of Directors and management of San Diego County Water Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Irvine, California
October 14, 2020
November 11, 2020

Attention: Administrative and Finance Committee

Adopt Annual Statement of Investment Policy, as amended, and continue to delegate authority to the Treasurer to invest Water Authority funds for Calendar Year 2021. (Action)

Recommendation
Adopt the Annual Statement of Investment Policy, as amended, and continue to delegate authority to the Treasurer to invest Water Authority funds for Calendar Year 2021.

Alternative
Adopt the Annual Statement of Investment Policy, without amendments, and continue to delegate authority to the Treasurer to invest Water Authority funds for Calendar Year 2021.

Fiscal impact
There is no fiscal impact.

Executive Summary
- Staff recommended changes to the Investment Policy are based upon recent changes adopted in California Government Code in consultation with the Water Authority’s investment advisor.
  - Update Commercial Paper language to clarify permitted securities and increase the maximum portfolio exposure to 30 percent total.
  - Revise downgrade language in the event of a security downgrade below investment policy minimums.
  - Exempt zero-interest U.S. Treasuries from ineligible investments.

Background
It is the policy of the Board to review and approve the Annual Statement of Investment Policy (Policy) and to delegate the investment authority to the Treasurer on an annual basis. Annual statements of investment policy and quarterly updates to the legislative body are optional per California Government Code (Code) section 53646. However, the Water Authority annually reviews, updates and adopts its Policy and submits a monthly Treasurer’s Report to the Board. Staff believes that the annual review and adoption of the Policy by the Board, along with submission of the monthly Treasurer’s Report to the Board, is central to a transparent portfolio management process.

Each year staff review changes to the Code to ensure the Water Authority’s Policy is kept current with the Code. As a part of the annual review, Chandler Asset Management a private investment advisor under contract with the Water Authority, also conducted a review of the Policy. Also, each year the staff reviews market conditions and evaluates the Water Authority Investment Strategy.
Previous Board Action
On November 21, 2019, the Board approved the updated Annual Statement of Investment Policy.

Discussion
After review, there are three recommended changes to the Annual Statement of Investment Policy for Calendar Year 2021. The Water Authority’s Investment Policy continues to be more conservative than California Government Code 53601.

Commercial Paper:
Add language to further clarify the type of commercial paper permitted. This update is consistent with California Government Code 53601. In addition, SB 998 increased the maximum portfolio exposure of commercial paper to 40 percent total, effective 1/1/2021. Staff recommends increasing the maximum portfolio exposure to 30 percent total, remaining more conservative than California Government Code 53601.

Portfolio Limitations:
Revise downgrade language to allow the investment manager to take immediate action in the event of a security downgrade below investment policy minimums.

Ineligible Investments:
Update the limitation on zero-interest securities to exempt U.S. Treasuries from ineligible investments per SB 998, effective 1/1/2021.

These recommendations have been incorporated into the attached Annual Statement of Investment Policy for Calendar Year 2021 and are summarized below. The recommended changes are highlighted in “redline” format in the attachment.

Prepared by:       Toni-Marie Kahre, Assistant Management Analyst
                  Alan Okewole, Senior Accountant
Reviewed by:       Lisa Marie Harris, Director of Finance/Treasurer
Approved by:      Dan Denham, Assistant General Manager
Attachment:       Annual Statement of Investment Policy for Calendar Year 2021
INTRODUCTION

The purpose of this document is to identify various policies and procedures that enhance opportunities for a prudent and systematic investment policy and to organize and formalize investment related activities. The ultimate goal is to enhance the economic status of the Water Authority while protecting its funds.

The Board of Directors and, upon formal delegation, the Treasurer for the San Diego County Water Authority, duly authorized to invest Water Authority monies by California Government Code, are trustees of Water Authority funds and therefore fiduciaries subject to the prudent investor standard.

SCOPE

It is intended that this policy cover all funds and investment activities under the direct authority of the San Diego County Water Authority, except for the employee’s retirement and deferred compensation funds. For investment purposes, the Water Authority manages the Operating Fund, Rate Stabilization Fund, Pay-As-You-Go Fund, Equipment Replacement Fund and Stored Water Fund together as the Pooled Operating Fund. The funds under the direct authority of the San Diego County Water Authority are accounted for in the Comprehensive Annual Financial Report and include:

Operating Fund – Holds the Water Authority’s working capital and emergency operating reserve.

Rate Stabilization Fund – Established to mitigate future water rate increases.

Pay-As-You-Go Fund (PAYGO) – Funds are dedicated for construction outlays and debt service.

Equipment Replacement Fund – Used to purchase minor capital equipment such as computer systems, vehicles, etc.

Stored Water Fund – Used to purchase water to fill Water Authority reservoirs.

Construction (CIP) Fund – Holds the proceeds of long-term debt and commercial paper to be expended for construction.

Debt Service Reserve Fund – Holds the required legal reserve for Water Authority debt issues.
OBJECTIVES

The investment policies and practices of the Board of Directors and the Treasurer for the San Diego County Water Authority are based upon limitations placed on it by governing legislative bodies. These policies have three primary goals:

1. To assure compliance with all Federal, State and Local laws governing the investment of monies under the control of the Treasurer.

2. To protect the principal monies entrusted to this organization.

3. To generate the maximum amount of investment income within the parameters of this Annual Statement of Investment Policy.

These goals are enhanced by the following objectives in order of importance.

A. Safety: It is the primary duty and responsibility of the Treasurer to protect, preserve and maintain cash and investments placed in his/her trust. Each investment transaction shall seek to ensure that capital losses are avoided, whether from institution default, broker-dealer default, or erosion of market value of securities. The Treasurer shall evaluate or cause to have evaluated each potential investment, seeking both quality in issuer and in underlying security or collateral. Diversification of the portfolio will be used in order to reduce exposure to principal loss.

B. Liquidity: An adequate percentage of the portfolio will be maintained in liquid short-term securities which can be converted to cash if necessary to meet disbursement requirements. Since all cash requirements cannot be anticipated, investment in securities with active secondary markets will be utilized. These securities will have a low sensitivity to market risk.

C. Return on Investments: The investment portfolio will be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints for safety and liquidity needs.

D. Public Trust: All participants in the investment process shall act as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. The overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust. In a diversified portfolio it must be recognized that occasional measured losses are inevitable, and must be considered within the context of the overall portfolio’s investment return, provided that adequate diversification has been implemented.

PRUDENT INVESTOR STANDARD

The Board of Directors and Treasurer adhere to the guidance provided by the “prudent investor standard”, California Government Code (Section 53600.3), which obligates a fiduciary to insure that “When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of
the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law.”

DELEGATION OF AUTHORITY

The investment, per this policy, of Water Authority idle monies is annually delegated to the Treasurer by the Board of Directors who shall thereafter assume full responsibility for those transactions until the delegation of authority is revoked or expires. The Treasurer may delegate the day-to-day operations of investing to his/her designee(s), but not the responsibility for the overall investment program. A memorandum will be forwarded to the General Manager indicating the individual who is acting on the behalf of the Treasurer which details the period of time the designee will be responsible for the investment function. All transactions will be reviewed by the Treasurer on a regular basis to assure compliance with this Annual Statement of Investment Policy.

The Water Authority may engage the services of one or more external investment advisers, who are registered under the Investment Advisers Act of 1940, to assist in the management of the Water Authority’s investment portfolio in a manner consistent with the objectives. External investment advisers may be granted discretion to purchase and sell investment securities in accordance with this investment policy.

ETHICS AND CONFLICT OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officers shall disclose any material financial interest in financial institutions that conduct business with this jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the Water Authority’s portfolio. Employees and officers shall subordinate their personal investment transactions to those of the Water Authority, particularly with regard to the timing of purchases and sales, and shall avoid transactions that might impair public confidence. All officers and employees involved in the investment of public funds are required to comply with the Water Authority’s Conflict of Interest Code.

AUTHORIZED INVESTMENT INSTRUMENTS - POOLED OPERATING FUND

The Water Authority is governed by the California Government Code, Sections 53600 et seq. Within the context of these limitations, the following investments are authorized:

Local Agency Investment Fund (LAIF): The Water Authority may invest in the Local Agency Investment Fund established by the State Treasurer for the benefit of local agencies (Government Code Section 16429.1(b)). In order to ensure that LAIF is purchasing securities that comply with the Government Code, the monthly LAIF report shall be reviewed by the Treasurer. The maximum permitted investment will be governed by State Law.

Bankers’ Acceptances: The Water Authority may invest in Banker’s Acceptances, provided that they are issued by institutions which have short-term debt obligations rated “A-1” or its equivalent or better by at least one NRSRO. No more than 40 percent of the portfolio may be invested
in Banker’s Acceptances, and no more than 5 percent of the portfolio may be invested in any single issuer. The maximum maturity shall not exceed 180 days.

Treasury Securities: The Water Authority may invest in United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest (Government Code Section 53601(b)). The purchase of zero-coupon, or strips, is not permitted. Because these investments are the safest possible, there is no maximum portfolio limit.

Repurchase Agreements: The Water Authority may invest (Government Code Section 53601(j)) in overnight and term repurchase agreements with primary dealers of the Federal Reserve Bank of New York and have long-term debt obligations which are rated in a rating category of “A” or its equivalent or better by at least one NRSRO with which the Water Authority has entered into a master repurchase agreement. This agreement will be modeled after the Securities Industry and Financial Markets Association (SIFMA)’s master repurchase agreement.

All collateral used to secure this type of transaction is to be delivered to a third party prior to release of funds. The third party will have an account in the name of the San Diego County Water Authority. The market value of securities used as collateral for repurchase agreements shall be monitored on a daily basis by the Treasurer and will not be permitted to fall below 102 percent of the value of the repurchase agreement. Collateral shall not include strips, zero-coupon instruments or instruments with maturities in excess of five years. The right of substitution will be granted, provided that permissible collateral is maintained.

In order to conform with provisions of the Federal Bankruptcy Code which provides for the liquidation of securities held as collateral for repurchase agreements, the only securities acceptable as collateral shall be securities that are direct obligations of and guaranteed by the U.S. Government and Agency securities as permitted under this policy. The Water Authority will maintain a first perfected security interest in the securities subject to the repurchase agreement and shall have a contractual right to liquidation of purchased securities upon the bankruptcy, insolvency or other default of the counterparty. Maximum portfolio exposure will be limited to 20 percent and maturities that do not exceed one year.

Certificates of Deposit: The Water Authority may invest in Time Deposits (Non-Negotiable Certificates of Deposit). They may invest in Federally Insured Time Deposits in state or federally chartered banks, savings and loans, or credit unions, provided that the amount per institution is limited to the maximum covered under federal insurance, no more than 20 percent of the portfolio will be invested in a combination of federally insured and collateralized time deposits, and the maximum maturity does not exceed five (5) years. The Water Authority may invest in Collateralized Time Deposits in state or federally chartered bank, savings and loans, or credit unions in excess of insured amounts which are fully collateralized with the securities in accordance with California law, provided that no more than 20 percent of the portfolio will be invested in a combination of federally insured and collateralized time deposits, and the maximum maturity does not exceed five (5) years. The maximum portfolio exposure, combined with placement services and Negotiable CDs, is limited to 30 percent and no more than 5 percent of the portfolio may be invested in any single issuer.

Placement Service Deposits: The Water Authority may invest in deposits placed with a private sector entity that assists in the placement of deposits with eligible financial institutions located in the United States (Government Code Section 53601.8). The full amount of the principal and the interest
that may be accrued during the maximum term of each deposit shall at all times be insured by federal deposit insurance. The combined maximum portfolio exposure to deposits placed pursuant to this section, Certificates of Deposits, and Negotiable Certificates of Deposit is limited to 30 percent. Maximum investment maturity will be restricted to five years.

**Negotiable Certificates of Deposit:** The Water Authority may invest in negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings association or federal association, a state or federal credit union, or by a federally licensed or state licensed branch of a foreign bank, provided that no more than 30 percent of the total portfolio is invested in NCDs (in combination with CDs and Placement Services), and no more than 5 percent may be invested in a single issuer, and the maximum maturity shall not exceed five (5) years. The amount of the NCD insured up to the FDIC limit does not require any credit ratings, and any amount above the FDIC insured limit must be issued by institutions which have short term debt obligations rated “A-1” or its equivalent or better by at least one NRSRO; or long term obligations rated in a rating category of “A” or its equivalent or better by at least one NRSRO.

**Commercial Paper:** The Water Authority may invest in the highest grade of commercial paper (Government Code Section 53601(h)), are rated “A-1” or its equivalent or better by at least one NRSRO, issued only by general corporations that are organized and operating within the United States and having total assets in excess of $500 million. If the issuer general corporation has long term ratings, they must have long-term obligations rated in a rating category of “A” or its equivalent or better by at least one NRSRO. The Water Authority may also invest in commercial paper issued by issuers organized within the United States as a special purpose corporation, trust, or limited liability company, provided the securities have program-wide credit enhancements including, but not limited to, overcollateralization, letters of credit, or a surety bond and the securities are rated “A-1” or the equivalent or better by at least one NRSRO. Purchases shall not exceed ten percent of the outstanding paper of the issuing general corporation. Maximum investment maturity will be restricted to 270 days. Maximum portfolio exposure is limited to 25 percent and single-issuer holdings to no more than 5 percent per issuer.

**Medium-Term Notes:** The Water Authority may invest in corporate and depository institution debt securities provided that the issuer is a corporation organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Securities must have long-term obligations rated in a rating category of “A” or its equivalent or better by at least one NRSRO. Permissible types of notes include fixed rate and variable rate. Maximum investment maturity is restricted to five years. Maximum portfolio exposure is limited to 30 percent and single-issuer holdings to no more than 5 percent per issuer.

**Municipal Securities:** The Water Authority may invest in: (i) Registered treasury notes or bonds issued by any of the 50 United States, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any state (Government Code Section 53601(c)(d)); and (ii) Bonds, notes, warrants, or other evidence of debt issued by a local agency or municipality located within California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency (Government Code Section 53601(a)(e)). Securities must have long-term obligations rated in a rating category of “A” or its equivalent or better by at least one NRSRO. Maximum portfolio exposure is limited to 30 percent and single-issuer holdings to no more than 5 percent per issuer.
Agencies: The Water Authority may invest in federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises (Government Code Section 53601(f)). Agency callable securities are limited to a maximum allocation of 20 percent of the portfolio.

Supranationals: The Water Authority may invest in United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank. Securities must be eligible for purchase and sale within the United States and have a minimum rating of “AA” as rated by Moody’s Investors Service, Standard and Poor’s, or Fitch Ratings. Maximum maturity is limited to 5 years. Maximum portfolio exposure is limited to 15 percent and single-issuer holdings to no more than 5 percent per issuer.

Asset-Backed, Mortgage-Backed, Mortgage Pass-Through Securities, and Collateralized Mortgage Obligations from issuers not defined in the Treasury and Agencies section of the Authorized Investment Instruments section of this policy: The Water Authority may invest in these securities, given that the securities are rated in a rating category of “AA” or its equivalent or better by a NRSRO. No more than 20 percent of the total portfolio may be invested in these securities, and no more than 5 percent of the portfolio may be invested in any single Asset-backed or mortgage security issuer. The maximum legal final maturity does not exceed five (5) years.

Mutual Funds and Money Market Mutual Funds: Must be registered with the Securities and Exchange Commission under the Investment Company Act of 1940, provided that:
   a. Mutual Funds: invest in the securities and obligations as authorized under California Government Code, Section 53601 (a) to (k) and (m) to (q) inclusive and that meet either of the following criteria:
      1. Attained the highest ranking or the highest letter and numerical rating provided by not less than two (2) NRSROs; or
      2. Have retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years’ experience investing in the securities and obligations authorized by California Government Code, Section 53601 and with assets under management in excess of $500 million.
      3. No more than 10 percent of the total portfolio may be invested in shares of any one mutual fund.
   b. Money Market Mutual Funds: registered with the Securities and Exchange Commission under the Investment Company Act of 1940 and issued by diversified management companies and meet either of the following criteria:
      1. Have attained the highest ranking or the highest letter and numerical rating provided by not less than two (2) NRSROs; or
      2. Have retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years’ experience managing money market mutual funds with assets under management in excess of $500 million.
      3. No more than 20 percent of the total portfolio may be invested in shares of any one Money Market Mutual Fund.
   c. No more than 20 percent of the total portfolio may be invested in these securities.
Local Government Investment Pools: The Water Authority may invest in local government investment pools created by a joint powers authority authorized under Government Code Section 53601(p). Pools must have the highest rating by at least one of the three largest NRSROs nationally recognized statistical rating organizations. Maximum portfolio exposure is limited to 25 percent.

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Maximum Maturity</th>
<th>Maximum % of Portfolio</th>
<th>% Issuer</th>
<th>Minimum Rating Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Agency Investment Fund</td>
<td>Maximum permitted by program</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Banker's Acceptances</td>
<td>180 days</td>
<td>40%</td>
<td>5%</td>
<td>A-1, A by one NRSRO</td>
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<tr>
<td>US Treasury</td>
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<td>None</td>
<td>None</td>
<td>None</td>
</tr>
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<td>Repurchase Agreement</td>
<td>1 year</td>
<td>20%</td>
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<tr>
<td>Non-Negotiable CD</td>
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<td>30% all CDs</td>
<td>None</td>
<td>Limited to insured amount</td>
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<td>CDARS</td>
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<td>30% all CDs</td>
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</tr>
<tr>
<td>Negotiable CD</td>
<td>5 years</td>
<td>30% all CDs</td>
<td>5%</td>
<td>A-1, A by one NRSRO</td>
</tr>
<tr>
<td>Commercial Paper</td>
<td>270 days</td>
<td>25%</td>
<td>5%</td>
<td>A-1, A by one NRSRO</td>
</tr>
<tr>
<td>Corporate Medium Term Notes</td>
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<td>30%</td>
<td>5%</td>
<td>A by one NRSRO</td>
</tr>
<tr>
<td>Municipal Bonds</td>
<td>None</td>
<td>30%</td>
<td>5%</td>
<td>A by one NRSRO</td>
</tr>
<tr>
<td>Federal Agency Obligations</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Supranationals</td>
<td>5 years</td>
<td>15%</td>
<td>5%</td>
<td>AA by one NRSRO</td>
</tr>
<tr>
<td>ABS, MBS, &amp; CMO (Non-UST/non-agency)</td>
<td>5 years</td>
<td>20%</td>
<td>5%</td>
<td>AA by one NRSRO</td>
</tr>
<tr>
<td>Mutual Funds</td>
<td>N/A</td>
<td>20%</td>
<td>10%</td>
<td>Highest by 2 NRSROs</td>
</tr>
<tr>
<td>Money Market Mutual Funds</td>
<td>N/A</td>
<td>20%</td>
<td>20%</td>
<td>Highest by 2 NRSROs</td>
</tr>
<tr>
<td>LGIP</td>
<td>N/A</td>
<td>25%</td>
<td>25%</td>
<td>AAA or higher by one NRSRO</td>
</tr>
</tbody>
</table>

Authorized Investments Summary

AUTHORIZED INVESTMENT INSTRUMENTS - BOND PROCEEDS, DEBT SERVICE AND OTHER AFFILIATED ENTITIES

All investment types listed above are authorized investments for bond proceeds, debt service, and other affiliated entities with the addition of the following:

Collateralized Guaranteed Investment Contracts (GICs)/Full Flex Repurchase Agreements: Investment of funds in GICs is permitted, as per Section 5922 of the Government Code, when
collateralized by U.S. Government guaranteed and direct obligation securities. Collateral must be held by a third party institution, and must be marked to market on a weekly basis to a minimum of the value of the outstanding balance of the contract. The maximum maturity date on a GIC is limited to the final maturity date of the bonds being issued.

Initially Uncollateralized Guaranteed Investment Contracts (GICs): Investment of funds in GICs which are not initially collateralized is permitted, as per Section 5922 of the Government Code, only if (a) the term of the GIC does not exceed three (3) years, (b) the counterparty to the GIC is rated in the highest long-term rating category by both Moody’s Investors Service and Standard & Poor’s (or whose payment obligations under such GIC are insured or guaranteed by an entity the unsecured obligations of which are so rated), and (c) the GIC requires that it be collateralized as described above in the event the counterparty’s rating is downgraded below the highest long-term rating category by either Moody’s Investors Service or Standard & Poor’s.

Local Agency Investment Fund (LAIF): The Water Authority may also invest bond proceeds in the Local Agency Investment Fund (Government Code Section 16429.1(d)). There is a $175M limit on the amount of bond proceeds that may be deposited into the fund. Liquidity for bond proceeds, per fund regulations, is thirty calendar day increments from the date of the initial deposit. Bond proceeds deposited in LAIF should be managed to include a 90-day review by the Treasurer to insure safety, as well as probable income.

In the event that a conflict arises between the bond covenants and this Annual Statement of Investment Policy, the following will guide the (re)investment of bond proceeds: when the Annual Statement of Investment Policy is more conservative than the bond covenants, the Annual Statement of Investment Policy will prevail; if the bond covenants are more conservative than the Annual Statement of Investment Policy, the bond covenants will prevail. All future debt transaction reinvestment guidelines will incorporate the current Annual Statement of Investment Policy into the bond covenants.

The Board of Directors has granted the Treasurer the authority to invest debt service reserve funds in U.S. Treasury, federal agency, and municipal securities with maturities exceeding 5 years if it is considered to be in the best interest of the Water Authority and if the maturity of such investments does not exceed the expected use of funds.

PORTFOLIO LIMITATIONS

The total dollar amount of bond proceeds and debt service reserve funds invested are to be excluded from the total used to calculate percentages for investment types.

Percentage limitations, where listed, are applicable at the date of purchase. In the event that the percentage limits attributable to a security type is exceeded due to a temporary imbalance in the portfolio, the Treasurer will make a determination as to the appropriate course of action. The appropriate course of action may be to liquidate securities to rebalance the portfolio or to hold the securities to maturity in order to avoid a market loss. Portfolio percentages are in place to ensure diversification of the investment portfolio and, as such, a small temporary imbalance would not violate this basic tenet. When a portfolio percentage is exceeded, the Treasurer will report the occurrence in the Treasurer’s Report at the next regularly scheduled Administrative and Finance Committee meeting of the Board, with detail of the strategy determined to address the imbalance, for Board ratification.

Credit requirements listed in this policy indicate the minimum credit rating (or its equivalent) required at the time of purchase without regard to modifiers (e.g., +/- or 1, 2, 3). In the event that an
investment originally purchased within policy guidelines is downgraded to a credit level making the security an ineligible investment for future purchases, the investment manager may take action related to the downgrade. Any action taken related to the downgrade by the investment manager will be communicated to the Treasurer in a timely manner. The Treasurer shall report it at the next regularly scheduled Administrative and Finance Committee meeting of the Board. The course of action to be followed will then be decided on a case-by-case basis, considering such factors as the reason for the downgrade, prognosis for recovery or further rating downgrades, and the market price of the security.

INELIGIBLE INVESTMENTS

State law notwithstanding, any investments not specifically described herein are prohibited, including, but not limited to futures and options.

In accordance with Government Code, Section 53601.6, investment in inverse floaters, range notes, or mortgage derived interest-only strips is prohibited. Investment in any security that could result in a zero interest accrual if held to maturity is prohibited, with the exception of securities issued or backed by the US government.

Trading securities for the sole purpose of speculating on the future direction of interest rates is prohibited.

Purchasing or selling securities on margin is prohibited.

The use of reverse repurchase agreements, securities lending or any other form of borrowing or leverage is prohibited.

The purchase of foreign currency denominated securities is prohibited.

INTERNAL CONTROLS

A system of internal controls has been established and documented in writing in the Water Authority’s Financial Services Policies and Procedures Manual. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, and misrepresentation of third parties, unanticipated changes in financial markets or imprudent action by employees and officers of the Water Authority. Controls deemed most important include: control of collusion, separation of duties and administrative controls, separating transaction authority from accounting and record keeping, custodial safekeeping, clear delegation of authority, management review and approval of investment transactions, specific limitations regarding securities losses and remedial action, written confirmation of telephone transactions, minimizing the number of authorized Investment Officials, documentation of transactions and strategies, and code of ethics standards. The Treasurer has established an annual process of independent review by an external audit firm. This review provides assurance of strong internal controls by reviewing compliance with previously established policies and procedures.

REPORTING

Monthly Reports

Monthly transaction reports will be submitted by the Treasurer to the Governing Body within 30 days of the end of the reporting period in accordance with California Government Code Section 53607.

Quarterly Reports

At a minimum frequency of quarterly, the Water Authority will submit an investment report to the Governing Body which provides full disclosure of the Water Authority’s investment activities within 30 days after the end of the period. These reports will disclose, at a minimum, the following information about the Water Authority’s portfolio:
1. An asset listing showing par value, cost and independent third-party fair market value of each security as of the date of the report, the source of the valuation, type of investment, issuer, maturity date, and interest rate.

2. Transactions for the period.

3. A description of the funds, investments and programs (including lending programs) managed by contracted parties (i.e. LAIF; investment pools, outside money managers and securities lending agents)

4. A one-page summary report that shows:
   a. Average maturity of the portfolio and modified duration of the portfolio;
   b. Maturity distribution of the portfolio;
   c. Percentage of the portfolio represented by each investment category;
   d. Average portfolio credit quality; and,
   e. Time-weighted total rate of return for the portfolio for the prior one month, three months, twelve months and since inception compared to the Water Authority’s market benchmark returns for the same periods;

5. A statement of compliance with investment policy, including a schedule of any transactions or holdings which do not comply with this policy or with the California Government Code, including a justification for their presence in the portfolio and a timetable for resolution.

6. A statement that the Water Authority has adequate funds to meet its cash flow requirements for the next six months.

QUALIFIED BANKS AND SECURITIES DEALERS

A competitive bid process, when practical, will be used to place all investment purchases and sales transactions. For any investment transaction not conducted directly with the issuer, the Water Authority shall conduct business only with banks, savings and loans, and registered investment securities dealers. The Water Authority’s staff will investigate all institutions that wish to conduct business with the Water Authority. All institutions must sign the appropriate Information Request Form, and agree to abide by the conditions set forth in the Water Authority’s Annual Statement of Investment Policy. A list will be maintained by the cash management staff of approved institutions and securities broker/dealers. This will be done annually by having the financial institutions complete and return the Broker Dealer Information Request Form and an audited financial statement within 90 days of the institution’s fiscal year-end. Previous Board approved substitute certification language may be offered to primary dealers of the Federal Reserve at the discretion of the Treasurer. In the event the substitute language is not accepted by the primary dealer, the Treasurer may return to the Water Authority’s Board for approval of alternative language proposed by the primary dealer. If the Water Authority is utilizing the services of an investment advisor, the investment advisor may use their own list of approved issuers and financial institutions for executing transactions.

RISK MANAGEMENT AND DIVERSIFICATION

The Water Authority recognizes that investment risks can result from issuer defaults, market price changes or various technical complications leading to temporary illiquidity. Portfolio diversification is employed as a way to control risk. The Treasurer is expected to display prudence in the selection of
securities, as a way to minimize default risk. No individual investment transaction shall be undertaken which jeopardizes the total capital position of the overall portfolio. The Treasurer shall periodically establish guidelines and strategies to control risks of default, market price changes and illiquidity.

**Mitigating Credit Risk in the Portfolio**
Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The Water Authority will mitigate credit risk by adopting the following strategies:

The diversification requirements included in the “Authorized Investments” section of this policy are designed to mitigate credit risk in the portfolio.

No more than 5 percent of the total portfolio may be deposited with or invested in securities issued by any single issuer unless otherwise specified in this policy.

The Water Authority may elect to sell a security prior to its maturity and record a capital gain or loss in order to manage the quality, liquidity or yield of the portfolio in response to market conditions or Agency’s risk preferences.

**Mitigating Market Risk in the Portfolio:**
Market risk is the risk that the portfolio value will fluctuate due to changes in the general level of interest rates. The Water Authority recognizes that, over time, longer-term portfolios have the potential to achieve higher returns. On the other hand, longer-term portfolios have higher volatility of return. The Water Authority will mitigate market risk by providing adequate liquidity for short-term cash needs, and by making longer-term investments only with funds that are not needed for current cash flow purposes.

The Water Authority further recognizes that certain types of securities, including variable rate securities, securities with principal paydowns prior to maturity, and securities with embedded options, will affect the market risk profile of the portfolio differently in different interest rate environments. The Water Authority, therefore, adopts the following strategies to control and mitigate its exposure to market risk:

The maximum stated final maturity of individual securities in the portfolio will be five (5) years, except for US Treasuries, Agencies and Municipals, or unless otherwise stated in this policy.

The duration of the portfolio will generally be approximately equal to the duration (typically, plus or minus 20 percent) of a Market Benchmark, an index selected by the Water Authority based on the Water Authority’s investment objectives, constraints and risk tolerances.

**PERFORMANCE BENCHMARK**
Controlling and managing risk is the foremost portfolio management objective. The Water Authority strives to maintain an efficient portfolio by providing for the lowest level of risk for a given level of return. The Water Authority shall monitor and evaluate the portfolio’s performance relative to the chosen market benchmark(s), which will be included in the quarterly report. The Water Authority shall select an appropriate, readily available index to use as a market benchmark.
SAFEKEEPING AND CUSTODY

To protect against potential losses caused by the collapse of security dealer(s), all book-entry securities owned by the Water Authority, including repurchase agreement collateral, shall be kept in safekeeping with “perfected interest” by a third party bank trust department, acting as agent for the Water Authority under the terms of a custody agreement executed by the bank and by the Water Authority. All securities will be received and delivered using standard delivery-versus-payment procedures. The only exception to the foregoing shall be certificates of deposit and investments in: (i) LAIF; (ii) local government investment pools; and (iii) money market funds, since the purchased securities are not deliverable. A record of these investments shall be held by the Treasurer.

STATEMENT OF INVESTMENT POLICY

This Annual Statement of Investment Policy shall be reviewed and submitted annually to the Board of Directors in order to incorporate any changes necessary to ensure consistency and its relevance to current law, and financial and economic trends. This Annual Statement of Investment Policy shall be reviewed at a public meeting and voted on prior to the start of each calendar year.

Glossary of Investment Terms

AGENCIES. Shorthand market terminology for any obligation issued by a government-sponsored entity (GSE), or a federally related institution. Most obligations of GSEs are not guaranteed by the full faith and credit of the US government. Examples are:

- FFCB. The Federal Farm Credit Bank System provides credit and liquidity in the agricultural industry. FFCB issues discount notes and bonds.
- FHLB. The Federal Home Loan Bank provides credit and liquidity in the housing market. FHLB issues discount notes and bonds.
- FHLMC. Like FHLB, the Federal Home Loan Mortgage Corporation provides credit and liquidity in the housing market. FHLMC, also called “FreddieMac” issues discount notes, bonds and mortgage pass-through securities.
- FNMA. Like FHLB and FreddieMac, the Federal National Mortgage Association was established to provide credit and liquidity in the housing market. FNMA, also known as “FannieMae,” issues discount notes, bonds and mortgage pass-through securities.
- GNMA. The Government National Mortgage Association, known as “GinnieMae,” issues mortgage pass-through securities, which are guaranteed by the full faith and credit of the US Government.
- PEFCO. The Private Export Funding Corporation assists exporters. Obligations of PEFCO are not guaranteed by the full faith and credit of the US government.
- TVA. The Tennessee Valley Authority provides flood control and power and promotes development in portions of the Tennessee, Ohio, and Mississippi River valleys. TVA currently issues discount notes and bonds.

ASKED. The price at which a seller offers to sell a security.

ASSET BACKED SECURITIES. Securities supported by pools of installment loans or leases or by pools of revolving lines of credit.

AVERAGE LIFE. In mortgage-related investments, including CMOs, the average time to expected receipt of principal payments, weighted by the amount of principal expected.
**Banker’s Acceptance.** A money market instrument created to facilitate international trade transactions. It is highly liquid and safe because the risk of the trade transaction is transferred to the bank which “accepts” the obligation to pay the investor.

**Benchmark.** A comparison security or portfolio. A performance benchmark is a partial market index, which reflects the mix of securities allowed under a specific investment policy.

**Bid.** The price at which a buyer offers to buy a security.

**Broker.** A broker brings buyers and sellers together for a transaction for which the broker receives a commission. A broker does not sell securities from his own position.

**Callable.** A callable security gives the issuer the option to call it from the investor prior to its maturity. The main cause of a call is a decline in interest rates. If interest rates decline since an issuer issues securities, it will likely call its current securities and reissue them at a lower rate of interest. Callable securities have reinvestment risk as the investor may receive its principal back when interest rates are lower than when the investment was initially made.

**Certificate of Deposit (CD).** A time deposit with a specific maturity evidenced by a certificate. Large denomination CDs may be marketable.

**Certificate of Deposit Account Registry System (CDARS).** A private placement service that allows local agencies to purchase more than $250,000 in CDs from a single financial institution (must be a participating institution of CDARS) while still maintaining FDIC insurance coverage. CDARS is currently the only entity providing this service. CDARS facilitates the trading of deposits between the California institution and other participating institutions in amounts that are less than $250,000 each, so that FDIC coverage is maintained.

**Collateral.** Securities or cash pledged by a borrower to secure repayment of a loan or repurchase agreement. Also, securities pledged by a financial institution to secure deposits of public monies.

**Collateralized Mortgage Obligations (CMO).** Classes of bonds that redistribute the cash flows of mortgage securities (and whole loans) to create securities that have different levels of prepayment risk, as compared to the underlying mortgage securities.

**Commercial Paper.** The short-term unsecured debt of corporations.

**Cost Yield.** The annual income from an investment divided by the purchase cost. Because it does not give effect to premiums and discounts which may have been included in the purchase cost, it is an incomplete measure of return.

**Coupon.** The rate of return at which interest is paid on a bond.

**Credit Risk.** The risk that principal and/or interest on an investment will not be paid in a timely manner due to changes in the condition of the issuer.

**Current Yield.** The annual income from an investment divided by the current market value. Since the mathematical calculation relies on the current market value rather than the investor’s cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

**Dealer.** A dealer acts as a principal in security transactions, selling securities from and buying securities for his own position.

**Debenture.** A bond secured only by the general credit of the issuer.

**Delivery vs. Payment (DVP).** A securities industry procedure whereby payment for a security must be made at the time the security is delivered to the purchaser’s agent.

**Derivative.** Any security that has principal and/or interest payments which are subject to uncertainty (but not for reasons of default or credit risk) as to timing and/or amount, or any security which represents a component of another security which has been separated from other components (“Stripped” coupons and principal). A derivative is also defined as a financial instrument the value of which is totally or partially derived from the value of another instrument, interest rate, or index.
**Discount.** The difference between the par value of a bond and the cost of the bond, when the cost is below par. Some short-term securities, such as T-bills and banker’s acceptances, are known as discount securities. They sell at a discount from par, and return the par value to the investor at maturity without additional interest. Other securities, which have fixed coupons, trade at a discount when the coupon rate is lower than the current market rate for securities of that maturity and/or quality.

**Diversification.** Dividing investment funds among a variety of investments to avoid excessive exposure to any one source of risk.

**Duration.** The weighted average time to maturity of a bond where the weights are the present values of the future cash flows. Duration measures the price sensitivity of a bond to changes in interest rates. (See modified duration).

**Federal Funds Rate.** The rate of interest charged by banks for short-term loans to other banks. The Federal Reserve Bank through open-market operations establishes it.

**Federal Open Market Committee.** A committee of the Federal Reserve Board that establishes monetary policy and executes it through temporary and permanent changes to the supply of bank reserves.

**Leverage.** Borrowing funds in order to invest in securities that have the potential to pay earnings at a rate higher than the cost of borrowing.

**Liquidity.** The speed and ease with which an asset can be converted to cash.

**Local Agency Investment Fund (LAIF).** A voluntary investment fund open to government entities and certain non-profit organizations in California that is managed by the State Treasurer’s Office.

**Local Government Investment Pool.** Investment pools that range from the State Treasurer’s Office Local Agency Investment Fund (LAIF) to county pools, to Joint Powers Authorities (JPAs). These funds are not subject to the same SEC rules applicable to money market mutual funds.

**Make Whole Call.** A type of call provision on a bond that allows the issuer to pay off the remaining debt early. Unlike a call option, with a make whole call provision, the issuer makes a lump sum payment that equals the net present value (NPV) of future coupon payments that will not be paid because of the call. With this type of call, an investor is compensated, or "made whole."

**Margin.** The difference between the market value of a security and the loan a broker makes using that security as collateral.

**Market Risk.** The risk that the value of securities will fluctuate with changes in overall market conditions or interest rates.

**Market Value.** The price at which a security can be traded.

**Marking to Market.** The process of posting current market values for securities in a portfolio.

**Maturity.** The final date upon which the principal of a security becomes due and payable.

**Medium Term Notes.** Unsecured, investment-grade senior debt securities of major corporations which are sold in relatively small amounts on either a continuous or an intermittent basis. MTNs are highly flexible debt instruments that can be structured to respond to market opportunities or to investor preferences.

**Modified Duration.** The percent change in price for a 100 basis point change in yields. Modified duration is the best single measure of a portfolio’s or security’s exposure to market risk.

**Money Market.** The market in which short-term debt instruments (T-bills, discount notes, commercial paper, and banker’s acceptances) are issued and traded.

**Mortgage Pass-Through Securities.** A securitized participation in the interest and principal cash flows from a specified pool of mortgages. Principal and interest payments made on the mortgages are passed through to the holder of the security.

**Municipal Securities.** Securities issued by state and local agencies to finance capital and operating
expenses.

**MUTUAL FUND.** An entity which pools the funds of investors and invests those funds in a set of securities which is specifically defined in the fund’s prospectus. Mutual funds can be invested in various types of domestic and/or international stocks, bonds, and money market instruments, as set forth in the individual fund’s prospectus. For most large, institutional investors, the costs associated with investing in mutual funds are higher than the investor can obtain through an individually managed portfolio.

**NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO).**
A credit rating agency that the Securities and Exchange Commission in the United States uses for regulatory purposes. Credit rating agencies provide assessments of an investment’s risk. The issuers of investments, especially debt securities, pay credit rating agencies to provide them with ratings. The three most prominent NRSROs are Fitch, S&P, and Moody's.

**NEGOTIABLE CD.** A short-term debt instrument that pays interest and is issued by a bank, savings or federal association, state or federal credit union, or state-licensed branch of a foreign bank. Negotiable CDs are traded in a secondary market.

**PREMIUM.** The difference between the par value of a bond and the cost of the bond, when the cost is above par.

**PREPAYMENT SPEED.** A measure of how quickly principal is repaid to investors in mortgage securities.

**PREPAYMENT WINDOW.** The time period over which principal repayments will be received on mortgage securities at a specified prepayment speed.

**PRIMARY DEALER.** A financial institution (1) that is a trading counterparty with the Federal Reserve in its execution of market operations to carry out U.S. monetary policy, and (2) that participates for statistical reporting purposes in compiling data on activity in the U.S. Government securities market.

**PRUDENT PERSON (PRUDENT INVESTOR) RULE.** A standard of responsibility which applies to fiduciaries. In California, the rule is stated as “Investments shall be managed with the care, skill, prudence and diligence, under the circumstances then prevailing, that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of like character and with like aims to accomplish similar purposes.”

**REALIZED YIELD.** The change in value of the portfolio due to interest received and interest earned and realized gains and losses. It does not give effect to changes in market value on securities, which have not been sold from the portfolio.

**REGIONAL DEALER.** A financial intermediary that buys and sells securities for the benefit of its customers without maintaining substantial inventories of securities and that is not a primary dealer.

**REPURCHASE AGREEMENT.** Short-term purchases of securities with a simultaneous agreement to sell the securities back at a higher price. From the seller’s point of view, the same transaction is a reverse repurchase agreement.

**SAFEKEEPING.** A service to bank customers whereby securities are held by the bank in the customer’s name.

**STRUCTURED NOTE.** A complex, fixed income instrument, which pays interest, based on a formula tied to other interest rates, commodities or indices. Examples include inverse floating rate notes which have coupons that increase when other interest rates are falling, and which fall when other interest rates are rising, and "dual index floaters," which pay interest based on the relationship between two other interest rates - for example, the yield on the ten-year Treasury note minus the Libor rate. Issuers of such notes lock in a reduced cost of borrowing by purchasing interest rate swap agreements.

**SUPRANATIONAL.** A Supranational is a multi-national organization whereby member states transcend national boundaries or interests to share in the decision making to promote economic
development in the member countries.

**Total Rate of Return.** A measure of a portfolio’s performance over time. It is the internal rate of return, which equates the beginning value of the portfolio with the ending value; it includes interest earnings, realized and unrealized gains, and losses in the portfolio.

**U.S. Treasury Obligations.** Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are considered to have no credit risk, and are the benchmark for interest rates on all other securities in the US and overseas. The Treasury issues both discounted securities and fixed coupon notes and bonds.

**Treasury Bills.** All securities issued with initial maturities of one year or less are issued as discounted instruments, and are called Treasury bills. The Treasury currently issues three- and six-month T-bills at regular weekly auctions. It also issues “cash management” bills as needed to smooth out cash flows.

**Treasury Notes.** All securities issued with initial maturities of two to ten years are called Treasury notes, and pay interest semi-annually.

**Treasury Bonds.** All securities issued with initial maturities greater than ten years are called Treasury bonds. Like Treasury notes, they pay interest semi-annually.

**Volatility.** The rate at which security prices change with changes in general economic conditions or the general level of interest rates.

**Yield to Maturity.** The annualized internal rate of return on an investment which equates the expected cash flows from the investment to its cost.
November 11, 2020

Attention: Engineering and Operations Committee

Change Orders to OHL USA, Inc. DBA Group OHL North America for the Mission Trails Flow Regulatory Structure II and Flow Control Facility project. (Action)

Staff Recommendation
Accept staff executed Change Order 1 for a cost of $186,120 and authorize the General Manager to execute a pending change order for up to $500,000 to replace Water Authority furnished pipe with new piping to connect the Mission Trails Flow Regulatory Structure II to the Second Aqueduct.

Alternative
Do not accept Change Order 1, do not authorize the pending change order and provide direction to staff relative to issues requiring resolution.

Fiscal Impact
Sufficient funds are available in the fiscal years 2020 and 2021 Capital Improvement Program appropriation. The rate category for this project is transportation.

Executive Summary
- The Board awarded a contract to OHL USA, Inc. DBA Group OHL North America (OHL) for $28,382,746 in January 2020.
- Board actions are needed to accept staff executed change order and to authorize the General Manager to execute a pending change order to replace Water Authority furnished pipe with new piping to connect the flow regulatory structure to Pipeline 3.
- Approval of these actions will increase the OHL contract by up to $686,120, or 2.4 percent of the original contract.
- Construction is 35 percent complete and is scheduled to be completed by spring of 2022.

Background
The Mission Trails Flow Regulatory Structure II and Flow Control Facility (MTFRSII and FCF) project is located in the City of San Diego within Mission Trails Regional Park, south of State Route 52, and east of Interstate 15, as shown on Figure 1. The project includes constructing a 4.88-million-gallon flow regulatory structure, removing eight aqueduct vent structures, constructing a 135 cubic feet per second flow control facility, constructing connections to the Second Aqueduct, and abandoning two miles of prestressed concrete cylinder pipe, as shown in Figure 2. Construction is approximately 35 percent complete and is scheduled to be complete by spring 2022.

Staff executed Change Order 1 under General Manager’s signature authority. There is another pending change order that will exceed the General Manager’s cumulative signature authority of...
$500,000. The Board action recommended today includes acceptance of the previously executed change order and authorization for the General Manager to execute a pending change order which is further described below.

Previous Board action: On January 23, 2020 the Board awarded the construction contract to OHL USA, Inc. DBA Group OHL North America, for $28,382,746.

Discussion
Staff recommends the Board accept OHL change order 1 executed under the General Manager’s authority, for a cost of $186,120. These items are summarized below and include differing site conditions, design errors, and administrative contract revisions. A full listing of contract modifications is attached in Table 1.

Differing Site Conditions: Staff executed three differing site condition modifications in the amount of $64,976. The major items included: additional costs to remove an existing pipe casing that was not shown on the plans; cost to remove hard rock at the south tunnel connection; and to revise the location of the Pipeline 3 isolation bulkhead.

Design Errors: Staff executed one design error modification for a cost of $11,896. This item revised the steel handrail inside of the flow regulatory structure to be type 316 stainless steel.

Administrative: Staff executed three administrative modifications for a cost of $109,248. The major items were to increase the quantity of Bid Item 24: Construction Site Maintenance and increase the quantity of Bid Item 20: Storm Water Pollution Prevention Plan Administration. These items were extended to match the contract duration that was extended during the bidding phase.

Staff also recommends the Board authorize the General Manager to execute a pending change order in an amount not to exceed $500,000 to OHL for replacing Water Authority furnished pipe. The Water Authority furnished 267 lineal feet of 92-inch diameter pipe to the contractor for use in making connections to the Second Aqueduct. This pipe was originally procured in 2009 to be used to connect this project to the existing Water Authority system, but as presented at the August 2019 Board meeting, the Mission Trails FRSII and FCF project was deferred by the Board in 2011 based on recommended Capital Improvement Program prioritization due to reduced water demands. As a result, this Water Authority furnished pipe has been stored in our yard for the past 11 years.

During the design phase, the Design Team performed a visual inspection of the stored pipe and found it acceptable except for minor defects in the pipe lining. A repair allowance of $50,000 was included in the contract to pay for required repairs of minor defects. After the construction contract was awarded, the contractor performed an independent condition assessment and determined the pipe lining was no longer acceptable to use because it was separating from the steel pipe. Subsequently, staff performed a full pipe condition assessment and confirmed the contractor’s findings.
The contractor contacted four specialty subcontractors to remove and replace the failed lining and found that the cost was going to be comparable to buying new pipe with a factory lining. Furthermore, the contractor notified us of his concerns that the risk of removing and replacing the lining could result in a delay to the project schedule. Therefore, staff recommends issuing a change order to the contractor to purchase new pipe and take a credit for the repair allowance. The total cost of this change order is not expected to exceed $500,000.

This change order item is classified as a design error because the condition assessment performed during the design phase was wrong and the pipe lining was no longer acceptable to use. If we had known about this issue prior to bid, the requirement to procure new pipe would have been included in the contract documents and would have been included in the contractor’s bid for this project.

Approval of this action will increase the OHL’s authorized contract total by up to $686,120 from $28,382,746 to $29,068,866 which brings the total change order percentage to an increase of approximately 2.4 percent.

The small business participation for this project is 6 percent. The women-owned business participation is less than 7 percent. This information is provided for statistical purposes.

Prepared by: Aaron Trimm, Senior Engineer
Reviewed by: Jerry Reed, Director of Engineering
Approved by: Sandra L. Kerl, General Manager

Attachments:
Figure 1 – General Vicinity Map
Figure 2 – Location Map
Table 1 – Summary of Construction Change Orders
PROJECT: CAPITAL IMPROVEMENT PROGRAM

MISSION TRAILS FRS II
GENERAL VICINITY MAP

FIGURE 1

LEGEND

Water Authority Pipeline

SCALE (feet)

Mission Trails FRS II & FCF Project Site

Second Aqueduct

Miramar Reservoir

San Vicente Pipeline

SR52 Crossing

Mission Trails FBS

San Diego County Water Authority

W:\GRAPHICS\C0601\Mission Trails Projects General Vicinity Map 11-2020.pdf
TABLE 1
SUMMARY OF CONSTRUCTION CHANGE ORDERS
Mission Trails Flow Regulatory Structure II and Flow Control Facility
SPECIFICATION 652

<table>
<thead>
<tr>
<th>Change Order</th>
<th>Item No.</th>
<th>Classification</th>
<th>Description</th>
<th>Amount</th>
<th>Contract Time Extension</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1</td>
<td>Differing Site Condition</td>
<td>Remove Existing Pipe Casing</td>
<td>$27,449</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>2</td>
<td>Differing Site Condition</td>
<td>Remove Non-Rippable Material at South Tunnel Connection</td>
<td>$26,962</td>
<td></td>
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<tr>
<td>1</td>
<td>3</td>
<td>Differing Site Condition</td>
<td>Revise Location for Pipeline 3 Bulkhead</td>
<td>$10,565</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>4</td>
<td>Design Error</td>
<td>Provide Type 316 Stainless Steel Guardrail</td>
<td>$11,896</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>5</td>
<td>Administrative Modifications</td>
<td>Increase Bid Item 20: Storm Water Pollution Prevention Plan Administration</td>
<td>$1,248</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>6</td>
<td>Administrative Modifications</td>
<td>Increase Bid Item 24: Construction Site Maintenance</td>
<td>$108,000</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>7</td>
<td>Administrative Modifications</td>
<td>Extend Pipeline 3 Isolation Shutdown Completion Date</td>
<td>$0</td>
<td>MS 1 - 62 Days</td>
</tr>
</tbody>
</table>

Total amount through Change Order 1: $186,120
Total time extension: 0 Days
Original Board authorized contract amount: $28,382,746
New executed contract amount: $28,568,866
Original Signature Authority: $500,000
Remaining Signature Authority: $313,880
Signature Authority Level: General Manager
November 11, 2020

Attention: Imported Water Committee

Regional Conveyance System Study - Phase B. (Action)

The purpose of this memo is to provide the Board the outcome of the Board-directed outreach process conducted over the past three months on the Regional Conveyance System Study (RCSS) Phase A results. The memo also outlines feedback from member agencies and other stakeholders and staff’s recommended Phase B scope and revisions in response to the input received. This information aims to help further inform the Board’s decision on Phase B.

Staff Recommendation
A. Transfer $452,000 within the Capital Improvement Program (CIP) Lifetime Budget from Pipeline 6 to the RCSS for an overall net zero impact to the CIP to address feedback received during the Board-directed three-month outreach process; and
B. Authorize the General Manager to execute Amendment 2 to the professional services contract with Black & Veatch Corporation (BV) for a period of 18 months, in the amount of $622,000, increasing the authorized cumulative contract amount from $1,890,000 to $2,512,000; and
C. Authorize staff to implement the revised Phase B scope of work for the RCSS.

Alternatives
1. Authorize staff to implement the existing Phase B scope of work for the RCSS at no additional cost. This alternative would not address feedback received during the Board-directed three-month outreach process.
2. Do not authorize proceeding to RCSS Phase B.

Fiscal Impact
Staff’s recommendation to transfer $452,000 within the CIP Lifetime Budget from Pipeline 6 to the RCS will result in an overall net zero impact to the CIP. Funds are available in the fiscal years 2020 and 2021 CIP appropriation. The approval of Phase B as recommended by staff would be an estimated expenditure of $1,752,000. The rate category for this project is customer service.
Executive Summary

- The Water Authority currently receives delivery of its low cost, highly reliable QSA supplies through an Exchange Agreement with the Metropolitan Water District of Southern California (MWD), which expires in 2047 for the Imperial Irrigation District (IID) Water Transfer.

- In 2047, the initial term of the IID Water Transfer ends but may be extended to 2077 by mutual consent of the parties. The cost of using MWD facilities to deliver the Water Authority’s QSA water has increased 30% over the last five years.

- To date, the Water Authority has been unable to negotiate an acceptable long-term Exchange Agreement with MWD in order to manage future cost and risk.

- In June 2019, the Board approved a $3.9 million capital budget for a new two-phase study to expand upon past studies of an alternative water delivery system with a focus on controlling and reducing long-term costs and risks.

- In July 2019, the Board authorized a professional services agreement with BV totaling $1,890,000 for Phases A and B.

- Phase A scope was completed in August 2020 with a focus on engineering and costs and demonstrated that the Regional Conveyance System (RCS) is technically viable, and economically competitive.

- In August 2020, the Board approved the General Manager’s recommendation to defer the Phase B decision to November, perform additional outreach and hear from all interested parties, and allow expenditure of up to $200,000 of Phase B funds for such activities. The primary question to be addressed during this period was the respective analyses and comparison of the MWD and RCS alternatives by Water Authority and member agency consultants.

- Based on Phase A results and member agency and stakeholder feedback, staff is recommending proceeding with Phase B with a revised scope for an additional cost of $452,000.

- Phase B would focus on economic analysis of the two conveyance alternatives as well as explore partnerships, take 15 to 18 months to complete, and include another offramp at the end.

Background

Since the Water Authority does not have a pipeline or aqueduct to the Colorado River to convey its 280,000 acre-feet of QSA supplies to the San Diego region, it pays MWD to deliver these supplies via an Exchange Agreement that expires in 2047 for the IID transfer water and 2112 for the canal lining water. The cost of using MWD facilities to deliver the Water Authority’s QSA supplies has increased 30% over the last five years. In November 2019, MWD informed the Water Authority that continued use of its Colorado River Aqueduct would cost San Diego ratepayers between at least $12 billion (assumes no IID transfer agreement extension) to $18 billion (assumes IID transfer agreement extension only through 2077) between now and 2112. In either instance, MWD would deliver canal lining water through 2112. Assuming an IID transfer agreement extension through 2112, staff estimated the MWD alternative to cost approximately $27.6 billion (2020$). Though, note that to date, the Water Authority has been unable to negotiate an acceptable long-term Exchange Agreement with MWD in order to manage future cost and risk.
In June 2019, the Board approved a $3.9 million capital budget for the RCS two-phase study to build upon previous work contained in the Regional Water Facilities Optimization and Master Plan in order to identify a potential long-term alternative for conveyance of the Water Authority’s QSA water.

The current study includes key areas that have not previously been assessed to determine feasibility, such as integration of the RCS into the Water Authority’s aqueduct system. Furthermore, the current study also looks at the RCS through a new lens of potential partnerships and multi-benefit facilities along each of the conveyance routes that could yield benefits to multiple stakeholders in the Southwest, in alignment with Governor Newsom’s recently finalized Water Resilience Portfolio.

Table 1 shows the June 2019 Board approved Phase A and B scope of work for BV, other consultants, and Water Authority staff for technical and financial analysis of the RCS. This scope was shaped by input from the Colorado River Work Group, Board, and Member Agency Managers (MAM).

<table>
<thead>
<tr>
<th>Table 1: Final Scope of Work By Phase</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Phase A ($2.6M)</strong></td>
</tr>
<tr>
<td><strong>BV ($1.89M)</strong></td>
</tr>
<tr>
<td>• Northern Alternative 3A</td>
</tr>
<tr>
<td>• System integration</td>
</tr>
<tr>
<td>• Multi-use, partnerships &amp; funding opportunities</td>
</tr>
<tr>
<td>• Demand forecast – 2015 Urban Water Management Plan (UWMP) 2018 Interim Demand Forecast Reset</td>
</tr>
<tr>
<td>• Treatment, blending &amp; brine management</td>
</tr>
<tr>
<td>• Permit &amp; environmental requirements</td>
</tr>
<tr>
<td>• Risk analysis - Qualitative</td>
</tr>
<tr>
<td>• All-In costs for preliminary economic analysis</td>
</tr>
<tr>
<td>• Initial screening of alternatives</td>
</tr>
<tr>
<td><strong>Water Authority Staff and Consultants ($2.01M)</strong></td>
</tr>
<tr>
<td>• BV technical analysis support</td>
</tr>
<tr>
<td>• BV preliminary partnership analysis support</td>
</tr>
<tr>
<td>• Preliminary economic analysis</td>
</tr>
<tr>
<td></td>
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<tr>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

Phase A was completed in August 2020 with an objective to identify any technical or financial fatal flaws before investing additional time and funds to perform more extensive economic, legal, and partnership opportunity analyses and stakeholder outreach included in Phase B scope. Phase A results demonstrated the RCS is technically feasible and cost competitive with the
MWD alternative even without partnerships or grant funding. No technical or financial fatal flaws were identified for any of the conveyance routes. This conclusion was informed by both Water Authority staff and consultants’ analyses. The detailed reports can be found on the Water Authority’s website at https://www.sdcwa.org/colorado-river-supplies-management. The Water Authority consultants and the consultants hired by some of the member agencies confirmed that the RCS is technically feasible and the Phase A technical analysis and estimate of project capital and operation, maintenance and replacement costs are reasonable.

At the August 27, 2020 Board meeting, staff presented the Phase A technical and economic analyses as well as an evaluation of a member agencies’ consultant report. The Board approved the General Manager’s recommendation to defer a decision on Phase B until November 2020 to allow time to further inform a future board action through the sharing of information and further dialogue with member agencies and other key stakeholders, primarily on the question of the respective analyses and comparison of the MWD and RCS alternatives by Water Authority and member agency consultants. The Board action authorized an expenditure of up to $200,000 of Phase B funding to cover consultant and staff costs associated with the additional activities.

*Previous Board action: On August 27, 2020, the Board approved the General Manager’s recommendation to defer a decision on Phase B until November 2020 to provide time for additional dialogue with member agencies and outreach to stakeholders, as outlined in the General Manager’s letter, dated August 24, 2020, in a not to exceed amount of $200,000 of Phase B funding.*

**Discussion**

Over the past three months, as directed by the Board, Water Authority staff and consultants engaged in extensive additional briefings and outreach on RCSS Phase A results and consultant reports to ensure the full exchange of information and viewpoints based on facts and data in a fully transparent process. This outreach process resulted in a better understanding of the Phase A scope and the opportunity to receive stakeholder input on yet to be completed Phase B items.

**Briefings and Outreach**

Outreach was conducted in various forums to engage the Board members, Member Agencies, other local stakeholders, the Imperial Valley, and Borrego Springs.

**Water Authority Consultant Briefings:**

Since August, Dr. Rodney Smith with Stratecon Inc. and Robert Campbell with Water Resources Consultants (WRC) met with several of the member agencies, their respective Water Authority Board member(s), staff for the member agency, and in some cases the full member agency board. Water Authority staff did not participate in these meetings. The purpose of these briefings was for the consultants to provide an overview of their reports and answer questions. While there is considerable interest in the need to explore RCS opportunities, concerns shared at these meetings under either alternative included cost impacts to ratepayers, sensitivities in Water Authority and MWD demand forecasting, additional local supply development opportunities including reuse and stormwater capture, and treatment costs associated with the RCSS. Takeaways from these meetings was the potential to augment Phase B scope to address these issues in greater detail.
Economic Workshop:
On October 27, the Water Authority hosted a virtual workshop focused on the Phase A preliminary economic review of the conveyance alternatives. The purpose of this session was to allow attendees to:

1. Learn about the two transportation alternatives the Water Authority Board is studying to secure cost-effective delivery of QSA supplies into the future;
2. Ask Water Authority consultants about key economic issues addressed in the reports; and
3. Discuss potential next steps.

This format allowed the public to hear directly from independent economists and ask additional questions. The session was moderated by Cindy Gompper-Graves, retired President and Chief Executive Officer of the South County Economic Development Council. The Water Authority’s consultants Dr. Rodney Smith with Stratecon Inc. and Robert Campbell with WRC served as panel members. Kevin Davis, Vice President of BV, the Water Authority’s consultant responsible for the Phase A technical and cost analysis, attended to answer any cost-related questions. In alignment with the discussion at the August 27, 2020 Board meeting, the Water Authority invited the MAM consultants, DLM Engineering, Inc. and Gillingham Water, Planning and Engineering, Inc. (DLM&G) to participate as panel members. DLM&G declined to participate because their contract had ended and suggested the Water Authority both hire and indemnify them as a condition for their participation. The Water Authority did not deem this to be appropriate. The session had over 120 participants and over 80 questions were posed on various related topics, including IID and MWD agreement issues, the member agency consultant study, MWD and Water Authority rates, risk assessment, partnerships, and cost estimates. Responses to as many questions as possible were provided during the session as time permitted. Written responses to all the question provided by Stratecon, WRC, and BV along with the presentation and recording of the session are posted on the Water Authority’s website at: https://www.sdcwa.org/water-authority-hosts-public-sessions-regional-conveyance-study. A key outcome of this session was the identified need to conduct a more robust economic and risk discussion to supplement the preliminary Phase A analysis.

Local Briefings and Outreach:
In addition, Vice Chair Guerin, Water Authority staff, and BV had a conversation with San Diego Coastkeeper and listened to perspectives on local water supply issues. The discussion included prioritization of local supply development beyond planned projects and specifically the need to further analyze additional reuse and stormwater capture. Based on prior public testimony and all of these discussions, staff is recommending revisions to the Phase B scope of work to include analyses of items such as quantifying wastewater in the region as it relates to reuse, stormwater events, infrastructure needs, and jurisdictional issues. Additionally, based on comments received pertaining to water rate affordability and equal access to water for disadvantaged communities, staff recommends including this issue as part of a future Legislative and Public Outreach Committee meeting discussion item in 2021. Specifically, staff recommends that as part of the Water Authority’s legislative outreach program for 2021 within the State Legislature and Congress, the Water Authority be actively engaged in efforts to pursue direct
financial relief for water ratepayers, particularly focused on lower-income families and disadvantaged communities that have faced disproportionate impacts as a result of the economic crisis exacerbated by the COVID pandemic.

**Imperial Valley:**
Outreach in Imperial Valley pertaining to the RCSS included meetings with various stakeholders including IID, farming groups, and others.
On September 22, staff and BV presented an RCSS update to the IID Board virtually. IID Board members expressed support for continued collaboration should the study advance to Phase B, including the potential for shared-storage to address capacity constraints within IID’s canal system and determining how the project might attract renewable energy development at the Salton Sea. Staff also discussed the tenets contained in the August 2020 Water Authority’s letter to IID:

- Protection of the Salton Sea is important and goes hand-in-hand with Colorado River water conservation.
- The foundation of the Water Transfer Agreement is that it be mutually beneficial, which is why there is an opportunity to extend it beyond 2047 if both parties agree.
- The Water Authority would not pursue an increase in the amount of QSA water it receives through the IID Water Transfer or Canal Lining Projects (280,000 acre-feet/year) either through the extension of the transfer term or implementation of the RCS, if constructed.
- There would be no negative impact to farming operations as a result of the RCS.

On November 3, staff and BV attended a virtual meeting with the Imperial County Farm Bureau Board to address Farm Bureau questions on the RCSS. Discussion during the meeting included the potential impact of the RCS on the capacity within IID’s canal system, the potential for additional transfers from the valley, water rights issues and matters related to a term extension of the transfer. Staff also conducted a number of one-on-one virtual meetings with various Imperial Valley stakeholders, including members of the farming community, Imperial County staff, business representatives and environmental justice leaders. A common theme from these meetings was continuing discussions, should the study advance to Phase B, to develop a better understanding of how the project could benefit the Imperial Valley.

**Borrego Springs:**
On November 5, the Water Authority hosted a virtual public forum specific to the Borrego community. The purpose of the session was to allow attendees to:

1. Learn about route alternatives the Water Authority Board is studying to deliver QSA supplies into the future;
2. Hear expert panel discussion of key issues pertaining to Borrego Springs;
3. Understand more about development of a conveyance system; and
4. Discuss questions, answers and next steps.
The session, which was moderated by Water Authority staff, included four panel members; Kevin Davis, Vice President of BV, Françoise Rhodes, executive director of Borrego Springs Chamber of Commerce, David Garmon, president of Tubb Canyon Desert Conservancy, and Dick Troy, board president of Anza-Borrego Foundation. The session had over 50 participants with over 80 questions received on various topics, with a focus on potential environmental, economic, and construction impacts on the community, including on residents, businesses, parks, and groundwater basin. Responses to as many questions as possible were provided during the session as much as time permitted. Written responses to all the questions along with the presentation, recording of the session, and a matrix of responses to issues outlined in stakeholder letters received to date are posted on the Water Authority’s website at https://www.sdcwa.org/water-authority-hosts-public-sessions-regional-conveyance-study. A key outcome of this forum was valuable input to be considered in Phase B and further discussed with the Borrego community. Although California Environmental Quality Act (CEQA)/National Environmental Policy Act (NEPA) review is not part of Phase B, based on the input staff is recommending that an environmental constraints analysis be added to Phase B to help address community concerns.

Other Stakeholders:
Water Authority staff was invited to present on the RCSS to various groups over the past three months. These groups included the Colorado River Board of California, San Diego Building Industry Association, and California Water Commission. Additionally, a virtual meeting was held on November 4 with California Natural Resources Deputy Secretary Tom Gibson and Assistant Secretary Arturo Delgado, in charge of Salton Sea Policy, to discuss the RCSS Phase A results and potential benefits to the Salton Sea. Both state officials expressed their interest in continued dialogue.

Discussions with Member Agency Managers:
Over the past several weeks Water Authority staff has continued to meet with the MAM as a group and on a one-on-one basis to answer questions and receive additional input on Phase B. In addition to the questions already identified in the report prepared by DLM&G, two additional requests have emerged that staff recommends be further integrated into Phase B. First is the desire to have additional wet/dry year sensitivities conducted regarding future Water Authority demands. Upon the completion of the 2020 Urban Water Management Plan (UWMP) Update in the summer of 2021, staff will work with the MAM on this request and incorporate the results into the final Phase B work product. The other area of concern involves various contractual matters related to the IID water transfer. Staff agrees this should be a priority in Phase B discussions.

Existing Phase B Scope
Table 1 summarizes the elements of the existing Phase B scope. Generally, Phase B would focus on economics, partnerships, legal analysis, stakeholder outreach, to help answer questions about mitigating short-term rate impacts, the positive affect of partnerships and funding and grant opportunities, developing a plan of finance, and a review of existing agreement requirements.
The economic and risk analysis planned for Phase B on the MWD alternative would include analysis of the historic increases in MWD’s water rates and charges and planning assumptions going forward; evaluation of the reliability of MWD’s current and proposed future water supplies; review of true costs and water yield of MWD’s current and planned projects and assess impact on MWD water rates and charges and their contribution to the reliability of MWD future water supplies; projection of the source and amount of future demand for MWD’s water; and evaluation of other MWD rate drivers to facilitate update of the forecast tool of MWD’s water rates and charges. The same rigorous analysis would be applied to Water Authority rate and cost projections.

Staff would begin engaging with entities on potential partnership projects identified in Phase A such as public-private-partnerships, bi-national projects, renewable energy projects, regional operational storage projects, Salton Sea-related projects, and partnerships with tribes, federal and state governments, and member agencies. For instance, the Water Authority would initiate detailed discussions with IID on potential shared facilities and a water transfer agreement extension. In this regard, Phase B would entail an extensive legal analysis of the implications of the RCS on QSA and associated water rights issues. Outreach with stakeholders would continue.

Staff Recommended Additions to Phase B Scope
Based on input received during the outreach activities, additional items were identified for inclusion in Phase B. Table 2 summarizes these items and the associated costs of the Phase B scope that would be completed by BV:

1. An environmental constraint analysis for major resource areas including biological, cultural, tribal, and land use, and planning for a future CEQA/NEPA process;
2. The study of alternative cost effective treatment strategies that takes advantage of in-county potable reuse and desalination projects that re-opens the blending concept option;
3. The assessment of new local water supply development projects to augment existing and planned supplies - reuse;
4. The assessment of new local water supply development projects to augment existing and planned supplies - stormwater capture;
5. Additional sensitivities associated with Water Authority demands, following publication of the Water Authority’s 2020 UWMP Update.

Table 2: Phase B BV Scope Adjustment and Costs By Recommendation and Alternatives

<table>
<thead>
<tr>
<th>Scope item</th>
<th>Staff Recommendation</th>
<th>Alternative 1 (Implement Existing Scope)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Environmental Constraints</td>
<td>$105,000</td>
<td></td>
</tr>
<tr>
<td>2. Treatment Analysis</td>
<td>$116,000</td>
<td></td>
</tr>
<tr>
<td>3. Water Reuse/Local Supply Analysis</td>
<td>$276,000</td>
<td></td>
</tr>
<tr>
<td>4. Stormwater Capture Feasibility Study</td>
<td>$75,000</td>
<td></td>
</tr>
<tr>
<td>5. Additional Demand Sensitivity Analysis</td>
<td>$50,000</td>
<td></td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>$622,000</strong></td>
<td><strong>$0</strong></td>
</tr>
<tr>
<td><strong>Phase A Savings</strong></td>
<td><strong>($170,000)</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$452,000</strong></td>
<td><strong>$0</strong></td>
</tr>
</tbody>
</table>
Attachment 1 provides a detailed description of the items outlined in Table 2.

**Staff Recommendation**

Based on Phase A results and additional outreach conducted, staff recommends continuing to Phase B with scope revision to address stakeholder input and to further inform the study work. The additional fiscal impact of the staff recommendation is $452,000, after accounting for the $170,000 Phase A savings due to project management efficiencies. Staff’s recommendation increases the Phase B budget requirement from $1,300,000 to $1,752,000. Note that the three-month public outreach costs were less than anticipated, at approximately $100,000, and funded by the remaining Phase A budget, maintaining the full Phase B budget for this scope. To fund this additional work, a project budget increase would be required. Therefore, staff is also recommending a transfer of $452,000 within the CIP Lifetime Budget from Pipeline 6 to the RCSS for an overall net zero impact to the Capital Improvement Program. The Pipeline 6 budget is not projected to be required until after 2035, in accordance with the current 2013 Water Facilities Master Plan. The upcoming 2023 Water Facilities Master Plan Update will reevaluate the need for Pipeline 6 and, if required, a future budget increase will be recommended. As a result of staff’s recommendation, the existing RCSS budget would increase from $3,900,000 to $4,352,000 for both phases.

Since BV would be performing this additional work, staff recommends the Board authorizing the General Manager to execute Amendment 2 to the professional services contract with BV for a period of 18 months, in the amount of $622,000, increasing the authorized cumulative contract amount from $1,890,000 to $2,512,000. Amendment 1 was a no cost administrative amendment that extended the term of Phase A to accommodate delays to the Board action on Phase B. As discussed above, separate from today’s recommended actions, based on comments received pertaining to water rate affordability and equal access to water for disadvantaged communities, staff recommends including this issue as part of a future Legislative and Public Outreach Committee meeting discussion item in 2021.

If the Board approves staff’s recommendation, Phase B is anticipated to take between 15 and 18 months to complete. At the end of Phase B, there would be another offramp for the Board to consider the additional information and analysis, and any potential next steps. During the course of Phase B work, staff would provide updates to the Board.

Prepared by:  Mojgan Poursadighi, Engineer P.E.
Darren Simon, QSA Outreach Coordinator

Reviewed by:  Kelly Rodgers, Director of the Colorado River Program
Dan Denham, Deputy General Manager

Approved by:  Sandra L. Kerl, General Manager

Attachment:
(1) Phase B BV Scope Adjustments
ATTACHMENT 1

Phase B BV Scope Adjustments

1. Environmental Constraints Analysis ($105,000)
   • Biological Resources Constraints Desktop Analysis - GIS Layers
   • Cultural Resources Constraints Desktop Analysis - GIS Layers
   • Tribal Resources Constraints Desktop Analysis - GIS Layers
   • Land Use Constraints Analysis Desktop Analysis - GIS Layers
   • Planning Constraints Analysis Desktop Analysis - GIS Layers
   • Discussions with Resource Agencies

2. Treatment Analysis ($116,000)
   • Assess Blending Opportunities in San Diego County with Indirect Potable Reuse (IPR) Water
   • Assess Areas of Delivery Without Blending Potential And Water Quality Impacts
   • Define Impacts of Increased Total Dissolved Solids (TDS) at Delivery Points in Water Authority Aqueduct System
   • Define Additional San Diego Region RCS Treatment Requirements
   • Prepare Concept Level Definition of San Diego Facilities Needed
   • Prepare Concept Level Cost Estimates for San Diego Facilities Needed
   • Prepare Concept Level Operational Costs for San Diego Facilities Needed
   • Prepare Implementation Schedule for San Diego Facilities Needed

3. Water Reuse/Local Supply Analysis ($276,000)
   • Assess Potential Wastewater Accessible Through 2045
   • Assess Total IPR/non-potable reuse (NPR) Supply Potential Through 2045
   • Prepare Concept Level Definition of IPR/NPR Supplies Through 2045
   • Assess Potential Non-Wastewater Supply Options Through 2045
   • Prepare Concept Level Definition of Local Ocean Desal
   • Prepare Concept Level Definition of Local Brackish Groundwater Desal
   • Prepare Concept Level Cost Estimates for Local Supply Development
   • Prepare Concept Level Operational Costs for Local Supply Development
   • Prepare Implementation Schedule for Local Supply Development

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4. **Stormwater Capture Feasibility Study ($75,000)**
   - Goals and Criteria Workshop
   - Low Flow Diversion Strategy
   - Statistical Analysis of Stormwater Capture Opportunities
   - Future Study Requirements
   - Summary Document

5. **Additional Demand Sensitivity Analysis ($50,000)**
   - Goals and Criteria Workshop
   - Probabilistic Wet-Year/Dry-Year Analysis of Project Flows
   - Evaluation of Storage Opportunities Within the Water Authority’s System
   - Impacts to Cost Estimates Based on Demand Scenarios
   - Demand Management Strategy Development
November 11, 2020

**Attention: Imported Water Committee**

**Metropolitan Water District’s Regional Recycled Water Program Update. (Presentation)**

**Purpose**

This memo provides an update on the Regional Recycled Water Program (RRWP) and project being considered by the Metropolitan Water District of Southern California (MWD).

<table>
<thead>
<tr>
<th>Executive Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>• In 2010, MWD began to contemplate being directly involved in a recycled water project and in 2015, it moved forward with constructing a demonstration plant that could lead to the RRWP, which would further treat effluent from the Los Angeles County Sanitation Districts (LACSD) terminus plant¹ to provide up to 150 million gallons daily (mgd), or 168,000 acre-feet per year (AFY), of product water to four groundwater basins in Los Angeles and Orange counties. (Two other basins, initially considered, were later removed from the program.)</td>
</tr>
<tr>
<td>• MWD’s development of the RRWP would expand its historic role from a supplemental imported water provider to also a local resource developer and supplier; in addition, MWD is considering developing some of this water for the benefit of out-of-state agencies by forming “partnerships” to “exchange or transfer” its Colorado River water.</td>
</tr>
<tr>
<td>• Following the most recent drought in 2012-2016 and the state’s mandatory conservation measures, MWD’s water sales have been trending downward with fiscal years 2019 and 2020 water sales at their lowest levels in nearly four decades; this downward trend and MWD’s long-term fiscal sustainability was the focus of its October 2019 Board retreat, along with what its future “role” should be to meet its member agencies water supply needs and/or provide “insurance.”</td>
</tr>
<tr>
<td>• The MWD Board indicated that its future role and services, including potential “insurance,” would be best informed by the 2020 update to its Integrated Water Resource Plan (IRP), MWD’s long-term resource planning document.</td>
</tr>
<tr>
<td>• The 2020 IRP update is expected to identify the future demand for MWD water and how the RRWP would fit in with MWD’s other resource investments, reliability strategies, and vision of its future role.</td>
</tr>
<tr>
<td>• This month, the MWD Board authorized proceeding with the RRWP’s $30.2 million planning effort, including environmental review, which MWD says will assist in addressing some of these issues. (To date, MWD has authorized more than $20 million to develop this program.)</td>
</tr>
</tbody>
</table>

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¹ The Joint Water Pollution Control Plant located in Carson
Background
In 2010 MWD began contemplating a potential recycled water program that would treat wastewater from LACSD for groundwater replenishment use. In 2015, MWD authorized moving forward with a demonstration plant, which began operations in late 2019 and is expected to continue with testing and additional studies through July 2021. The findings of these studies will have significant impacts on the planning and design of full-scale project. MWD held two Board “workshops” on this potential 150 mgd, or 168,000 AFY program. Held on July 23, 2019, the first one focused on “program implementation and delivery” and was accompanied by a white paper. The second “workshop,” held on October 12, 2020, also included a white paper (white paper #2), and intended to focus on the program’s “planning, financial considerations and agreements.” Attachment 1 provides more background on the RRWP’s development.

Proposed Phased RRWP
As currently described, the RRWP is a phased program that would provide water for replenishment of groundwater basins in Los Angeles and Orange counties. The first phase would consist of a 100 mgd Advanced Water Treatment Plant (AWT) and the “Backbone System,” a pipeline, with 150 mgd capacity, from the AWT located in Carson to the Santa Fe Spreading Grounds to deliver product water to the Central and Main San Gabriel basins in Los Angeles County. Phase 2 would expand the AWT’s capacity by 50 mgd and add to the Backbone System to include the “Full System” with pipelines to deliver product water to the Orange County and West Coast basins. The program does not include direct potable reuse (DPR) right now, but MWD is preserving “flexibility” to expand the program by connecting RRWP infrastructure to MWD’s Weymouth or Diemer water treatment plants. Additional costs to convert the program to DRP are not included in the program’s current estimate. Figure 1 shows the full-scale program and potential DPR options. Table 1 provides the two phases’ cost estimates, which exclude costs associated with DPR.

![Figure 1. The proposed full-scale RRWP and potential DPR options](image)

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2 More information on the program’s pilot study in the memo Metropolitan Water District’s Potential Regional Recycled Water Program starting on page 200 of the Water Authority’s December 2016 Board packet found here: https://www.sdcwa.org/meetings-and-documents
Table 1. Costs of RRWP’s Phase 1 and Full Program (in 2018 dollars)

<table>
<thead>
<tr>
<th></th>
<th>Phase 1</th>
<th>Full Program²</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(100 mgd)</td>
<td>(150 mgd)</td>
</tr>
<tr>
<td>Capital Costs¹,³</td>
<td>$2.6 billion</td>
<td>$3.4 billion</td>
</tr>
<tr>
<td>Annual O&amp;M Costs ($/year)¹</td>
<td>$69 million</td>
<td>$129 million</td>
</tr>
<tr>
<td>Estimated product water costs ($/AF)¹</td>
<td>$1,813</td>
<td>$1,826</td>
</tr>
<tr>
<td>MWD’s 2020 Full Service Untreated Water Rate ($/AF)</td>
<td>$755</td>
<td>$755</td>
</tr>
</tbody>
</table>

¹Costs are in 2018 dollars. Source: MWD’s Regional Recycled Water Program Conceptual Planning Studies Report dated February 21, 2019²
²Does not include cost for DPR to Weymouth or Diemer WTPs
³Costs include a 25 percent contingency for engineering services and a 35 percent overall program contingency.

“Partnerships”

As proposed, the full-scale program’s product water would only be available for groundwater replenishment use and to certain MWD member agencies, first in Los Angeles County and then Orange County. Since these member agencies are not the managers of the basins planned to receive product water, MWD must coordinate with both the member agencies and the groundwater basin managers, which themselves include multiple parties and complex processes under basin adjudications. In December 2019, MWD staff stated it is also considering transferring or exchanging some of “Metropolitan’s Colorado River or [State Water Project] SWP supplies in return for a financial investment in the RRWP” through out-of-state agency “partnerships.” To facilitate coordination and further consideration of these agencies, MWD has signed Letters of Intent (LOIs) with some of them. MWD also has an LOI with the Los Angeles Department of Water and Power (LADWP), since LADWP, in conjunction with the Los Angeles City Bureau of Sanitation, is working to meet Los Angeles’ goal of recycling 100 percent of its wastewater by 2035⁶ and there may be potential overlap between Los Angeles’ efforts and MWD’s. In total, MWD has signed six LOIs with: 1) Arizona Department of Water and Power and Central Arizona Water Conservation District (Arizona); 2) Southern Nevada Water Authority (SNWA); 3) Central and West Coast Groundwater basins; 4) Los Angeles County Flood Control District; 5) Main San Gabriel Water Basin; and 6) LADWP. Attachment 2 is a table summarizing these LOIs. Although the full-scale program plans to deliver water to the Orange County Basin, which is managed by the Orange County Water District (OCWD), MWD stated, without further explanation, that a “LOI [is] not being pursued at this time” with OCWD. MWD describes these LOIs as “represent[ing] a statement of the Parties’ general intent to continue collaboration discussions with the goal of developing a future agreement or [Memorandum of Understanding] MOU;” and they are nonbinding and do not include commitments to either take or pay for product water.

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⁵ This report found here: [http://mwdh2o.com/DocSvsPubs/rrwp/assets/1-rrwp_conceptual_planning_studies_report_02212019.pdf](http://mwdh2o.com/DocSvsPubs/rrwp/assets/1-rrwp_conceptual_planning_studies_report_02212019.pdf)

⁶ Los Angeles’ Hyperion Water Reuse and Resiliency Program will produce up to about 190,000 AFY of purified water.
Discussion
A November 2016 Potential Regional Recycled Water Program Feasibility Study found the RRWP is “technically feasible” and “can be implemented through the existing regulatory process.” However, the study also stated, “a project of this complexity and geographic scope has considerable institutional challenges, none of which appear to be insurmountable, but will require significant effort to address.” These “challenges” include and relate to policy considerations surrounding MWD’s regional role, allocation of the program’s costs between MWD and LACSD and between MWD member agencies, as well as financial arrangements to mitigate risks to MWD. The 2020 IRP, which MWD is in the process of updating, may inform the Board’s discussion of these policy issues and arrangements. The program was not included in the 2015 IRP and no program costs were included in MWD’s 10-year rate forecast as part of its fiscal years 2021 and 2022 biennial budget, except for the planning costs approved by the Board at its November 2020 meeting.

Policy Considerations
There are several policy considerations for the MWD Board to deliberate before implementing the RRWP, which can be addressed during the program’s planning effort. The program would be a new and significant non-potable water resource. The 2015 IRP identified a set of IRP actions and targets, and with the implementation of those actions, which did not include the RRWP, concluded that the region’s risks of water shortage and allocation would be minimized. The 2020 IRP update is expected to address how the implementation of RRWP will impact other resource investments, including the Bay Delta tunnel and local resources funding program.

Implementing the RRWP would change MWD’s role to a local supply producer. While MWD has supported the development of local supplies historically, its involvement has been limited to providing financial subsidies when and if local projects produce water, with the member agency bearing the responsibility and ultimately having ownership and operation of facilities. This new role would require MWD to take on the risk of developing the program and to ensure there is a “market” for the product water, a risk that is heightened because it is non-potable. The potential out-of-state partners could magnify the risk depending on agreement terms. It is also important to understand how the out-of-state partnerships could impact MWD’s need for Bay-Delta supply, which the IRP also intends to address. As a result of these and other concerns, the Water Authority’s MWD Delegation supported a motion (made by Director Ortega (Fullerton)) to defer entering into an agreement with the SNWA, which passed with a 57.64 percent support.

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7 This study found here: http://mwdh2o.com/PDF_About_Your_Water/Potential_RRWP_Feasibility_Study_Rpt.pdf
8 The IRP is MWD’s long-term water resources plan that aims to ensure the region has affordable and reliable water by coordinating MWD’s supplemental imported water resources with the implementation of local resources, including water use efficiency. For more information on MWD’s 2020 IRP update, see the memo Update on Metropolitan Water District’s 2020 Integrated Water Resources Plan starting on page 69 of the Water Authority’s September 2020 Board packet found here: https://www.sdcwa.org/meetings-and-documents
MWD’s Role
In the white paper *Charting Metropolitan’s Second Century* MWD noted that “[w]ater sales in calendar 2019 will be the lowest in decades.” As a result, substantial discussion occurred during the Board’s October 2019 retreat about the potential for MWD’s future role to “serve more as a ‘backstop’ insurance provider.” In the RRWP’s water paper #2, MWD identifies that the program would provide “insurance for all member agencies,” among other benefits. (Supporting analysis of the insurance benefits and which member agencies want to pay for this “insurance” from MWD was not provided.) Many MWD Board members are seeking a comprehensive discussion in the IRP process about what MWD’s future role will be, how it will be impacted if water sales continue to decline (or remain at current levels), how the RRWP fits into MWD’s future planning, and how the program’s supply will impact MWD’s existing resource programs and needs related to local resources development and the Bay-Delta. It will not be possible for MWD to take on an “insurance” role in the future without Board discussion that is supported by data, analysis, and member agencies’ needs and willingness to pay for this insurance.

Business Model
The expansion of MWD’s role to a local supply provider requires several changes to its business model. As the program envisions, MWD would depend on groundwater basins to take its water, but it has no control over these basins’ operations or their ability to take the water consistently. In order to ensure that the product water will be purchased, so the RRWP will not be stranded, MWD should focus as soon as possible on developing meaningful term sheets and agreements with basin managers to establish a projected pricing formula as well as ensure the basins’ capability and desire to take the product water under all hydrological conditions.

In addition to providing “insurance,” in white paper #2, MWD also suggests the program offers various other benefits including greater “reliability during seismic events,” improved “resilience to climate change,” increased storage, reduced allocation risk, improved water quality, and increased operational flexibility. No analysis or data has been provided to support the value or proportionate value of these stated benefits to program beneficiaries. MWD must also identify how the RRWP fits in with MWD’s existing and planned resources. For example, under which conditions, and how, does MWD envision the RRWP offering operational flexibility? Is additional seismic reliability needed, and if so, how is it demonstrated that the project will provide that benefit (MWD’s recently modified its storage policy to specifically address emergencies)? Additionally, these benefits may not be the same or translate equally for all of MWD’s member agencies—for example, improved water quality and reliability are expected benefits for those agencies receiving the product water, but not for those who do not receive it. MWD has not yet identified how the cost of program benefits will be recovered from LACSD, like reduced ocean discharges. In a similar project, the Orange County Groundwater Replenishment System, the Orange County Water and Orange County Sanitation districts share the costs to implement the program because of its dual benefits. To ensure fair cost recovery, these benefits should be identified and quantified to properly assign their cost recovery.

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9 This white paper accompanied the MWD Board’s October 2019 retreat and is found here: [http://www.mwdh2o.com/WhoWeAre/Board/Board-Meeting/Board%20Archives/2019/10-Oct/Reports/10212019%20Board%20Retreat%20White%20Paper.pdf](http://www.mwdh2o.com/WhoWeAre/Board/Board-Meeting/Board%20Archives/2019/10-Oct/Reports/10212019%20Board%20Retreat%20White%20Paper.pdf)
Potential Out-of-State Partners
Involving out-of-state partners in the RRWP without first completing the IRP to understand how transferring water out-of-state may impact a Bay-Delta solution is premature. Also, as currently proposed, the RRWP is an indirect potable reuse program and demand for its product water will vary depending on hydrologic conditions. Will there be adequate replenishment demand or sufficient spreading capacity for the product water to match the imported water that would be transferred to its out-of-state partners? Some member agencies have suggested they may be interested in obtaining the added reliability that MWD states SNWA and Arizona will achieve through the exchange(s). In addition, will California’s other Colorado River users support the transfer arrangement(s) (as is legally required), and/or will they be interested in partnering on the program? These would be important considerations for the IRP update, in the upcoming renegotiation of the 2007 Interim Shortage Guidelines, and for any agreements entered into to support the exchange(s).

IRP and “Rate Refinement” Coordination
During the Board retreat, staff identified the diminishing and changing need for MWD water. To avoid stranded investment, it is critical that MWD demonstrate there is demand for the product water and assess how the program will be made part of MWD’s long-term plan in coordination with other resources. For example, how would it impact MWD’s existing funding program for local resources projects? How would it impact a Bay-Delta fix? How would it interact with MWD’s Colorado River resources? And how would the program improve MWD’s overall storage portfolio? The 2020 IRP update, which is underway, is the anticipated opportunity to analyze:

- How the RRWP will be used to meet projected future demands for MWD water;
- How the transfers and exchanges with out-of-state partners would function under various hydrologic conditions; and
- How the RRWP’s implementation will impact MWD’s existing resources, like storage, and need for other supply investments (including projects and programs like the Bay-Delta tunnel and MWD’s conservation and Local Resources Project programs.)

The 2020 IRP should offer analysis to support the benefits identified in white paper #2, including the program’s benefit to reduce shortage and to demonstrate how all member agencies, even those not directly receiving the product water, receive some, or portions of certain benefits. Similarly, through the 2020 IRP update, member agencies could also indicate the levels of insurance they want MWD to provide and how this program may support their insurance needs and ultimately, their reliability goals.

It is important that MWD quantify the program’s benefits in order to ensure appropriate allocation of costs.10 Ensuring it has cost recovery mechanisms that align with the benefits

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10 The 1994 Blue Ribbon Task Force report found that MWD’s investments should not “be made independently from the willingness of MWD customers to pay for such services” and offered the example that member agencies may indicate that they want “the insurance provided by major investments to increase MWD standby capacity, but if forced to commit funds for such capabilities, they may actually prefer far lower levels of protection than a
various parties receive from the RRWP is critical. To align the program’s benefits with their costs, MWD needs to provide supporting analysis through the 2020 IRP update and upcoming rate review, which is trailing the IRP update but expected to launch in the next few months. Additionally, it would be beneficial for MWD to connect the rate review with the 2020 IRP update so that the Board and member agencies are able to understand the benefits and costs of the IRP’s various reliability strategies and the potential investments, like the RRWP.11 This connection would assist the 2020 IRP in laying out a vision of MWD’s potential future that is affordable and avoids stranding assets.

Next Steps
At its November 2020 meeting, the MWD Board authorized proceeding with the RRWP’s planning work, which is expected to cost $30.2 million and take about 36 months to complete. As part of this work, MWD plans to update program cost estimates and to further consider deliveries to the Orange County Basin. Additionally, MWD stated that “purchase agreements” with the direct recipients of the product water and their terms “are not likely to be developed until a cost recovery approach is determined.” Before the MWD meetings, Director Hogan, on behalf of the Water Authority Delegates, sent a letter to MWD articulating several issues, which are also discussed above, that MWD should discuss related to the RRWP.12

Based on commitments made by MWD staff during the November Committee meetings, the Delegates ultimately supported moving forward with the RRWP’s planning effort, because they think the program’s product water, along with other local water supply production, will reduce demand on the Bay-Delta. Staff also committed to conduct a parallel process on how the project fits into an updated IRP, analyze the program’s cost of service, and provide a financing plan. Action on the agreement with Southern Nevada Water Authority was tabled until December or until staff can provide additional information on the agreement.

Prepared by: Liz Mendelson-Goossens, Principal Water Resources Specialist
Reviewed by: Amy Chen, Director of MWD Program
Approved by: Dan Denham, Deputy General Manager

Attachment:
Attachment 1 – MWD’s Potential Regional Recycled Water Program Development
Attachment 2 – Summary of Letters of Intent for MWD’s Potential Regional Recycled Water Program

11 The 1994 Blue Ribbon Task Force report also suggested for MWD to “explicitly link IRP system choices to the cost and risk commitment member agencies must make when considering various rate structure proposals.”
MWD’s Potential Regional Recycled Water Program Development

Since 2010 MWD has been exploring, off-and-on, a potential recycled water program with the Los Angeles County Sanitation Districts (LACSD) that would treat wastewater provided by LACSD for groundwater replenishment use. Although the MWD Board authorized funding its half of a $1 million study to explore the feasibility of such a program in March 2010 and reported back to the Board that it was feasible in July 2011, the next update to the MWD Board on the program occurred in September 2015. In September 2015, MWD staff reported that MWD had the “opportunity” to utilize wastewater from LACSD’s terminus plant in Carson and produce up to 150 million gallons daily (mgd), or 168,000 acre-feet per year (AFY), of recycled water to six replenishment groundwater basins in Los Angeles, Orange, and San Bernardino counties. Thus, introducing the Regional Recycled Water Program (RRWP). In November 2015, the MWD Board authorized a “demonstration program” that included: 1) A 1-mgd demonstration plant (ultimately, a 0.5-mgd plant was built); 2) Feasibility studies for the distribution system needed for the full-scale program to deliver product water to groundwater basins; and 3) A financing plan to assess the full-scale program’s economic viability.1 (MWD has yet to produce a financing plan for the program, which MWD described would “establish water sale arrangements with member agencies for the delivery of reuse water for recharge of groundwater basins; evaluate the potential for state and federal grants and loans; determine cost-sharing opportunities; and assess funding and rate impacts.”)

In January 2017, MWD presented the Potential Regional Recycled Water Program Feasibility Study (dated November 2016),2 which found the program “technically feasible” but also highlighted that the program faced challenges related to permitting and institutional arrangements, necessitating “a number of agreements with and permits from multiple agencies in several jurisdictions.” This study introduced the idea of phasing the program’s implementation. Additionally, this study reduced the number of groundwater basins that would receive product water down to four, removing the Chino and Raymond basins. The program was now limited to providing replenishment water to four basins in Los Angeles and Orange counties: 1) Central; 2) Main San Gabriel; 3) West Coast; and 4) Orange County basins.

The feasibility study estimated that program’s capital costs at $2.7 billion3 with annual operations and maintenance costs of $129 million,4 translating to product water costing an estimated $1,610 per acre-foot.5 (Previously, an October 2015 pilot study estimated the program’s capital cost at more than $3.6 Billion with product water estimated to cost $2,309 per acre-foot.6) While a cost of service analysis has yet to be performed, MWD indicated that the program costs would be recovered, or partially recovered, from MWD’s transportation rates.

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1 More information on the RRWP’s early stages is in the memo Metropolitan Water District’s Potential Regional Recycled Water Program starting on page 200 of the Water Authority’s December 2016 Board packet found here: https://www.sdcwa.org/meetings-and-documents
2 This study found here: http://mwdh2o.com/PDF_About_Your_Water/Potential_RRWP_Feasibility_Study_Rpt.pdf
3 In 2016 dollars
4 In 2016 dollars
5 In 2016 dollars
6 More information on pilot study is in the memo Metropolitan Water District’s Potential Regional Recycled Water Program starting on page 200 of the Water Authority’s December 2016 Board packet found here: https://www.sdcwa.org/meetings-and-documents
In March 2019, MWD presented the *Regional Recycled Water Program Conceptual Planning Studies Report* (dated February 21, 2019). In this report, MWD further solidified the phased-approach to the program, proposing that Phase 1 consist of a 100-mgd Advanced Water Treatment Plan (AWT) in Carson accompanied by the “Backbone System” to provide product water to the Central and Main San Gabriel basins. Phase 2 would expand the AWT by 50-mgd and include facilities to provide water to the West Coast and Orange County basins. The “Backbone System” includes of a 150-mgd capacity pipeline that would start at the AWT in Carson and end at the Santa Fe Spreading Grounds in Los Angeles County. This capacity offers MWD the option of later connecting the Backbone System to its Weymouth Water Treatment Plant, keeping the door open for raw water augmentation once regulations are developed. Alternatively, MWD identified a similar direct potable reuse (DPR) opportunity in Phase 2 via building a pipeline from Orange County Basin to MWD’s Diemer Water Treatment Plan. The full-scale program, without the DRP option, is now estimated to have capital costs of $3.4 billion with annually operations and maintenance costs of $129 million. MWD estimated the product water to cost $1,826 per-acre foot. Additionally, the 2019 report identified “early delivery opportunities:” MWD could build facilities during Phase 1 to provide water to industrial users in the Long Beach Harbor Area and for replenishment purposes to Central and, potentially, West Coast basins.

MWD held its first Board “workshop” on the RRWP in July 2019. This workshop focused on program implementation and delivery and was accompanied by a white paper. MWD identified options to accelerate the program’s construction and/or delivery of product water via two different approaches from the “traditional programmatic environmental review process.” These two accelerated approaches would carry out program implementation work “parallel” to the environmental review work. The “accelerated construction” option would include the environmental work and preliminary design of a portion of the Backbone System. The “accelerated water delivery” option—considered the most “aggressive” by MWD—would include the same steps as the “accelerated construction” option plus preliminary design work for additional conveyance facilities and about 20-mgd of production of the AWT. The estimated budgets for these options varied and are shown below in Table 1.

<table>
<thead>
<tr>
<th>Option</th>
<th>Low Cost Estimate ($) in millions</th>
<th>High Cost Estimate ($) in millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traditional</td>
<td>$20</td>
<td>$33</td>
</tr>
<tr>
<td>Accelerated Construction</td>
<td>$30</td>
<td>$41</td>
</tr>
<tr>
<td>Accelerated Water Delivery</td>
<td>$47</td>
<td>$60</td>
</tr>
</tbody>
</table>

7 This report found here: [http://mwdh2o.com/DocSvcsPubs/rrwp/assets/1-rrwp_conceptual_planning_studies_report_02212019.pdf](http://mwdh2o.com/DocSvcsPubs/rrwp/assets/1-rrwp_conceptual_planning_studies_report_02212019.pdf)
8 In 2018 dollars
9 In 2018 dollars
10 In 2018 dollars
11 This white paper found here: [http://mwdh2o.com/DocSvcsPubs/rrwp/assets/white_paper_program_implementation_and_delivery.pdf](http://mwdh2o.com/DocSvcsPubs/rrwp/assets/white_paper_program_implementation_and_delivery.pdf)
12 In 2019 dollars
13 In 2019 dollars
In addition to discussing the potential to accelerate the program’s implementation, the workshop and white paper focused on the necessary steps, including treatment process enhancements and modifications to the then-under-construction demonstration plant, that would be necessary to transition the program to DPR through raw water augmentation at either the Diemer or Weymouth water treatment plants. These changes to the demonstration plant were estimated to have capital costs ranging from $4 million to $14 million\(^\text{14}\) with annual operations costs of about $5.5 million to $6.5 million.\(^\text{15}\) MWD completed construction of the $17 million demonstration plant (a $2 million increase above its budgeted amount) and testing operations commenced in October 2019. Testing is expected to run through July 2021.

In October 2020, MWD held its second Board “workshop” on the RRWP, which focused on “planning, financial considerations, and agreements.” Related to the program’s financials, MWD identified some potential grant and low-interest loan opportunities and also overviewed the potential partnerships with various in-region and out-of-region agencies, including the six Letters of Intent (LOIs) MWD signed with some “partners” and collaborators. Although first introduced by MWD’s General Manager at its December 2019 Engineering and Operations Committee meeting, this white paper further discussed the potential out-of-state partnerships with Southern Nevada Water Authority (SNWA) and Arizona via the Arizona Department of Water Resources and Central Arizona Water Conservation District. MWD has signed LOIs with both SNWD and Arizona. (Attachment 2 summarizes these and the other four LOIs.) Notably, MWD does not have an LOI with the Orange County Water District, which manages the Orange County Basin.

The second “workshop” focused more heavily on the two potential future options to modify the RRWP from an indirect potable reuse (IPR) program to DPR through raw water augmentation at either MWD’s Diemer (“Southern Route”) or Weymouth (“Northern Route”) water treatment plants. The Northern Route option’s schematic (see Figure 1 to the right), coupled with the Backbone System including a 150-mgd capacity pipeline from the AWT to the Santa Fe Spreading Grounds, suggests the Orange County Basin may ultimately not receive IPR water, and

\(^{14}\) In 2019 dollars

\(^{15}\) In 2019 dollars

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**Figure 1.** The RRWP’s Northern Route option for direct potable reuse (DPR) implementation as presented at MWD’s October 2020 Engineering and Operations Committee
instead DPR supplies. The emphasis on the potential DPR options signals that MWD may be focused on the program morphing into a raw water augmentation one. However, MWD has yet to provide cost estimates for transitioning the program to DPR. (The state is expected to develop regulations for raw water augmentation in 2023.)

Through the second workshop, and its accompanying white paper, MWD described potential RRWP benefits without providing supporting analysis or data. These stated benefits include:

- Increased storage;
- Lower risk of allocations;
- Reliability during seismic event;
- “Increase operational flexibility;”
- Water quality improvements; and
- “Resilience to climate change.”

MWD also did not describe the need for these additional benefits or how they would interact with MWD’s existing resources—like its storage portfolio, investments in Colorado River and State Water Project programs and projects, and conservation and local resources subsidy programs. MWD also did not discuss the potential for the RRWP or its other resource investments to become stranded under certain hydrologic conditions or if implementing the RRWP would change MWD’s need for other future resource investments, such as the Bay-Delta tunnel, Sites Reservoir, or its conservation and Local Resources programs.

Also, the second “workshop,” (without supporting analysis, cost of service studies, or data) overviewed three broad “potential cost recovery approaches:” 1) “direct recipients pay;” 2) “integrated into rates and charges;” 3) “hybrid approach.” MWD narrowed these three options down to the “integrated into rates and charges” one based on its unsupported assessment of what it considered a “reasonable” approach. This assessment was based on three “factors:” 1) the cost impact to the agencies directly receiving product water; 2) ability to recover (unquantified) regional benefits; and 3) the need for “firm commitments” from those member agencies directly receiving the product water. Figure 2 to the right is from the white paper accompanying the second “workshop” and summarizes MWD’s assessment of these approaches.

![Figure 2](http://mwdh2o.com/DocSvcsPubs/rrwp/assets/whitepaperno2.pdf)

**Figure 2.** MWD’s unsupported cost recovery approach assessment as provided in the white paper accompanying the RRWP’s second Board “workshop.”

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16 This white paper found here: [http://mwdh2o.com/DocSvcsPubs/rrwp/assets/whitepaperno2.pdf](http://mwdh2o.com/DocSvcsPubs/rrwp/assets/whitepaperno2.pdf)
The second workshop also briefly discussed the need for “agreements and arrangements” to ensure that the product water is purchased and that MWD is able to deliver the water to the participating groundwater basins. However, MWD did not describe any of the key terms needed in these agreements to ensure that the product water is purchased and delivered.

In November 2020, the MWD Board authorized several actions related to the RRWP:

1. Proceeding with planning work, including the programmatic environmental impact report, engineering and additional technical studies, and further outreach activities, which is expected to cost $30.2 million and take about 36 months to complete;
2. Amending MWD’s existing agreement with County Sanitation District No. 2 of Los Angeles County, including so it may contribute “in-kind services” and up to $4.4 million in funding for the RRWP’s planning work;
3. Amending MWD’s existing agreement with the National Water Research Institute, and increasing it by $200,000 for a total of $445,000, to provide further support on the demonstration plant’s testing efforts;

The Board postponed entering into an agreement with SNWA that would have allowed it to contribute up to $6 million towards the RRWP’s planning costs. Through the planning effort, MWD plans to update the program’s cost estimates and further consider the delivery of product water to the Orange County Basin.

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17 The agreement stipulated that should MWD not implement the RRWP, or if MWD or SNWA decides not to develop a separate agreement to allocate RRWP produce water to SNWA, then MWD would return to SNWA, without interest, the funds invested by SNWA in the planning work.
Summary of Letters of Intent for MWD’s Potential Regional Recycled Water Program

As of November 2020, MWD has signed six Letters of Intent with various partners and collaborators for its potential Regional Recycled Water Program (RRWP). The below table summarizes the key provisions in these “nonbinding” letters.

<table>
<thead>
<tr>
<th>Signatories to Letters of Intent</th>
<th>Summary of the Parties’ Intentions</th>
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| • Arizona Department of Water and Power (out-of-state)  
  • Central Arizona Water Conservation District (out-of-state) | • “Interest in participating” in the RRWP  
  • Interest in “collaborating on any regulatory changes” needed for potential Colorado River exchanges related to the RRWP |
| Southern Nevada Water Authority (SNWA) (out-of-state) | • Cooperate to develop the program  
  • “Add parties” to this Letter of Intent (if mutually agreed to)  
  • Cooperate on an agreement:  
    o Describing the RRWP and “distribution and allocation of resources” to support the RRWP’s development;  
    o Committing to “future water distributions;”  
    o Cooperating on “ancillary agreements with third parties”  
  • Cooperate technically, including:  
    o Sharing information and technology;  
    o Providing personnel;  
    o Maintaining records;  
    o Developing appropriate “enhancements” to allow “interfaces of common information needs;” and  
    o Using “sufficient system security” measures  
  • Each party will “be responsible for a share of the costs related to the” RRWP  
  • SNWA’s funding will require its Board approval, and until then, SNWA “may commit” staff time and “resources” |
| Los Angeles County Flood Control District (LACFCD) | • Collaborate on potential Memorandum of Understanding for MWD to use LACFCD’s facilities and property as part of the RRWP’s “conveyance system”  
  • Engage in a study to:  
    o “Ensure continuity and compatibility” of the RRWP facilities with LACFCD’s facilities and operations;  
    o “Identify and examine” water quality issues from the RRWP’s use of LACFCD’s facilities and property  
    o “Identify related research, testing, and other technical collaborations:”  
    o Identify opportunities for regulation-related collaborations and;  
    o “Identify additional areas for collaboration and mutual support” |

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| Los Angeles Department of Water and Power | • Collaborate on RRWP while “minimizing areas of potential conflict and duplication of activities”\(^2\)  
| | • “Intend to develop a plan to coordinate the potential integration of” the RRWP and Los Angeles’ recycling program (Hyperion Water Reuse and Resiliency Program),\(^3\) including via the development of a Memorandum of Understanding (MOU)  
| | • Develop a MOU to undertake studies to support integrating the two programs  
| | • City of Long Beach  
| | • City of Torrance  
| | • Water Replenishment District of Southern California (WRD)\(^4\)  
| | • Collaborate related to regulatory and water quality needs to introduce RRWP purified water (purified water) into the Central and West Coast basins  
| | • Develop new infrastructure plans for purified water delivery  
| | • Develop “additional areas of collaboration and support”  
| | • Collaborate on the development of agreements related to purified water’s cost and delivery facility locations, and the “long-term purchase” of up to 81,000 acre-feet per year (AFY)  
| | • Three Valleys Municipal Water District (Three Valleys)  
| | • Upper San Gabriel Valley Municipal Water District (Upper District)  
| | • Watermaster for the Main San Gabriel Groundwater Basin  
| | • Collaborate related to regulatory and water quality needs to introduce RRWP purified water (purified water) into the Main San Gabriel basin  
| | • Collaborate on an agreement with Los Angeles County Public Works related to operations of its facilities to deliver RRWP purified water  
| | • Develop new infrastructure plans for purified water delivery  
| | • Develop “additional areas of collaboration and support”  
| | • Collaborate on the development of agreements related to:  
| | o Three Valley’s “long-term purchase” of at least 6,500 AFY;  
| | o Upper District’s “long-term purchase” of at least 35,000 AFY; and  
| | o Their combined “long-term purchase” of “a maximum range of 60,000 to 80,000 AFY” |

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\(^2\) LADWP, in conjunction with the Los Angeles City Bureau of Sanitation, is working to meet Los Angeles’ goal of recycling 100 percent of its wastewater by 2035.  
\(^3\) This program will produce up to about 190,000 AFY of purified water.  
\(^4\) WRD manages the Central and West Coast Basins in Los Angeles County.
November 11, 2020

Attention: Legislation and Public Outreach Committee


Staff Recommendation
Adopt the proposed 2021 Legislative Policy Guidelines.

Alternatives
1. Direct staff to make additional modifications to the Legislative Policy Guidelines as determined by the Board.

2. Do not adopt the proposed 2021 Legislative Policy Guidelines.

Purpose
This memo presents proposed 2021 Legislative Policy Guidelines to the Board for consideration and adoption.

Fiscal Impact
There is no fiscal impact.

Executive Summary
- This proposed action is to update the Board’s policy guidance relative to issues that may be considered within legislative and regulatory venues.
- The proposed 2021 Legislative Policy Guidelines reflect input and extensive review by Water Authority staff, member agencies, and Water Authority Board members.
- There are substantive modifications proposed to the 2021 Legislative Policy Guidelines, including the integration of the Board’s policy guidance relative to asset management, workforce development, and public safety power shutoff events.

Background
The Water Authority maintains a set of legislative policy guidelines to direct staff and legislative advocates on issues of importance to the Water Authority, its member agencies, and the San Diego region. The Board approved an original set of Legislative Policy Guidelines in December 1993. They are reviewed and updated annually. The guidelines provide a useful framework for staff and legislative advocates to evaluate the potential impact of state and federal legislation on the Water Authority and its member agencies. The guidelines also permit staff and the Water Authority’s legislative advocates to act in a timely fashion between Board meetings on issues that are consistent with the guidelines. Such actions are then reported to the Board during the next regular monthly Board meeting.
Staff and legislative advocates consult the guidelines to determine recommended positions on legislation and amendments. Irrespective of whether a staff recommended position on legislation meets, or fails to meet, the principles set forth in the guidelines, staff brings those recommendations before the Board for consideration of adopting a formal position in support or opposition, accordingly. Prior to each Board meeting, staff provides a written report on recommended positions, an analysis of each bill, and a discussion of the measure’s relevance to the Legislative Policy Guidelines and other Board policies.

Discussion
This report presents an updated version of the Water Authority’s Legislative Policy Guidelines for the 2021 calendar year. Updates, revisions, and added guidelines reflect new positions and policy guidance the Board discussed, adopted, and provided during the course of the 2020 calendar year, as well as new changes and clarifications recommended by Water Authority staff, member agencies, and Board members.

Over the past two months, Water Authority staff has solicited any proposed substantive modifications to the Legislative Policy Guidelines from member agencies, Water Authority staff, and Board members. Attachment 1 a matrix reflecting the full scope of areas within the Legislative Policy Guidelines document that are proposed for modification, and Attachment 2 is the proposed redline and strikeout version of the Legislative Policy Guidelines reflecting grammatical, clarifying, and substantive modification proposals.

In the proposed 2021 Legislative Policy Guidelines presented to the Board at its October 22 meeting, staff identified proposed updates to sections related to:

- Energy
  - Energy Costs
  - Energy Independence
- Water Facilities and Facility Operations
  - Construction and Asset Management
  - Funding
  - Public Safety Power Shutoffs
  - Workforce Development
- Water Planning
  - Climate Change
    - Local Planning

Additional modifications have been made to the proposed Legislative Policy Guidelines at the request of Board members since the October 22 meeting, and those modifications can be found in the following sections:

- Financial Issues
  - Fiscal Policy and Rates
    - Funding
The proposed 2021 Legislative Policy Guidelines are attached. Revisions, updates, and recommended additions are underlined, while deletions are reflected by strike-throughs. When the Board adopts the updated Guidelines, staff will incorporate all changes into the final document.

Prepared by:  Ivy Ridderbusch, Legislative Analyst
Glenn A. Farrel, Director of Government Relations
Approved by:  Dan Denham, Deputy General Manager

Attachment 1: Matrix of Proposed Legislative Policy Guideline Modifications
Attachment 2: Draft Proposed 2021 Legislative Policy Guidelines
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<td>Clarifying text regarding planning, design, and construction of projects</td>
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<td>Support – 1</td>
<td>Add new policy guideline regarding price gouging during PSPS events</td>
<td>Water Authority Staff based on Board position on AB 1936 during 2020 legislative session</td>
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Purpose

The San Diego County Water Authority’s legislative policy guidelines reflect policy positions adopted by the Board of Directors through 2017. The guidelines provide direction to staff and the legislative advocates when they evaluate proposed legislation that may affect the Water Authority, its member agencies, or regional water management and use. Legislation that meets, or fails to meet, the principles set forth in the guidelines may be supported or opposed accordingly. The guidelines permit staff and the Water Authority’s legislative advocates to act in a timely fashion between Board meetings on issues that are clearly within the guidelines. Such actions are then reported to the Board during the next regular monthly Board meeting.

While the title of this document suggests these policy guidelines are applicable solely to state and federal legislative issues reviewed by the Water Authority, increasingly state and federal regulatory and administrative bodies are developing rules, guidelines, white papers, and regulations that can significantly affect the Water Authority and its member agencies. Water Authority staff, including the Water Authority’s legislative team, often utilize these Legislative Policy Guidelines to provide guidance on emerging and active regulatory and administrative issues.

Legislation that does not meet the principles set forth in the guidelines or that has potentially complicated or varied implications will not be acted upon by staff or the legislative advocates in between Board meetings and will instead be presented to the Board directly for guidance in advance of any position being taken.
### Policy Categories

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Bill Positions Considered by the Water Authority Board of Directors

The following represent active bill positions that may be recommended by the Water Authority staff for consideration by the Water Authority’s Board of Directors in providing guidance to the Water Authority staff and legislative advocates. Once adopted by the Board of Directors, the bill position will be communicated with the author of the legislation and may be communicated with other legislators, legislative staff, the Administration, member agencies, and the public. Advocacy strategies and activities will be directed toward implementation of the Board’s policies through advancement of the Water Authority adopted bill position.

- SUPPORT: This position reflects the Water Authority’s unconditional interests to see the legislation become law. Water Authority staff and legislative advocates will work for passage of the bill in its present form.

- SUPPORT AND SEEK AMENDMENTS: This position reflects the similar level of unconditional support for a bill as the SUPPORT position. However, this position connotes that the Water Authority would prefer specific amendments to be considered that would improve the measure. Water Authority staff and legislative advocates will communicate and advocate in support of the legislation even if amendments proffered by the Water Authority are not included in the measure.

- SUPPORT IF AMENDED: This is an affirmative position that connotes conditional support for a measure, but only if it is amended to incorporate specific amendments approved by the Water Authority Board. Water Authority staff and legislative advocates will not advocate in support of the legislation unless it is amended as requested by the Water Authority.

- OPPOSE: This position reflects the Water Authority’s unconditional interests to defeat the legislation. Water Authority staff and legislative advocates will work for defeat of the measure in its present form, and will not pursue amendments to address the measure’s shortcomings.

- OPPOSE UNLESS AMENDED: This is a position that connotes conditional opposition to a measure, unless it is amended to incorporate specific amendments approved by the Water Authority Board. Water Authority staff and legislative advocates will actively work to defeat the legislation until and unless it is amended as requested by the Water Authority. If legislation is amended as requested by the Water Authority, the Water Authority staff and legislative advocates will cease working to defeat the legislation, but will not advocate in support of the measure unless further directed by the Water Authority Board.

All other bills that are of potential interest or concern to the Water Authority are monitored by the staff and legislative advocates, as reflected on the monthly bill matrix provided to the Board. If any of those measures are amended, they are reevaluated to determine if a formal position should be recommended for Board consideration.
Binational Issues

Policy Category: Binational Issues
Binational Issues

The Water Authority generally supports initiatives that fund and encourage cooperative projects that serve the San Diego/Baja California area.

The Water Authority’s policy principles support initiatives that:

1. Provide funding for development of Board-approved water supply and infrastructure projects to serve the San Diego/Baja California region while protecting local interests.

2. Encourage enhanced cooperation between entities in San Diego and Baja California in development of supply and infrastructure projects that will benefit the entire border region.

3. Encourage state and federal funding to support collaborative binational projects to improve water quality and protect human health and the environment within the broader San Diego border region.
Biological and Habitat Preservation

Policy Category: Biological and Habitat Preservation

Environmental & Conservation Planning
Funding
Species & Habitats
Biological and Habitat Preservation

The Water Authority generally supports the preservation of biological and habitat values through comprehensive approaches that provide the necessary regulatory certainty for long lead time water supply projects. The Water Authority also believes that water storage and conveyance facilities provide inherent long-term habitat values that should be recognized in the regulatory process.

The Water Authority supports regulatory exemption of emergency activities when the emergency threatens the continued delivery of safe and clean water. The Water Authority also supports efforts to provide state and federal funding for habitat conservation efforts in San Diego County, on the Salton Sea, Colorado River, and at the Bay-Delta.

The Water Authority generally opposes regulations that reduce or limit the use of existing water rights or supplies, restrict the development of future water supplies, or interfere with the operation, maintenance, or repair of existing water conveyance and storage facilities.

Environmental & Conservation Planning

The Water Authority’s policy principles support initiatives that:

1. Support development of comprehensive multi-species habitat conservation plans that anticipate and mitigate project development impacts while preserving representative ecosystems, rather than individual species.

2. Exempt operation, maintenance, and repair of water system facilities from endangered species and other habitat conservation regulations because they provide beneficial cyclical habitat values to declining species and foster biological diversity in California.

3. Provide environmental regulatory certainty for implementation of existing and proposed long-term water supply programs.

4. Consolidate wetlands regulations to alleviate multi-agency jurisdiction over the same environmental resource.

5. Streamline filing of CEQA notices of determination for multi-county water projects by making those notices available on the CEQA net website through the Governor’s Office of Planning and Research.

6. Support the eradication of nutria (myocaster coyapus) or prevent the species from becoming established in the Delta.
Funding
The Water Authority’s policy principles support initiatives that:

1. Authorize federal and state funding to develop and implement regional or subregional wildlife and habitat conservation programs, including but not limited to property acquisition, revegetation programs, and watershed plans.

2. Provide state and/or federal funding for the restoration of the Salton Sea.

3. Provide federal and/or state funding to implement actions that address the ecological and water supply management issues of the Lower Colorado River from Lee’s Ferry to the southerly international border with Mexico.

4. Provide federal and/or state funding to implement actions that address the ecological and water supply management issues of the Sacramento-San Joaquin River Delta.

The Water Authority’s policy principles oppose initiatives that:

1. Provide for after-the-fact reduction in quantity or quality of a public water supply due to new restrictions on the operation or use of water supply facilities unless funding for alternate sources of water is provided.

2. Impose a “utility user fee” or “surcharge” on water for the purposes of financing open space/habitat preservation, restoration, or creation.

Species & Habitats
The Water Authority’s policy principles support initiatives that:

1. Incorporate an emergency exemption for “take” of a listed species listed under the state or federal Endangered Species Acts when necessary to mitigate or prevent loss of or damage to life, health, property, or essential public services.

2. Encourage species listings, critical habitat designation, and recovery plans developed pursuant to the state or federal Endangered Species Acts to be consistent with existing interstate compacts, tribal treaties, and other state and federal agreements.

3. Facilitate implementation of the Conserved Water Transfer Agreement with the Imperial Irrigation District and other Quantification Settlement Agreement programs with impacts or potential impacts to species and habitat along the lower Colorado River and at the Salton Sea.
4. Designate feral pigs as a noxious invasive animal species in the San Diego region, or authorizes actions, including eradication, to protect the region’s waters and natural landscapes from damage by feral pigs.

The Water Authority’s policy principles oppose initiatives that:

1. Impose endangered species or habitat conservation requirements that restrict the operation, maintenance, or repair of public water supply, conveyance, treatment, or storage facilities.
Drought Response

The Water Authority and its member agencies have made significant investments in supply, storage and infrastructure to avoid or minimize water shortages during drought periods and ensure a reliable supply of water for the residents and businesses of San Diego County. The Water Authority generally supports emergency drought regulations that ensure the Water Authority and its member agencies receive the water supply benefits of the investments made in reliability. The Water Authority generally supports drought regulations that recognize variations among communities, regions, and counties with respect to their abilities to withstand the impacts and effects of drought. The Water Authority generally opposes initiatives that create a disincentive to water agencies to invest in drought-resilient supplies and creates a "one-size-fits-all" approach to emergency drought declarations.

Drought Response

The Water Authority’s policy principles support initiatives that:

1. Ensure the Water Authority and its member agencies receive the water supply benefits of its investment in local water supply sources.

2. Allow local agencies to achieve compliance with emergency or non-emergency drought regulations or objectives through a combination of water conservation measures and development and implementation of local water supply sources that are not derived from the Delta.

3. Allow for local agencies to account for all water supplies available during droughts and other events when calculating the water supply shortage level.

4. Create a process for development and implementation of emergency drought declarations and regulations that recognizes variations among communities, regions, and counties with respect to their abilities to withstand the impacts and effects of drought.

5. Recognize variations among communities, regions, and counties with respect to their abilities to withstand the impacts and effects of droughts, and ensure that any temporary or permanent statutory or regulatory direction for improving water use efficiency to meet statutory or regulatory goals or standards is focused on regional achievement of objectives rather than a one-size-fits-all approach.

The Water Authority’s policy principles oppose initiatives that:

1. Disincentivize or impede water agencies from making investments to maximize the potential for recycled water, potable reuse, desalination and other drought-resilient local water supplies.
2. Create a “one-size-fits-all” approach to emergency drought declarations and regulations that ignores variations among communities, regions, and counties with respect to their ability to withstand the impacts and effects of drought.
Energy

Policy Category: Energy

Energy Costs
Energy Independence
Energy

Electricity for treating and delivering water is a major cost to the Water Authority. Generally, the Water Authority supports initiatives that help to lower the cost of electricity. The Water Authority has some capacity to generate electricity and has acquired federal preferential power, and therefore supports legislation that helps it to utilize or market the electricity it produces and acquires for its own operations and for the benefits of its member agencies. The Water Authority also supports actions related to energy creation that will reduce the overall cost of water. The Water Authority’s goal is to ensure existing and planned facilities are built and operated in a manner that is environmentally sensitive, reliable, and energy efficient. This section outlines the Water Authority’s policies toward initiatives affecting renewable energy, energy consumption, and efficiency and conservation related to existing or planned facilities.

The Water Authority generally supports initiatives that will facilitate the development of renewable and alternative energy sources. The Water Authority also supports initiatives that will provide funding for projects to increase energy efficiency, reliability, and reduce peak demands.

The Water Authority generally opposes legislation that would increase the cost of its power supply. The Water Authority also opposes initiatives that would interfere with its ability to produce electricity, buy or sell, and deliver electrical power or natural gas.

**Energy Costs**

**The Water Authority’s policy principles support initiatives that:**

1. Provide opportunities for reduced energy rates under tariff schedules for the Water Authority and its member agencies.

2. Provide protection to water agencies in San Diego County from energy rate increases and provides rate relief for the Water Authority and its member agencies.

3. Provide funding, including state and federal grants, for in-line hydro-electric, solar, wind, battery storage, biogas cogeneration, nanogrids, microgrids, closed-loop pumped storage facilities and other renewable energy generation or storage technology as a means of reducing greenhouse gas emissions and energy costs.

4. Promote funding for use of renewable energy in the operation of water agency facilities in San Diego County.

5. Prohibit investor-owned utilities from implementing rate changes that undercut the financial viability of renewable energy facilities obligated under long-term Power Purchase Agreements.
The Water Authority’s policy principles oppose initiatives that:

1. Adversely affect the cost of energy needed to operate MWD’s facilities, State Water Project facilities, or the facilities of the Water Authority and its member agencies.

2. Impose greenhouse gas reduction obligations on a public water agency for electricity purchased or produced for the sole purpose of operating its system.

Energy Independence
The Water Authority’s policy principles support initiatives that:

1. Provide greater flexibility in the utilization of Water Authority and its member agencies’ facilities for generation and acquisition of electrical and natural gas power.

2. Provide the Water Authority and its member agencies with greater flexibility in the licensing, permitting, interconnection, construction, and operation of its existing and potential in-line hydroelectric, solar, wind, battery, nanogrid, microgrid, closed-loop pumped energy-storage projects, and other renewable energy generation or storage technology.

3. Make SWP power available for all water projects.

4. Promote the classification of electricity generated by in-line hydroelectric and closed-loop pumped energy storage facilities as a clean, environmentally sound, and renewable energy resource.

5. Promote the expansion of closed-loop pumped energy storage facilities to provide a clean and environmentally sound energy resource that provides electric grid reliability and resiliency, especially during times of potential blackouts.

6. Promote the expansion of in-line hydroelectric energy recovery systems at treatment facility discharge systems and where feasible on the Water Authority’s aqueduct.

7. Promote the production, purchase, delivery, and use of alternative sources of energy on a wholesale basis.

8. Facilitate the Water Authority’s opportunities to exercise the authorities granted by the County Water Authority Act, Section 45-5.1.

9. Promote large-scale (greater than 50 MW) pumped storage as counting toward energy storage procurement targets.
10.9. Provide clear statutory, regulatory, or administrative authority for the Water Authority to wheel acquired or produced power to itself, its member agencies, or entities with which the Water Authority is under contract for the purchase, treatment, transport, or production of water.

11.10. Recognize all grid services that energy storage provides, and supports fair compensation in the wholesale energy market for such services.

12.11. Provides timely, efficient, and cost-effective interconnection of new energy resources such as solar, inline hydroelectric, pumped energy storage, and other renewable energy generation or storage technologies to the electric distribution and transmission grid.

13.12. Recognize the value of large-scale hydropower and pumped energy storage hydropower facilities in assisting the state to meet its renewable and zero-carbon emission goals of 100 percent by 2045.

The Water Authority’s policy principles oppose initiatives that:

1. Adversely affect the ability of the Water Authority or its member agencies to own, operate, and/or construct work for supplying its member public agencies, or its own facilities with natural gas and electricity.

2. Impede the Water Authority’s or its members agencies’ ability to contract for, deliver, and use the purchase of natural gas and electricity from the United States, the State of California, and any other public agency or private entity and sell the gas and electricity to any public agency or private entity engaged in retail sales of electricity and gas.

3. Reduce the Water Authority or its member agencies’ ability to maintain high operational efficiency at all times.

4. Restrict the Water Authority or its member agencies’ ability to expand or improve infrastructure or facilities.

5. Restrict or caps future energy demands needed for possible expansion of recycled water, potable reuse, and desalination projects.

6. Adversely affect the Water Authority or its member agencies’ ability to expand cogeneration or polygeneration at planned or existing facilities.

7. Inhibit the scientific advancement of energy and water efficient/conserving technologies that may be implemented at Water Authority and member agency facilities.
8. Prevent the Water Authority and its member agencies from enhancing energy reliability and independence for their facilities.

9. Do not count or credit qualified renewable energy projects toward accomplishment and satisfaction of the California Renewables Portfolio Standard objectives.

10. Prohibit the Water Authority from wheeling – or securing statutory, regulatory, or administrative authority necessary to wheel – acquired or produced power to itself, its member agencies, or entities with which the Water Authority is under contract for the purchase, treatment, transport, or production of water.

11. Result in a lengthy, more complicated, or more costly interconnection of new energy resources, such as solar, inline hydroelectric, pumped storage, and other renewable energy generation or storage technologies to the electric distribution and transmission grid.
Financial Issues

Policy Category: Fiscal Policy and Water Rates
Fees, Taxes, and Charges
Financial Management
Funding
Rates

Policy Category: Water Bonds
Fiscal Policy and Water Rates

The Water Authority generally supports initiatives that improve the Water Authority’s ability to obtain cost-effective financing for the construction, operation, and maintenance of public facilities. The Water Authority supports initiatives that are consistent with the Board’s policy principles adopted in 2006, regarding user fees and statewide water infrastructure funds. The Water Authority supports initiatives that promote local control over water rates, but ensure that rate-making is undertaken pursuant to a clearly defined cost-of-service basis and foundation.

The Water Authority generally opposes unfunded federal or state mandates that are not accompanied by subventions. The Water Authority opposes initiatives that reallocate the Water Authority’s revenues or reserves to statewide purposes. The Water Authority opposes imposition by the state of a “public goods charge,” or excise tax on water for statewide purposes. The Water Authority opposes state-imposed user fees on water imposed by the state unless the fee is restricted to paying for specific projects and programs with identified costs and clearly identified benefits. The Water Authority opposes the imposition of a state water user fee to pay the interest or principal on a statewide water bond. The Water Authority opposes initiatives that would interfere with public agencies’ ability to set their own rates and manage their own finances.

Fees, Taxes & Charges

The Water Authority’s policy principles oppose initiatives that:

1. Impose mandated costs or regulatory constraints on local governments without providing subventions to reimburse local governments for such costs.

2. Pre-empt the Water Authority’s or its member agencies’ ability to impose or change rates, charges, fees, or assessments.

3. Weaken the protections afforded the Water Authority or its member agencies under California’s Proposition 1A (November 2, 2004).

4. Impose a water user fee on water agencies or water users that does not provide a commensurate and directly linked benefit in the local area or region from which the water user fee is collected.

5. Impose a water user fee for statewide projects or programs, for which the projects or programs are not clearly defined, the beneficiaries identified, and the reasonable costs identified.

6. Impose a water user fee in order to create a state fund that can be used to finance undefined future projects and programs.
7. Allow the state to retain more than five percent of water user fees for administrative costs.

8. Do not restrict the use of water user fees to only the specific purposes for which they are imposed, without any possibility of diversion to meet other fiscal needs of the state.

9. Impose a “public goods charge” or “water tax” on public water agencies or their ratepayers.

10. Impose a fee on water users to repay the principal and interest on a statewide general obligation bond.

11. Establish regulatory or permit fees that lack a nexus to the costs of oversight.

12. Establish a broad-based user fee that does not support a specific program activity; any fee must provide a clear nexus to the benefit the fee would provide.

**Financial Management**

**The Water Authority’s policy principles oppose initiatives that:**

1. Are inconsistent with the Water Authority’s and its member agencies’ current investment policies and practices.

2. Make any unilateral reallocation of Water Authority or its member agencies’ revenues by the state unless the state takes compensatory measures to restore those funds.

3. Reduce the Water Authority’s or its member agencies’ revenues without giving the Water Authority and its member agencies a commensurate public benefit that is clearly identifiable and separate from a general statewide benefit.

4. Restructure the Water Authority’s or its member agencies’ responsibilities without also providing the commensurate restructuring of revenues.

5. Require the expenditure of Water Authority or member agency funds to accomplish federal water supply commitments such as may be required in national treaties.

6. Reduce or eliminate the tax-exempt status on municipal financings.

**Funding**

**The Water Authority’s policy principles support initiatives that:**

1. Require the federal and state governments to provide subvention to reimburse local governments for all mandated costs or regulatory actions.
2. Provide the Water Authority and its member agencies with additional forms of cost-effective financing for public facilities.

3. Revitalize the Title XVI federal funding program by converting new authorizations to a competitive grant program with congressional oversight while protecting existing Title XVI authorizations for the San Diego region.

4. Provide the Water Authority and its member agencies with grant funding for public facilities.

4.5. Provide the Water Authority, its member agencies, and water ratepayers with post-COVID financial relief through a variety of means, including but not limited to, direct financial assistance and flexibility in debt management, to assist water ratepayers and water suppliers.

The Water Authority’s policy principles oppose initiatives that:

1. Impose additional administrative requirements and/or restrict the Water Authority’s or its member agencies’ ability to finance public facilities through the issuance of long-term debt.

2. Interfere with the responsibility of a region, operating under an Integrated Regional Water Management Plan, for setting priorities and generating projects to be paid from any IRWM accounts and grants.

3. Interfere with the control exercised by the San Diego funding subregion over the use and expenditure of any water user fee revenues that may be dedicated to the region.

Rates
The Water Authority’s policy principles support initiatives that:

1. Maintain the authority of water agencies to establish water rates locally, consistent with cost-of-service requirements of the law.

2. Maximize the ability of water agencies to design rate structures to meet local water supply goals and that conform to cost-of-service requirements of the law.

The Water Authority’s policy principles oppose initiatives that:

1. Impair the Water Authority’s or its member agencies’ ability to provide reliable service at reasonable costs to member agencies or to charge all member agencies the same or similar rate for each class of service consistent with cost-of-service requirements of the law.
2. Undermine or weaken cost-of-service rate-making requirements in existing law.

3. Impair the Water Authority’s or its member agencies’ ability to maintain reasonable reserve funds and obtain and retain reasonable rates of return on its reserve accounts.

4. Mandate a specific rate structure for retail water agencies.

5. Prescribe mandatory conservation-based rate structures that override the authority of the boards of directors of local water agencies to set rate structures according to the specific needs of the water agencies.
Water Bonds

The Water Authority generally supports water bond legislation that provides an equitable share to the San Diego region, focuses on statewide priorities that achieve the coequal goals of improving water supply reliability and restoring ecosystems in the Delta. The Water Authority also supports bond legislation that ensures the grant application is not unduly burdensome and is open and transparent.

However, the Water Authority generally opposes water bond legislation that does not provide equitable funding for the San Diego region. The Water Authority also opposes water bond legislation that does not result in real improvements in water supply and water supply reliability and resolve statewide conflicts over water supply.

It shall be the Water Authority’s policy to support water bond legislation or an initiative that:

1. Provides an equitable share of funding to San Diego County, with major funding categories being divided by county and funded on a per-capita basis to ensure bond proceeds are distributed throughout the state in proportion to taxpayers’ payments on the bonds.

2. Focuses on statewide priorities, including restoration of fish and wildlife habitat, construction of an improved method of conveyance of water through or around the Delta that provides water supply reliability to Delta water users, promotion of greater regional and local self-sufficiency, surface storage, and promotion of water use efficiency.

3. Provides the states’ share of funding for projects that advance the achievement of the co-equal goals of water supply reliability and Delta ecosystem restoration.

4. Provides funding for water infrastructure that resolves conflicts in the state’s water system and provides long-term benefits to water supply, water supply reliability, water quality, and ecosystem restoration.

5. Defines the “San Diego sub-region” and “San Diego county watersheds” as “those portions of the westward-flowing watershed of the South Coast hydrologic region situated within the boundaries of San Diego County.”

6. Includes within IRWM funding money that a region may use over time to develop and refine its plan and to develop institutional structures necessary to establish and implement the plan.
7. Gives primary consideration to funding priorities established by local and regional entities through their IRWM planning process.

8. Ensures that the application process for funding is not unnecessarily burdensome and costly, with an emphasis on streamlining the process.

9. Limits state overhead to no more than five percent of bond funding amounts.

10. Places as much emphasis and provides at least as much funding for surface storage as for groundwater storage.

11. Funds emergency and carryover storage projects such as the San Vicente dam raise project.

12. Consolidates administration of all voter-approved water-related bond funding in one place, preserves existing expertise within the state bureaucracy to manage bond funding processes, and provides consistent application and evaluation of bond funding applications.

It shall be the Water Authority’s policy to oppose water bond legislation or an initiative that:

1. Does not provide an equitable share of funding to San Diego County, based on San Diego County taxpayers’ proportional contribution to repayment of the bond.

2. Does not provide funding for infrastructure that resolves statewide or regional conflicts over water supplies.

3. Does not provide funding that results in net increases in real water supply and water supply reliability.

4. Commits a significant portion of its funding to projects that do not result in net increases in real water supply or water supply reliability.
Imported Water Issues

Policy Category: Bay-Delta
   Co-Equal Goals
   Bay-Delta Conveyance Project

Policy Category: Metropolitan Water District

Policy Category: Imported Water Supply
   Colorado River
   State Water Project
   Water Transfers
Bay-Delta

Generally, the Water Authority has supported an implementable and affordable solution to the conflicts between water supply exports and Delta ecosystem protection. These long-standing Delta conflicts have made water supply less reliable. Irrespective of whether a proposed Delta fix is the California WaterFix, or some other conveyance-related proposal, the Water Authority is also interested in ensuring that the solution to Delta conflicts be cost-effective, and that the water contractors who finance the solution be capable of financing and maintaining improvements to the Delta. The Water Authority supports Delta solution costs being shared equitably among beneficiaries of the improvements, and that the costs are apportioned fairly and equitably to all users. These policy principles reflect the Board’s multi-year engagement on issues related to the Bay-Delta Conservation Plan, California WaterFix, and other Delta fix and Delta conveyance project proposals.

Co-Equal Goals

The Water Authority’s policy principles support initiatives that:

1. Require the Delta Stewardship Council or DWR to provide periodic analyses of the cost of proposed Delta improvements to the Legislature and the public.

2. Provide conveyance and storage facilities that are cost-effective for the San Diego region’s ratepayers, improve the reliability and quality of the San Diego region’s water supplies, and protect the Bay-Delta’s ecosystem.

3. Continue to support the co-equal goals of water supply reliability and environmental restoration embodied in the 2009 Delta bill package.

4. Improve the ability of water-users to divert water from the Delta during wet periods, when impacts on fish and the ecosystem are lower and water quality is higher.

5. Encourage the development of a statewide water transfer market that will improve water management and allow more efficient use of available resources.

6. Support improved coordination of Central Valley Project and State Water Project (SWP) operations and implementation of voluntary agreements that are fair to users of both projects and do not unfairly shift costs to SWP contractors.

7. Support continued state ownership and operation of the SWP, including project facilities, as a public resource.

8. Authorize and appropriate the federal share of funding for the long-term Bay-Delta solution, including for the EcoRestore Program.

9. Provide the ongoing state share of funding for the EcoRestore Program.
10. Provide state funding for aquatic toxicity monitoring in the Bay-Delta. Such legislation should not place a surcharge on water supply exports nor should it substantively reduce funding for other measures that protect the environment and public health.

The Water Authority’s policy principles oppose initiatives that:

1. Impose water user fees to fund ecosystem restoration and other public purpose, non-water-supply improvements in the Delta that benefit the public at large.

2. Transfer operational control of the SWP or any of its facilities to MWD, the State Water Project Contractors, Central Valley Project Contractors, the State and Federal Contractors Water Agency, any entity comprised of MWD or other water project contractors, or any other special interest group.

Bay-Delta Conveyance Project

The Water Authority’s policy principles support initiatives that:

1. Are consistent with the Water Authority Board of Directors’ July 25, 2019 adopted Bay-Delta and project policy principles, including the following:

   a. On April 29, 2019, Governor Newsom signed Executive Order N-10-19, directing the preparation of a water resilience portfolio approach that meets the needs of California’s communities, economy, and environment through the 21st century, including consideration of multi-benefit approaches that meet multiple needs at once, and a single-tunnel Bay-Delta project.

   b. The Water Authority Board of Directors supports Governor Newsom’s Executive Order N-10-19 and directs staff to inform the Newsom Administration that its support for a single-tunnel Bay-Delta project is expressly conditioned upon the project costs being characterized by the Department of Water Resources (DWR) as conservation, or supply charges, as similar facilities historically have been defined in the Metropolitan Water District of Southern California’s (MWD) State Water Project (SWP) contract with DWR.

   c. As reflected in Table 2 of DWR’s Appendix B to Bulletin 132-17, Data and Computation Used to Determine Water Charges, and for which costs are recovered in Article 22(a) of Delta Water Charge of MWD’s SWP Contract; allow for the exemption of north-of-Delta SWP contractors.

2. Support establishment of an independent and transparent oversight function to monitor and provide regular updates on project implementation progress, including expenditure tracking, construction progress, project participants’ contributions, and all other relevant activities and developments.
3. Allow access to all SWP facilities, including project facilities, to facilitate water transfers.

Metropolitan Water District

The Water Authority supports initiatives that require MWD to treat its member agencies equitably in proportion to their financial contributions. The Water Authority supports the protection of the Water Authority’s preferential rights at MWD, and supports initiatives requiring MWD to be open and transparent in its governance, and implement policies that ensure its long-term fiscal sustainability.

The Water Authority’s policy principles support initiatives that:

1. Provide an appropriate level of accountability and cost control over MWD spending.

2. Protect and safeguard the Water Authority’s Preferential Rights in the Metropolitan Water District Act.

3. Require MWD to refund or credit to its member agencies revenues collected from them that result in reserve balances greater than the maximum reserve levels established pursuant to state legislation.

4. Require MWD to implement actions that advance and support its long-term financial stability, fiscal sustainability, and that moderate fluctuations in rates and charges for its member agencies from year to year, in a publicly transparent manner.

5. Amend the Metropolitan Water District Act to change voting allocation on its Board of Directors based on a member agency’s total financial contribution to MWD, and in a manner similar to the voting allocation method of the County Water Authority Act.
Imported Water Supply

The Water Authority relies on imported water from the Sacramento-San Joaquin Delta and from the Colorado River for a significant portion of its water supply. This section details the Water Authority’s policies toward initiatives that affect the imported water supply. Policies specifically relating to the Sacramento-San Joaquin Delta are listed in the section entitled “Bay-Delta.”

The Water Authority supports funding and other incentives for ecosystem restoration and other improvements to the Colorado River that improve water supply and water supply reliability. The Water Authority also supports a robust and effective means of transferring water from one part of the state to another as needed, either year-by-year or longer term.

The Water Authority opposes initiatives that would transfer control of the State Water Project from the state to MWD, the State Water Contractors, the Central Valley Project Contractors, the State and Federal Water Contractors Authority, or to any entity comprised of MWD and other water contractors. The Water Authority also opposes initiatives that would jeopardize its independent Colorado River water supplies derived through the IID/Water Authority transfer or canal lining projects.

Colorado River

The Water Authority’s policy principles support initiatives that:

1. Supports implementation and funding of the California Colorado River Water Use Plan, including the Lower Colorado River Multi-Species Conservation Program.

2. Provide funding for Colorado River salinity control projects and other water quality management efforts.

3. Provide for state and federal authorizations and appropriations of non-fee-based funds to implement Salton Sea mitigation and the State’s phased approach to restoration in the form of the Salton Sea Management Program, consistent with its obligations under Chapters 611, 612, and 613 of the Statutes of 2003.

4. Limit the Quantification Settlement Agreement mitigation costs imposed on the funding parties to the amount committed in accordance with the original QSA legislation.

5. Provide a governing structure and/or specified managing office over the state’s Salton Sea Management Program to provide guidance and oversight of restoration activities.

6. Support the sustainability of the Colorado River and provide operational flexibility through the development of storage, including in Lake Mead, and through the renegotiation of the new interim shortage guidelines for the continued operation
of the River.

7. Allow for the option to create an alternate conveyance route, when technically and financially feasible, for reliable delivery of the Water Authority’s independent Colorado River water supplies and integration of compatible partnership projects along the proposed conveyance routes as a model of the Governor’s Water Resilience Portfolio approach to water management.


The Water Authority’s policy principles oppose initiatives that:

1. Impose additional mitigation costs or obligations for the Salton Sea on the non-state parties to the Quantification Settlement Agreement.

State Water Project
The Water Authority’s policy principles support initiatives that:

1. Provide for development of a comprehensive state water plan that balances California’s competing water needs and results in a reliable and affordable supply of high-quality water for the San Diego region.

The Water Authority’s policy principles oppose initiatives that:

1. Make urban water supplies less reliable or substantially increases the cost of imported water without also improving the reliability and/or quality of the water.

2. Revise the Central Valley Project Improvement Act to jeopardize the Act’s environmental integrity, compromise State Water Project supply reliability and/or limit the ability of urban agencies to transfer and/or bank CVP water for use both within and outside the CVP service area.

3. Transfer operational control of the State Water Project or any of its facilities to MWD, the State Water Project contractors, Central Valley Project contractors, the State and Federal Contractors Water Agency, any entity comprised of MWD or other water project contractors, or any other special interest group.

Water Transfers
The Water Authority’s policy principles support initiatives that:

1. Encourage and facilitate voluntary water transfers consistent with other Water
Authority policies and agreements.

2. Provide appropriate protection or mitigation for the environment, groundwater basins, water-rights holders and third-party impacts within the district transferring water.

3. Create a water transfer clearinghouse that serves as a neutral information resource that focuses on the collection, assembly and dissemination of information on water transfers.

4. Streamline the permitting and approval process for implementing transfers that will improve water management consistent with other Water Authority policies and agreements.

5. Encourage efficient use of existing facilities to advance voluntary transfers of water consistent with other Water Authority policies and agreements.

6. Provide that any water transfer between users within counties, watersheds or other areas of origin shall not be deemed to operate to the injury of any use of water with a point of diversion that is not located within the same hydrologic area as the transferor of the water.

7. Allow for the storage of the Water Authority’s Colorado River water supplies to provide enhanced flexibility with annual transfer volumes, support drought contingency planning, and align with the Governor’s Water Resilience Portfolio approach to water management.

The Water Authority’s policy principles oppose initiatives that:

1. Adversely affect water management efforts by granting property rights status for the right to use or receive water and requires compensation for federal actions that impact users of water from federal projects.

2. Create a water transfer clearinghouse that is anything other than a neutral information resource.

3. Increase regulatory or procedural impediments to water transfers at the local or state level.
Local Autonomy

Policy Category: Local Autonomy
Local Autonomy

The Water Authority generally opposes initiatives that interfere with the Water Authority’s Board of Directors’ ability to govern the Water Authority’s affairs or govern relations with its employees, or that would similarly impede the ability of the Water Authority’s member agencies to exercise local authority.

The Water Authority’s policy principles oppose initiatives that:

1. Diminish the power of the Water Authority Board of Directors to govern the Water Authority’s affairs.

2. Modify the committee or board voting structure or member agency board representation unless such changes have been expressly authorized by the Water Authority Board of Directors.

3. Diminish the power or rights of the Water Authority to govern relations with its employees.

4. Diminish the power or rights of the Water Authority’s member agency governing bodies to govern their own affairs.
Local Water Resources

Policy Category: Local Water Resources
  Alternative Sources
  Desalination
  Funding
  Water Recycling & Potable Reuse
Local Water Resources

In recent years, the Water Authority and its member agencies have made great progress in diversifying and improving the reliability of the region's water supply and developing local water resources to reduce reliance on increasingly unreliable imported water supplies. This section details the Water Authority's policies toward initiatives that affect local water resources.

Generally, the Water Authority supports initiatives that provide funding for the development of local water supplies. The Water Authority supports initiatives that fund, promote, or facilitate the development of groundwater, potable reuse, recycling, and seawater desalination facilities. The Water Authority supports initiatives that provide local agencies with regulatory flexibility with respect to local water supplies that may raise water quality concerns, such as recycled water, potable reuse, graywater, and storm water runoff.

The Water Authority supports initiatives that provide local decision-making authority for potable reuse, stormwater, conservation, recycling, seawater desalination, and other alternative sources of water. The Water Authority has been very active in shaping state laws that promote water conservation, both indoor and landscape.

The Water Authority generally opposes initiatives that impose unreasonable regulations on local water supplies, or that interfere with the authority of local agencies to regulate the discharge of contaminants into local water sources. The Water Authority opposes initiatives that restrict the ability of local water agencies to capture and manage stormwater runoff, or diminish the water rights of downstream water users through the capture or management of stormwater runoff upstream.

Alternative Sources

The Water Authority’s policy principles support initiatives that:

1. Facilitate and encourage the use of rainwater-capture systems (e.g. rain barrels and cisterns) and alternative water sources (e.g. air conditioner condensate) for use in irrigation.

2. Ensure that decision-making with regard to stormwater management and recapture is kept at the local or regional level through local water agencies, stormwater districts, cities, counties, and regional water management groups.

3. Promote and encourage the use of stormwater management to reduce pollutant loading, increase local municipal water supplies, and improve water quality through low-impact development and watershed-based stormwater treatment systems.

4. Provide incentives for the local or regional use of stormwater management, nutrient management, and recapture.
5. Reduce or remove regulatory hurdles that hinder the use of stormwater management and recapture.

6. Encourage land use practices that promote efficient landscape design, groundwater recharge, and reduce runoff of pollutants into local water supplies.

7. Provide broad local autonomy and flexibility—within the existing Sustainable Groundwater Management Act framework—for local entities to manage and utilize local groundwater resources for local and regional needs.

The Water Authority’s policy principles oppose initiatives that:

1. Restrict the ability of the Water Authority or its member agencies to manage, store, or distribute water supplies through actions to manage or recapture stormwater.

2. Diminish the water rights or legal historical uses of downstream water users through actions to manage or recapture stormwater.

Desalination

The Water Authority’s policy principles support initiatives that:

1. Provide funding for seawater and brackish groundwater desalination studies and facilities, including concentrate disposal facilities.

2. Recognize and support the development of seawater desalination as a critical new water supply for the state, including San Diego County.

3. Streamline permitting of desalination facilities.

4. Preserve and protects potential seawater desalination sites and existing coastal facilities including intake and discharge infrastructure that could be used or reused by a seawater desalination facility.

5. Ensure that desalination intake and discharge regulations are science-based, considering site-specific conditions and recognizing that not all technologies or mitigation strategies are feasible or cost-effective at every site.

Funding

The Water Authority’s policy principles support initiatives that:

1. Provide funding or other incentives for conservation, peak management programs, water recycling, potable reuse, groundwater recovery and recharge, surface water development and management projects, including reservoir
management, source water protection and watershed planning studies and facilities that sustain long-term reliable water resources.

2. Provide financial incentives to assist in the disposal of concentrate, sludge, and other byproducts created in the water treatment process.

3. Provide for the interchangeability of funding for groundwater and surface water enhancements to best fit the hydrogeologic attributes of a particular region.

4. Authorize, promote, and provide incentives or credits for development of local drought-resilient water supply projects such as desalination, non-potable recycling and potable reuse projects.

5. Provide funding for potable reuse demonstration projects and studies.

**Water Recycling & Potable Reuse**

The Water Authority’s policy principles support initiatives that:

1. Recognize and support the development of potable reuse as a critical new water supply for the State and especially San Diego County.

2. Authorize and facilitate expanded use of local water resources including water recycling, potable reuse, graywater, and rainwater harvesting (e.g., cisterns and rain barrels), and brackish groundwater.

3. Authorize local governmental agencies to regulate the discharge of contaminants to the sewer collection system that may adversely affect water recycling and reuse.

4. Encourage dual plumbing in new development where non-potable recycled water is likely to be available to enable utilization of recycled water.

5. Encourage the use of recycled water in commercial, industrial, institutional, and residential settings.

6. Promote uniform regulatory interpretation of state recycled water system standards.

7. Support beneficial revisions to the California Plumbing Code that facilitate recycled water systems.

8. Streamline regulatory processes and requirements to encourage and support the development of potable reuse and non-potable reuse as a municipal water supply.

9. Define purified recycled water as a source of water supply, and not as a waste.
10. Recognize the entire interconnected urban water cycle, as well as public health and safety, must be taken into consideration in long-term water use efficiency policies, particularly including the unintended consequences of declining flows on water, wastewater, potable reuse and recycled water systems.

The Water Authority’s policy principles oppose initiatives that:

1. Limit the ability of local governmental agencies to regulate the discharge of contaminants to the sewer collection system that may adversely affect water recycling and reuse.

2. Establish unreasonable regulatory requirements or fees relative to the safe use of recycled water which may unreasonably impede or create a disincentive to its further development.

3. Mandate the reduction of wastewater discharges to the ocean absent inclusion of funding to offset the significant costs of implementation.
Right of Way and Property

Policy Category: Right of Way and Property
Right of Way and Property

The Water Authority generally supports initiatives that improve its ability to maintain and protect its property, rights of way, easements, pipelines, and other facilities. The Water Authority generally opposes initiatives that interfere with or increase the cost of obtaining, maintaining, and protecting property and rights of way.

The Water Authority’s policy principles support initiatives that:

1. Improve the Water Authority’s and its member agencies’ efforts to maintain and protect its property, rights of way, easements, pipelines, and related facilities and minimizes liability to the Water Authority.

2. Protect the Water Authority’s and its member agencies’ properties from restrictions when surrounding properties are incorporated into preservation areas.

The Water Authority’s policy principles oppose initiatives that:

1. Impair the Water Authority’s or its member agencies’ efforts to acquire property or property interests required for essential capital improvement projects or acquisition of property to meet pipeline water drain-down needs for existing facilities.

2. Increase the cost of property and right of way acquisition.

3. Restrict the Water Authority’s or its member agencies’ use of public rights of way or increases the cost of using public rights of way.

4. Restrict the transfer of property acquired for purposes of environmental mitigation or environmental mitigation credits to other public or private entities for long-term management.
State Administrative and Regulatory Agencies

In recent years, there has been considerable discussion of reorganizing the state government. One proposal that keeps recurring is the elimination of the Colorado River Board. The board is funded entirely by the California public agencies that take water from the river, and it is important because it serves as a liaison to other states and the federal government. The Water Authority generally supports initiatives that preserve the Colorado River Board.

The Water Authority supports initiatives that make the Regional Water Quality Control Boards more consistent in their application of state water quality laws. The Water Authority also supports initiatives that allow non-state water contractors to access the SWP system to convey transferred water.

The Water Authority generally opposes initiatives that would eliminate the Colorado River Board or the regional water quality control boards without creating other bodies that carry out their functions.

The Water Authority’s policy principles support initiatives that:

1. Preserve the California Colorado River Board.
2. Ensure the interests of the members of the California Colorado River Board continue to be addressed in any state government reorganization.
3. Ensure consistent application of the law by the State Water Resources Control Board and the nine Regional Water Quality Control boards.
4. Ensure that any reorganization of the State Water Project, including operations and management, preserves the ability for non-State Water Project contractors to access the facility for transportation of water to a non-State Water Project contractor.
5. Ensure an open and transparent process for adoption of regulations, policies, and guidelines.

The Water Authority’s policy principles oppose initiatives that:

1. Eliminate the California Colorado River Board without providing a comparable structure or forum that ensures the Water Authority’s interests in the Colorado River are preserved.
2. Eliminate the State Water Resources Control Board and/or the nine Regional Water Quality Control boards without ensuring that the functions and expertise of the boards is maintained in any reorganized entity.
Water Facilities and Facility Operations

Policy Category:  Water Facilities and Facility Operations
                 Construction and Asset Management
                 Funding
                 Public Safety Power Shutoffs
                 Water System Operations
                 Workforce Development
Water Facilities and Facility Operations

The planning, design, construction, maintenance, and operation of water facilities is an essential activity of the Water Authority. Portions of the Water Authority’s and its member agencies’ water delivery systems are more than 70 years old. As components of these water systems naturally age, it is critical to actively monitor, repair, or replace the assets, which includes pipes, valves, facilities, equipment, and other infrastructure. This section details the Water Authority’s policies toward initiatives that affect water facilities and facility improvement.

Generally, the Water Authority supports initiatives that provide state and federal funding for water storage, watershed protection, treatment and delivery facilities, groundwater recharge, canal lining, and other water infrastructure development, security, asset management, maintenance, and rehabilitation. The Water Authority also supports initiatives that prevent the spread of dreissenid mussels and other non-native aquatic species. The Water Authority supports the protection of habitats and cultural resources connected with water facilities or water facility improvements.

The Water Authority generally opposes initiatives that restrict local control and discretion over water facilities, asset management, and facility operations. The Water Authority also generally opposes initiatives that shift the risks of legal liability from contractors to public agencies. The Water Authority opposes initiatives that restrict the Water Authority from using its own employees on construction projects, and initiatives that interfere with public agencies’ ability to respond to emergencies that would disrupt water service.

The Water Authority generally supports initiatives that provide broad discretion for local government entities’ response to de-energization or public safety power shutoff events, and general oppose initiatives that restrict a local government entity’s ability to operate alternative power sources, such as natural gas generators, during public safety power shutoff events.

The Water Authority generally supports initiatives that lower employment barriers for military veterans and transitioning military and that sustain vital water and wastewater services for the next generation.

Construction and Asset Management
The Water Authority’s policy principles support initiatives that:

1. Provide incentives that encourage contractors to recycle or reduce waste associated with the construction of water facilities.

2. Encourage the use of current and emerging technologies for monitoring and assessing the condition of large diameter pipelines.
1.3. Encourage water suppliers to develop and execute asset management programs that include visual inspections, internal/external inspections, asset condition assessments, corrosion mitigation, and risk analysis in a manner that recognizes the individuality and uniqueness of each water supplier and its systems.

The Water Authority’s policy principles oppose initiatives that:

1. Limit the Water Authority’s and/or its member agencies’ sole jurisdiction over the planning, design, routing, approval, construction, operation, or maintenance of water facilities.

1.2. Limit the discretion of the Water Authority and/or its member agencies from protecting the security and privacy of comprehensive inventories of all assets, which includes infrastructure location, condition, performance and useful life.

2-3. Shift the risks of indemnity for damages and defense of claims from contractors to the Water Authority and/or its member agencies.

3. Impair the Water Authority’s and/or its member agencies’ ability to execute the planning, design, and construction of projects using its own employees.

5. Prohibit the use of alternative contract procurement methods that can be utilized in the construction of water facilities.

4-6. Limit the autonomy or discretion of water suppliers to develop and execute asset management inspection programs that include visual inspections, internal/external inspections, asset condition assessments, and corrosion mitigation in a manner that recognizes the individuality and uniqueness of each water supplier and its systems.

Funding

The Water Authority’s policy principles support initiatives that:

1. Fund or otherwise facilitate planning, design, construction and/or maintenance of public water storage, watershed areas, and treatment and delivery facilities and facilitates maintenance and/or enhancement of groundwater recharge spreading areas and groundwater basin rehabilitation that benefit San Diego County.

2. Fund or otherwise facilitate the operation and maintenance of canal lining projects that enhance water supplies.
3. Provide funding for water infrastructure development, infrastructure security, and infrastructure rehabilitation and replacement projects that benefit San Diego County.

4. Fund enhancements to water treatment, recycling, and potable reuse facilities to meet increased regulations.

5. Fund improvements to water treatment facilities that allow greater use of State Water Project water.

6. Provide funding for the preservation of cultural resources affected by construction or operation of water conveyance and storage facilities.

7. Provide funding for habitat preservation programs that address impacts resulting from construction or operation of water system facilities.

8. Provide funding for projects that enhance security against terrorist acts or other criminal threats to water operations, facilities, or supplies.

9. Provide funding for the control, prevention, or eradication of non-indigenous aquatic species, including dreissenid mussels.

10. Provide incentives that encourage the optimization, expansion, and cooperative use of existing surface reservoirs.

11. Provide funding for projects that improve the security of the facilities and operations of the Water Authority and its member agencies.

12. Provide funding to water agencies for the voluntary retrofit of facilities for on-site generation of chlorine.

13. Permit the use of grant funding for projects implemented under public-private partnerships where the grant provides funding for a public benefit.

14. Provide funding for water supplier asset management programs that involve the active monitoring, repair, or replacement of physical assets and infrastructure, which includes pipes, valves, facilities, equipment, and other infrastructure.

Public Safety Power Shutoffs

The Water Authority’s policy principles support initiatives that:

1. Provide for restrictions on price gouging during public safety power shutoff events and for at least 72 hours following restoration of power.
2. Provide that de-energization or public safety power shutoff events may be included as a condition constituting a state of emergency or local emergency.

3. Provide a tax exemption for the sale of, or the storage, use, or consumption of, a backup electrical resource, that is purchased for exclusive use by a city, county, special district, or other entity of local government during a de-energization or public safety power shutoff event.

4. State that the use of alternative power sources (such as generators) by essential public services during de-energization or public safety power shutoff events shall not be limited by any state or local regulations or rules.

The Water Authority’s policy principles oppose initiatives that:

1. Authorize air quality management districts or other regulatory bodies to adopt or maintain rules that would limit or prohibit a local government entity’s use of a state and/or federally compliant natural gas-powered generator during a de-energization or public safety power shutoff event.

Water System Operations

The Water Authority’s policy principles support initiatives that:

1. Recognize water agencies as emergency responders in the event of a sudden, unexpected occurrence that poses a clear and imminent danger, requiring immediate action to prevent and mitigate the loss or impairment of life, health, property or essential public services due to natural disasters (e.g., wildfires, earthquakes), power outages as well as terrorist and other criminal activities.

2. Authorize state and federal wildlife agencies to provide assistance to local water agencies in the control, prevention, and eradication of non-indigenous aquatic species, including dreissenid mussels.

3. Exempt owners and operators of water supply facilities from criminal and civil liabilities associated with dreissenid mussel infestations if due diligence requirements are being met.

4. Require mandatory inspections of boats for evidence of potential dreissenid mussel infestation before allowing boat launching in reservoirs.

The Water Authority’s policy principles oppose initiatives that:
1. Impose or mandate recreational activities on drinking water reservoirs and reservoir property where such activities have been determined to be inappropriate by the reservoirs’ owners and operators.

2. Impair the Water Authority’s and/or its member agencies’ ability to provide and operate the necessary facilities for a safe, reliable, and operationally flexible water system.

3. Restrict the Water Authority’s and/or its member agencies’ ability to respond swiftly and decisively to an emergency that threatens to disrupt water deliveries or restricts the draining of pipelines or other facilities in emergencies or for repairs or preventive maintenance.

4. Authorize state and federal wildlife agencies to control, prevent, or eradicate invasive species in a way that excessively interferes with the operations or water supplies of local water agencies.

5. Prohibit or in any way limit the ability of the Water Authority or its member agencies from making full beneficial use of any water, wastewater, or recycling facility and resource investments.

6. Establish prescriptive leak loss control requirements for the operation, maintenance, and asset management of water conveyance and distribution systems, that fail to consider full life-cycle costing.

7. Establish meter testing requirements for water meters that fail to consider industry standards and cost-effectiveness.

**Workforce Development**

The Water Authority’s policy principles support initiatives that:

1. Provide a pathway for military veterans to apply their advanced skills and experience toward state and industry-supplied certifications in the water and wastewater treatment and distribution operator fields.

2. Ensure advanced water treatment operators and distribution system operators of potable reuse and recycled water facilities have a career advancement path as certified water and/or wastewater treatment plant operators.
Water Planning

Policy Category: Climate Change
   Funding
   Local Planning

Policy Category: Integrated Regional Water Management Planning
   San Diego County IRWM
   Statewide IRWM
Funding

Policy Category: Land Use and Water Management
- Local Conditions
- Use of Public Lands
- Water Supply Planning
Climate Change

The potential effects of climate change are an important concern in water management planning. The Water Authority generally supports initiatives that incorporate considerations of climate change into water management planning, as long as the climate change information is developed and provided by the state. The Water Authority also supports initiatives that allow water agencies to partner with energy providers to improve energy efficiency in the conveyance and use of water. The Water Authority supports initiatives that encourage innovation in developing responses to climate change, with maximum control at the local level.

The Water Authority generally opposes initiatives that do not allow local control over responses to climate change. The Water Authority also opposes initiatives that may prohibit water agencies from entering into the carbon credits market.

Funding

The Water Authority’s policy principles support initiatives that:

1. Incorporate state provided climate change information into statewide, regional, and local water management planning, and provide funding for projects that assist in adapting to effects of climate change on the water supply portfolios across the state.

2. Provide financial support to local projects designed to mitigate or adapt to potential negative impacts of climate change on water supply reliability.

3. Encourage water agencies to partner with energy providers to help fund water conservation and other programs that result in reduction of greenhouse gas emissions and/or provides opportunities and incentives for voluntary implementation of local water and renewable energy projects that directly or indirectly reduce greenhouse gas emissions.

4. Provides incentive, funding, and assistance to water agencies so that they can comply with AB 32 (2006) requirements, and updated statutory requirements imposed pursuant to SB 32 (2016) and SB 100 (2018).

5. Investigate and provides financial support to projects designed to mitigate potential negative impacts of climate change on water supply reliability.

The Water Authority’s policy principles oppose initiatives that:

1. Do not allow water agency participation in the carbon credits market.
Local Planning

The Water Authority’s policy principles support initiatives that:

1. Promote public-private partnerships, encourages innovation, and focuses on quantifiable performance goals as opposed to top-down, “one size fits all” mandates.

2. Promote continued development and deployment of more sophisticated and integrated hydrological, water quality, and meteorological water monitoring for the purpose of assessing water supply conditions resulting from climate change.

3. Promote the coordination and integration of local, state and federal climate change policies and practices to the greatest extent feasible.

The Water Authority’s policy principles oppose initiatives that:

1. Require incorporation of climate change considerations into regional and local water management planning that does not provide flexibility to the local and regional water agencies in determining the climate change impact and identification of adaptation and mitigation measures.

2. Impose top-down, “one size fits all” climate change mandates that fail to account for hydrological, meteorological, economic, and social variation across the state and/or that fail to incorporate local and regional planning and implementation priorities and protocols.

3. Establish a “loading order” for the development of local water supplies based on embedded energy or other factors.
Integrated Regional Water Management Planning

The Water Authority, along with the City of San Diego and the County of San Diego, developed the San Diego Integrated Regional Water Management Plan. The Water Authority generally supports initiatives that provide equitable funding for IRWM plans, based on population, and that allow the regions to set their own priorities for funding. The Water Authority also supports initiatives that allow for binational funding for projects along the border.

The Water Authority generally opposes initiatives that establish state criteria and mandate for IRWM plans. The Water Authority also opposes initiatives that exclude or reduce participation by water agencies in local IRWM plans.

San Diego County IRWM
The Water Authority’s policy principles support initiatives that:

1. Define the “San Diego sub-region” and “San Diego county watersheds” as “those portions of the westward-flowing watersheds of the South Coast hydrologic region situated within the boundaries of San Diego County.”

2. Allow for creation of sub-area plans that enhance, but do not duplicate or replace, a larger recognized integrated regional water management plan.

3. Require the state to rely on the local process for selection and ranking of projects included in an approved integrated regional water management plan.

Statewide IRWM
The Water Authority’s policy principles support initiatives that:

1. Require the state agencies responsible for preparing the integrated regional water management grant program guidelines to conduct a comprehensive public outreach process that ensures stakeholders have an opportunity to provide adequate input on preparation of the guidelines and that the state agencies consider and respond to comments received through the outreach process.

2. Establish a task force to provide recommendations to the state on improving the integrated regional water management planning process in California.

3. Ensure discretion for Regional Water Management Groups to determine the composition and structure of their organization, rather than through the imposition of a “one size fits all” mandated structure applied statewide.

The Water Authority’s policy principles oppose initiatives that:

1. Mandate a specific composition and management structure of the regional water management group that oversees integrated regional water management
planning efforts within a region.

2. Preclude water wholesalers from serving on a regional water management group.

3. Dilute public water agency participation on the regional water management group.

Funding

The Water Authority’s policy principles support initiatives that:

1. Provide for population-based distribution of funds to ensure adequate distribution of grant funding throughout the state.

2. Provide for the use of state grant funds for binational projects where the projects benefit water supply or water quality in the San Diego region.

3. Improve and streamline the state’s reimbursement process to ensure timely remittance of IRWM funds.

4. Promote the ability of the Regional Water Management Group to more directly administer state grant funds specifically identified for IRWM Programs.

The Water Authority’s policy principles oppose initiatives that:

1. Establish funding criteria that limits local discretion in project selection.
Land Use and Water Management Planning

The Water Authority generally supports initiatives that coordinate land use planning with water management planning. The Water Authority also supports initiatives that protect flood plains and water recharge basins.

The Water Authority generally opposes initiatives that interfere with the Water Authority's ability to forecast demand and plan for water management.

Local Conditions

The Water Authority’s policy principles support initiatives that:

1. Promote enhanced coordination and linkage of general plans and water management plans.

2. Recognize regional efforts to coordinate land use planning and water management planning in a manner consistent with the goals and objectives established by regional growth management strategies, affordable housing mandates, and local general plans.

3. Discourage piecemeal or uncoordinated land use and water management planning.

4. Require that projected population and other demographic factors utilized in forecasting future water demands in accordance with the Urban Water Management Planning Act, SB 610, and SB 221, be consistent with the regional growth management plans and general plans applicable to the territory within the service area of the supplier.

5. Provide funding for, or otherwise facilitate, development of groundwater management plans pursuant to AB 3030 and groundwater sustainability efforts under the Sustainable Groundwater Management Act.

6. Encourage consolidation of small non-viable and non-complying water systems without shifting the financial burden to the customers of the agency receiving the consolidation.

The Water Authority’s policy principles oppose initiatives that:

1. Restrict or limit the effectiveness of the Water Authority or its member agencies in their continuing efforts to meet their obligations under SANDAG’s Regional Comprehensive Plan and in their efforts to develop demand forecasts based on SANDAG regional growth forecasts and general plan information.

Use of Public Lands
The Water Authority’s policy principles support initiatives that:

1. Allow and fund land exchanges between local public agencies and federal or state agencies when mutually beneficial to all agencies and enhances water resources for the region.

2. Designate public lands that are tributary to drinking source water reservoirs as wilderness, habitat preserve, open space, or other protected status, provided such designation does not impede current or reasonable future use of those water resources.

3. Protect floodplains and lands over prime groundwater recharge zones for stormwater catchment and bioremediation.

The Water Authority’s policy principles oppose initiatives that:

1. Impose land use designations that preclude the use of such lands for public water infrastructure determined necessary to ensure a cost-effective, safe, and reliable water supply.

Water Supply Planning

The Water Authority’s policy principles support initiatives that:

1. Considers the multiple local variables and priorities that are associated with water supply planning and selection of water resources for implementation.

2. Preserve the local water agency’s ability to establish local priorities for water resources planning decisions.

The Water Authority’s policy principles oppose initiatives that:

1. Restrict the Water Authority’s or its member agencies’ ability to utilize a demand forecasting methodology that is best suited for the region.

2. Require the use of specific evaluation criteria in water supply planning and selection of potential water supply projects that fails to take into account or conflicts with existing local and regional planning policies and implementation priorities.

3. Impose mandates requiring specific water resources be developed by water agencies that fail to take into account local factors, such as water reliability, hydrologic and geographic characteristics, and the economic, political, public acceptance, and social environment, which can influence selection of resources and/or fails to take into account or conflicts with existing local and regional planning policies and implementation priorities.

4. Limit the local water agency’s ability to establish local priorities for water
Water Quality Issues

Policy Category: Water Quality Issues
Contaminants
Funding
Source Water Protection
Water Quality Issues

Water quality is a major concern of the Water Authority. The Water Authority generally supports initiatives that assist in providing high-quality water to the San Diego region through cleanup and remediation of contaminants and protection of water sources.

The Water Authority generally opposes initiatives that regulate the conveyance, storage, and distribution of water supplies under the Clean Water Act.

Contaminants

The Water Authority’s policy principles support initiatives that:

1. Assure cost-effective remediation and cleanup of contaminants of concern that have impacted groundwater and surface water.

2. Incorporate sound scientific principles in adopting drinking water standards for drinking water contaminants.

3. Exempt the conveyance, storage, or release of water supplies from regulation as a discharge under the Clean Water Act and other water quality control laws.

4. Revise NPDES standards and procedures to facilitate inland discharge and use of recycled water.

5. Establish appropriate quality standards, testing procedures, and treatment processes for emerging contaminants.

6. Alter the definition of “lead free” to reduce the permissible amount of lead in fixtures, plumbing, and pipe fittings to be installed for the delivery of drinking water.

7. Exempt purified wastewater from regulation as a discharge under the Clean Water Act.

8. Protect child public health by requiring schools to undertake lead testing in school drinking water systems.

9. Implement source control for management and prevention of contamination by constituents of emerging concern.

The Water Authority’s policy principles oppose initiatives that:

1. Regulate the conveyance, storage, or release of water supplies as a discharge under the Clean Water Act and other water quality control laws.
2. Make water suppliers financially and legally responsible for mitigation of pollution contamination by third parties.

3. Make water suppliers financially and legally responsible for testing or correction of any water quality-related issues associated with private property or on-site plumbing systems.

**Funding**

**The Water Authority’s policy principles support initiatives that:**

1. Provide the necessary funding for research on the occurrence, treatment, health effects, and environmental clean-up related to contamination of drinking water sources.

2. Implement and fund the San Diego Regional Water Quality Control Board’s triennial review of water quality standards.

3. Provide funding and support for Colorado River salinity control projects and other water quality management efforts.

**Source Water Protection**

**The Water Authority’s policy principles support initiatives that:**

1. Assist in achieving a year-round blend of imported water supplies from MWD that achieve Board-adopted water quality objectives to help member agencies comply with drinking water standards and to help the region maximize development of recycled water and reduce financial costs to the customer due to high levels of total dissolved solids in imported water supplies.

2. Provide for the protection of source water such as reservoirs and groundwater basins so that the waters can be beneficially used for consumptive purposes.

3. Appropriately protect drinking source water reservoirs as special-purpose, man-made water bodies different in character than natural waterways, rivers, lakes, and coastal waters, while allowing maximum flexibility for operations as part of a managed water supply system.

4. Exempt terminal reservoirs with no significant nexus to the watershed from regulation under the federal Clean Water Act.

5. Direct the state’s participation or assistance in water quality issues related to or threatening the Colorado River water source.
6. Provide for watershed planning, watershed signage, and actions to protect source water - including reservoirs - such as land acquisition around reservoirs, limited land use, and increased buffer areas.

7. Reduce the water quality impacts caused by runoff into local reservoirs using a watershed based approach.

8. Streamline permitting of facilities constructed for the purpose of improving water quality.

The Water Authority’s policy principles oppose initiatives that:

1. Contribute to the degradation of source water quality around reservoirs and groundwater basins.
Water Use Efficiency

Policy Category: Water Use Efficiency
- Fixtures
- Funding
- Irrigation
- Long-Term Water Use Efficiency
- Reporting
Water Use Efficiency

The Water Authority has been a statewide leader in sponsoring legislation to improve water use efficiency. The Water Authority championed statewide requirements for ultra-low-flow toilets, high-efficiency clothes washers, water meters, and sponsored legislation that created a statewide task force on outdoor landscape water use efficiency. The Water Authority’s legacy as a leader in advancing statewide water use efficiency initiatives has continued through today, as the Water Authority has sponsored legislation in recent years to improve demand management measure reporting in urban water management plans, allow for installation of synthetic grass in common interest developments, and require the state to undertake regular updates of the model water efficient landscape ordinance.

The Water Authority generally supports water saving measures, such as graywater use, rainwater capture, submetering, plumbing retrofits, and others. The Water Authority has supported implementation and coordination of Best Management Practices as defined by the California Urban Water Conservation Council and Demand Management Measures under the Urban Water Management Planning Act.

The Water Authority generally opposes statewide requirements for conservation-based water rates that override the rate-setting authority of local agencies. The Water Authority also opposes the promulgation of conservation practices or standards that override the authority of local agencies.

Fixtures

**The Water Authority’s policy principles support initiatives that:**

1. Encourage the use of graywater where it complies with local guidelines and regulations and is cost-effective.

2. Establish standards for the utilization of high-efficiency commercial coin-operated and residential clothes washers.

3. Require submetering connections to be built in new construction of multiple unit commercial or residential buildings.

4. Encourage plumbing fixture retrofit upon real property resale.

5. Restrict Property Owner Associations from forbidding retrofits of multiple unit facilities for the purpose of submetering, if feasible.

6. Ensure plumbing codes and standards that facilitate the installation and/or retrofit of water efficient devices.
The Water Authority’s policy principles oppose initiatives that:

1. Repeal cost-effective efficiency standards for water-using devices.

**Funding**
The Water Authority’s policy principles support initiatives that:

1. Provide loans and grants to fund incentives for water efficient devices, practices, and demonstration projects and studies.
2. Provide incentives, funding, and other assistance where needed to facilitate market transformation and gain wider implementation of water-efficient indoor and outdoor technologies and practices.
3. Provide incentives, funding, and assistance to water agencies so that they can meet the water demand management measure requirements in the Urban Water Management Planning Act.
4. Provide incentives, funding, and other assistance to facilitate water use efficiency partnerships with the energy efficiency sector.
5. Provide for federal tax exempt status for water use efficiency rebates, consistent with income tax treatment at the state level.

**Irrigation**
The Water Authority’s policy principles support initiatives that:

1. Encourage implementation of effective water management practices for urban landscape and agricultural irrigation.
2. Encourage stakeholders to implement statewide landscape water conservation standards and regulations.
3. Restrict Property Owner Associations from forbidding the use of California native plants, other low water use plants, or artificial turf in well-maintained landscapes.

**Long-Term Water Use Efficiency**
The Water Authority’s policy principles support initiatives that:

1. Recognize local control in determining water use efficiency criteria, such as impact of recycled water salinity on irrigation use and efficiency for the application of non-potable recycled water.
2. Recognize local control in determining how to meet an overall efficient water use goal, based on the combined efficient indoor use, outdoor use, and leak loss, as established under the criteria provided for in statute.
The Water Authority’s policy principles oppose initiatives that:

1. Create stranded assets by establishing long-term demand management water use efficiency and water supply requirements that are inconsistent with the Urban Water Management Planning Act.

2. Prescribe statewide mandatory urban and agricultural water use efficiency practices, including, but not limited to, methods, measures, programs, budget allocation, and designation of staff dedicated to water conservation programs, that override the authority of the boards of directors of local water agencies to adopt management practices that are most appropriate for the specific needs of their water agencies.

3. Mandate regulation of the CII Sector in a manner that is discriminatory, sets unachievable Best Management Practices or compliance targets, or would otherwise impair economic activity or the viability of the CII sector.

The Water Authority’s policy principles support initiatives that:

1. Further the statewide goal of a 20 percent reduction in per capita water use by 2020 as set forth in SBX7-7, enacted in November 2009, and preserves water agency discretion and options for achieving this objective.

2. Ensure accurate and meaningful reporting of implementation of water conservation measures.

3. Encourage reasonable tracking of water use and improved efficiency in the Commercial, Industrial, and Institutional (CII) sector.


The Water Authority’s policy principles oppose initiatives that:

1. Mandate that water agencies include an embedded energy calculation for their water supply sources in the Urban Water Management Plan or any other water resource planning or master planning document.
November 11, 2020

Attention: Legislation and Public Outreach Committee


Staff recommendation

1. Sponsor or co-sponsor the following state legislative proposals:
   - Legislative Proposal #1 to create a statutory or administrative path for pumped hydropower storage to provide renewables integration and grid stability services.
   - Legislative Proposal #2 to pursue an Open Access arrangement for energy services to reduce energy costs associated with water production, treatment, and transmission.
   - Legislative Proposal #3 to improve Integrated Regional Water Management grant award cashflow for nonprofit organizations, disadvantaged communities, and tribes.


Alternatives

1. Do not sponsor or co-sponsor one or more of the recommended state legislative proposals.
2. Modify one or more of the recommended state legislative proposals.
3. Do not adopt the recommended federal priorities.
4. Modify one or more of the recommended federal priorities.

Fiscal Impact

There is no direct fiscal impact associated with the consideration of adopting policy positions and priorities on state and federal legislative matters.

Executive Summary

- This proposed action is to allow the Board to authorize the sponsorship of state legislation within the 2021 state legislative session.
- The recommended legislative proposals relate to pumped hydropower storage, reducing energy costs, integrated regional water management, funding opportunities for Lake Wohlford dam construction, and post-COVID fiscal relief.
- Annually, the Board considers the adoption of specific federal priorities to guide activity of the staff and federal legislative advocates throughout the calendar year.
- The federal priorities are intended to reflect a gameplan for implementation of the Board’s policy direction established through Board action on issues and outlined in the Legislative Policy Guidelines.
- Water Authority staff and federal legislative advocates will advance the Board’s policy positions and priorities during the 2021 congressional session.
Discussion

State Bill Sponsorship Proposals
Staff has considered and evaluated five legislative proposals for possible sponsorship or co-sponsorship of legislation during the 2021 state legislative session. The process to solicit legislative proposals for consideration of possible bill sponsorship in 2021 has involved the solicitation of concepts from Water Authority staff, member agency General Managers, member agency legislative liaisons, and Board members. Staff is recommending Water Authority sponsorship of three proposals identified in the chart below, during the 2021 state legislative session. The legislative proposals are identified below and evaluated in more detail in Attachment 1.

<table>
<thead>
<tr>
<th>LEGISLATIVE PROPOSAL</th>
<th>RECOMMENDED FOR BILL SPONSORSHIP IN 2021?</th>
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<tbody>
<tr>
<td>1. Create a statutory or administrative path for pumped hydropower storage to provide renewables integration and grid stability services</td>
<td>YES – Staff recommends the Board co-sponsor legislation in this area in 2021 with the City of San Diego.</td>
</tr>
<tr>
<td>2. Pursue an Open Access arrangement for energy services to reduce energy costs associated with water production, treatment, and transmission.</td>
<td>YES - Staff recommends the Board sponsor legislation in this area in 2021.</td>
</tr>
<tr>
<td>3. Improve Integrated Regional Water Management grant award cashflow for nonprofit organizations, disadvantaged communities, and tribes</td>
<td>YES - Staff recommends the Board sponsor legislation in this area in 2021.</td>
</tr>
<tr>
<td>4. Pursue opportunities for post-COVID financial relief for water suppliers and water ratepayers</td>
<td>NO – Staff recommends that the Board not pursue sponsorship of legislation in this area, but rather direct staff to actively engage within the State Legislature and Administration to pursue financial relief opportunities.</td>
</tr>
<tr>
<td>5. Partner with the City of Escondido to pursue solutions to extend an existing Proposition 1E grant award for replacement of Wohlford Dam</td>
<td>NO – Staff recommends that the Board not pursue co-sponsorship of legislation in this area, but rather direct staff to actively partner with the City of Escondido to engage within the Administration to advance potential administrative remedies to this issue.</td>
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Federal Priorities
Annually, as part of the ongoing planning process for the Water Authority’s legislative engagement, the Board considers federal legislative priorities to help guide the focus of staff and the Water Authority’s federal legislative advocates. While new federal legislative and regulatory initiatives may emerge at any time, identification of general priorities help to ensure continuity of progress over the course of the congressional session and calendar year.
This report presents staff’s recommendations for the Board’s annual review and establishment of federal priorities. Following is a series of proposed federal priorities on which the Water Authority’s federal legislative team will remain engaged in 2021:

<table>
<thead>
<tr>
<th>Federal Legislative Priorities</th>
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<tbody>
<tr>
<td>1. Protect the Water Authority’s Colorado River water supplies, advance opportunities for new water storage, and continue to regularly apprise members of the San Diego congressional delegation of developments regarding the Water Authority’s interests in the Colorado River, QSA implementation, Salton Sea restoration, and Lake Mead storage.</td>
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<tr>
<td>2. Continue building relationships for the Water Authority with key officials in the Administration, particularly within the U.S. Department of the Interior, Bureau of Reclamation, and the U.S. Environmental Protection Agency, as well as with members of the California congressional delegation and key appropriations and authorizing committees. Additionally, reach out to other key members of Congress from other states that may have similar interests to help strengthen coalition efforts.</td>
</tr>
<tr>
<td>3. Engage with the Administration to pursue federal funding appropriations for important regional water projects, recycled water, potable reuse, and desalination.</td>
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<tr>
<td>4. Closely monitor and engage, when appropriate, on issues relative to federal infrastructure policy, including promotion of financing and funding options that benefit the Water Authority and its member agencies.</td>
</tr>
<tr>
<td>5. Continue to inform the regional congressional delegation regarding the Water Authority’s energy needs and contributions, including progress on the Water Authority’s and City of San Diego’s San Vicente Energy Storage Project, and explore options for federal funding support or regulatory relief to reduce energy costs and improve energy efficiency for the Water Authority.</td>
</tr>
<tr>
<td>6. Communicate the interests of the Water Authority and its member agencies in promoting potable reuse as a major regional water supply initiative.</td>
</tr>
<tr>
<td>7. Actively engage with Congress, the San Diego congressional delegation, and the Administration to pursue post-COVID financial relief for water suppliers and water ratepayers.</td>
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Prepared by: Ivy Ridderbusch, Legislative Analyst
Glenn Farrel, Director of Government Relations
Approved by: Dan Denham, Deputy General Manager

Attachment 1: State Legislative Proposals and Federal Priorities – 2021
STATE LEGISLATIVE PROPOSALS AND FEDERAL PRIORITIES – 2021

State Legislative Proposals

PROPOSAL #1 – CREATE A STATUTORY OR ADMINISTRATIVE PATH FOR PUMPED HYDROPOWER STORAGE TO PROVIDE RENEWABLES INTEGRATION AND GRID STABILITY SERVICES

Background on Issue
California is a world leader in renewable energy. The state already sources approximately one-third of its power from renewables, mainly solar and wind and is on its way to 60 percent renewable energy by 2030 and 100 percent zero-carbon emissions by 2045. This renewable energy revolution is attractive for California, but it requires sustained support.

A major shift to renewables will require new kinds of investments, markets, and business practices. Electric grids will need to be more flexible; new kinds of power supplies will help deliver energy flexibility when needed; and new pricing systems are needed to send clear signals to consumers so that they adjust their energy usage based on the times of day when electricity is most plentiful. What’s unclear is how quickly or effectively all these changes will be realized and how these changes will align with what is best for California. For example, large electric grids across the western United States can help import renewable electricity, but such investments won’t create jobs from a renewable energy revolution in California.

While many pieces are needed in California’s energy puzzle to make the shift to renewable power, there is one piece that is becoming pivotally important: energy storage. Wind and solar energy need to be firmed and shaped by energy storage so that customer demand can be met reliably where and when needed. This requires both short- and long-duration energy storage capabilities on the grid. With the traditional methods of balancing renewables becoming increasingly constrained, California and other western states will need to invest rapidly in new capabilities. Many expert technical studies have shown that large-scale, long-duration energy storage – systems that can store hundreds of megawatts of power capacity over eight hours or longer – will be pivotal to a cost-effective renewables revolution. While the exact timing for these needs varies with the assumptions in each study, the need for this energy storage will rise sharply in the late 2020s and accelerate with the more complete shift to renewables and zero-carbon sources.

In addition, the California Public Utilities Commission (CPUC) has identified the need for large-scale, long-duration energy storage systems. To-date, the CPUC-supervised procurement process has focused on small scale (10 to 100 megawatt) and shorter duration (one to two hours) energy storage systems. However, ongoing proceedings at the CPUC now are shifting attention and
focus toward longer-duration energy storage within the context of the CPUC’s Integrated Resources Planning efforts.

The Independent System Operator (ISO) has also identified a need for fast-ramping and flexible resources to balance the electrical grid and store low-cost energy from eligible renewable energy resources, and it has identified long-duration bulk energy storage, when constructed in a sufficiently large scale, as supporting the California electrical grid’s need for fast-ramping capability and the capacity to store generation from eligible renewable energy resources.

Extensive academic research, along with practical commercial experience, has shown that pumped hydropower energy storage systems are the most cost-effective source of large-scale, long-duration energy storage.¹ California already has a few pumped hydropower energy storage projects in use, including the Lake Hodges pumped hydropower energy storage project that came on-line in 2011.

One of the most promising long-duration, large-scale energy storage solutions in California is the potential San Vicente Energy Storage Facility under consideration in San Diego County. This potential project would have a small new environmental footprint because it would take advantage of the existing San Vicente Reservoir, which is owned by the City of San Diego. This potential energy storage project could store 4,000 MWh of energy (500 MW of capacity for eight hours) and could be recharged and discharged every day. Using well-established pumped hydropower technology, once built the project could serve Californians for well over 50 years without performance degradation and with minimal maintenance. The existing San Vicente reservoir is located very close to the Sunrise Powerlink transmission corridor, which would allow the project to play a central role in integrating solar and wind energy from across the southwest. The potential San Vicente Energy Storage Facility project is designed to draw on the strengths of the public and private sectors working together. The public agencies will ensure that San Vicente Reservoir serves its primary mission – supplying clean and reliable water for San Diegans – and they intend to use the revenues from the proposed energy storage project to help offset the cost of water services for the region. Private investors will provide the capital, along with the expertise to integrate the potential project with existing infrastructure for the benefit of the entire region.

Over the last several years, multiple bills have been introduced in the California Legislature to advance pumped hydropower storage toward procurement in California. However, the previous legislative efforts – which have been all been sponsored or co-sponsored by Next Era Renewables to advance the 1,300 MW Eagle Crest project near the Joshua Tree National Park – have failed to gain traction for a variety of reasons that have garnered the opposition of the environmental community, tribes, the public power community, large energy consumers, other energy storage technologies, and interests within the renewable energy community.

During the final week of the 2019 legislative session, Senator Ben Hueso amended SB 597 at the Water Authority’s and City of San Diego’s request to provide a vehicle for advancing the potential San Vicente Energy Storage Facility during the 2020 legislative session. During Fall

2019, the Water Authority and City of San Diego conducted approximately 60 briefings with energy storage stakeholders, legislators, and Administration officials to discuss SB 597, the need for energy storage in California, and the appropriate approach to addressing these issues. Unfortunately, SB 597 was not able to generate traction during the COVID-impacted 2020 legislative session and did not advance within the Legislature.

**Recommended Approach**

Staff recommends the following course of action:

- Co-sponsor legislation with the City of San Diego during the 2021 state legislative session to properly shape and streamline the ongoing CPUC long-duration energy storage proceeding to provide an opportunity for advancement of the San Vicente Energy Storage Facility project toward procurement.

- Direct staff to continue executing a comprehensive outreach strategy to build a coalition of support for a legislative effort, and to mitigate or remove potential opposition to legislation as it begins to proceed through the Legislature in 2021.

- Actively engage in the ongoing CPUC proceeding regarding long-duration energy storage and with CPUC Commissioners and officials to pursue administrative opportunities for procurement of the San Vicente Energy Storage Facility services.

**PROPOSAL #2 – PURSUE AN “OPEN ACCESS” ARRANGEMENT FOR ENERGY SERVICES TO REDUCE ENERGY COSTS ASSOCIATED WITH WATER PRODUCTION, TREATMENT, AND TRANSMISSION ACTIVITIES**

**Background on Issue**

The San Diego County Water Authority has a partnership with Poseidon Water to purchase desalinated water from the Lewis Carlsbad Desalination Plant to help ensure a drought-proof water supply for the San Diego region. As part of that partnership, the Water Authority is responsible for the energy costs associated with the Carlsbad Desalination Plant at approximately $37 million dollars annually. The cost of energy at the Carlsbad Desalination Plant is incorporated into the Water Authority’s water rates for its member agencies, and these costs are then passed on to water ratepayers. Reducing energy costs at the Carlsbad Desalination Plant would help stabilize water rates for the Water Authority and its member agencies, and would help reduce water costs for ratepayers. SDG&E is proposing 6-10 percent energy rate increases in 2022, which would increase Carlsbad Desalination Plant energy costs between $2.2 million and $3.7 million annually, potentially increasing water rates for ratepayers.

The County Water Authority Act (CWA Act) was amended in 2000 to allow the Water Authority to supply, purchase, and deliver hydropower energy to itself and its member agencies. In November 2015, the Water Authority filed a request to use a lower energy rate with San Diego Gas & Electric (SDG&E) called the Open Access Distribution Tariff (OADT). Application of
the OADT would significantly reduce the energy costs at the Carlsbad Desalination Plant by allowing the Water Authority to purchase lower cost energy or use energy generated at Water Authority facilities to self-serve the Water Authority’s energy needs.

SDG&E did not approve the OADT request, and instead stated that the request did not comply with the Federal Power Act because the request was considered to be retail electricity service and the Water Authority is not a retail electricity provider. Switching to the OADT would also result in potential revenue losses to SDG&E and/or the Community Choice Aggregators (CCAs) providing energy service to the Water Authority’s facilities. Under SDG&E’s current rate schedule, the Carlsbad Desalination Plant pays approximately $37 million annually in energy costs. It is estimated that Open Access would save the Water Authority approximately $7 million - $13 million annually, resulting in commensurate revenue losses to SDG&E.

A secondary option to reducing energy costs is through Direct Access. The Direct Access model provides participants with the ability to independently secure contracted power supplies from energy service providers at potentially lower-cost contractual rates. The objective of Direct Access is to allow the participants broader autonomy in selection of the type and cost of energy sources to supply the participant’s needs. Through Direct Access participation, it is estimated that the Water Authority could save approximately $2 million annually in energy services costs.

The following matrix reflects a preliminary comparison and the potential pros and cons of the Direct Access model and the Open Access model:

<table>
<thead>
<tr>
<th>ENERGY SERVICE MODEL</th>
<th>PROS</th>
<th>CONS</th>
<th>PROJECTED $ SAVINGS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Access</td>
<td>-Potential flexibility in accessing lower-cost power -Potential energy cost savings over existing arrangement</td>
<td>-Statutorily-limited participation in the DA program -Lottery system participation – no guarantees of access to DA program</td>
<td>Approximately $2 million/annually in Water Authority energy cost savings</td>
</tr>
<tr>
<td>Open Access</td>
<td>-Broader opportunity to engage in purchase of wholesale energy -More opportunities to move power within the Water Authority’s existing system -Greater cost-benefits associated with executing long-term power contracts</td>
<td>-Not an available option today – would require legislative action to authorize Open Access participation</td>
<td>Approximately $7 million/annually in Water Authority energy cost savings</td>
</tr>
<tr>
<td>-Improved access to “green energy” opportunities</td>
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<tr>
<td>-Limited application of “exit fees”</td>
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<td></td>
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</tr>
<tr>
<td>-Potential greatest energy costs savings over existing arrangement or Direct Access arrangement</td>
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<td></td>
</tr>
</tbody>
</table>

**Recommended Approach**
Staff recommends the following course of action:

- Sponsor legislation to pursue an Open Access participation opportunity for the Water Authority to improve its energy service portfolio and allow for the best potential for reducing energy costs.

- Continue to engage legislatively and administratively on any efforts to expand the Direct Access model to either expand participation or broaden opportunities for the Water Authority to robustly participate.

**PROPOSAL #3 – IMPROVE IRWM GRANT AWARD CASHFLOW FOR NONPROFIT ORGANIZATIONS AND DISADVANTAGED COMMUNITIES**

**Background on Issue**
In 2015, the Water Authority successfully sponsored SB 208 (Lara), which allows the Department of Water Resources to provide advanced funding of up to 50 percent of an Integrated Regional Water Management (IRWM) grant award (not exceeding $1 million) when the project proponent is a nonprofit organization or disadvantaged community, or the project benefits a disadvantaged community. SB 208 was signed into law and has been utilized in grant awards under Proposition 84 and Proposition 1 IRWM funding programs.

As the law is presently structured, DWR is required to provide advanced payment of 50 percent of an IRWM grant award for those projects that request it and that satisfy both of the following conditions:
• The project proponent is a nonprofit organization or a disadvantaged community, or the project benefits a disadvantaged community

• The grant award for the project is less than $1 million

Under the law, once the project is 50 percent complete and the advanced funds are depleted, the project proponent must then complete the remaining 50 percent of the project on a more traditional reimbursement basis, wherein the work is completed and invoices are presented to DWR for reimbursement payment upon invoice approval and verification of the completed work. There is no statutory authority for DWR to provide another 50 percent advance payment for the remainder of the project to satisfy the project proponent’s cash-flow issues.

The grant payment advance provisions of SB 208 provide great assistance in many situations where the project proponent is a small nonprofit organization or disadvantaged community with minimal ability to manage the cashflow of a project costing up to $1 million through project completion. However, there continue to be situations where the reimbursable payment model for the second-half of a project creates a precarious situation for these organizations relative to their continued ability to participate in the IRWM program. The traditional reimbursement process can represent a significant financial hardship for such organizations that have limited cash reserves.

During 2018, the Water Authority sponsored AB 2064 (Gloria) to remedy and resolve the advance payment issue by allowing for advance payment of the remainder of the IRWM grant award under specific accountability conditions that would protect the state’s and taxpayers’ interests relative to use of public funds:

• Full completion of milestones for the first half of the project

• Demonstration of responsibility and accountability by the project proponent in completion of the first half of the project under an advanced payment award

• Acceptance of a modest retention fund by the project proponent to be released upon final approval of the completed project

AB 2064 passed through the entirety of the legislative process without receiving a single “no” vote, but was eventually vetoed by Governor Jerry Brown:

To the Members of the California State Assembly:

I am returning Assembly Bill 2064 without my signature. This bill would expand the existing advanced payment provisions for grants awarded through the Integrated Regional Water Management Act. To date, the Department of Water Resources has advanced approximately $8.7 million for seven grants from Proposition 84 funds and five grants from Proposition 1 funds. Notwithstanding the merits of this bill, the additional financial risk and administrative costs associated with the advanced payment process, as proposed in this bill, are unwarranted.
Sincerely,
Edmund G. Brown Jr.

Given the continuing ongoing nature of fiscal realities and challenges associated with disadvantaged community, tribal, and NGO participation in the IRWM program – which have even been exacerbated during the COVID pandemic – the advanced payment policy should be revised to address this situation. Once a project sponsor documents that it has appropriately expended the first 50 percent of its grant funds, DWR should provide the remaining 50 percent as advanced funds, acknowledging a modest retention amount to be set aside. Such a structure would help to ensure a balance between providing the necessary financial assistance and flexibility to smaller nonprofit organizations, disadvantaged communities, and tribal organizations, while protecting the state’s interest in ensuring that the project is fully completed as originally proposed.

**Recommended Approach**

Staff recommends the following course of action:

- Sponsor legislation during 2021 to provide an advanced grant award for the remainder of the IRWM project under the following conditions:
  - Full completion of milestones for the first half of the project
  - Demonstration of responsibility and accountability by the project proponent in completion of the first half of the project under an advanced payment award
  - Acceptance of a 10 percent retention fund by the project proponent to be released upon final approval of the completed project

- Pursue broad coalition support from NGOs, disadvantaged community organizations, environmental justice organizations, tribes, and other IRWM-participating water agencies, cities, and counties.

**PROPOSAL #4 – PURSUE OPPORTUNITIES FOR POST-COVID FINANCIAL RELIEF FOR WATER SUPPLIERS AND WATER RATEPAYERS**

**Background on Issue**

On April 2, 2020, in response to the COVID-19 pandemic, Governor Gavin Newsom issued an Executive Order to suspend public water systems’ ability to disconnect water service to residences and critical infrastructure sector small businesses. The Executive Order established statewide policy guidance and direction to provide that public and private water systems may not shut off water service to residents facing financial distress during the public health emergency.

In signing the Executive Order, the Governor stated that:
“Many of our state’s public water agencies have shown incredible leadership by voluntarily providing these critical protections to their customers. This Order will ensure there is statewide protection for Californians as we remain in our homes and follow the guidance of our public health experts. These protections and the ongoing crisis may create challenges for our state’s public water systems, and the State...is committed to working with agencies experiencing difficulties.”

In addition to a prohibition on residential and critical infrastructure sector small business water shutoffs, the Executive Order also requires water systems to restore service to residences that were previously shut-off for non-payment after the March 4, 2020 emergency proclamation issued by the Governor. The Executive Order also directed the State Water Resources Control Board (SWRCB) to identify ways to support water systems and their customers throughout the crisis.

How utilities handle the associated overdue payments, and fees and penalties for late payments, non-payments, disconnections, and re-connections vary widely. Some utilities are continuing to assess all of the fees on their customers and will attempt to collect those charges over time.

Staggering unemployment and business shut-downs during the early months of the pandemic exacerbated the economic crisis facing millions of Californians and disproportionately impacting lower-income families and disadvantaged communities. At some point when emergency orders are finally lifted, there will be a substantial backlog of non-paid water system accounts and the impacts of addressing the arrearage will become substantially burdensome for those affected water ratepayers. As a consequence, water suppliers will continue to struggle with fiscal stability and balancing budgets to ensure provision of high quality, safe, and reliable water supplies.

The National Association of Clean Water Agencies estimates that suspending water shutoffs, restoring connections to delinquent accounts, and reductions in non-residential water use could result in a 20 percent – or up to $12.5 billion – loss in water utility revenues across the country. Some of the fiscal strains on water suppliers include:

- Lost revenue from households less able to pay their bills, and from the sudden drop-off in industrial and business water demand. While some national industry associations are projecting loss of revenue in the 20 percent range for water suppliers, others are anticipating closer to a 30 to 40 percent loss in revenue.

- The cost of writing off customer debt owed to the water supplier and reinstating service. Without federal assistance, the loss of revenue from forgiving customer debts and providing services without payment during the pandemic will ultimately be passed on to water customers in subsequent years and lead to future rate increases. Preliminary estimates nationally related to the forgiveness of outstanding customer debt has been projected at more than $330 million.

The pandemic has likely resulted in reduction in water use by non-residential customers. In California during 2018, businesses and industries accounted for 17 percent of the water sales revenue for water suppliers. A portion of those water uses and revenues have decreased as a
result of COVID-related restrictions on business. While non-residential water use has declined, it is likely that residential water use has modestly increased because more people have been staying home or working from home. For most retail water suppliers, residential and non-residential water uses – and, in many cases, the rates – are not the same. It is unlikely that water use and revenue losses from the non-residential customers will be exactly offset by increases from the residential customers. Residential customers will generally use more water, however, and be charged higher bills for their increased consumption. As income has decreased and water bills increase, more customers will have difficulty in paying their bills as a consequence of COVID implications.

Under the four coronavirus-related Congressional relief packages authorizing nearly $3 trillion in federal spending that have been approved by Congress to-date, special districts – and water suppliers specifically – have been ineligible for financial assistance, and are ineligible for direct federal financial assistance under the “Coronavirus Relief Fund” established by the CARES Act. Some COVID relief bills have been introduced and may yet be considered by Congress either in the remaining time during the 2020 congressional session, or more likely, during 2021. Those measures have identified specific funding and directives that affect water and wastewater utilities and special districts.

For instance, H.R. 7073 by Congressmember John Garamendi (D-CA) – on which the Water Authority Board of Directors adopted a SUPPORT position during 2020 – would ensure that the 2,700 special districts in California and the approximately 30,000 special districts nationwide would be eligible for any additional federal assistance provided by Congress to local governments to aid in the fight against the COVID-19 pandemic. Additionally, the “Take Responsibility for Workers and Families Act” – H.R. 6379 by Congressmember Nita Lowey (D-NY) would fund a $1.5 billion low-income household customer assistance program to address the financial impacts of utility bills on COVID-affected families.

There is likely to be continued – and renewed – interest in reviewing the financial impacts of COVID on water suppliers. The SWRCB is currently preparing to survey water suppliers throughout California to better understand the financial impacts of COVID on water suppliers and water ratepayers. It is likely that this empirical data would be useful in constructing and advancing a financial relief package in California, and could also be important to the broader national advocacy efforts in Congress.

Recommended Approach
Staff recommends the following course of action:

- Actively engage within the State Legislature to ensure proper attention is directed toward post-COVID financial relief for water suppliers and water ratepayers in any stand-alone legislation or budget-related items that may be advanced during 2021.

- Work closely with the Water Authority members agencies to develop information to support the education and advocacy efforts on this topic, and directly engage with each member of the San Diego legislative delegation to ensure broad coverage of the issue.
among the region’s legislative representatives.

- Continue to participate in activities within the SWRCB to ensure the financial issues are properly understood by the Administration and framed for further dialogue and action – either legislatively or administratively – during 2021.

PROPOSAL #5 – PARTNER WITH THE CITY OF ESCONDIDO TO PURSUE SOLUTIONS TO EXTEND AN EXISTING PROPOSITION 1E GRANT AWARD FOR REPLACEMENT OF WOHLFORD DAM

Background on Issue
In the late 1800s, Lake Wohlford Dam in the City of Escondido, was constructed to provide water supply and flood protection to the residents of the region and community. The design capacity of the original Wohlford Dam is 6,500 acre-feet of surface water storage. Wohlford Dam is used to store the City of Escondido’s water supply and a portion of water supply for the Vista Irrigation District. Lake Wohlford is also a popular recreation destination within the region.

In 2010, the water level of the lake was lowered by half because an assessment of the Wohlford Dam structure conducted pursuant to requirements of the state’s Division of Safety of Dams (DSOD) showed that the upper portion of the dam was not earthquake-proof and could lead to catastrophic flooding of the City. During the intervening period of time between the dam assessment and today, the City of Escondido has studied options for replacing the existing dam structure or rehabilitating the existing dam structure to meet DSOD standards and requirements. Either option is likely to cost in the range of $70-80 million. Complicating the decision-making is a determination by the Department of Fish and Wildlife that wetlands habitat has been created at the far end of the reservoir when the water level in Lake Wohlford was lowered. Restoring Lake Wohlford to its 6,500 acre-foot design capacity would require extensive permitting and wetlands mitigation, which complicate the planning and execution process and add costs to the project. The City is actively pursuing and has approved actions directed at replacing Wohlford Dam with a new structure.

The City of Escondido successfully competed for a grant from Proposition 1E bond funds in 2011, and was awarded nearly $15 million for the dam reconstruction project. While the funding is clearly welcomed by the City of Escondido, there remains a significant funding gap to make the dam replacement project affordable to the City. Additionally, the timeline for required spending of the Proposition 1E funds is near, and state action – either administratively or statutorily – will be required to extend the timeline for expenditure of the Proposition 1E funds. At the same time that the City of Escondido is pursuing federal funding opportunities that may provide critical financial assistance for the project, it is also pursuing an extension of the timeline for expenditure of the state’s Proposition 1E grant funds, to ensure a full funding assistance package can be secured.
Recommended Approach
Staff recommends the following course of action:

- Partner with the City of Escondido and the City’s contract advocacy team to appropriately clarify - either through an administrative or legislative resolution – the terms and timing of the Proposition 1E grant award, to the extent those funds will continue to be considered for use on the Wohlford Dam project.

- Direct staff to partner and work collaboratively with the City of Escondido to further evaluate options for advancement of funding opportunities for the Wohlford Dam project, including the integration of project funding within the San Diego region’s resources/resiliency/water bond funding request package and through federal funding opportunities.

Federal Priorities

1. Protecting the Water Authority’s Colorado River Supplies
The Water Authority’s water supply portfolio includes a suite of water supplies from the Colorado River. These conserved water supplies include a water transfer agreement with the Imperial Irrigation District and water conserved by two projects, the All American Canal Lining and the Coachella Canal Lining Projects. By 2021, these water supplies are expected to produce approximately 280,000 acre-feet of regional water supplies annually and comprise more than 40 percent of San Diego County’s total water supply.

The Water Authority receives its Colorado River supplies through the 2003 Colorado River Quantification Settlement Agreement (QSA) and associated agreements. The Water Authority continues to work with its QSA partners to protect the QSA water transfers, including implementing mitigation and supporting State restoration efforts at the Salton Sea, and participating in the Lower Colorado River Multi-Species Conservation Program. Additionally, the Water Authority is participating with U.S. and Mexican agencies in a review of potential water management and water supply programs that could benefit Colorado River water users of both countries.

Ongoing drought conditions throughout the Western United States continue to stress Colorado River supplies in the Basin and states along the river have shown continued interest in protecting access to their water allocations. The Water Authority will continue to work with other Colorado River contractors and Basin States to ensure that allocations are honored to benefit all parties and overall sustainability of the Colorado River, primarily through the voluntary Drought Contingency Plan (DCP), an overlay of the 2017 Interim Guidelines. Additionally, the Water Authority will continue to work toward maximizing flexibility in water management through pursuit of water storage opportunities at Lake Mead.

While the Water Authority supports the need to address the on-going drought on the river, the possibility of a shortage declaration and the river’s long-term sustainability, to date, the Water Authority has not been included in DCP discussions despite having participated in the
development of the 2007 Interim Guidelines, and consequently has not been afforded the opportunity to provide its input on important issues that may impact our QSA investments. Additionally, the Intentionally Created Surplus (ICS) program is the primary mechanism relied upon in the DCP for helping to reduce the probability of reaching critical levels in Lake Mead that would cause severe reductions to Colorado River water deliveries. The Water Authority currently lacks a designated storage account to help with this objective but is eligible to participate in the ICS program for up to 280,000 acre-feet annually in accordance with the Lower Colorado Basin ICS Forbearance Agreement and the Colorado River Water Delivery Agreement with the Secretary. At the time the 2007 Interim Guidelines were finalized, California ICS accounts were created for Metropolitan Water District (MWD) and the Imperial Irrigation District, but not the Water Authority. To secure this last element required to fully participate in the ICS program, in 2007 the Water Authority and MWD entered into a Memorandum of Agreement for the development of a Water Authority ICS sub-account through MWD, which at the time was encouraged by the Department of the Interior as a workable solution. While the Water Authority continues to maintain a dialogue with MWD, more than 10 years have now passed without a sub-account. The Water Authority’s participation in ICS would provide a variety of benefits to the Basin States, California, and the region, including building or maintaining elevation in Lake Mead. It would also provide IID flexibility for conservation programs to meet the water transfer volume ramp up schedule and promote the continued successful implementation of the QSA and the California 4.4 Plan. Finally, it would facilitate operational flexibility in water management for local water managers and create carryover storage for local use in dry years.

Recommended Actions

- Work within the Administration and the San Diego congressional delegation to pursue the creation of an independent ICS account with the Bureau of Reclamation for the Water Authority or require MWD to provide a sub-account to the Water Authority as was spelled out in the 2007 Interim Guidelines agreement.

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

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

- Water Authority staff and federal legislative advocates will continue to keep members and staff of the San Diego congressional delegation and federal agencies apprised of developments related to Salton Sea mitigation and restoration efforts, including
implementation and continued development of the State of California’s Salton Sea Management Program, as well as associated funding strategies.

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

2. Relationship Building
Over the past year, the Water Authority has worked to develop relationships with the federal agency officials and staff. Maintaining and strengthening these relationships, as well as those relationships with the San Diego congressional delegation and staff, will be crucial to successfully navigate through federal agencies. In addition, the dynamic political environment at the federal level requires the Water Authority to not only maintain good relations with the San Diego congressional delegation, but to develop relationships with a broader base of allies – jurisdictionally, geographically, and politically – in Congress.

Recommended Actions
- Water Authority staff and federal legislative advocates will identify opportunities for Board members and Water Authority management to visit Washington, D.C., to meet with officials in the Administration and Congress, and to encourage officials to come to San Diego to visit Water Authority and member agency projects and learn about how the decisions made in Washington impact San Diego region programs.

- In addition to exploring the viability of a Water Authority leadership visit to Washington, D.C., during 2021 that is not in conjunction with another scheduled event, opportunities for scheduling meetings with Administration officials and Members of Congress will likely be available in conjunction with the following industry association events (whether they are in-person meetings or held virtually):
  - ACWA Washington, D.C., Conference – Annually in February
  - San Diego Regional Chamber of Commerce Washington, D.C. annual trip

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

3. Pursue Federal Appropriations
At this time, the congressional ban on earmarking appropriations for specific projects continues as it has since 2010. This ban has created significant challenges in funding new projects, and has led to greater creativity in structuring federal funding programs to ensure they are more competitive in nature and do not rely on the more traditional “earmarking” approach. However, constrained budgets make competition fierce and have hampered efforts to build broader coalitions to advocate for increased funding.
Water Authority and member agencies projects and programs in the areas of recycled water, potable reuse, desalination, water conveyance and interconnection, and binational partnerships could all benefit from infusion of federal funding, and efforts to advocate for funding authorization and appropriation remain a high priority for federal legislative activity.

**Recommended Actions**

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

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

- Water Authority staff and federal legislative advocates will continue to pursue funding opportunities for water recycling and reuse, desalination, and other programs through appropriations and budget processes.

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

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

- The Water Authority’s federal legislative advocates will work with the Bureau of Reclamation and other federal agencies to promote the Water Authority’s objectives and projects in the context of current and future year budget requests.

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

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

Over the past year, Congress has made several attempts to move a comprehensive federal infrastructure package, but has yet to be able to get something across the goal line. As the COVID-19 pandemic continues to have an impact across the country, and looks to continue to do so for several more months, the strong desire by Members of Congress on both sides of the aisle to see a package come to fruition remains. When Congress chooses to take another run at an infrastructure package, it will be important that water infrastructure is included in the conversation.

The Water Authority continues to pursue efforts to clarify that rebates for water conservation programs are not considered taxable under federal income tax rules. These efforts are largely being advanced through broad coalition efforts involving the Western Urban Water Coalition, ACWA, and other interested agencies and associations. These efforts will likely continue in 2021.

Another item to note over the coming year is the expiration of the Water Infrastructure Improvements for the Nation (WIIN) Act. Currently, the WIIN Act is set to expire on December 16, 2021, which means that the authorization for all provisions included in the WIIN Act will expire as well. Of particular interest to the Water Authority is the Desalination and Water Purification Research Program. Given the popularity of the WIIN Act, it is anticipated that there will be a significant and focused effort to extend it.

Recommended Actions

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

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

- Water Authority staff and federal legislative advocates will work in tandem with other industry associations to support the implementation of a sound WIFIA program and funding for federal loan and loan guarantee awards from the program.

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

5. Energy Issues

The Water Authority has several energy-producing assets:

- 40 MW Lake Hodges Pumped Storage Project
- 4.5 MW Rancho Penasquitos Hydroelectric Project
- Nearly 1.5 MW of installed solar power
In addition, the Water Authority successfully procured approximately 1.6 MW of federal preferential power (Hoover Dam allocation) from the Boulder Canyon Project for a 50-year term that began in October 2017.

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

The Water Authority is also actively engaged in a partnership venture with the City of San Diego to make progress on assessing the potential for a significant pumped hydropower energy storage project at the San Vicente Reservoir.

Congress has also shown a growing interest in the energy-water nexus. Legislation to formalize federal intergovernmental consultation and leadership between the Office of Management & Budget, Council on Environmental Quality, Departments of Energy and of the Interior, and the National Academy of Science could continue to be advanced during 2021. In addition, previously proposed infrastructure plans have supported regulatory streamlining to improve energy development and transmission, mainly by reducing obstacles to project siting and transmission rights-of-way.

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

**Recommended Actions**

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

- Water Authority staff and federal legislative advocates will work with the San Diego congressional delegation and appropriate congressional committees to explore options for further regulatory relief to reduce costs for ongoing and planned projects and operations.
Water Authority staff and federal legislative advocates will monitor congressional hearings and legislation related to the energy-water nexus and communicate the Water Authority’s positions on this issue to the San Diego congressional delegation and relevant committees and federal agencies, including commissioners with the Federal Energy Regulatory Commission and its staff.

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

6. Potable Reuse
Beginning in the early and mid-1990s, the City of San Diego began planning for a potable reuse project, and in 2012, the California Department of Public Health and the San Diego Regional Water Quality Control Board conceptually approved the City’s proposed indirect potable reuse project for surface water augmentation. From a federal funding assistance perspective, the U.S. EPA issued a $614 million Water Infrastructure Finance and Innovation Act (WIFIA) loan to the City of San Diego for the Pure Water project. In addition, several Water Authority member agencies have expressed interest in potable reuse and several are already well into the development of their local projects.

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

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

7. Post-COVID Financial Relief
Staggering unemployment and business shut-downs during the early months of the pandemic exacerbated the economic crisis facing millions of Californians and disproportionately impacting lower-income families and disadvantaged communities. At some point when emergency orders are finally lifted, there will be a substantial backlog of non-paid water system accounts and the impacts of addressing the arrearage will become substantially burdensome for those affected water ratepayers. As a consequence, water suppliers will continue to struggle with fiscal stability and balancing budgets to ensure provision of high quality, safe, and reliable water supplies.
The National Association of Clean Water Agencies estimates that suspending water shutoffs, restoring connections to delinquent accounts, and reductions in non-residential water use could result in a 20 percent – or up to $12.5 billion – loss in water utility revenues across the country.

Under the four coronavirus-related Congressional relief packages authorizing nearly $3 trillion in federal spending that have been approved by Congress to-date, special districts – and water suppliers specifically – have been ineligible for financial assistance, and are ineligible for direct federal financial assistance under the “Coronavirus Relief Fund” established by the CARES Act. Some COVID relief bills have been introduced and may yet be considered by Congress either in the remaining time during the 2020 congressional session, or more likely, during 2021. Those measures have identified specific funding and directives that affect water and wastewater utilities and special districts.

For instance, H.R. 7073 by Congressmember John Garamendi (D-CA) – on which the Water Authority Board of Directors adopted a SUPPORT position during 2020 – would ensure that the 2,700 special districts in California and the approximately 30,000 special districts nationwide would be eligible for any additional federal assistance provided by Congress to local governments to aid in the fight against the COVID-19 pandemic. Additionally, the “Take Responsibility for Workers and Families Act” – H.R. 6379 by Congressmember Nita Lowey (D-NY) would fund a $1.5 billion low-income household customer assistance program to address the financial impacts of utility bills on COVID-affected families.

There is likely to be continued – and renewed – interest in reviewing the financial impacts of COVID on water suppliers. The State Water Resources Control Board is currently preparing to survey water suppliers throughout California to better understand the financial impacts of COVID on water suppliers and water ratepayers. It is likely that this empirical data would be useful in constructing and advancing a financial relief package in California, and could also be important to the broader national advocacy efforts in Congress.

**Recommended Actions**

- The federal legislative advocates will continue to keep the Water Authority Board apprised of any developments at the federal level relating to post-COVID financial relief and will strongly advocate for direct relief to water suppliers and water ratepayers.

- Water Authority staff and federal legislative advocates will continue to educate the regional congressional delegation members and staff regarding the financial implications of the COVID pandemic on water suppliers and water ratepayers to ensure broad coverage of the issue among the region’s legislative representatives.
November 11, 2020

Attention: Legislation and Public Outreach Committee

Amendment to extend the federal advocacy services contract with Carpi & Clay. (Action)

Staff recommendation
Staff recommends the Board of Directors take the following actions with regard to federal advocacy services:

- Extend an agreement with Carpi & Clay for federal advocacy services for a period of 30 months, from January 1, 2021 through June 30, 2023.
- Increase compensation under the Carpi & Clay contract by a 3 percent cost-of-living adjustment factor from $11,696/month to $12,047/month effective January 1, 2021, for a total compensable contract amount not to exceed $380,160 (inclusive of reimbursable expense allowance) over the contract term.

Alternative
1. Do not enter into the recommended contract.
2. Modify the terms of the recommended contract.

Fiscal Impact
If the Water Authority staff’s federal advocacy services recommendation is approved, the amount of the contract for the next 30 months of service would total a not to exceed amount of $380,160, inclusive of reimbursable expense allowance. There are sufficient funds budgeted in the current FY 2021 budget to cover the remaining six months of the fiscal year (through June 30, 2021), and the 2021-22 two-year budget will contain sufficient funding to address the remainder of the proposed 30-month contract extension. Any additional increase in compensation under the contract would be reviewed and included in the context of the next two-year budget cycle that will become effective on July 1, 2021.

Executive Summary
- Continue receiving federal advocacy services from the Carpi & Clay firm.
- The services received during the contract thus far has proven to be highly successful and valuable.
- An extension of the current contract is required, as the federal advocacy contract is scheduled to expire on December 31, 2020.
- Staff recommends increasing the Carpi & Clay monthly retainer by a cost-of-living adjustment factor of three percent on January 1, 2021.
- The contract would be extended from January 1, 2021 through June 30, 2023.
Background
The Water Authority utilizes consultants to assist in accomplishing Board-directed priorities and programs. The Water Authority entered into a federal advocacy professional services contract with Carpi & Clay beginning in 1984. The professional services contract is scheduled to terminate on December 31, 2020.

In addition, the Water Authority entered into state advocacy professional services contracts with Cruz Strategies beginning in 2014 and with Smith, Watts, and Hartmann (for regulatory advocacy services) beginning in 2017. Both of the state advocacy contracts are scheduled to terminate on December 31, 2020. The Board Officers have directed staff to issue a Request for Proposals for state legislative advocacy professional services, with a projected timeline to bring recommended state advocacy services contracts – to supplement the existing Water Authority staff advocacy efforts – to the Board at its January 28, 2021 meeting.

Discussion
For many years, water- and resources-related legislative and regulatory issues have gained high profile throughout the state and continue to have significant priority for state and federal officials, legislators, and stakeholders. Challenges facing the Water Authority include navigating the variety of legislative, administrative, and regulatory efforts to address the state’s water supply situation, continuing debates over addressing the affordability of water for consumers, ensuring the Water Authority is appropriately positioned to successfully compete for funding from federal sources, pursuing water supply storage opportunities in Lake Mead, and advancing opportunities to protect the region’s water supply reliability, drought resiliency, regional self-reliance, and water supply independence.

Maintaining a strong presence in Washington, D.C. for the Water Authority’s legislative and regulatory advocacy efforts will be necessary to overcome challenges and to capitalize on opportunities that may be presented. The Carpi & Clay firm has a strong track record of success on behalf of the Water Authority for many years. Managed and led by the Water Authority’s Director of Government Relations, the Carpi & Clay firm complements the efforts of the staff and others within the broader Water Authority team, providing strong relationships within Congress, the federal Administration, and key regulatory agencies that are important to the Water Authority’s activities.

Water Authority staff will work with the Board Officers and LPO Committee leadership during 2022 to establish a timeline and plan for competitively re-bidding the federal advocacy contract in 2023 in a manner that provides for an open and transparent process with full engagement and opportunity for all federal advocacy service providers that wish to compete.

The staff recommendation for extension of the Carpi & Clay advocacy services contract, and the compensation proposed under the contract reflects the comprehensive nature of services provided by the firm, and is also reflective of the contemporaneous cost of securing a high level of experienced and expertise services from federal advocacy firms in Washington, D.C..
Ensuring a strong and consistent presence for the Water Authority within federal legislative and regulatory forums and venues will be necessary to advocate the Water Authority’s, the member agencies’, and the region’s priorities and to capitalize on opportunities that may be presented. The Carpi & Clay firm has a meritorious track record of success, engagement, and strong relationships within the Congress and federal regulatory and administrative agencies.

Prepared by: Ivy Ridderbusch, Legislative Analyst
Glenn Farrel, Director of Government Relations
Approved by: Dan Denham, Deputy General Manager
November 11, 2020

Attention: Legislation and Public Outreach Committee

Fiscal Year 2020 Annual Report. (Presentation)

Purpose
The purpose of this presentation is to introduce the Board to the FY2020 Annual Report, an online resource that highlights the major accomplishments of the year and memorializes key financial and water-use data.

Discussion
Following each fiscal year, staff in the Public Affairs Department compiles the highlights of the year in the agency’s formal Annual Report. The FY2020 Annual Report is titled “Era of Opportunity: Innovation & Resilience in Challenging Times,” referencing the numerous obstacles created by the coronavirus pandemic and the Water Authority’s successful responses.

As has been the case in recent years, the FY2020 Annual Report is an interactive online document with photos, videos, text and graphics. This year, the Water Authority also is publishing a digital brochure that summarizes the annual report’s content and provides links to the full report. The digital brochure will be distributed to more than 3,000 key stakeholders across the region. The Annual Report is accessible through the Water Authority’s homepage at sdcwa.org. It also is archived with past editions of the Annual Report at www.sdcwa.org/publications under the Annual Report tab.

Prepared by: Mike Lee, Public Affairs Supervisor
Reviewed by: Denise Vedder, Director, Public Affairs Department
Approved by: Sandra L. Kerl, General Manager
November 11, 2020

Attention: Water Planning and Environmental Committee

Update on water supply conditions. (Presentation)

Purpose
To provide a report on current water supply conditions and outlook for the 2020-2021 winter.

Executive Summary
- Water Year 2020 (WY 2020) ended on September 30, 2020, and was drier than normal in northern California and wetter than normal in southern California.
- Statewide snowpack for WY 2020 measured 54% of average on April 1.
- WY 2021 began on October 1, 2020, with less water in storage than a year ago, with statewide reservoir storage at 95% percent of average.
- Northern Sierra conditions have been dry to start WY 2021, with precipitation at 0% of average as of November 6, 2020.
- The Climate Prediction Center three-month outlook (November – January) for precipitation indicates below normal precipitation is favored in southern California.

Discussion
September 30, 2020, marked the end of WY 2020, which closed on a dry note. Northern California rain indices ranged from 62-65% of normal precipitation while southern California was wetter than normal. Overall, California ended WY 2020 with below average rainfall resulting in a snowpack of just 54% of average on April 1, 2020. This is a dramatic departure from WY 2019’s April 1 snowpack reading of 175% of average.

After a slow start to WY 2020, an active rainstorm pattern developed in December 2019, followed by an extremely parched January and February 2020. February experienced record-setting dryness spanning the northern Sierra Nevada mountain range. March saw marginal precipitation, while April and May experienced only a few significant measurable storms in northern California. The current State Water Project (SWP) allocation for 2020 is 20% of contractor-requested Table A amounts; this is the second-lowest allocation since 1991.

State Water Project
October 2020, the first month of WY 2021, has been dry with only 0.01 inches of precipitation recorded by the Northern Sierra 8-Station Index. On average, October precipitation in this region totals approximately three inches. As of November 6, 2020, there has been no recorded precipitation during November. The Northern Sierra 8-Station Index total of .01 inches of precipitation for the water year is 0% of average for this date. DWR will begin its official snowpack measurements in December 2020.
California reservoir storage ended WY 2020 with generally good storage levels thanks to a wet WY 2019 and efficient management of water during the previous dry year. At the start of WY 2021, the statewide reservoir storage was at 95% of average. As of November 5, 2020, storage in Lake Oroville, the SWP’s largest reservoir, was at 42% of capacity or 69% of historical average.

Table 1 shows storage levels for Lake Oroville and San Luis Reservoir as of November 5, 2020.

<table>
<thead>
<tr>
<th>Reservoir</th>
<th>Storage in Million Acre-Feet</th>
<th>Percent of Capacity</th>
<th>Percent of Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oroville</td>
<td>1.468</td>
<td>42%</td>
<td>69%</td>
</tr>
<tr>
<td>San Luis*</td>
<td>0.930</td>
<td>46%</td>
<td>84%</td>
</tr>
<tr>
<td>Combined</td>
<td>2.398</td>
<td>44%</td>
<td>77%</td>
</tr>
</tbody>
</table>

*San Luis storage includes SWP and Central Valley Project. SWP share in San Luis was approximately 795 thousand acre-feet.

Colorado River
In WY 2020, the Colorado River Basin had above average snowpack on April 1, 2020, but below-average precipitation and high temperatures in the spring resulted in diminished snowpack levels. For WY 2021, as of November 2, 2020, the Upper Colorado River Basin precipitation is at 33% of average. Current basin snowpack equivalent has not been recorded. Table 2 shows storage levels for Lake Powell and Lake Mead as of November 2, 2020.

<table>
<thead>
<tr>
<th>Reservoir</th>
<th>Storage in Million Acre-Feet</th>
<th>Percent of Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lake Powell</td>
<td>10.97</td>
<td>45%</td>
</tr>
<tr>
<td>Lake Mead</td>
<td>10.16</td>
<td>39%</td>
</tr>
<tr>
<td>Combined</td>
<td>21.13</td>
<td>42%</td>
</tr>
</tbody>
</table>

The Bureau of Reclamation (Reclamation) released updated five-year shortage projections for the Lower Colorado River Basin in August 2020, which included implementation of the 2019 Drought Contingency Plan (DCP). For calendar year 2021, Reclamation anticipates no shortage condition on the Colorado River, but the shortage probability increases to 23% in calendar year 2022.

Metropolitan Water District
As of November 6, 2020, the Metropolitan Water District of Southern California (MWD) had approximately 705,600 acre-feet of storage in Diamond Valley Reservoir, which represents approximately 87% of capacity. MWD staff generally begins their monthly supply reports to the MWD board of directors in January of each year.
Local Conditions
Local reservoir storage as of October 26, 2020, was at 52% of capacity, or approximately 373,700 acre-feet. This total includes “dead storage,” or capacity that is physically inaccessible or restricted by agency operating or emergency storage policies. It also includes Water Authority carryover and emergency storage in Lake Hodges, Olivenhain Reservoir, and San Vicente Reservoir.

Summer temperatures in the San Diego region were significantly hotter in 2020 than the previous year. The average daily maximum temperature at Lindbergh Field was 1.2 and 2.4 degrees Fahrenheit above normal for July and August 2020, respectively, compared to a 0.1 degree departure for both months in 2019. The record-breaking heat in August coupled with dry conditions and ample dry fuel led to a devastating outbreak of wildfires throughout the state, San Diego included. All-time heat records were set in El Cajon, Alpine, and Escondido in August 2020. September 2020 experienced temperatures that were six degrees above normal and October 2020, not shown in Figure 1, had an average daily maximum temperature at Lindbergh Field that was seven degrees above normal.

Figure 1 – Average Daily Maximum Temperature Departure from Normal (°F)
Water Years 2019 and 2020

Precipitation at the Lindbergh Field Station measured only 0.12 inches in October 2020. Table 3 (on next page) contains cumulative WY 2021 precipitation totals through November 6, 2020, for the Lindbergh Field and Ramona Airport stations. These locations are geographically representative of coastal and inland regions of the Water Authority service area.
**Outlook**

On October 15, 2020, the National Oceanic and Atmospheric Administration’s Climate Prediction Center (CPC) issued its three-month outlook (November through January) for temperature and precipitation across the country (Figure 2). The CPC precipitation outlook shows that below-normal precipitation is favored in the southern half of California, with no indication for the northern most portion of the state. The CPC temperature outlook shows that above-normal temperatures are favored for all southwest states, with a greater than 50% probability of above normal temperatures for the San Diego region.

**Figure 2 - Precipitation and Temperature Outlook (November 2020–January 2021)**

<table>
<thead>
<tr>
<th>Station</th>
<th>Precipitation (Inches)</th>
<th>Percent of Normal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lindbergh Field</td>
<td>0.12</td>
<td>17%</td>
</tr>
<tr>
<td>Ramona Airport</td>
<td>0.03</td>
<td>3%</td>
</tr>
</tbody>
</table>

Based on current supply levels, the Water Authority and its member agencies will meet anticipated demands through a combination of drought-resilient local and regional water resources, including the Claude “Bud” Lewis Carlsbad Desalination Plant, conserved agricultural water transfers, savings from canal lining projects, and continued water-use efficiency measures.

Prepared by: Goldy Herbon, Senior Water Resources Specialist
Reviewed by: Tim Bombardier, Principal Water Resources Specialist
             Jeff Stephenson, Water Resources Manager
             Kelley Gage, Director of Water Resources
Approved by: Sandra L. Kerl, General Manager
November 11, 2020

Attention Administrative and Finance Committee

Monthly Treasurer’s Report on Investments and Cash Flow

Purpose

The Treasurer’s Report provides monthly financial information to the Board of Directors.

**Executive Summary**

- The Water Authority’s overall portfolio of $246.5 million maintained a yield of 2.00% exceeding investment benchmark yield of 0.17%.
- Average Water Authority Portfolio term is 2.7 years.
- Water Authority portfolio is well diversified with investment holdings in Agencies, Treasuries and Corporate notes totaling 53.7% of the portfolio.

The Treasurer’s Report as of October 31, 2020 is attached for review by the Administrative and Finance Committee and the Board of Directors. The report provides documentation that the Water Authority has sufficient funds to meet its financial obligations for the next six months. A brief description of each report follows:

**Portfolio Master Summary:** A summary of the Water Authority’s cash and investments.

**Chandler Portfolio Summary:** A snapshot of the investment manager’s portfolio holdings and characteristics, account summary, top issuers, sector allocation, maturity distribution and credit quality.

**Portfolio Details - Investments:** A detailed listing of the cash and investments listed in the Portfolio Master Summary.

The Water Authority’s portfolio is diversified among investment types with a concentration toward short-term maturities. This concentration is the result of current cash flow needs. Approximately 80% of the portfolio is invested in high-quality AAA rated or AAA/AA+ split-rated securities.

In October 2020, the Water Authority’s overall portfolio purchase yield changed from 1.89% to 2.00%, exceeding the yield of the ICE Bank of America 1-3 Year US Treasury and Agency Index market yield of 0.17%. Market value information is provided by the Bank of New York Mellon and is as of the report date. The benchmark yield remained low due to continued demand for US Government securities and Fed purchases, which provided support for bond prices in September despite robust US Treasury issuance. The total return of the Water Authority’s portfolio was in line with the benchmark for the month.
All investments have been made in accordance with the Water Authority’s Annual Statement of Investment Policy, which was last adopted by the Board on November 21, 2019. The reports are completed in accordance with California Government Code Section 53607.

Lisa Marie Harris, Director of Finance/Treasurer
## PORTFOLIO PERCENTAGES

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Permitted By Board Policy</th>
<th>Portfolio Percentage</th>
<th>Book Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Agency Investment Fund (LAIF)</td>
<td>$75 Million</td>
<td>31.79%</td>
<td>$74,392,959</td>
</tr>
<tr>
<td>Banker's Acceptances</td>
<td>40%</td>
<td>0.00%</td>
<td>-</td>
</tr>
<tr>
<td>Treasury Securities*</td>
<td>100%</td>
<td>16.07%</td>
<td>37,605,004</td>
</tr>
<tr>
<td>Agency Securities*</td>
<td>100%</td>
<td>19.49%</td>
<td>45,611,047</td>
</tr>
<tr>
<td>Asset-Backed, Mortgage-Backed, Mortgage Pass-Through</td>
<td></td>
<td>20%</td>
<td>3,828,882</td>
</tr>
<tr>
<td>Securities, and Collateralized Mortgage Obligations</td>
<td></td>
<td>10%</td>
<td>7,790,040</td>
</tr>
<tr>
<td>Supranational Securities*</td>
<td></td>
<td>3.33%</td>
<td>-</td>
</tr>
<tr>
<td>Repurchase Agreements</td>
<td>20%</td>
<td>0.00%</td>
<td>-</td>
</tr>
<tr>
<td>Reverse Repurchase Agreements</td>
<td>20%</td>
<td>0.00%</td>
<td>-</td>
</tr>
<tr>
<td>Certificates of Deposit (Placement, Negotiable &amp; Time Deposits)</td>
<td>30%</td>
<td>0.00%</td>
<td>-</td>
</tr>
<tr>
<td>Commercial Paper</td>
<td>25%</td>
<td>0.00%</td>
<td>-</td>
</tr>
<tr>
<td>Medium Term Notes/Corporates*</td>
<td>30%</td>
<td>18.09%</td>
<td>42,328,375</td>
</tr>
<tr>
<td>Municipal Securities</td>
<td>30%</td>
<td>0.00%</td>
<td>-</td>
</tr>
<tr>
<td>JPA Pools (CAMP)</td>
<td>25%</td>
<td>0.97%</td>
<td>2,262,640</td>
</tr>
<tr>
<td>Mutual Funds and Money Market Mutual Funds*</td>
<td>20%</td>
<td>8.62%</td>
<td>20,159,681</td>
</tr>
<tr>
<td></td>
<td></td>
<td>100.00%</td>
<td>$233,978,628</td>
</tr>
<tr>
<td>Accrued Interest (unavailable for investing)</td>
<td></td>
<td>2,875</td>
<td></td>
</tr>
<tr>
<td>Checking/Petty Cash/Available Funds (unavailable for investing)</td>
<td></td>
<td>318,294</td>
<td></td>
</tr>
<tr>
<td><strong>Subtotal for Pooled Funds:</strong></td>
<td></td>
<td>$234,299,797</td>
<td></td>
</tr>
<tr>
<td><strong>Debt Service Reserve (DSR) Funds Excluded from Portfolio Percentages:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trinity Plus - Reserve (GIC) - Series 1998A COPs</td>
<td></td>
<td>12,240,775</td>
<td></td>
</tr>
<tr>
<td><strong>Subtotal for Debt Service Reserve Funds (unavailable for CIP expenditures):</strong></td>
<td></td>
<td>$12,240,775</td>
<td></td>
</tr>
<tr>
<td><strong>Total Cash and Investments</strong></td>
<td></td>
<td>$246,540,572</td>
<td></td>
</tr>
</tbody>
</table>

### PORTFOLIO INFORMATION

<table>
<thead>
<tr>
<th></th>
<th>Pooled Funds **</th>
<th>Debt Service Reserve</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portfolio Yield to Maturity - 365 Days</td>
<td>1.80%</td>
<td>5.55%</td>
<td>2.00%</td>
</tr>
<tr>
<td>Average Term</td>
<td>1,026</td>
<td>1</td>
<td>971</td>
</tr>
<tr>
<td>Average Days to Maturity</td>
<td>600</td>
<td>1</td>
<td>568</td>
</tr>
</tbody>
</table>

* Some investments in these categories are managed by Chandler Asset Management.

** Pooled Funds include Operating, Pay Go, RSF, Equipment and Stored Water funds.
PORTFOLIO CHARACTERISTICS

- Average Modified Duration: 2.56
- Average Coupon: 2.35%
- Average Purchase YTM: 2.52%
- Average Market YTM: 0.33%
- Average S&P/Moody Rating: AA/Aa2
- Average Final Maturity: 2.70 yrs
- Average Life: 2.65 yrs

ACCOUNT SUMMARY

<table>
<thead>
<tr>
<th></th>
<th>Beg. Values as of 9/30/20</th>
<th>End Values as of 10/31/20</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Market Value</strong></td>
<td>135,306,055</td>
<td>137,158,493</td>
</tr>
<tr>
<td><strong>Accrued Interest</strong></td>
<td>610,074</td>
<td>694,552</td>
</tr>
<tr>
<td><strong>Total Market Value</strong></td>
<td>135,916,128</td>
<td>137,853,046</td>
</tr>
<tr>
<td><strong>Income Earned</strong></td>
<td>253,877</td>
<td>255,853</td>
</tr>
<tr>
<td><strong>Cont/WD</strong></td>
<td>1,994,852</td>
<td></td>
</tr>
<tr>
<td><strong>Par</strong></td>
<td>128,448,594</td>
<td>130,639,705</td>
</tr>
<tr>
<td><strong>Book Value</strong></td>
<td>127,506,518</td>
<td>129,674,679</td>
</tr>
<tr>
<td><strong>Cost Value</strong></td>
<td>127,506,518</td>
<td>129,674,679</td>
</tr>
</tbody>
</table>

TOP ISSUERS

- Government of United States: 23.9%
- Federal Home Loan Bank: 18.2%
- Federal National Mortgage Assoc: 9.8%
- Federal Home Loan Mortgage Corp: 6.7%
- Intl Bank Recon and Development: 3.0%
- Bank of America Corp: 2.4%
- Deere & Company: 2.3%
- JP Morgan Chase & Co: 2.3%
- Total: 68.6%

SECTOR ALLOCATION

- Agency: 34.7%
- Corporate: 31.4%
- US Treasury: 23.9%
- Supras: 6.0%
- ABS: 2.8%
- Money Mkt Fds: 1.2%

Maturity Distribution

<table>
<thead>
<tr>
<th>Maturity (Yrs)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 - 0.25</td>
<td>1.2%</td>
</tr>
<tr>
<td>0.25 - 0.5</td>
<td>2.8%</td>
</tr>
<tr>
<td>0.5 - 1</td>
<td>21.0%</td>
</tr>
<tr>
<td>1 - 2</td>
<td>43.2%</td>
</tr>
<tr>
<td>2 - 3</td>
<td>25.0%</td>
</tr>
<tr>
<td>3 - 4</td>
<td>6.9%</td>
</tr>
<tr>
<td>4 - 5</td>
<td>6.9%</td>
</tr>
<tr>
<td>5+</td>
<td>1.2%</td>
</tr>
</tbody>
</table>

CREDIT QUALITY (S&P)

- AA (64.9%)
- AAA (8.5%)
- A (25.1%)
- NR (1.5%)
## Investments

<table>
<thead>
<tr>
<th>Investments</th>
<th>Par Value</th>
<th>Market Value</th>
<th>Book Value</th>
<th>% of Portfolio</th>
<th>Term</th>
<th>Days to Maturity</th>
<th>YTM 360 Equiv.</th>
<th>YTM 365 Equiv.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managed Pool Accounts</td>
<td>90,855,764.33</td>
<td>90,855,764.33</td>
<td>90,855,764.33</td>
<td>39.85</td>
<td>1</td>
<td>1</td>
<td>1.246</td>
<td>1.263</td>
</tr>
<tr>
<td>Medium Term Notes</td>
<td>42,500,000.00</td>
<td>44,936,635.00</td>
<td>42,328,375.00</td>
<td>18.56</td>
<td>1.698</td>
<td>871</td>
<td>2.967</td>
<td>3.009</td>
</tr>
<tr>
<td>Federal Agency - Coupon</td>
<td>45,250,000.00</td>
<td>47,595,425.00</td>
<td>45,613,922.50</td>
<td>20.00</td>
<td>1.653</td>
<td>1,173</td>
<td>1.980</td>
<td>2.008</td>
</tr>
<tr>
<td>Treasury Securities - Coupon</td>
<td>38,400,000.00</td>
<td>39,928,047.00</td>
<td>37,605,003.92</td>
<td>16.49</td>
<td>1.509</td>
<td>827</td>
<td>2.414</td>
<td>2.447</td>
</tr>
<tr>
<td>Supranationals</td>
<td>8,000,000.00</td>
<td>8,205,500.00</td>
<td>7,790,040.00</td>
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<td>1.471</td>
<td>527</td>
<td>2.727</td>
<td>2.765</td>
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<td>Asset Backed Securities</td>
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<td>3,891,227.67</td>
<td>3,828,882.52</td>
<td>1.68</td>
<td>1.541</td>
<td>980</td>
<td>2.405</td>
<td>2.438</td>
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| Total Investments                | 228,832,150.30 | 235,412,599.00 | 228,021,988.27 | 100.00% | 971 | 568 | 1.975 | 2.002 |

## Cash

<table>
<thead>
<tr>
<th>Cash (not included in yield calculations)</th>
<th>Par Value</th>
<th>Market Value</th>
<th>Book Value</th>
<th>% of Portfolio</th>
<th>Term</th>
<th>Days to Maturity</th>
<th>YTM 360 Equiv.</th>
<th>YTM 365 Equiv.</th>
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<tbody>
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<td>18,518,584.17</td>
<td>18,518,584.17</td>
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<td>1</td>
<td>0.010</td>
<td>0.010</td>
<td></td>
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</tbody>
</table>

| Total Cash and Investments                | 247,350,734.47 | 253,931,183.17 | 246,540,572.44 | 971 | 568 | 1.975 | 2.002 |

## Total Earnings

<table>
<thead>
<tr>
<th>Total Earnings</th>
<th>October 31</th>
<th>Month Ending</th>
<th>Fiscal Year To Date</th>
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<tbody>
<tr>
<td>Current Year</td>
<td>380,990.06</td>
<td>1,642,375.26</td>
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<tr>
<td>Average Daily Balance</td>
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<td>264,012,627.97</td>
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</tr>
<tr>
<td>Effective Rate of Return</td>
<td>1.67%</td>
<td>1.85%</td>
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SDCWA,
### Managed Pool Accounts

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<tr>
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<th>Investment #</th>
<th>Issuer</th>
<th>Average Balance</th>
<th>Purchase Date</th>
<th>Par Value</th>
<th>Market Value</th>
<th>Book Value</th>
<th>Stated Rate</th>
<th>S&amp;P</th>
<th>YTM</th>
<th>Days to Maturity</th>
<th>Maturity Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>037833CG3</td>
<td>21059</td>
<td>APPLE INC.</td>
<td>0.040</td>
<td>Bank of New York Mellon Corp</td>
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<td>1,724,747.21</td>
<td>1,724,747.21</td>
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<td>A</td>
<td>0.040</td>
<td>1</td>
<td></td>
</tr>
<tr>
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<td>21063</td>
<td>APPLE INC.</td>
<td>0.190</td>
<td>Bank of America Corp</td>
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<td>2,262,639.88</td>
<td>2,262,639.88</td>
<td>0.190</td>
<td>AAA</td>
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<tr>
<td>06051GEU9</td>
<td>21031</td>
<td>Bank of America Corp</td>
<td>0.810</td>
<td>Bank of America Corp</td>
<td>234,643.19</td>
<td>234,643.19</td>
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<tr>
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<td>74,392,959.05</td>
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<tr>
<td>084670BR8</td>
<td>21053</td>
<td>BERKSHIRE HATHAWAY INC.</td>
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<td>TRINITY PLUS - 1998A</td>
<td>12,240,775.00</td>
<td>12,240,775.00</td>
<td>12,240,775.00</td>
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<tr>
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<td>20015</td>
<td>Bank of New York Mellon Corp</td>
<td>0.001</td>
<td>US Bank MONEY MARKET FUND</td>
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<td>0.00</td>
<td>0.001</td>
<td>AAA</td>
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Subtotal and Average: 133,494,297.98

#### Medium Term Notes

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<th>Issuer</th>
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<th>Purchase Date</th>
<th>Par Value</th>
<th>Market Value</th>
<th>Book Value</th>
<th>Stated Rate</th>
<th>S&amp;P</th>
<th>YTM</th>
<th>Days to Maturity</th>
<th>Maturity Date</th>
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</thead>
<tbody>
<tr>
<td>037833CG3</td>
<td>21059</td>
<td>APPLE INC.</td>
<td>0.040</td>
<td>Bank of New York Mellon Corp</td>
<td>1,724,747.21</td>
<td>1,724,747.21</td>
<td>1,724,747.21</td>
<td>0.040</td>
<td>A</td>
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<tr>
<td>037833CG3</td>
<td>21063</td>
<td>APPLE INC.</td>
<td>0.190</td>
<td>Bank of America Corp</td>
<td>2,262,639.88</td>
<td>2,262,639.88</td>
<td>2,262,639.88</td>
<td>0.190</td>
<td>AAA</td>
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<tr>
<td>06051GEU9</td>
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<td>Bank of America Corp</td>
<td>0.810</td>
<td>Bank of America Corp</td>
<td>234,643.19</td>
<td>234,643.19</td>
<td>234,643.19</td>
<td>0.810</td>
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<tr>
<td>06051GFf1</td>
<td>21067</td>
<td>Bank of America Corp</td>
<td>0.620</td>
<td>LAIF - OPERATING</td>
<td>74,392,959.05</td>
<td>74,392,959.05</td>
<td>74,392,959.05</td>
<td>0.620</td>
<td>AAA</td>
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<tr>
<td>084670BR8</td>
<td>21053</td>
<td>BERKSHIRE HATHAWAY INC.</td>
<td>5.550</td>
<td>TRINITY PLUS - 1998A</td>
<td>12,240,775.00</td>
<td>12,240,775.00</td>
<td>12,240,775.00</td>
<td>5.550</td>
<td>AA+</td>
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<tr>
<td>06406RAA5</td>
<td>20015</td>
<td>Bank of New York Mellon Corp</td>
<td>0.001</td>
<td>US Bank MONEY MARKET FUND</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.001</td>
<td>AAA</td>
<td>0.001</td>
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</table>

Subtotal and Average: 133,494,297.98

### Portfolio Details - Investments

<table>
<thead>
<tr>
<th>Average Balance</th>
<th>Purchase Date</th>
<th>Par Value</th>
<th>Market Value</th>
<th>Book Value</th>
<th>Stated Rate</th>
<th>S&amp;P</th>
<th>YTM</th>
<th>Days to Maturity</th>
<th>Maturity Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>133,494,297.98</td>
<td>0.001</td>
<td>0.00</td>
<td>0.00</td>
<td>0.001</td>
<td>AAA</td>
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Run Date: 11/03/2020
### Portfolio Details - Investments
**October 31, 2020**

**Medium Term Notes**

<table>
<thead>
<tr>
<th>CUSIP</th>
<th>Investment #</th>
<th>Issuer</th>
<th>Average</th>
<th>Purchase Date</th>
<th>Par Value</th>
<th>Market Value</th>
<th>Book Value</th>
<th>Stated Rate</th>
<th>YTM</th>
<th>Days to Maturity</th>
<th>Maturity Date</th>
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<tbody>
<tr>
<td>92826CAC6</td>
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<td>VISA INC</td>
<td>$2,500,000.00</td>
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<td>3.415</td>
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**Subtotal and Average**

|                      |              |                                    | $42,328,375.00 |              | $44,936,635.00 | $42,328,375.00 |              | 3.009 |                |               |

**Federal Agency - Coupon**

<table>
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<tr>
<th>CUSIP</th>
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<th>Issuer</th>
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<th>Purchase Date</th>
<th>Par Value</th>
<th>Market Value</th>
<th>Book Value</th>
<th>Stated Rate</th>
<th>YTM</th>
<th>Days to Maturity</th>
<th>Maturity Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>3137EAEX3</td>
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<td>Bank of New York Mellon Corp</td>
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**Federal Agency - Coupon**

<table>
<thead>
<tr>
<th>CUSIP</th>
<th>Investment #</th>
<th>Issuer</th>
<th>Average</th>
<th>Purchase Date</th>
<th>Par Value</th>
<th>Market Value</th>
<th>Book Value</th>
<th>Stated Rate</th>
<th>YTM</th>
<th>Days to Maturity</th>
<th>Maturity Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>3130AEBM1</td>
<td>21013</td>
<td>FEDERAL HOME LOAN BANK</td>
<td>$2,000,000.00</td>
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<td>$2.750</td>
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<td>2.827</td>
<td>586</td>
<td>06/10/2022</td>
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**Federal Agency - Coupon**

<table>
<thead>
<tr>
<th>CUSIP</th>
<th>Investment #</th>
<th>Issuer</th>
<th>Average</th>
<th>Purchase Date</th>
<th>Par Value</th>
<th>Market Value</th>
<th>Book Value</th>
<th>Stated Rate</th>
<th>YTM</th>
<th>Days to Maturity</th>
<th>Maturity Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>3130A0F70</td>
<td>21046</td>
<td>FEDERAL HOME LOAN BANK</td>
<td>$2,250,000.00</td>
<td>12/18/2018</td>
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**Subtotal and Average**

|                      |              |                                    | $45,613,922.50 |              | $47,595,425.00 | $45,613,922.50 |              | 2.068 |                |               |

**Treasury Securities - Coupon**

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<th>Issuer</th>
<th>Average</th>
<th>Purchase Date</th>
<th>Par Value</th>
<th>Market Value</th>
<th>Book Value</th>
<th>Stated Rate</th>
<th>YTM</th>
<th>Days to Maturity</th>
<th>Maturity Date</th>
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</thead>
<tbody>
<tr>
<td>91282P38</td>
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<td>UNITED STATES TREASURY</td>
<td>$1,250,000.00</td>
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**Subtotal and Average**

|                      |              |                                    | $42,687,865.20 |              | $47,595,425.00 | $45,613,922.50 |              | 2.008 |                |               |

**Portfolio CWA2**

**Page 2**

Run Date: 11/03/2020 07:28 PM (PRF_PM2)
# SDCWA - Fiscal Year 2021
## Portfolio Management
### Portfolio Details - Investments
#### October 31, 2020

<table>
<thead>
<tr>
<th>CUSIP</th>
<th>Investment #</th>
<th>Issuer</th>
<th>Average Balance</th>
<th>Purchase Date</th>
<th>Par Value</th>
<th>Market Value</th>
<th>Book Value</th>
<th>Stated Rate</th>
<th>S&amp;P 365</th>
<th>Days to Maturity</th>
<th>Maturity Date</th>
</tr>
</thead>
<tbody>
<tr>
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<td>21068</td>
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Subtotal and Average: 37,605,003.92

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Subtotal and Average: 7,790,040.00

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<th>Book Value</th>
<th>Stated Rate</th>
<th>S&amp;P 365</th>
<th>Days to Maturity</th>
<th>Maturity Date</th>
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<tbody>
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<td>1,162,220.67</td>
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<td>AAA</td>
<td>2.898</td>
<td>683</td>
<td>09/15/2022</td>
</tr>
<tr>
<td>89239AAB9</td>
<td>21054</td>
<td>Toyota Auto Receivables</td>
<td>02/13/2019</td>
<td>68,972.45</td>
<td>69,041.91</td>
<td>68,966.19</td>
<td>2.830</td>
<td>AAA</td>
<td>1.361</td>
<td>683</td>
<td>09/15/2022</td>
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</table>

Subtotal and Average: 4,051,687.79

<table>
<thead>
<tr>
<th>CUSIP</th>
<th>Investment #</th>
<th>Issuer</th>
<th>Average Balance</th>
<th>Purchase Date</th>
<th>Par Value</th>
<th>Market Value</th>
<th>Book Value</th>
<th>Stated Rate</th>
<th>S&amp;P 365</th>
<th>Days to Maturity</th>
<th>Maturity Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>268,204,464.18 Total and Average</td>
<td>228,832,150.30</td>
<td>235,412,599.00</td>
<td>228,021,988.27</td>
<td>2.002</td>
<td>568</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
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<th>Market Value</th>
<th>Book Value</th>
<th>Stated Rate</th>
<th>S&amp;P 365</th>
<th>Days to Maturity</th>
<th>Maturity Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>7,268,040.00 Subtotal and Average</td>
<td>8,205,500.00</td>
<td>7,790,040.00</td>
<td>2.765</td>
<td>527</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>CUSIP</th>
<th>Investment #</th>
<th>Issuer</th>
<th>Average Balance</th>
<th>Purchase Date</th>
<th>Par Value</th>
<th>Market Value</th>
<th>Book Value</th>
<th>Stated Rate</th>
<th>S&amp;P 365</th>
<th>Days to Maturity</th>
<th>Maturity Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>3,984,852.79 Subtotal and Average</td>
<td>3,891,227.67</td>
<td>3,828,882.52</td>
<td>2.438</td>
<td>980</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CUSIP</th>
<th>Investment #</th>
<th>Issuer</th>
<th>Average Balance</th>
<th>Purchase Date</th>
<th>Par Value</th>
<th>Market Value</th>
<th>Book Value</th>
<th>Stated Rate</th>
<th>S&amp;P 365</th>
<th>Days to Maturity</th>
<th>Maturity Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>4,051,687.79 Subtotal and Average</td>
<td>3,828,882.52</td>
<td>4,051,687.79</td>
<td>3,828,882.52</td>
<td>2.438</td>
<td>980</td>
<td></td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>CUSIP</th>
<th>Investment #</th>
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<th>Purchase Date</th>
<th>Par Value</th>
<th>Market Value</th>
<th>Book Value</th>
<th>Stated Rate</th>
<th>S&amp;P 365</th>
<th>Days to Maturity</th>
<th>Maturity Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>268,204,464.18 Total and Average</td>
<td>228,832,150.30</td>
<td>235,412,599.00</td>
<td>228,021,988.27</td>
<td>2.002</td>
<td>568</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Portfolio Details - Cash
**October 31, 2020**

<table>
<thead>
<tr>
<th>CUSIP</th>
<th>Investment #</th>
<th>Issuer</th>
<th>Purchase Date</th>
<th>Average Balance</th>
<th>Par Value</th>
<th>Market Value</th>
<th>Book Value</th>
<th>Stated Rate</th>
<th>S&amp;P</th>
<th>YTM</th>
<th>Days to Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>CASH01</td>
<td>48</td>
<td>PETTY CASH</td>
<td>07/01/2020</td>
<td>2,500.00</td>
<td>2,500.00</td>
<td>2,500.00</td>
<td>2,500.00</td>
<td>0.000</td>
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<td>1</td>
<td></td>
</tr>
<tr>
<td>CASH02</td>
<td>1000</td>
<td>WELLS FARGO - OPERATING/POOLED</td>
<td>07/01/2020</td>
<td>247,500.00</td>
<td>247,500.00</td>
<td>247,500.00</td>
<td>247,500.00</td>
<td>0.001</td>
<td></td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>CASH03</td>
<td>1001</td>
<td>WELLS FARGO - PAYROLL ZBA</td>
<td>07/01/2020</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.000</td>
<td></td>
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</tr>
</tbody>
</table>

**Managed Pool Accounts**

<table>
<thead>
<tr>
<th>CUSIP</th>
<th>Investment #</th>
<th>Issuer</th>
<th>Purchase Date</th>
<th>Average Balance</th>
<th>Par Value</th>
<th>Market Value</th>
<th>Book Value</th>
<th>Stated Rate</th>
<th>S&amp;P</th>
<th>YTM</th>
<th>Days to Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>CASH05</td>
<td>1003</td>
<td>WELLS FARGO - MEDI/FSA</td>
<td>07/01/2020</td>
<td>68,293.72</td>
<td>68,293.72</td>
<td>68,293.72</td>
<td>68,293.72</td>
<td>0.000</td>
<td></td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>CASH04</td>
<td>1002</td>
<td>WELLS FARGO - OPER/SWEEP</td>
<td>07/01/2020</td>
<td>18,200,290.45</td>
<td>18,200,290.45</td>
<td>18,200,290.45</td>
<td>18,200,290.45</td>
<td>0.010</td>
<td></td>
<td>0.10</td>
<td></td>
</tr>
</tbody>
</table>

**Total Cash and Investments**

- **Average Balance**: 0.00
- **YTM**: 2.002
- **Days to Maturity**: 568

---

**Portfolio CWA2**

CC

Run Date: 11/03/2020
November 11, 2020

Attention: Administrative and Finance Committee

Vote Entitlement Resolution for Calendar Year 2021. (Action)

Staff recommendation
Adopt Resolution 2020-__ establishing the vote and representative entitlements of each member agency effective January 1, 2021.

Alternative
None.

Fiscal Impact
None.

Executive Summary
- The vote entitlement of each member agency is reestablished each year on January 1 and is calculated as one vote for each $5 million of total financial contribution.
- Total financial contribution includes all amounts and charges paid directly by or on behalf of the member agency to the Water Authority and the Metropolitan Water District.
- Each member agency must have at least one representative on the Board of Directors.
- Each member agency may designate and appoint one additional representative for each full five percent of total Water Authority assessed value of all properties within their service area.

Discussion
The cumulative total financial contribution as of June 30, 2020 was $14,735,459,810 and the total vote entitlement for the Calendar Year 2021 is 2,947,092. The cumulative total financial contribution is calculated by adding the total member agency financial contribution for the fiscal year ended June 30, 2020 to the cumulative total member agency financial contribution as of June 30, 2019. The total vote entitlement is the cumulative total financial contribution divided by $5 million.

Attachment A of the Resolution lists the cumulative total financial contribution by member agency as of June 30, 2020 and the vote entitlements by member agency for Calendar Year 2021.

The total member agency representative entitlement for Calendar Year 2021 is thirty-six (36). The member agency representative entitlements are based on assessed values certified by the County of San Diego, Auditor and Controller, as of June 30, 2020.
Attachment B of the Resolution lists the representative entitlement of each member agency. In summary, the City of San Diego has ten representatives; Carlsbad Municipal Water District, Helix Water District and Otay Water District each have two representatives and the remaining member agencies each have one representative.

Prepared by: Priscilla Tam, Accounting Technician
Reviewed by: Christopher Woidzik, Controller
Lisa Marie Harris, Director of Finance/Treasurer
Approved by: Dan Denham, Assistant General Manager

Attachments:

Resolution No. 2020-___ Vote and Member Representative Entitlements Resolution for Calendar Year 2021
Attachment A – Vote Entitlements Effective January 1, 2021
Attachment B – Representative Entitlements Effective January 1, 2021
RESOLUTION NO. 2020- ______


WHEREAS, pursuant to subdivision (i) of section 6 of the County Water Authority Act, the Board of Directors is required annually to determine the total financial contribution of each member agency and the number of member representatives; and

WHEREAS, the Finance Department has calculated and reported to the Board of Directors the total financial contribution and corresponding votes of each member agency of the Water Authority; and

WHEREAS, the number of member representatives to which a member agency is entitled is determined by percentage of assessed valuation in accordance with subdivision (d) of section 6 of the County Water Authority Act and the Finance Department has calculated and reported to the Board of Directors the percentage of assessed valuation of each member agency.

NOW, THEREFORE, BE IT RESOLVED, by the Board of Directors of the Water Authority, that the number of votes allocated to each member public agency is shown in Attachment A and the number of member representatives for each public agency to the Water Authority Board of Directors is shown in Attachment B:

PASSED, APPROVED AND ADOPTED, this 19th day of November, 2020.

AYES: Unless noted below all Directors voted aye.

NOES:

ABSTAIN:

ABSENT:

______________________________
Gary Croucher, Chair

ATTEST:

______________________________
Jerry Butkiewicz, Secretary
I, Melinda Nelson, Clerk of the Board of Directors of the San Diego County Water Authority, certify that the vote shown above is correct and this Resolution No. 2020-__ was duly adopted at the meeting of the Board of Directors on the date stated above.

____________________________________
Melinda Nelson
Clerk of the Board
## ATTACHMENT A
Vote Entitlement
Effective January 1, 2021

<table>
<thead>
<tr>
<th>Member Agency</th>
<th>Total Cumulative Financial Contribution</th>
<th>Vote Entitlement</th>
<th>Calculated Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carlsbad Municipal Water District</td>
<td>$544,829,176</td>
<td>108.966</td>
<td>3.697%</td>
</tr>
<tr>
<td>City of Del Mar</td>
<td>44,544,590</td>
<td>8.909</td>
<td>0.302%</td>
</tr>
<tr>
<td>City of Escondido</td>
<td>515,454,774</td>
<td>103.091</td>
<td>3.499%</td>
</tr>
<tr>
<td>Fallbrook Public Utility District</td>
<td>332,495,234</td>
<td>66.499</td>
<td>2.256%</td>
</tr>
<tr>
<td>Helix Water District</td>
<td>985,082,302</td>
<td>197.016</td>
<td>6.685%</td>
</tr>
<tr>
<td>Lakeside Water District</td>
<td>108,820,072</td>
<td>21.764</td>
<td>0.739%</td>
</tr>
<tr>
<td>City of National City</td>
<td>106,779,381</td>
<td>21.356</td>
<td>0.725%</td>
</tr>
<tr>
<td>City of Oceanside</td>
<td>764,027,220</td>
<td>152.805</td>
<td>5.185%</td>
</tr>
<tr>
<td>Olivenhain Municipal Water District</td>
<td>496,608,624</td>
<td>99.322</td>
<td>3.370%</td>
</tr>
<tr>
<td>Otay Water District</td>
<td>874,168,518</td>
<td>174.834</td>
<td>5.932%</td>
</tr>
<tr>
<td>Padre Dam Municipal Water District</td>
<td>395,579,156</td>
<td>79.116</td>
<td>2.685%</td>
</tr>
<tr>
<td>Pendleton Military Reservation</td>
<td>12,440,598</td>
<td>2.488</td>
<td>0.084%</td>
</tr>
<tr>
<td>City of Poway</td>
<td>316,402,341</td>
<td>63.280</td>
<td>2.147%</td>
</tr>
<tr>
<td>Rainbow Municipal Water District</td>
<td>578,113,063</td>
<td>115.623</td>
<td>3.923%</td>
</tr>
<tr>
<td>Ramona Municipal Water District</td>
<td>216,510,714</td>
<td>43.302</td>
<td>1.469%</td>
</tr>
<tr>
<td>Rincon del Diablo Municipal Water District</td>
<td>213,295,289</td>
<td>42.659</td>
<td>1.448%</td>
</tr>
<tr>
<td>City of San Diego</td>
<td>5,855,394,309</td>
<td>1,171.079</td>
<td>39.737%</td>
</tr>
<tr>
<td>San Dieguito Water District</td>
<td>157,966,307</td>
<td>31.593</td>
<td>1.072%</td>
</tr>
<tr>
<td>Santa Fe Irrigation District</td>
<td>237,073,741</td>
<td>47.415</td>
<td>1.609%</td>
</tr>
<tr>
<td>South Bay Irrigation District</td>
<td>289,465,387</td>
<td>57.893</td>
<td>1.964%</td>
</tr>
<tr>
<td>Vallecitos Water District</td>
<td>437,104,844</td>
<td>87.421</td>
<td>2.966%</td>
</tr>
<tr>
<td>Valley Center Municipal Water District</td>
<td>744,423,437</td>
<td>148.885</td>
<td>5.052%</td>
</tr>
<tr>
<td>Vista Irrigation District</td>
<td>440,964,539</td>
<td>88.193</td>
<td>2.993%</td>
</tr>
<tr>
<td>Yuima Municipal Water District</td>
<td>67,916,194</td>
<td>13.583</td>
<td>0.461%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$14,735,459,810</strong></td>
<td><strong>2,947.092</strong></td>
<td><strong>100.000%</strong></td>
</tr>
</tbody>
</table>


2 Vote Entitlement amount is calculated as a Member Agency's Total Cumulative Financial Contribution divided by $5,000,000.
## Assessed Valuation, June 30 2020 (Amounts in Dollars)

<table>
<thead>
<tr>
<th>Member Agency</th>
<th>Secured</th>
<th>Unsecured</th>
<th>Total</th>
<th>Percent</th>
<th>Member Rep.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carlsbad Municipal Water District</td>
<td>$29,117,411,854</td>
<td>$1,223,411,368</td>
<td>$30,340,823,222</td>
<td>5.171%</td>
<td>2</td>
</tr>
<tr>
<td>City of Del Mar</td>
<td>4,140,140,717</td>
<td>21,918,449</td>
<td>4,161,159,166</td>
<td>0.709%</td>
<td>1</td>
</tr>
<tr>
<td>City of Escondido</td>
<td>9,498,943,064</td>
<td>318,770,192</td>
<td>9,817,713,256</td>
<td>1.673%</td>
<td>1</td>
</tr>
<tr>
<td>Fallbrook Public Utility District</td>
<td>4,378,263,908</td>
<td>47,702,645</td>
<td>4,425,966,553</td>
<td>0.754%</td>
<td>1</td>
</tr>
<tr>
<td>Helix Water District</td>
<td>29,644,384,062</td>
<td>774,874,603</td>
<td>30,419,258,665</td>
<td>5.184%</td>
<td>2</td>
</tr>
<tr>
<td>Lakeside Water District</td>
<td>2,941,920,486</td>
<td>107,351,166</td>
<td>3,049,271,652</td>
<td>0.520%</td>
<td>1</td>
</tr>
<tr>
<td>City of National City</td>
<td>4,595,443,725</td>
<td>252,974,547</td>
<td>4,848,418,272</td>
<td>0.826%</td>
<td>1</td>
</tr>
<tr>
<td>City of Oceanside</td>
<td>26,194,498,385</td>
<td>559,153,704</td>
<td>26,753,652,089</td>
<td>4.559%</td>
<td>1</td>
</tr>
<tr>
<td>Olivenhain Municipal Water District</td>
<td>25,184,165,898</td>
<td>452,017,582</td>
<td>25,636,183,480</td>
<td>4.369%</td>
<td>1</td>
</tr>
<tr>
<td>Otay Water District</td>
<td>34,864,585,562</td>
<td>733,642,441</td>
<td>35,598,228,003</td>
<td>6.067%</td>
<td>2</td>
</tr>
<tr>
<td>Padre Dam Municipal Water District</td>
<td>12,960,872,511</td>
<td>302,369,666</td>
<td>13,263,242,177</td>
<td>2.260%</td>
<td>1</td>
</tr>
<tr>
<td>Pendleton Military Reservation</td>
<td>40,143,019</td>
<td>22,082,120</td>
<td>62,225,139</td>
<td>0.011%</td>
<td>1</td>
</tr>
<tr>
<td>City of Poway</td>
<td>11,320,554,207</td>
<td>496,999,868</td>
<td>11,817,554,075</td>
<td>2.014%</td>
<td>1</td>
</tr>
<tr>
<td>Rainbow Municipal Water District</td>
<td>5,287,715,788</td>
<td>30,552,107</td>
<td>5,318,267,895</td>
<td>0.906%</td>
<td>1</td>
</tr>
<tr>
<td>Ramona Municipal Water District</td>
<td>4,794,510,548</td>
<td>67,050,184</td>
<td>4,861,560,732</td>
<td>0.828%</td>
<td>1</td>
</tr>
<tr>
<td>Rincon del Diablo Municipal Water District</td>
<td>11,057,342,557</td>
<td>279,223,870</td>
<td>11,336,566,427</td>
<td>1.932%</td>
<td>1</td>
</tr>
<tr>
<td>City of San Diego</td>
<td>276,714,839,836</td>
<td>11,572,095,480</td>
<td>288,286,935,316</td>
<td>49.129%</td>
<td>10</td>
</tr>
<tr>
<td>San Dieguito Water District</td>
<td>11,601,963,159</td>
<td>174,407,312</td>
<td>11,776,370,471</td>
<td>2.007%</td>
<td>1</td>
</tr>
<tr>
<td>Santa Fe Irrigation District</td>
<td>12,447,852,565</td>
<td>83,351,438</td>
<td>12,531,204,003</td>
<td>2.136%</td>
<td>1</td>
</tr>
<tr>
<td>South Bay Irrigation District</td>
<td>11,992,126,168</td>
<td>358,442,084</td>
<td>12,350,568,252</td>
<td>2.105%</td>
<td>1</td>
</tr>
<tr>
<td>Vallecitos Water District</td>
<td>17,372,499,999</td>
<td>406,447,356</td>
<td>17,778,947,355</td>
<td>3.030%</td>
<td>1</td>
</tr>
<tr>
<td>Valley Center Municipal Water District</td>
<td>5,104,184,320</td>
<td>45,471,050</td>
<td>5,149,655,370</td>
<td>0.878%</td>
<td>1</td>
</tr>
<tr>
<td>Vista Irrigation District</td>
<td>16,177,187,703</td>
<td>601,439,153</td>
<td>16,778,626,856</td>
<td>2.859%</td>
<td>1</td>
</tr>
<tr>
<td>Yuima Municipal Water District</td>
<td>422,514,046</td>
<td>7,286,456</td>
<td>429,800,502</td>
<td>0.073%</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$567,854,064,087</strong></td>
<td><strong>$18,938,134,841</strong></td>
<td><strong>$586,792,198,928</strong></td>
<td><strong>100.000%</strong></td>
<td><strong>36</strong></td>
</tr>
</tbody>
</table>

5% of Total Assessed Valuation is $29,339,609,946

Note:
1. County of San Diego receives one Special Representative.
2. Pendleton Military Reservation is entitled to only one member representative regardless of total assessed valuation.

Source:
Data from County of San Diego Auditor/Controller - Property Tax Services Report dated 8/01/2020.
November 11, 2020

Attention: Administrative and Finance Committee

Approve Capacity Fee Refund to Pardee Homes. (Action)

Staff recommendation
Authorize the General Manager to issue a capacity charges refund in the amount of $281,447 to Pardee Homes.

Alternative recommendation
Do not authorize the General Manager to issue a capacity charges refund.

Fiscal Impact
The net effect will be a decrease of $118,022 of capacity charges revenue to the Water Authority. The developer modified their construction plans requiring a different water meter resulting in a lower fee. The original amount paid was $281,447 that is to be refunded in place of a lesser amount of $163,425, which amount has already been separately received.

Executive Summary
- The Board adopted Ordinance No. 2016-04 granting the General Manager the authority to approve refunding monies previously paid to the Water Authority in an amount not to exceed $100,000.
- The Board further stipulated that a refund of capacity charges cannot be made unless the member agency has also refunded its portion of capacity charges, or where required by law.
- Pardee Homes paid for a water meter and capacity charges to the City of San Diego (City) for a development project and the Water Authority received the resulting capacity charges revenue on January 31, 2020. Pardee Homes then revised their construction plans in April 2020 and paid the City the corresponding fees tied to the revised plans, including capacity charges, at that time. Pardee Homes is now requesting a refund for all amounts paid relating to the January 2020 payment and the City has already refunded the fees it retained. (The City of San Diego’s Development Services Department’s practice is to refund in full development fees when there are plan changes.)

Discussion
The Water Authority’s member agencies collect capacity charges on behalf of the Water Authority and remit those monies by the last day of the month following each quarter.

In January 2020, the Water Authority received capacity charges revenue from Pardee Homes in the amount of $281,447 passed through the City. The developer revised its plans in April 2020...
requiring a different type of water meter and paid the revised meter fees and capacity charges
that were due (It is the City’s practice to refund development fees in full when there is a change
to plans instead of requesting the difference be paid or refunded). At the same time the City
refunded its previously collected share of the fees to the developer and then forwarded
documentation to the Water Authority to support the refund of capacity charges we received in
January 2020.

The Water Authority received the project’s new capacity fees of $163,425 in July 2020 in
accordance with our payment policy terms. The net fiscal impact is a decrease in revenue to the
Water Authority of $118,022.

Water Authority staff reviewed the refund request documents from the City, as well as our own
records for proof of payment in January 2020 for appropriateness before recommending the
refund of these previously paid capacity charges.

Prepared by: Christopher Woidzik, CPA, Controller
Reviewed by: Lisa Marie Harris, Director of Finance/Treasurer
Approved by: Dan Denham, Assistant General Manager
November 11, 2020

Attention: Engineering and Operations Committee

Abandonment of easements along El Paseo Road. (Action)

Staff recommendation
Authorize General Manager/General Counsel to file documentation with the San Diego County Recorder’s Office to abandon Water Authority easements along El Paseo Road.

Alternative
Retain the easements along El Paseo Road and continue the maintenance responsibilities.

Fiscal Impact
There is no fiscal impact with the recommended action.

Executive Summary
- The easements along El Paseo Road were acquired in 1960. In exchange for compensation, the Water Authority agreed to keep the road in “good condition for travel by ordinary motor vehicles.”
- Access along this private road to the Second Aqueduct is no longer needed.
- This past spring, $27,000 was spent to repair road damage from erosion from heavy rains.
- Abandonment of these easements will avoid future maintenance costs.
- Approval of the recommendation will authorize the filing of documentation to abandon the easements along El Paseo Road with the San Diego County Recorder’s Office.

Background
Easements along El Paseo Road were acquired by the Water Authority in 1960 to install and maintain pipelines within the Second Aqueduct system. Figure 1 shows the location of these easements. Attachments 1 and 2 are copies of the original easement documents. The easement documents require that in exchange for compensation to acquire the easements on this private road, the Water Authority agreed to maintain the road in “good condition for travel by ordinary motor vehicles.” The Water Authority has honored this agreement and this past spring, the Water Authority spent over $27,000 repairing damage resulting from heavy winter rains.

Discussion
The Water Authority has not used this private road since 2015 and staff has determined that it is no longer required for access and maintenance of the Second Aqueduct. Based on this assessment, the General Manager finds the abandonment of the easements to be in the best interest of the Water Authority and recommends that the easements be abandoned, thereby, ending the Water Authority’s maintenance responsibilities and any future expense for the road. Once the easements are abandoned, El Paseo Road would remain a private road, and the Water Authority’s ability to use it for access to the Second Aqueduct would also end.
Since 1960 the original two properties along El Paseo Road have been split into several ownerships. These property owners have all received written notice of this proposed action. If the Board approves this recommendation, staff will notify the property owners and work with General Counsel to develop the appropriate documentation to abandon the Water Authority’s easements along El Paseo Road and file them with the San Diego County Recorder’s Office.

Prepared by: John Kross, Right of Way Manager
Reviewed by: Jerry Reed, Director of Engineering
Approved by: Sandra L. Kerl, General Manager

Attachments:

Figure 1 – Location Map
Attachment 1 – El Paseo Road Easement 33-A
Attachment 2 – El Paseo Road Easement 34-A
ABANDONMENT OF EL PASEO ROAD EASEMENTS

FIGURE 1

WATER AUTHORITY PIPELINES

EASEMENT

ACCESS EASEMENTS TO ABANDON
AGREEMENT FOR ACCESS ROADWAY

THIS AGREEMENT made this 24th day of June 5, 1960, by and between Dr. Glenn L. and Susan Rarnum hereinafter referred to as the "Owners", and the San Diego County Water Authority, a state agency of the State of California, hereinafter referred to as the "Authority":

WITNESSETH

THAT WHEREAS, the Owners are the owners of certain real property

All that portion of Section 2, Township 11-S, Range 3-W, S.B.B. & M.

Right-of-way Flat No. SR-8-AR-1, Parcel 33-A. More particularly described on boundary descriptions and maps attached hereto.

in San Diego County, California, through which is constructed the San Diego Aqueduct;

WHEREAS, the Authority is the operator of said aqueduct and obligated for its maintenance; and

WHEREAS, for the purpose of inspection, maintenance, repair, and enlargement, the Authority desires an access roadway over, across, and along the real property of the owners;

PURSUANT TO THE FOREGOING PREMISES and in consideration of the covenants and promises herein recited, the Owners hereby grant to the Authority an easement or right of way in perpetuity for road purposes, more particularly described as follows, to wit:
RIGHT-OF-WAY DRAWING SR-3-44-1
Parcel 33-A - G.L. and Susan Barnum
Parcel 3B-A - M.J. O'Connor
Section 2, Township 11-S, Range 3-W, S.B.B. & M.

As a Permanent Easement
(Barnum Access Road No. 1)

All that portion of section 2, township 11-S, range 3-W, S.B.B. & M., between engineer's station 0400, point 'A' and engineer's station 31468.62, point 'C', included within a strip of land 20 feet wide, 10 feet on each side of the hereinafter described centerline.

Starting at the W.1/4 corner of section 2, township 11-S, range 3-W

thence S 02° 20' 57" W, 1164.54 feet, more or less to a point on the centerline of Gopher Canyon Road, a 100 feet wide County Road (as shown on Road Survey No. 1093). Said point being station 215/52.18 of said Road Survey.

thence, along said centerline of Road Survey No. 1093, N 71° 05' 12" E (N 70° 26' 00" E, County Road Record Bearing), 196.36 feet to engineer's station 217A48.54 of said Road Survey No. 1093 to the true point of beginning, point 'A' and engineer's station 0400 of the hereinafter described access road centerline.

Parcel 33-A

From point 'A' the true point of beginning, thence S 14° 35' 48" E, 28.53 feet.

thence, along a regular curve to the left, having a radius of 60.00 feet, a distance of 69.90 feet, when measured along the true arc of the curve.

thence S 81° 20' 20" E, 39.37 feet.

thence along a regular curve, to the left, having a radius of 220.00 feet, a distance of 109.17 feet when measured along the true arc of the curve.

thence N 70° 08' 12" E, 123.53 feet.

thence, along a regular curve, to the right, having a radius of 40.00 feet, a distance of 111.47 feet when measured along the true arc of the curve.

thence S 19° 48' 42" W, 65.13 feet.

thence, along a regular curve, to the left, having a radius of 120.00 feet, a distance of 98.38 feet when measured along the true arc of the curve.

thence S 02° 50' 12" W, 155.32 feet.

Sheet 1 of 3
thence S 18° 35' 12" W, 241.52 feet

thence S 03° 00' 18" E, 50.21 feet

thence along a regular curve, to the right, having a radius of 75.00 feet, a distance of 104.63 feet, when measured along the true arc of the curve.

thence S 76° 55' 42" W, 15.25 feet.

thence, along a regular curve, to the left, having a radius of 80.00 feet, a distance of 57.40 feet when measured along the true arc of the curve.

thence S 35° 45' 12" W, 219.68 feet.

thence, along a regular curve, to the left, having a radius of 160.00 feet, a distance of 234.25 feet, when measured along the true arc of the curve.

thence S 48° 03' 48" E, 85.07 feet.

thence S 30° 21' 18" E, 89.68 feet.

thence along a regular curve, to the right, having a radius of 85.00 feet, a distance of 99.22 feet, when measured along the true arc of the curve.

thence S 28° 28' 42" W, 53.48 feet.

thence, along a regular curve, to the right, having a radius of 115.00 feet, a distance of 89.30 feet, when measured along the true arc of the curve.

thence S 72° 58' 12" W, 95.57 feet.

thence, along a regular curve, to the left, having a radius of 165.00 feet, a distance of 87.57 feet when measured along the true arc of the curve.

thence S 45° 33' 47" W, 7.84 feet.

thence along a regular curve, to the right, having a radius of 90.00 feet, a distance of 39.40 feet when measured along the true arc of the curve, to a point on said curve. Said point being point 'B', engineer's station 24/55.93 and a point on the property line between
RIGHT-OF-WAY DRAWING SR-8-AR-1
Parcel 33-A - G.L. and Susan Barnum
Parcel 3b-A - W.J. O'Conner
Section 2, Township 11-S, Range 3-W, S.E.S. & W.

As a Permanent Easement
(Barnum Access Road No. 1)

Parcel 33-A and 3b-A. Said property line having a bearing of
N 15° 23' 17" E.

Parcel 3b-A

thence, from point 'B', and continuing along a regular curve, to the
right, having a radius of 90.00 feet, a distance of 59.68 feet when
measured along the true arc of the curve.

thence, along the centerline of an existing 20 feet wide access road
easement, N 74° 31' 38" W (N 74° 55' 30" W Rec.), 653.01 feet to
point 'C', engineer's station 31/68.62 and the end point of the above
described access road centerline.

The end point 'C' is further located as follows:

From point 'C', thence S 01° 53' 07" W, 67.79 feet to a point on the
centerline of survey of the Second San Diego Aqueduct. Said point
being engineer's station 2379.15.60 of said Second San Diego Aqueduct.

thence, and along said Second San Diego Aqueduct, S 01° 53' 07" W,
900.59 feet to a point on the south line of the N.E. 1/4 of the S.W.
1/4 of section 2, township 11-S, range 3-W. Said point being distant
thereon S 89° 21' 13" E, 593.64 feet from the S.W. corner of the N. E.
1/4 of the S.W. 1/4 of said section 2.

Exempting therefrom all that portion of the above described 20 feet wide Access
Road easement within the right-of-way of County Road, R.S. 1093 (Gopher Canyon
Road). And exempting therefrom all that portion of the above described 20 feet
wide access road easement within the permanent right-of-way of the Second San Diego
Aqueduct, said Second San Diego Aqueduct Permanent right-of-way as shown on Drawing
SR-8 of the survey of right-of-way of the Second San Diego Aqueduct and all as
shown on Drawing SR-8-AR-1 of the survey of right-of-way for the above described
20 feet wide access road easement.
In consideration for the granting of the right of way above described, the Authority agrees with the Owners, their successors in interest and assigns, to keep and maintain the above described roadway in good condition for travel by ordinary motor vehicles, and to repair any damage thereto resulting from the use of said roadway by the Authority. The Authority further agrees that should the Owners desire to fence the right of way or close the access thereto by fence and gates, the Authority will provide locks for such purpose and furnish to the Owners duplicate keys so that access by the general public to the roadway can be restricted.

IN WITNESS WHEREOF, the Owners have each executed this Agreement as of the day and year first above written, and the Authority has caused the same to be executed for and on its behalf by its General Manager and Chief Engineer pursuant to authority conferred by the Authority's Board of Directors.

WITNESS hand this 24th day of JUNE, 1960.

[Signature]

Witness

[Signature]

Witness

[Signature]
GENERAL FORM

STATE OF CALIFORNIA ) ss.
COUNTY OF SAN DIEGO )

On this 24th day of June, A.D., 1960 before me, (Signature)

a Notary Public in and for the said County and State, residing therein, duly commissioned and sworn, personally appeared (Signature) personally known to me to be the person whose name are subscribed to the within Instrument, and duly acknowledged to me that they executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

(Signature)
Notary Public in and for said County and State

My Commission Expires June 18, 1962

CERTIFICATE OF ACCEPTANCE

THIS IS TO CERTIFY that the interest in real property conveyed by the deed or grant dated June 24, 1960, from Dr. Glenn L. Barnum and Susan G. Barnum
to the San Diego County Water Authority, a political corporation and/or governmental agency, is hereby accepted by the order of the Board of Directors of said San Diego County Water Authority on June 28, 1960, and the grantee consents to recordation thereof by its duly authorized officer.

DATED: June 28, 1960.

(Signed)
AGREEMENT FOR ACCESS ROADWAY

THIS AGREEMENT made this 27th day of June 1960, by

and between M. J. O'Connor

hereinafter referred to as the "Owners", and the San Diego County Water Authority, a state agency of the State of California, hereinafter referred to as the "Authority":

WITNESSETH

THAT WHEREAS, the Owners are the owners of certain real property

All that portion of Section 2, Township 11-S., Range 3-W.,

S.B.B. & M., more particularly described on boundary description

and map attached hereto.

in San Diego County, California, through which is constructed the San Diego Aqueduct;

WHEREAS, the Authority is the operator of said aqueduct and obligated for its maintenance; and

WHEREAS, for the purpose of inspection, maintenance, repair, and enlargement, the Authority desires an access roadway over, across, and along the real property of the owners;

PURSUANT TO THE FOREGOING PREMISES and in consideration of the covenants and promises herein recited, the Owners hereby grant to the Authority an easement or right of way in perpetuity for road purposes, more particularly described as follows, to wit:
RIGHT-OF-WAY DRAWING SR-8-AR-1
Parcel 33-A - L.J. and Susan Barnum
Parcel 34-A - M.J. O'Conner
Section 2, Township 11-S, Range 3-W, S.B.B. & M.

As a Permanent Easement
(Barnum Access Road No. 1)

All that portion of section 2, township 11-S, range 3-W, S.B.B. & M., between engineer's station 0/00, point 'A' and engineer's station 31/68.62, point 'C', included within a strip of land 20 feet wide, 10 feet on each side of the hereinafter described centerline.

Starting at the N.1/4 corner of section 2, township 11-S range 3-W

thence S 02° 20' 57" W, 1164.54 feet, more or less to a point on the centerline of Gopher Canyon Road, a 100 feet wide County Road (as shown on Road Survey No. 1093). Said point being station 215/52.18 of said Road Survey.

thence, along said centerline of Road Survey No. 1093, N 71° 05' 12" E (N 70° 26' 00" E, County Road Record Bearing), 196.36 feet to engineer's station 217/48.54 of said Road Survey No. 1093 to the true point of beginning, point 'A' and engineer's station 0/00 of the hereinafter described access road centerline.

Parcel 33-A

From point 'A' the true point of beginning, thence S 14° 35' 48" E, 28.53 feet.

thence, along a regular curve to the left, having a radius of 60.00 feet, a distance of 69.90 feet, when measured along the true arc of the curve.

thence S 81° 20' 48" E, 39.37 feet.

thence along a regular curve, to the left, having a radius of 220.00 feet, a distance of 109.47 feet when measured along the true arc of the curve.

thence N 70° 08' 42" E, 123.53 feet.

thence, along a regular curve, to the right, having a radius of 140.00 feet, a distance of 111.47 feet, when measured along the true arc of the curve.

thence S 49° 48' 42" W, 65.13 feet.

thence, along a regular curve, to the left, having a radius of 120.00 feet, a distance of 98.36 feet when measured along the true arc of the curve.

thence S 02° 50' 12" W, 155.32 feet
RIGHT-OF-WAY DRAWING SR-8-AR-1
Parcel 33-A - L.L. and Susan Barnum
Parcel 34-A - M.J. O'Connor
Section 2, Township 11-S, Range 3-W, S.B.B. & M.

As a Permanent Easement
(Barnum Access Road No. 1)

thence S 18° 35' 12" W, 241.52 feet

thence S 03° 00' 18" E, 50.21 feet

thence along a regular curve, to the right, having a radius of 75.00 feet, a distance of 104.63 feet, when measured along the true arc of the curve.

thence S 76° 55' 42" W, 15.25 feet.

thence, along a regular curve, to the left, having a radius of 80.00 feet, a distance of 57.40 feet when measured along the true arc of the curve.

thence S 35° 49' 12" W, 219.68 feet.

thence, along a regular curve, to the left, having a radius of 160.00 feet, a distance of 234.25 feet, when measured along the true arc of the curve.

thence S 48° 03' 18" E, 85.07 feet.

thence S 36° 24' 18" E, 89.68 feet.

thence along a regular curve, to the right, having a radius of 85.00 feet, a distance of 99.22 feet, when measured along the true arc of the curve.

thence S 28° 28' 42" W, 53.48 feet.

thence, along a regular curve, to the right, having a radius of 115.00 feet, a distance of 89.30 feet, when measured along the true arc of the curve.

thence S 72° 58' 12" W, 95.57 feet.

thence, along a regular curve, to the left, having a radius of 165.00 feet, a distance of 87.57 feet when measured along the true arc of the curve.

thence S 42° 33' 47" W, 7.64 feet.

thence along a regular curve, to the right, having a radius of 90.00 feet, a distance of 39.40 feet when measured along the true arc of the curve, to a point on said curve. Said point being point 'B', engineer's station 24/55.93 and a point on the property line between
RIGHT-OF-WAY DRAWING SR-8-AR-1
Parcel 33-A - L.L. and Susan Barnum
Parcel 34-A - M.J. O'Connor
Section 2, Township 11-S, Range 3-W, S.B.E. & W.

As a Permanent Easement
(Barnum Access Road No. 1)

Parcel 33-A and 34-A. Said property line having a bearing of N 15° 23' 17" E.

Parcel 34-A

thence, from point 'B', and continuing along a regular curve, to the right, having a radius of 90.00 feet, a distance of 59.68 feet when measured along the true arc of the curve.

thence, along the centerline of an existing 20 feet wide access road easement, N 74° 31' 30" W (N 74° 35' 30" W Rec.), 653.01 feet to point 'C', engineer's station 31/68.62 and the end point of the above described access road centerline.

The end point 'C' is further located as follows:

From point 'C', thence S 01° 55' 42" W, 67.79 feet to a point on the centerline of survey of the Second San Diego Aqueduct. Said point being engineer's station 2479/15.60 of said Second San Diego Aqueduct.

thence, and along said Second San Diego Aqueduct, S 01° 53' 07" W, 980.59 feet to a point on the south line of the N.E. 1/4 of the S.W. 1/4 of section 2, township 11-S, range 3-W. Said point being distant thereon S 89° 21' 13" E, 593.61 feet from the S.W. corner of the N. E. 1/4 of the S.W. 1/4 of said section 2.

Excepting therefrom all that portion of the above described 20 feet wide Access Road easement within the right-of-way of County Road, R.S. 1093 (Gopher Canyon Road). And excepting therefrom all that portion of the above described 20 feet wide access road easement within the permanent right-of-way of the Second San Diego Aqueduct, said Second San Diego Aqueduct permanent right-of-way as shown on Drawing SR-8 of the survey of right-of-way of the Second San Diego Aqueduct and all as shown on Drawing SR-8-AR-1 of the survey of right-of-way for the above described 20 feet wide access road easement.
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**KEY MAP**
Section 7, T.11S., R.3W., S.B.B.E.M.

**SCALE** 1"=200'

**LANDS AND RIGHTS OF WAY**

**PARCEL 33-A**

**PARCEL 34-A**

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**NOTES**

1. For Aqueduct data, Refer to S.D.C.W.A. Aque. No. 3-A-8
2. For Co Rd data, Refer to San Diego Co. Aque. No. 33-A-4

**Parcel No.**
- 33-A: L.L. E Susan Barnum
- 34-A: M.J. O'Connor

**ROW Acreage**
- 33-A: 0.00
- 34-A: 0.32

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**SECOND SAN DIEGO AQUEDUCT**

San Diego, California

San Diego County Water Authority

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**Parcels**

- 33-A: L.L. E Susan Barnum
- 34-A: M.J. O'Connor

**ROW Acreage**
- 33-A: 0.00
- 34-A: 0.32

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**MAP 31882**

**Scale 1" : 200'**

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**NOTES**

1. For Co Rd data, Refer to San Diego Co. Aque. No. 33-A-4
2. For Aqueduct data, Refer to S.D.C.W.A. Aque. No. 3-A-8

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**PAGE 250 OF 294**
In consideration for the granting of the right of way above described, the Authority agrees with the Owners, their successors in interest and assigns, to keep and maintain the above described roadway in good condition for travel by ordinary motor vehicles, and to repair any damage thereto resulting from the use of said roadway by the Authority. The Authority further agrees that should the Owners desire to fence the right of way or close the access thereto by fence and gates, the Authority will provide locks for such purpose and furnish to the Owners duplicate keys so that access by the general public to the roadway can be restricted.

IN WITNESS WHEREOF, the Owners have each executed this Agreement as of the day and year first above written, and the Authority has caused the same to be executed for and on its behalf by its General Manager and Chief Engineer pursuant to authority conferred by the Authority's Board of Directors.

WITNESS my hand this 27th day of June, 1960.

[Signature]

Owner

[Signature]

Witness

[Signature]

Witness
WITNESS FORM

STATE OF CALIFORNIA   )
COUNTY OF SAN DIEGO   ) ss.

On this 28th day of June, A.D., 1960, before me, DOROTHY D. MILLER, a Notary Public in and for the said County and State, residing therein, duly commissioned and sworn, personally appeared ALLEN H. JONES and CASSIE M. PETTRY,

known to me to be the person(s) whose names are subscribed to the within Instrument, as a subscribing Witness thereto, who being by me duly sworn, depose and say: That they reside in the said County of San Diego, State of California, and that they were present and saw M. J. O'CONNOR, personally known to me to be the same person described in and whose name is subscribed to the within and annexed Instrument, sign, execute and deliver the same, and he acknowledged to said affiant that he executed the same; and that said affiant(s) subscribed the names thereto as witnesses.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

(Notaries: Please use the General Form for individual signers, the Witness Form only for witnesses)

My Commission Expires Oct. 16, 1960

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GENERAL FORM

STATE OF CALIFORNIA ) ss.
COUNTY OF SAN DIEGO ) ss.

On this ___ day of __________ A.D., 19___ before me, __________________________, a Notary Public in and for the said County and State, residing therein, duly commissioned and sworn, personally appeared __________________________ personally known to me to be the person whose name _____ subscribed to the within Instrument, and duly acknowledged to me that _he_ executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

Notary Public in and for said County and State

CERTIFICATE OF ACCEPTANCE

THIS IS TO CERTIFY that the interest in real property conveyed by the deed or grant dated June 27, 1960, from __________________________ to the San Diego County Water Authority, a political corporation and/or governmental agency, is hereby accepted by the order of the Board of Directors of said San Diego County Water Authority on June 27, 1960, and the grantee consents to recordation thereof by its duly authorized officer.

DATED: June 27, 1960.

(Signed) __________________________
November 11, 2020

Attention: Engineering and Operations Committee

Butterfly and Plug Valve Procurements (Action)

Staff recommendations
1. Authorize the General Manager to award a contract to KPR Consulting, Inc. in the amount of $118,557.53 to purchase 43 butterfly valves for various capital improvement projects.

2. Authorize the General Manager to award a contract to B&K Valves & Equipment, Inc. in the amount of $191,985 to purchase 40 plug valves for various capital improvement and operating projects.

Alternative
Do not award these contracts and direct staff to solicit new bids. This will delay and increase costs for several capital improvement projects and hinder the Water Authority’s ability to replace valves in a timely manner to provide a safe and reliable water supply.

Fiscal Impact
Payment for these valves is upon delivery which is anticipated in January 2022. Funding for valves associated with capital projects are programmed within the lifetime budget for the existing Capital Improvement Program (CIP). Funds for payment will be included in the General Manager’s recommended budget for Fiscal Years 2022 and 2023. The rate category for these valve purchases is transportation.

Executive Summary
- Pre-procuring valves reduces construction schedule and risk, while increasing competition between valve suppliers.
- Six butterfly valve bids were received on October 9, 2020 ranging from $84,166 to $400,415.
- One butterfly valve bid was deemed non-responsive due to bidder errors.
- Two plug valve bids were received on October 13, 2020 in the amounts of $191,985 and $309,833.
- Staff recommends awarding contracts to KPR Consulting, Inc. in the amount of $118,557.53 to purchase 43 butterfly valves, and B&K Valves & Equipment, Inc. in the amount of $191,985 to purchase 40 plug valves, who are the lowest responsive, and responsible bidders.
- The estimated duration to manufacturer and deliver the valves is 12 to 15 months.
**Background**
Butterfly and plug valves are used by the Water Authority’s aqueduct system to isolate facilities and appurtenances and to drain the aqueduct for operations and maintenance activities. It takes approximately 12 to 15 months to manufacture and deliver a valve. Historically, construction durations for the Water Authority’s larger Capital Improvement Program projects were sufficient to accommodate these valve procurement durations. Due to shorter construction durations on recent projects, the Water Authority pre-procured similar valves several years ago to mitigate aqueduct shutdown constraints, reduce construction schedule impacts, and increase competition between valve suppliers. As a result, staff recommends to pre-procure valves for the Hauck Mesa Storage Reservoir project, the Southern First Aqueduct Structure Rehabilitation project, and replace four existing plug valves on Pipeline 5.

**Discussion**
Staff advertised the butterfly and plug valve procurements as two separate Notice Inviting Bids on September 14, 2020.

**Butterfly Valves**
Six butterfly valve bids were received on October 9, 2020 ranging from $84,166 to $400,415. The cost estimate range was $220,000 to $261,000. A summary of the bids is in Attachment 1. Staff reviewed the bids and determined, in consultation with General Counsel, the apparent low bid was non-responsive due to material changes made after the bid opening. Staff determined KPR Consulting, Inc. is the lowest responsive and responsible bidder.

**Plug Valves**
Two plug valve bids were received on October 12, 2020 ranging from $191,985 to $309,800. The cost estimate range was from $396,000 to $469,000. A summary of the bids is in Attachment 1. Staff reviewed the bids and determined B&K Valves & Equipment, Inc. is the lowest responsive and responsible bidder.

Due to limited subcontracting opportunities for this type of service, SCOOP outreach was not required for either valve procurement. Staff recommends the Board authorize the General Manager to award contracts to KPR Consulting, Inc. B&K Valves & Equipment, Inc. in the amount of $118,557.53 to purchase 43 butterfly valves and B&K Valves & Equipment, Inc. in the amount of $191,985 to purchase 40 plug valves.

Prepared by: Kirk Whitaker, Senior Engineer  
Reviewed by: Jerry Reed, Director of Engineering  
Approved by: Sandra L. Kerl, General Manager

Attachments:  
Attachment 1 – Bid Summaries
## BID SUMMARIES

**STAINLESS STEEL METAL SEATED TRIPLE OFFSET BUTTERFLY VALVES**  
**NIB 20-02**

<table>
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<th>SUPPLIER</th>
<th>TOTAL BID PRICE</th>
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<tr>
<td></td>
<td>COST ESTIMATE</td>
<td>$220,000 – $261,000</td>
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<tr>
<td>1.</td>
<td><em>Kube Engineering</em></td>
<td>$85,236.66</td>
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<tr>
<td>2.</td>
<td>KPR Consulting, Inc.</td>
<td>$118,557.53</td>
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<tr>
<td>3.</td>
<td>Southwest Valve &amp; Equipment Inc</td>
<td>$142,989.70</td>
</tr>
<tr>
<td>4.</td>
<td>Adams Valves, Inc.</td>
<td>$195,501.00</td>
</tr>
<tr>
<td>5.</td>
<td>Emerson Automation Solutions</td>
<td>$234,112.62</td>
</tr>
<tr>
<td>6.</td>
<td>Cascade Consultants LLC</td>
<td>$400,414.53</td>
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</table>

* Non-Responsive Bid

## LUBRICATED CARBON STEEL PLUG VALVES  
**NIB 20-04**

<table>
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<tr>
<th>NO.</th>
<th>SUPPLIER</th>
<th>TOTAL BID PRICE</th>
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<tr>
<td></td>
<td>COST ESTIMATE</td>
<td>$396,000 – $469,000</td>
</tr>
<tr>
<td>1.</td>
<td>B&amp;K Valves &amp; Equipment, Inc.</td>
<td>$191,985.00</td>
</tr>
<tr>
<td>2.</td>
<td>Southwest Valve &amp; Equipment Inc</td>
<td>$309,799.55</td>
</tr>
</tbody>
</table>
November 11, 2020

Attention: Water Planning and Environmental Committee

Professional services contract with CDM Smith to provide engineering services for the Moosa Canyon Pipelines Repair and Replacement Planning Study. (Action)

Staff recommendation
Authorize the General Manager to award a professional services contract to CDM Smith, in an amount not-to-exceed $600,000 to complete the Moosa Canyon Pipelines Repair and Replacement Planning Study.

Alternative
Do not award the contract, and direct staff to negotiate with other consultant(s) or solicit new proposals.

Fiscal Impact
Funds in the amount of $600,000 are available in the approved project budget and in the Fiscal Years 2020 and 2021 Capital Improvement Program appropriation. The rate category for this project is transportation.

Executive Summary
- The Water Authority’s Second Aqueduct pipelines in the Moosa Canyon area recently required repairs due to inadequate thrust restraint of the pipelines.
- These recent repairs were not designed to be long-term solutions due to additional structural, erosion, and seismic vulnerabilities in the area.
- Staff advertised a Request for Proposals for planning services on August 20, 2020, to plan a long-term rehabilitation and repair at Moosa Canyon.
- Five consultant teams submitted written proposals and were interviewed.
- Staff recommends awarding a contract to CDM Smith for an amount not to exceed $600,000. CDM Smith was chosen as the most qualified firm to perform this work because of their experience with similar projects, thorough understanding of the technical challenges, and commitment to schedule and budget controls.

Background
The Water Authority’s Second Aqueduct crosses Moosa Canyon in northern San Diego County near Interstate 15 and Camino Del Rey in the community of Bonsall. In August 2019, staff discovered a leak on Pipeline 4 in Moosa Canyon caused by inadequate thrust restraint in the area. In January 2020, inspections on Pipeline 5 in the same area showed signs of distress caused by the same issue. Carbon Fiber Reinforced Polymer (CFRP) strengthening repairs were completed in Pipeline 4 on October 25, 2019 and Pipeline 5 on May 7, 2020 to act as temporary repairs to remain in place for approximately 10 years given the need to minimize water delivery impacts to member agencies.

In addition to the inadequate thrust restraint in the area, the Second Aqueduct Moosa Canyon crossing has creek erosion and seismic vulnerabilities. Stormwater runoff has eroded the soil...
cover over time. Although erosion control was installed in Moosa Creek in 2013 and 2018, which consisted of laying down articulating concrete block and riprap, groundwater issues during construction limited the erosion control measures to mitigation of moderate flows only. Future erosion will increase the risk of pipeline exposure and movement-induced failures. Also, during an earthquake, alluvial soil can liquify and loosen support for the pipeline weight, causing potential failures.

**Discussion**

The study area includes Second Aqueduct Pipelines No. 3, 4, and 5 traversing through Moosa Canyon that are critical to the regional water supply. To support the Water Authority’s mission of providing a safe and reliable water supply, this study will identify a long-term solution for mitigation of pipeline vulnerabilities through Moosa Canyon and extension of the pipeline’s service life for 75 years or greater. This planning study will involve gathering and reviewing data, performing engineering studies and analyses, and identifying and evaluating alternatives for rehabilitation or replacement of the three pipelines within the Study Area, prior to recommending a preferred alternative that will address the vulnerabilities, and extend the pipeline’s service life.

Staff advertised a Request for Proposals on August 20, 2020, for the Moosa Canyon Pipelines Repair and Replacement Planning Study with notification sent to 453 firms through the Water Authority’s collaborative online vendor registration system, the Network.

A non-mandatory pre-proposal meeting was held on August 28, 2020, and nineteen firms attended. On September 30, 2020, five proposals were received. A panel of Water Authority staff reviewed the proposals and interviewed all five proposing teams. The selection criteria required firms to demonstrate their understanding of the scope of work, technical and specialized qualifications, familiarity with similar projects, and past performance, including the firm’s ability to meet schedules and control costs. Based on evaluation of the written proposals, presentations, and oral interviews, staff recommends CDM Smith as the most qualified firm to perform this work. CDM Smith exhibited experience with similar projects, a thorough understanding of the technical challenges associated with each task, and a commitment to schedule and budget controls.

Staff recommends the Board authorize the General Manager to award a professional services contract to CDM Smith for a not-to-exceed amount of $600,000, to provide professional engineering services. The work is anticipated to take 10 months to complete.

Due to limited subcontracting opportunities for this type of service, Small Contractor Outreach and Opportunities Program outreach was not required.

Prepared by: Anjuli Corcovelos, Senior Water Resources Specialist
Reviewed by: Nathan Faber, Principal Engineer
Jeremy Crutchfield, Water Resources Manager
Kelley Gage, Director of Water Resources
Approved by: Sandra L. Kerl, General Manager
November 11, 2020

Attention: Water Planning and Environmental Committee

Amendment to Professional Services Contract with WSA Marketing for continued implementation of the QWEL training program. (Action)

Staff recommendation
Authorize the General Manager to execute an amendment to the professional services contract with WSA Marketing to increase the contract capacity by $221,000, from $247,500 to $468,500, and to extend the contract termination date for two years.

Alternative
Do not approve the amendment. Funding under the current contract will cover QWEL Program services through November 30, 2020.

Fiscal Impact
Implementation costs totaling $221,000 during the next two years of the program operations will be covered by grant funds from the Department of Water Resources and from an agreement with the County of San Diego. The rate category is Customer Service.

Background
The QWEL program was created in 2006 by the Sonoma-Marin Saving Water Partnership (the Partnership), led by the Sonoma County Water Agency. The QWEL program is a locally operated training and certification program that provides landscape professionals with classroom and hands-on training on principles of proper plant selection, irrigation system design, maintenance, programming, operation, and troubleshooting. In 2008, QWEL earned the U.S. Environmental Protection Agency (EPA) WaterSense Certified program label. The EPA has recognized the Partnership on several occasions as a WaterSense Partner of the Year for the development and implementation of the original QWEL program. In October 2017, the EPA awarded the Partnership its prestigious WaterSense Sustained Excellence Award for demonstrating an ongoing and high level of commitment to water use efficiency.

In 2015, the Water Authority became an EPA-authorized Professional Certifying Organization, enabling the administration of the QWEL program in its service area and became a member of the Partnership’s QWEL Program Advisory Committee. The Water Authority rolled out the first of its free-of-charge QWEL classes in January 2016. The EPA has recognized the Water Authority with two WaterSense Excellence Awards in 2018 and 2019 for advancing water efficiency with its QWEL program.
Previous Board action:
- On October 26, 2017, the Board authorized the award of a three-year professional services contract, with an option for a two-year extension, in an amount not-to-exceed $247,500 to WSA Marketing for the administration of the QWEL program.

Discussion
The QWEL program is a key element in the Water Authority’s water-use efficiency education training. It continues to be a popular and effective regional resource which focuses on long-term water-use efficiency education for professional landscapers. QWEL classes are offered in English and Spanish in locations throughout the region and consist of a four-class series and continuing education events. The QWEL program curriculum is also incorporated into the irrigation classes offered by regional community colleges. As one of the first QWEL providers in Southern California, the Water Authority has helped to expand the program’s branded outreach and educational outcomes.

More than 1,200 San Diego landscape professionals have participated in the QWEL program since the January 2016 launch, making the region’s program one of the largest in the nation. More than 750 landscape professionals have earned QWEL certificates in the San Diego region over the past four years by passing a rigorous national test.

Based on program funding secured to date, this contract extension will enable the delivery of four-class series and continuing education events through February 2023. The classes will also be held in a virtual learning environment designed to maximize engagement. The schedule of classes and registration links are available at qwel.net.

Prepared by: Efren Lopez, Water Resources Specialist
Reviewed by: Elizabeth Lovsted, Water Resources Manager
Kelley Gage, Director of Water Resources
Approved by: Sandra L. Kerl, General Manager
November 11, 2020

Attention: Water Planning and Environmental Committee

Professional services contract with Woodard & Curran for Integrated Regional Water Management Program services. (Action)

Staff recommendation
Award a professional services contract to Woodard & Curran for Integrated Regional Water Management (IRWM) support services in the amount of $982,253 for the period from January 1, 2021, to June 30, 2024. The awarded contract term includes an option to extend for an additional 18 months, contingent upon Board approval.

Alternative
Do not award a professional services agreement to Woodard & Curran and direct staff to issue another Request for Proposals (RFP).

Fiscal Impact
The recommended services contract amount of $982,253 will be provided in equal shares by the Water Authority, the City of San Diego (City) and the County of San Diego (County), as the members of the San Diego Regional Water Management Group (RWMG). There are sufficient funds in the adopted Water Resources Operating Budget for Fiscal Years (FY) 2020-2021 to support the Water Authority’s one-third portion of the staff recommendation for the period between January 1 and June 30, 2021. Future funding will depend on Board approval of the proposed Operating Budgets for subsequent years.
Executive Summary

- The San Diego RWMG hires a consultant to provide support services as a supplement to the work performed by staff from the three RWMG agencies. The existing support services contract expires December 31, 2020.
- The Water Authority, on behalf of the RWMG, issued an RFP for IRWM program support services, including support for the RWMG and Regional Advisory Committee (RAC), development of one grant application, public engagement, and maintenance of the program website (www.sdirwmp.org).
- Three firms responded to the RFP. A panel comprising one representative of each of the RWMG member organizations interviewed delegations from all three firms. Based on the panel’s recommendation, staff selected Woodard & Curran as the best qualified firm to perform the required work.
- RMC Water and Environment, which was acquired by Woodard & Curran in November 2016, received the three previous professional services contracts to support the San Diego IRWM Program.
- Woodard & Curran – and, previously, RMC – has supported the RWMG in achievement of such milestones as development of the first San Diego IRWM Plan, two Plan updates, and nine successful grant applications.

Background

IRWM planning is an innovative, inclusive way to develop resiliency, increase reliable water supplies, improve water quality, and protect natural resources through cooperation among public agencies with different jurisdictions and non-profit public interest organizations. The state has established IRWM planning as a high-priority initiative through three statewide bond measures, three gubernatorial administrations, and four State Water Plan updates. IRWM has become a key tool in California to both ensure bond funds are awarded to the most beneficial and cost-effective projects and provide a vehicle for regional and watershed cooperation and shared problem solving.

The San Diego RWMG was organized in 2005 to coordinate IRWM planning in the San Diego Planning Region. The Water Authority is the lead RWMG agency for hiring a consultant to support the programs in such areas as preparing San Diego IRWM Plan updates, developing grant applications, and implementing IRWM planning.

Previous Board action:

In February 2015, the Board awarded a professional services contract to RMC Water and Environment for IRWM support services in the amount of $1,674,275 for a contract period from April 1, 2015, to June 30, 2019. In April 2019, staff added $485,508 – $277,949 from the three RWMG agencies and $207,559 in grant funds – to the contract and extended it to expire December 31, 2020. (Note: RMC Water and Environment was acquired by Woodard & Curran in November 2016.)

Discussion

On August 31, 2020, the Water Authority issued an RFP for IRWM program support services, including support for the RWMG and RAC, investigation of new program funding sources,
development of one grant application, public engagement and a redesign and maintenance of the program website (www.sdirwmp.org). A consultant is necessary to provide these services as a supplement to the work performed by staff from the three RWMG agencies. The RFP was emailed directly to 496 relevant firms via The Network, the online vendor database used by the Water Authority. A pre-proposal meeting for the project was held at the Water Authority on September 14, 2020. Three firms attended the pre-proposal meeting. Three proposals were submitted: Carollo Engineers, Dudek, and Woodard & Curran. All three firms were invited to interview for the contract.

A panel comprising one representative of each RWMG member evaluated the written proposals and conducted separate interviews with each firm via Microsoft Teams. Based on the panel’s subsequent recommendation, staff selected Woodard & Curran as the best qualified firm to perform the required work.

Woodard & Curran has significant experience and a proven track record of success in IRWM planning and implementation throughout California. RMC Water and Environment, which was acquired by Woodard & Curran in November 2016, received three previous professional services contracts to support the San Diego IRWM Program: in 2007, 2011, and 2015. The 2015 contract expires on December 31, 2020. Woodard & Curran, and before it, RMC, has supported the San Diego RWMG in day-to-day IRWM activities as well as in achievement of several milestones, including:

- Development of the first San Diego IRWM Plan in 2007. This plan, which was updated in 2013 and 2019, is the foundation of long-term IRWM activities in the San Diego IRWM Planning Region. It establishes regional goals and objectives aimed at improving the reliability of local water supplies, protecting and enhancing water quality and natural resources, and enhancing the resiliency of regional water resources to climate change.
- Successful applications for nine IRWM grants from the Department of Water Resources. The grants have provided $111.7 million to support 72 high-priority water management projects and the two IRWM Plan updates. $69.5 million of the funding is directed to 10 projects sponsored by the Water Authority and 30 by Water Authority member agencies. The funded projects have helped to achieve goals established in the IRWM Plan and the San Diego Urban Water Management Plan.
- Formation of the IRWM Regional Advisory Committee, which provides a voice for public agency and non-profit stakeholders in IRWM planning and grant applications.
- Collaboration with the South Orange County and Upper Santa Margarita RWMGs to develop the Tri-County Memorandum of Understanding, which among other things established a formula for dividing IRWM grant funds available to the San Diego Funding Area. Under this formula, the San Diego region stands to receive 78% of available grant funds.
- Gaining the California Department of Water Resources’ (DWR) formal acceptance of the San Diego IRWM Planning Region as comprising the 11 watersheds in San Diego County that flow west to the ocean.
- Development of an extensive IRWM engagement program aimed at disadvantaged communities (DAC), tribes, and other under-represented communities in the region. This
effort has resulted in the award of $14.3 million in grant funds to support DAC and tribal projects. Three representatives of San Diego tribes and two representatives of DACs sit on the RAC.

Among the key factors in the selection of Woodard & Curran were the level of experience and capabilities of its team members, its deep understanding of integrated regional water management, its established working relationship with the RWMG and RAC, its performance on other projects of similar size and scope, its involvement with DWR on multiple related projects, and the statewide perspective it has gained through its work with 12 planning regions across California. The project manager and key support staff have proven capabilities related to IRWM, and, in particular, to the San Diego IRWM Program.

Staff recommends that the Board approve the new IRWM Program Support Services contract with Woodard & Curran in the amount of $982,253 for the period from January 1, 2021, to June 30, 2024. The Water Authority, the City, and the County each will be responsible for one-third of this amount, or $327,417.67 per agency. The contract includes an option to extend for an additional 18 months, contingent upon Board approval.

Prepared by: Mark Stadler, Principal Water Resources Specialist
Reviewed by: Kelley Gage, Director of Water Resources
Approved by: Sandra L. Kerl, General Manager

Attachment: San Diego IRWM Contractor Tasks
San Diego IRWM Contractor Tasks (January 1, 2021 – June 30, 2024)

**Task 4.1: Program support**
Support the Regional Water Management Group (RWMG), the Regional Advisory Committee (RAC) and the Tri-County Funding Area Coordinating Committee. Task includes investigation of opportunities to secure program funding beyond traditional state voter-approved bonds.

**Task 4.2: IRWM grant funding application**
Develop one application for Proposition 1, Round 2 implementation grant funding from DWR.

**Task 4.3: Outreach to disadvantaged communities (DACs) and environmental justice (EJ) communities**
Assist the RWMG and RAC in engaging the public in the IRWM Program process, with an emphasis on increasing and maintaining involvement of communities that historically have been under-represented in regional water management, including disadvantaged communities and tribes.

**Task 4.4: IRWM website**
Redesign the San Diego IRWM website (www.sdirwmp.org) and maintain it on approximately a monthly basis to maintain current meeting information and post project updates, meeting materials, grant funding opportunity announcements and guidelines and other items of interest.
November 11, 2020

Attention: Administrative and Finance Committee

Controller’s Report on Monthly Financial Activity. (Information)

Purpose
The purpose of the Controller’s Report is to provide summarized financial information on a monthly basis to the Board of Directors.

Financial Information
Attached for review by the Administrative and Finance Committee and the Board of Directors are the following financial documents comprising the Controller’s Report:

1. Water Sales Volumes, in acre-feet
2. Water Sales Revenues, in millions
3. Water Purchases and Treatment Costs, in millions
4. Budget Status Report
5. Schedule of Cash and Investments

The Multi-Year Budget Status Report compares actual revenues and expenses on a budgetary basis to the period-to-date budget. This report includes the mid-term budget amendments approved by the Board in June 2020. A summary of the Fiscal Years 2020 and 2021 Budget Status Report (in millions) for the fifteen-month period of July 1, 2019 through September 30, 2020 are as follows:

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<tr>
<th></th>
<th>FY 2020 &amp; 2021 Amended Budget</th>
<th>15 Months Budget</th>
<th>15 Months Actual</th>
<th>$ Variance Positive/ (Negative)</th>
<th>% Budget Above/ (Below)</th>
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<td>Water Sales</td>
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<td>Water Purchases &amp; Treatment</td>
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<td>Net Water Sales Revenue</td>
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<td>Revenues &amp; Other Income</td>
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<td>Total Revenues</td>
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<td>293.5</td>
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<tr>
<td>Total Expenses</td>
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<td>270.8</td>
<td>265.1</td>
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<tr>
<td>Net Revenues Before CIP</td>
<td>18.6</td>
<td>13.8</td>
<td>28.4</td>
<td>14.6</td>
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<td>CIP Expenses</td>
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<td>74.3</td>
<td>39.8</td>
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<tr>
<td>Net Fund Withdraws</td>
<td>$ (143.6)</td>
<td>$ (100.3)</td>
<td>$(54.9)</td>
<td>$54.4</td>
<td>-54%</td>
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Summary
The Water Authority was fifteen months into the two-year budget and has a favorable variance of $54.4 million for the period ending September 30, 2020. The fifteen-month budget provided for a withdrawal from fund balance of $100.3 million, but the actual amount required from fund balance was a withdrawal of $45.9 million. Water sales are below budget by 12 percent and water purchases and treatment costs are off by a similar amount as can be seen in the summary table. The net result is that actual net water sales revenue of $158.5 million is greater than the fifteen-month budgeted amount of $147.2 million by $11.3 million. As of September 2020, other
revenues are $2.4 million below budget, and other expenses and CIP are $5.7 million and $39.8 million, respectively, below budget, resulting in a significantly lower draw from fund balance than projected through September. Additional details on these variances follow.

**Net Water Sales Revenue**

Net Water Sales Revenue is the Water Authority’s principal source of revenue and is the difference between the sale of water and the cost of that water. Sales include revenues from variable commodity charges for supply, treatment and transportation, as well as from fixed charges for customer service, storage, infrastructure access charge, and supply reliability. Cost of water includes payments to the following water suppliers: Metropolitan Water District (MWD), Imperial Irrigation District (IID), and Poseidon Resources (Channelside) LP.

Net Water Sales Revenue for the fifteen-month period ended September 30, 2020 was $158.5 million, or 8 percent more than the budgeted amount of $147.2 million. Actual Water Purchase and Treatment Costs were lower than budgeted by 16 percent due to lower than projected water sales of 12 percent. Detailed information relating to Net Water Sales Revenue is described below and shown on Attachments 1, 2, and 3.

Total acre-feet (AF) of water sold was budgeted at 551,915 AF. Actual water sales volume was 469,023 AF or 15 percent less than budgeted due to lower demand (Attachment 1). Total Water Sales Revenue was $742.3 million or 12 percent lower than the budget of $843.1 million (Attachment 2). Reduced water sales continued through this reporting period and cumulatively are lower due to (1) member agencies using more local surface water supplies than anticipated, and (2) the demand dampening effects of significant local rainstorms experienced over the November, December and April months of Fiscal Year 2020.

Total Water Purchases and Treatment costs were budgeted at $695.9 million. Actual costs were $583.8 million or 16 percent lower than budgeted (Attachment 3). This cost category included $150.9 million for 224,997 AF of water purchased from IID, $156.6 million for MWD’s conveyance charges related to IID, Coachella Canal and All-American Canal water, and $144.4 million of water purchased from Poseidon Resources (Channelside) LP.

**Revenues and Other Income**

As shown in Attachment 4, total Revenues and Other Income were budgeted at $137.4 million for the fifteen-month period ended September 30, 2020. Actual revenues were $135.0 million or 2 percent lower than budget.

Actual revenues materially lower than the fifteen-month budget include the following:

- **Grant Reimbursements**: $11.0 million lower than budgeted primarily due to construction and implementation delays for the IRWM projects and to a lesser extent timing of reimbursements from the state of California’s Department of Water Resources
- **Hydroelectric Revenue**: $0.5 million lower than budgeted due to reduced water demands and an unplanned 3-month outage on one of two generating units at the Lake Hodges Hydroelectric facility in Fiscal Year 2020
Actual revenues materially higher than the fifteen-month budget include the following:

- **Other Income**: $2.0 million higher than budgeted due to contracted shortfall payment revenues received from Poseidon for the months of May through July, and due to other miscellaneous revenue reimbursements
- **Contributions in Aid of CIP**: $1.9 million higher than budgeted due to a capital grant received relating to the DWR Prop 50 Desal Relining Project K0304
- **Capacity Charges**: $1.8 million higher than anticipated due to an increase in the number of building permits issued for water services throughout the county
- **Property Taxes**: $1.7 million higher than anticipated due to increased property values
- **Investment Income**: $1.5 million higher than budgeted due to higher yield on investments

**Expenses**

As shown in Attachment 4, total Expenses were budgeted at $270.8 million for the fifteen-month period ended September 30, 2020. Actual expenses were $265.1 million or 2 percent lower than budget, with these continued savings offsetting reduced revenues.

Actual expenses materially lower than the fifteen-month budget include the following:

- **Grant Expenses**: $13.2 million lower than budgeted similar to the reduction in grant revenues because of construction and implementation delays for the IRWM projects. There have also been more advance funded grants thereby increasing revenues without the matching expenses being received until later dates.
- **Equipment Replacement**: $1.6 million lower than budgeted due to the deferral of purchases; it is anticipated that this same amount of savings will carry through Fiscal Year 2021
- **Operating Departments**: $1.7 million lower than budgeted due to effects of implementing a hiring freeze, suspending most travel, limiting training to critical needs and reducing professional services costs; the Operating Department budgets include contributions for pension and OPEB benefits, but these expenses can vary significantly once actuarial reports are received (based on updated assumptions and experience studies) and so there was and additional $4.1 million charge related to pensions in Fiscal Year 2020 that will be paid through increased contributions in future years

Actual expenses materially higher than the fifteen-month budget include the following:

- **Debt Service**: $8.4 million higher than budgeted due to the one-time cash defeasance of debt funded through the Pay-As-You-Go Fund in September related to the series 2005A, 2011A and 2011B bonds authorized by the Board that was offset by commercial paper program savings and cash flow savings from the Series 2020A bond refunding transaction completed in July 2020
- **Other Expenses**: $2.4 million higher than budgeted primarily due to engineering and construction project costs related to the MWD Skinner bypass line to be completed in Fiscal Year 2021 along with increased compensated absences accruals (vacation and sick leaves) for employee leaves not yet taken, and finally costs related to developer deposits and grants program administration that were already reimbursed. (Generally Accepted Accounting Principles require that revenues and expenses be shown gross and not net, and so some of the Other Income reported above directly offsets Other Expenses)
CIP Expenses
Attachment 4 shows CIP Expenses were budgeted at $114.1 million for the fifteen-month period ended September 30, 2020. Actual expenses were $74.3 million or $39.8 million lower than budget due to the deferral of projects; it is projected that CIP expenses for both years will approximate $132 million resulting in about $32 million in savings.

Cash and Investments
As of September 30, 2020, the Water Authority’s cash and investments balance was $279.8 million, approximately 91 percent unrestricted funds with the remaining 9 percent of funds restricted for specific purposes (Attachment 5). The Water Authority Treasurer pools the cash of the Pay-As-You-Go Fund with total unrestricted funds to maximize investment returns. The Rate Stabilization Fund (RSF) cash and investments balance was $121.4 million, representing approximately 163 percent of the targeted value of $74.3 million and 115 percent of the maximum balance of $105.2 million. In June 2018, the Water Authority Board approved a multi-year refinement to its RSF methodology. FY 2021 will reflect the final adjustment to this methodology, and as such, the current fund balances are expected to exceed target/maximum levels. The CY 2021 Rate Study forecasted future withdrawals to provide rate smoothing and align balances within the revised target levels. The Pay-As-You-Go Fund cash and investments balance decreased in September due to the payment of $20.0 million for the partial debt defeasance of Series 2005A, 2011A and 2011B.

Prepared by: Jocelyn Matsuo, Senior Accountant
Reviewed by: Geena Xiaoqing Balistrieri, CPA, Accounting Supervisor
Approved by: Christopher Woidzik, CPA, Controller

Attachments:
Attachment 1 – Water Sales Volumes
Attachment 2 – Water Sales Revenues
Attachment 3 – Water Purchases and Treatment Costs
Attachment 4 – Budget Status Report
Attachment 5 – Schedule of Cash and Investments
*Budgeted amounts are based on the Adopted Multi-Year Budget for Fiscal Years 2020 and 2021.

### Fiscal Year 2020 Cumulative Water Sales (AF)

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<td>300,877</td>
<td>335,479</td>
<td>370,081</td>
<td>408,524</td>
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<td>155,148</td>
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<td>201,341</td>
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<td>266,012</td>
<td>286,277</td>
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<td>(28,969)</td>
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<td>(35,355)</td>
<td>(34,865)</td>
<td>(49,202)</td>
<td>(51,789)</td>
<td>(54,517)</td>
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<td>-19%</td>
<td>-16%</td>
<td>-12%</td>
<td>-14%</td>
<td>-17%</td>
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<td>-15%</td>
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### Fiscal Year 2021 Cumulative Water Sales (AF)

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<td>252,723</td>
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<td>290,891</td>
<td>311,986</td>
<td>347,865</td>
<td>383,744</td>
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<td>(28,375)</td>
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<tr>
<td>Cum. Actual AF</td>
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### WATER SALES VOLUMES (in acre-feet)

**Budget Versus Actual**

for the 15 Months Ended September 30, 2020

*Budgeted amounts are based on the Adopted Multi-Year Budget for Fiscal Years 2020 and 2021.*
*Budgeted amounts are based on the Adopted Multi-Year Budget for Fiscal Years 2020 and 2021.

### Fiscal Year 2020 Cumulative Water Sales (in millions $)

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<tbody>
<tr>
<td><em>Budget (a)</em></td>
<td>$67.4</td>
<td>$136.3</td>
<td>$198.0</td>
<td>$255.5</td>
<td>$310.0</td>
<td>$357.7</td>
<td>$392.1</td>
<td>$428.0</td>
<td>$465.4</td>
<td>$519.4</td>
<td>$573.7</td>
<td>$632.6</td>
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<tr>
<td>Actual</td>
<td>54.2</td>
<td>114.5</td>
<td>171.3</td>
<td>228.2</td>
<td>274.1</td>
<td>306.7</td>
<td>345.2</td>
<td>385.5</td>
<td>423.0</td>
<td>460.9</td>
<td>512.0</td>
<td>565.8</td>
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<td>$(13.2)$</td>
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<td>$(51.0)$</td>
<td>$(46.9)$</td>
<td>$(42.5)$</td>
<td>$(42.4)$</td>
<td>$(58.5)$</td>
<td>$(61.7)$</td>
<td>$(66.8)$</td>
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<td>Cum. Actual</td>
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<tr>
<td>% Difference (b/a)</td>
<td>-20%</td>
<td>-16%</td>
<td>-13%</td>
<td>-11%</td>
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### Fiscal Year 2021 Cumulative Water Sales (in millions $)

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<tbody>
<tr>
<td><em>Budget (a)</em></td>
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<td>$145.0</td>
<td>$210.5</td>
<td>$271.5</td>
<td>$329.2</td>
<td>$379.8</td>
<td>$416.3</td>
<td>$454.6</td>
<td>$494.3</td>
<td>$552.5</td>
<td>$610.8</td>
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<tr>
<td>Actual</td>
<td>53.6</td>
<td>114.5</td>
<td>176.5</td>
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<tr>
<td>Difference (b)</td>
<td>$(18.1)$</td>
<td>$(30.5)$</td>
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<td>Cum. Actual</td>
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<tr>
<td>% Difference (b/a)</td>
<td>-25%</td>
<td>-21%</td>
<td>-16%</td>
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### WATER SALES REVENUES (in millions $)

**Budget Versus Actual**

for the 15 Months Ended September 30, 2020

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<tbody>
<tr>
<td><em>Budget (a)</em></td>
<td>$67.4</td>
<td>$136.3</td>
<td>$198.0</td>
<td>$255.5</td>
<td>$310.0</td>
<td>$357.7</td>
<td>$392.1</td>
<td>$428.0</td>
<td>$465.4</td>
<td>$519.4</td>
<td>$573.7</td>
<td>$632.6</td>
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<tr>
<td>Actual</td>
<td>54.2</td>
<td>114.5</td>
<td>171.3</td>
<td>228.2</td>
<td>274.1</td>
<td>306.7</td>
<td>345.2</td>
<td>385.5</td>
<td>423.0</td>
<td>460.9</td>
<td>512.0</td>
<td>565.8</td>
</tr>
<tr>
<td>Difference (b)</td>
<td>$(13.2)$</td>
<td>$(21.8)$</td>
<td>$(26.7)$</td>
<td>$(27.3)$</td>
<td>$(35.9)$</td>
<td>$(51.0)$</td>
<td>$(46.9)$</td>
<td>$(42.5)$</td>
<td>$(42.4)$</td>
<td>$(58.5)$</td>
<td>$(61.7)$</td>
<td>$(66.8)$</td>
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<tr>
<td>Cum. Actual</td>
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</tr>
<tr>
<td>% Difference (b/a)</td>
<td>-20%</td>
<td>-16%</td>
<td>-13%</td>
<td>-11%</td>
<td>-12%</td>
<td>-14%</td>
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**FY20**

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<th>Actual</th>
<th>Difference</th>
<th>% Difference</th>
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<tbody>
<tr>
<td>$632.6</td>
<td>565.8</td>
<td>$(66.8)$</td>
<td>-11%</td>
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**FY21 through Sep-20**

<table>
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<th>Budget</th>
<th>Actual</th>
<th>Difference</th>
<th>% Difference</th>
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<tbody>
<tr>
<td>$210.5</td>
<td>176.5</td>
<td>$(34.0)$</td>
<td>-16%</td>
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**Total**

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<th>Actual</th>
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<tr>
<td>$843.1</td>
<td>742.3</td>
<td>$(100.8)$</td>
<td>-12%</td>
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</table>
*Budgeted amounts are based on the Adopted Multi-Year Budget for Fiscal Years 2020 and 2021, as amended by the Board.

**Fiscal Year 2020 Cumulative Cost of Water Purchases and Treatment (in millions $)**

<table>
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<tbody>
<tr>
<td><em>Budget (a)</em></td>
<td>55.4</td>
<td>111.6</td>
<td>161.3</td>
<td>207.7</td>
<td>250.9</td>
<td>288.0</td>
<td>316.0</td>
<td>345.3</td>
<td>375.9</td>
<td>421.4</td>
<td>467.2</td>
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<td><em>Actual</em></td>
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<td>92.0</td>
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<td>220.0</td>
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<td>286.6</td>
<td>312.7</td>
<td>339.8</td>
<td>367.5</td>
<td>397.4</td>
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<td>(23.8)</td>
<td>(24.3)</td>
<td>(30.9)</td>
<td>(37.2)</td>
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<td>(32.6)</td>
<td>(36.1)</td>
<td>(53.9)</td>
<td>(69.8)</td>
<td>(68.7)</td>
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<tr>
<td>Cum. Actual</td>
<td>-21%</td>
<td>-18%</td>
<td>-15%</td>
<td>-12%</td>
<td>-12%</td>
<td>-13%</td>
<td>-9%</td>
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<td>-15%</td>
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**Fiscal Year 2021 Cumulative Cost of Water Purchases and Treatment (in millions $)**

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<tbody>
<tr>
<td><em>Budget (a)</em></td>
<td>60.4</td>
<td>122.6</td>
<td>177.4</td>
<td>228.3</td>
<td>275.8</td>
<td>316.9</td>
<td>345.8</td>
<td>376.3</td>
<td>408.0</td>
<td>455.9</td>
<td>504.0</td>
<td>557.0</td>
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</tr>
<tr>
<td>Difference</td>
<td>(22.2)</td>
<td>(38.5)</td>
<td>(43.4)</td>
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</tr>
<tr>
<td>Cum. Actual</td>
<td>-37%</td>
<td>-31%</td>
<td>-24%</td>
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**Fiscal Year 2020 and 2021 Through September 30, 2020**

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<th>FY21 through Sep-20</th>
<th>Total</th>
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<td>518.5</td>
<td>177.4</td>
<td>695.9</td>
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<td><em>Actual</em></td>
<td>449.8</td>
<td>134.0</td>
<td>583.8</td>
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<tr>
<td><em>Difference</em></td>
<td>(68.7)</td>
<td>(43.4)</td>
<td>(112.1)</td>
</tr>
<tr>
<td><em>% Difference</em></td>
<td>-13%</td>
<td>-24%</td>
<td>-16%</td>
</tr>
</tbody>
</table>
### San Diego County Water Authority
#### Fiscal Years 2020 and 2021 Budget Status Report

For the 15 Months Ended September 30, 2020

**Unaudited**

<table>
<thead>
<tr>
<th>Component</th>
<th>FY 2020 &amp; 2021 Amended Budget</th>
<th>15 Months Period-to-Date</th>
<th>15 Months Actual to FY 2020 &amp; 2021</th>
<th>Variance Positive (Negative)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Water Sales Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water Sales</td>
<td>$1,306,919,000</td>
<td>$843,105,292 (b)</td>
<td>$742,283,316</td>
<td>$(100,821,976)</td>
</tr>
<tr>
<td>Water Purchases &amp; Treatment</td>
<td>1,075,463,402</td>
<td>695,941,118 (b)</td>
<td>583,833,158</td>
<td>112,107,960</td>
</tr>
<tr>
<td><strong>Total Net Water Sales Revenue</strong></td>
<td>231,455,598</td>
<td>147,164,174</td>
<td>158,450,158</td>
<td><strong>11,285,984</strong></td>
</tr>
<tr>
<td><strong>Revenues and Other Income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Infrastructure Access Charges</td>
<td>81,656,000</td>
<td>46,986,457</td>
<td>47,099,364</td>
<td>112,907</td>
</tr>
<tr>
<td>Property Taxes and In-Lieu Charges</td>
<td>28,304,000 (c)</td>
<td>14,869,605 (n)</td>
<td>16,545,977</td>
<td>1,676,372</td>
</tr>
<tr>
<td>Investment Income</td>
<td>11,501,000 (d)</td>
<td>6,686,608 (n)</td>
<td>8,210,369</td>
<td>1,523,762</td>
</tr>
<tr>
<td>Hydroelectric Revenue</td>
<td>7,350,000</td>
<td>4,593,750</td>
<td>4,055,588</td>
<td>(538,162)</td>
</tr>
<tr>
<td>Grant Reimbursements</td>
<td>27,327,000</td>
<td>20,324,956</td>
<td>9,310,316</td>
<td>(11,014,640)</td>
</tr>
<tr>
<td>Build America Bonds Subsidy</td>
<td>21,104,000</td>
<td>13,199,884</td>
<td>13,283,799 (l)</td>
<td>83,915</td>
</tr>
<tr>
<td>Other Income</td>
<td>2,528,000</td>
<td>2,330,000</td>
<td>4,335,533</td>
<td>2,005,533</td>
</tr>
<tr>
<td>Capital Contributions:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capacity Charges</td>
<td>33,220,000 (f)</td>
<td>16,462,636 (n)</td>
<td>18,236,449</td>
<td>1,773,813</td>
</tr>
<tr>
<td>Water Standby Availability Charges</td>
<td>22,221,000 (g)</td>
<td>11,109,981 (n)</td>
<td>11,133,123</td>
<td>123,151</td>
</tr>
<tr>
<td>Contributions in Aid of Capital Improvement Program (CIP)</td>
<td>1,855,000 (h)</td>
<td>800,000 (n)</td>
<td>2,725,500</td>
<td>1,925,500</td>
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<tr>
<td><strong>Total Revenues and Other Income</strong></td>
<td>237,066,000</td>
<td>137,363,877</td>
<td>135,036,027</td>
<td>(2,327,850)</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>468,521,598</td>
<td>284,528,051</td>
<td>293,486,185</td>
<td>8,958,134</td>
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<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt Service</td>
<td>297,432,000 (i)</td>
<td>173,309,655 (n)</td>
<td>181,746,911</td>
<td>(8,437,256)</td>
</tr>
<tr>
<td>EQSA Mitigation</td>
<td>4,711,000 (j)</td>
<td>3,660,053 (n)</td>
<td>3,660,053</td>
<td>-</td>
</tr>
<tr>
<td>Equipment Replacement</td>
<td>6,024,000</td>
<td>3,402,188 (n)</td>
<td>1,803,746</td>
<td>1,598,442</td>
</tr>
<tr>
<td>Grant Expenses</td>
<td>26,323,000</td>
<td>19,343,355 (n)</td>
<td>6,131,991</td>
<td>13,211,364</td>
</tr>
<tr>
<td>Other Expenses</td>
<td>3,888,000</td>
<td>2,655,000</td>
<td>5,014,359</td>
<td>2,359,359</td>
</tr>
<tr>
<td>Operating Departments (see below)</td>
<td>111,503,285 (k)</td>
<td>68,433,389</td>
<td>66,755,113</td>
<td>1,678,276</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>449,881,285</td>
<td>270,803,640</td>
<td>265,112,173</td>
<td>5,691,467</td>
</tr>
<tr>
<td><strong>Net Revenues Before CIP</strong></td>
<td>$18,640,313</td>
<td>$13,724,411</td>
<td>$28,374,012</td>
<td><strong>$14,649,601</strong></td>
</tr>
<tr>
<td>CIP Expenses*</td>
<td>$162,222,000</td>
<td>$114,117,664 (n)</td>
<td>$74,346,536</td>
<td>$39,771,128</td>
</tr>
<tr>
<td><strong>Net Fund Withdraws</strong></td>
<td>$(143,581,687) (m)</td>
<td>$(100,393,253)</td>
<td>$(45,972,524)</td>
<td><strong>$54,420,729</strong></td>
</tr>
</tbody>
</table>

*CIP Expenses are all funded by Pay-As-You-Go Fund

#### Operating Departments Detail

<table>
<thead>
<tr>
<th>Department</th>
<th>FY 2020 &amp; 2021 Amendments</th>
<th>15 Months Period-to-Date</th>
<th>15 Months Actual to FY 2020 &amp; 2021</th>
<th>Variance Positive (Negative)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative Services</td>
<td>$13,611,163</td>
<td>$8,283,744</td>
<td>$8,266,730</td>
<td>$57,013</td>
</tr>
<tr>
<td>Colorado River Program</td>
<td>3,458,721</td>
<td>2,129,185</td>
<td>1,954,695</td>
<td>174,490</td>
</tr>
<tr>
<td>Engineering</td>
<td>8,007,603</td>
<td>4,920,755</td>
<td>4,981,424</td>
<td>(60,669)</td>
</tr>
<tr>
<td>Finance</td>
<td>5,480,705</td>
<td>3,314,608</td>
<td>3,192,737</td>
<td>121,871</td>
</tr>
<tr>
<td>General Counsel</td>
<td>6,689,550</td>
<td>4,686,024</td>
<td>3,853,770</td>
<td>832,545</td>
</tr>
<tr>
<td>General Manager &amp; Board of Directors</td>
<td>6,816,751</td>
<td>4,997,997</td>
<td>4,759,479</td>
<td>238,517</td>
</tr>
<tr>
<td>Government Relations</td>
<td>1,351,581</td>
<td>337,695</td>
<td>202,836</td>
<td>135,059</td>
</tr>
<tr>
<td>Human Resources</td>
<td>1,551,617</td>
<td>387,904</td>
<td>264,632</td>
<td>123,272</td>
</tr>
<tr>
<td>MWD Program</td>
<td>4,045,097</td>
<td>2,497,853</td>
<td>2,129,185</td>
<td>375,636</td>
</tr>
<tr>
<td>Operations &amp; Maintenance</td>
<td>42,710,716</td>
<td>26,368,716</td>
<td>23,630,892</td>
<td>2,737,824</td>
</tr>
<tr>
<td>Public Affairs</td>
<td>7,270,725</td>
<td>4,562,102</td>
<td>4,226,833</td>
<td>335,269</td>
</tr>
<tr>
<td>Water Resources</td>
<td>10,509,056</td>
<td>5,946,608</td>
<td>5,215,031</td>
<td>731,577</td>
</tr>
<tr>
<td>Actuarial amounts related to Pensions/OPEB</td>
<td>-</td>
<td>-</td>
<td>4,123,837</td>
<td>4,123,837</td>
</tr>
<tr>
<td><strong>Total Operating Departments</strong></td>
<td><strong>$111,503,285</strong></td>
<td><strong>$68,433,389</strong></td>
<td><strong>$66,755,113</strong></td>
<td><strong>$1,678,276</strong></td>
</tr>
</tbody>
</table>
Notes to the Budget Status Report:

a) Period-to-date budgeted amounts are 15/24ths (63%) of Fiscal Years 2020 and 2021 amended budget unless noted.

b) Water sales and water purchases period-to-date budgeted amounts are based on projected acre-feet calculated per month.

c) Property taxes are primarily received in December and April. In-lieu charges in the amount of $625,709 for Fiscal Year 2020 and $642,733 for Fiscal Year 2021 are received quarterly from the City of San Diego.

d) Investment income excludes unrealized gains/losses, which are non-cash transactions.

e) Hydroelectric revenue budget amount includes Rancho Penasquitos Hydro-generation and Pressure Control Facility (Rancho Hydro) and Lake Hodges Pumped Storage Facility (Hodges Hydro).

f) Capacity charges are primarily received in July, October, January and April, after the quarterly period ends, and accrued revenue are recorded for the quarter ending June.

g) Water standby availability charges are primarily received in January and May.

h) Contributions in aid of capital improvement program include planned reimbursements for miscellaneous projects.

i) Bonds and Certificates of Participation debt service payments are due semi-annually on November 1 and May 1. Pipeline Bonds, Series 2019 debt service payments are due semi-annually on July 1 and January 1. Debt Service includes principal, interest expense, and debt service fees. Amortization expense relating to long-term debt, such as discounts, premiums, and deferred gain/loss on refunding are excluded because they are non-cash transactions. Short-term debt for Commercial Paper are paid monthly.

j) QSA Mitigation includes: 1) Fiscal Year 2020 contributions of $1,750,000 due July 1 and $1,060,053 due December 31; and 2) Fiscal Year 2021 contributions of $850,000 due July 1 and $1,050,836 due December 31.

k) Amounts include capital equipment purchases included in the project budget.

l) The semi-annual subsidy payments from the United States Treasury equal to 35 percent of the interest payable on the Series 2010B Bonds were reduced under Congressionally-mandated sequestration.

m) Represents withdraws from fund balances.

n) Period-to-date budgeted amounts adjusted based on items occurring on a periodic basis.
San Diego County Water Authority
Schedule of Cash and Investments
As of September 30, and August 31, 2020
Unaudited

<table>
<thead>
<tr>
<th>Fund Category</th>
<th>September</th>
<th>August</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Fund</td>
<td>$130,800,588</td>
<td>$115,622,844</td>
<td>$81,900,000</td>
</tr>
<tr>
<td>Equipment Replacement Fund</td>
<td>2,646,065</td>
<td>2,701,492</td>
<td></td>
</tr>
<tr>
<td>Canal Maintenance Fund</td>
<td>141,589</td>
<td>94,369</td>
<td></td>
</tr>
<tr>
<td>Rate Stabilization Fund</td>
<td>121,415,369</td>
<td>121,205,203</td>
<td>$74,300,000</td>
</tr>
<tr>
<td><strong>Total Unrestricted Funds (1)</strong></td>
<td><strong>91%</strong></td>
<td><strong>83%</strong></td>
<td><strong>74,300,000</strong></td>
</tr>
<tr>
<td>Pay-As-You-Go Fund (1)</td>
<td>2,566,298</td>
<td>27,241,682</td>
<td></td>
</tr>
<tr>
<td>Debt Service Reserve Funds</td>
<td>22,214,775</td>
<td>22,216,037</td>
<td></td>
</tr>
<tr>
<td><strong>Total Restricted Funds</strong></td>
<td><strong>9%</strong></td>
<td><strong>17%</strong></td>
<td><strong>49,457,719</strong></td>
</tr>
<tr>
<td><strong>Total Cash and Investments</strong></td>
<td><strong>$279,784,684</strong></td>
<td><strong>$289,081,627</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Note:**

(1) Total Unrestricted Funds and the Pay-As-You-Go Fund represent the Pooled Funds in the Treasurer's Report.

**Reserve Fund Categories**

- **Operating Fund:** The Water Authority's working capital and emergency operating reserve. The Operating Fund's policy requires 45 days of average annual operating expenses to be kept in reserves as assessed on an annual basis.
- **Stored Water Fund (SWF):** This fund provides working capital to purchase water inventory necessary to fully utilize the Water Authority's storage facilities. A 70,000 acre-feet target was established for Carryover Storage inventory along with a maximum of 100,000 acre-feet, which is the storage capacity. The SWF is to only hold a cash position if the cost to replace the target amount is below the current value of water inventory in the fund.
- **Equipment Replacement Fund (ERF):** The ERF is funded by transfers from the Operating Fund for capital equipment purchases such as computers, vehicles, and SCADA systems and is used to replace equipment which has reached the end of its effective useful life.
- **Canal Maintenance Fund:** This fund provides for the large periodic maintenance expenses of the All-American and Coachella Canals that is estimated to occur every five to eight years.
- **Rate Stabilization Fund (RSF):** The RSF holds the water revenues greater than expenditures in years of strong water sales. Funds can then be used to mitigate "rate shock" in years of weak water sales and/or to manage debt service coverage. The RSF target balance is equal to the financial impact of 2.5 years of wet weather or mandatory restrictions and the maximum fund balance is equal to the financial impact of 3.5 years of wet weather or mandatory restrictions. The current balance in this fund represents approximately 163% of the targeted value of $74.3 million and 115% of the maximum balance of $105.2 million.
- **Pay-As-You-Go Fund (PAYGO):** The PAYGO fund collects Capacity Charges and Water Standby Availability Charges to be used to pay for the cash portion of the CIP. The funds are dedicated for construction outlays as well as debt service.
- **Debt Service Reserve Fund:** This fund contains the required legal reserve for Water Authority debt issues. Such reserves are held for the purpose of making an issue's annual debt service payments in the event the Water Authority should be unable to make such payments. The funds are held by trustees and interest earned is transferred into the Operating Fund and is not restricted.
November 11, 2020

Attention: Administrative and Finance Committee

Annual Reimbursements to Board Members and Staff. (Information)

Purpose
Receive and file the report of Reimbursements to Board Members and Staff per California Government Code Section 53065.5 for the Fiscal Year from July 1, 2019 through June 30, 2020 (FY2020).

Background
California Government Code Section 53065.5 states that each special district as defined by subdivision (a) of Section 56036, shall, at least annually, disclose any reimbursement paid by the district within the immediately preceding fiscal year of at least one hundred dollars ($100) for each individual charge for services or product received. “Individual charge” includes, but is not limited to, one meal, lodging for one day, transportation, or a registration fee paid to any employee or member of the governing body of the district. The disclosure requirement shall be fulfilled by including the reimbursement information in a document published or printed at least annually by a date determined by that district and shall be made available for public inspection.

Discussion
Staff has reviewed all board member and staff reimbursements for FY2020 and identified and included those reimbursements where a single item met or exceeded the $100 threshold. All expenses incurred were for Water Authority approved business and within approved budget allocations. The annual disclosure for FY2020 is attached.

For FY2020, four (4) board members and forty-one (41) staff had reportable expenses totaling $1,856.54 and $36,670.59, respectively. Reimbursements were primarily for employee certifications, educational assistance, training, meetings, seminars or conferences and related travel expenses.

Prepared by: Wendy Joplin, Accounting Supervisor
Reviewed by: Chris Woidzik, Controller
Lisa Marie Harris, Director of Finance/Treasurer
Approved by: Dan Denham, Deputy General Manager

Attachments:
Attachment 1 – Reimbursements to Water Authority Board Members
Attachment 2 – Reimbursements to Water Authority Staff
<table>
<thead>
<tr>
<th>Description</th>
<th>Payment Date</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Butkiewicz, Jerry</td>
<td>07/18/19</td>
<td>$ 857.19</td>
</tr>
<tr>
<td>Association of California Water Agencies (ACWA) Conference, Monterey, CA, lodging</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Croucher, Gary</td>
<td>02/27/20</td>
<td>$ 238.56</td>
</tr>
<tr>
<td>MWD meeting, Los Angeles, CA, lodging</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Guerin, Christy</td>
<td>01/02/20</td>
<td>$ 359.60</td>
</tr>
<tr>
<td>Colorado River Water Users Association (CRWUA) Conference, Las Vegas, NV, transportation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Madaffer, James</td>
<td>11/21/19</td>
<td>$ 401.19</td>
</tr>
<tr>
<td>San Diego Regional Chamber of Commerce Mission to Washington, DC, lodging</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 1,856.54</strong></td>
<td><strong>$ 1,856.54</strong></td>
</tr>
<tr>
<td>Description</td>
<td>Payment Date</td>
<td>Amount</td>
</tr>
<tr>
<td>----------------------------------------------------------------------------</td>
<td>--------------</td>
<td>---------</td>
</tr>
<tr>
<td>Barreiro, Patrick, Maintenance Technician</td>
<td>11/07/19</td>
<td>$130.00</td>
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<tr>
<td>CA State Water Resources Control Board, exam fee</td>
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<td></td>
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<tr>
<td>Benitez, Ramon, Rotating Equipment Technician II</td>
<td>08/15/19</td>
<td>180.00</td>
</tr>
<tr>
<td>CA State Water Resources Control Board, certification renewal</td>
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<td></td>
</tr>
<tr>
<td>Castaing, Christian, Operations &amp; Maintenance Manager</td>
<td>04/09/20</td>
<td>3,000.00</td>
</tr>
<tr>
<td>Northern Arizona University, educational assistance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Catacutan, Jennifer, Senior Office Assistant</td>
<td>10/03/19</td>
<td>326.67</td>
</tr>
<tr>
<td>Supplies, employee recognition event</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cha, Melissa, Senior Management Analyst</td>
<td>07/03/19</td>
<td>3,185.00</td>
</tr>
<tr>
<td>Western Governors University, educational assistance</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>04/09/20</td>
<td>3,185.00</td>
</tr>
<tr>
<td>Western Governors University, educational assistance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Christman, Mark, Senior Fleet Mechanic</td>
<td>11/21/19</td>
<td>866.18</td>
</tr>
<tr>
<td>Specialty Equipment Market Association (SEMA) Trade Show, Las Vegas, NV,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>lodging</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Couch, Megan, Management Analyst</td>
<td>11/14/19</td>
<td>107.00</td>
</tr>
<tr>
<td>California State Water Project Contract Amendment for Delta Conveyance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Meeting, Sacramento, CA, transportation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Crutchfield, Jeremy, Water Resources Manager</td>
<td>11/21/19</td>
<td>236.23</td>
</tr>
<tr>
<td>Western Groundwater Congress, Sacramento, CA, lodging</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Duran, Patricia, Human Resources Analyst</td>
<td>10/31/19</td>
<td>306.14</td>
</tr>
<tr>
<td>NEOGOV Connect User Conference, Las Vegas, NV, lodging</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forte, Benjamin, Engineer I</td>
<td>10/10/19</td>
<td>900.60</td>
</tr>
<tr>
<td>American Society of Civil Engineers (ASCE) Pipelines Conference, Las Vegas, NV, lodging</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fountain, Brent, Principal Engineer</td>
<td>07/11/19</td>
<td>530.14</td>
</tr>
<tr>
<td>American Water Works Association (AWWA) ACE Conference, Denver, CO, lodging</td>
<td></td>
<td></td>
</tr>
<tr>
<td>American Society of Civil Engineers (ASCE) Pipeline Conference, Nashville, TN, lodging</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>08/01/19</td>
<td>907.52</td>
</tr>
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</table>
## San Diego County Water Authority
### Public Disclosure Report - Reimbursements to Water Authority Staff
#### July 1, 2019 through June 30, 2020

<table>
<thead>
<tr>
<th>Description</th>
<th>Payment Date</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Garner, Sabrina, Management Analyst</td>
<td>08/08/19</td>
<td>1,411.66</td>
</tr>
<tr>
<td>Western Governors University, educational assistance</td>
<td>11/07/19</td>
<td>1,266.67</td>
</tr>
<tr>
<td>Western Governors University, educational assistance</td>
<td>01/09/20</td>
<td>794.17</td>
</tr>
<tr>
<td>German, Joni, Water Resources Specialist</td>
<td>12/30/19</td>
<td>323.63</td>
</tr>
<tr>
<td>California Water Efficiency Partnership (CalWEP) Winter Plenary, Santa Barbara, CA, lodging</td>
<td>08/08/19</td>
<td>1,411.66</td>
</tr>
<tr>
<td>Western Governors University, educational assistance</td>
<td>11/07/19</td>
<td>1,266.67</td>
</tr>
<tr>
<td>Western Governors University, educational assistance</td>
<td>01/09/20</td>
<td>794.17</td>
</tr>
<tr>
<td>Ghinazzi, Nicholas, Senior Information Systems Analyst</td>
<td>12/30/19</td>
<td>323.63</td>
</tr>
<tr>
<td>Georgia Institute of Technology, educational assistance</td>
<td>08/08/19</td>
<td>1,411.66</td>
</tr>
<tr>
<td>Georgia Institute of Technology, educational assistance</td>
<td>11/07/19</td>
<td>1,266.67</td>
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<tr>
<td>Georgia Institute of Technology, educational assistance</td>
<td>01/09/20</td>
<td>794.17</td>
</tr>
<tr>
<td>German, Joni, Water Resources Specialist</td>
<td>08/08/19</td>
<td>1,411.66</td>
</tr>
<tr>
<td>Western Governors University, educational assistance</td>
<td>11/07/19</td>
<td>1,266.67</td>
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<tr>
<td>Western Governors University, educational assistance</td>
<td>01/09/20</td>
<td>794.17</td>
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<tr>
<td>Gore, David, Senior Management Analyst</td>
<td>12/30/19</td>
<td>323.63</td>
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<tr>
<td>California Society of Municipal Finance Officers (CSMFO) Annual Conference, Anaheim, CA, lodging</td>
<td>08/08/19</td>
<td>1,411.66</td>
</tr>
<tr>
<td>American Water College, educational assistance</td>
<td>02/27/20</td>
<td>332.28</td>
</tr>
<tr>
<td>American Water College, educational assistance</td>
<td>03/26/20</td>
<td>299.99</td>
</tr>
<tr>
<td>American Water College, educational assistance</td>
<td>06/04/20</td>
<td>299.99</td>
</tr>
<tr>
<td>Hattam, Mark, General Counsel</td>
<td>12/30/19</td>
<td>323.63</td>
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<tr>
<td>MWD rate litigation meeting at Colorado River Water Users Association (CRWUA) Conference, Las Vegas, NV, lodging &amp; transportation</td>
<td>08/08/19</td>
<td>1,411.66</td>
</tr>
<tr>
<td>California Water Efficiency Partnership (CalWEP) Winter Plenary, Santa Barbara, CA, lodging</td>
<td>11/07/19</td>
<td>1,266.67</td>
</tr>
<tr>
<td>California Water Efficiency Partnership (CalWEP) Winter Plenary, Santa Barbara, CA, lodging</td>
<td>01/09/20</td>
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<tr>
<td>Hernandez, David, Maintenance Technician</td>
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<td>Palomar College, educational assistance</td>
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<td>California Water Efficiency Partnership (CalWEP) Winter Plenary, Santa Barbara, CA, lodging</td>
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<td>299.99</td>
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<td>Hattam, Mark, General Counsel</td>
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<td>MWD rate litigation meeting at Colorado River Water Users Association (CRWUA) Conference, Las Vegas, NV, lodging &amp; transportation</td>
<td>03/26/20</td>
<td>299.99</td>
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<tr>
<td>California Water Efficiency Partnership (CalWEP) Winter Plenary, Santa Barbara, CA, lodging</td>
<td>06/04/20</td>
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<tr>
<td>Itzaina, Joshua, Maintenance Worker II</td>
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<tr>
<td>CA State Water Resources Control Board, certification renewal</td>
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<td>CA State Water Resources Control Board, exam fee</td>
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<tr>
<td>California Water: Cultivating the Future Annual Conference, Sacramento, CA, lodging</td>
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<td>Description</td>
<td>Payment Date</td>
<td>Amount</td>
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<tr>
<td>-----------------------------------------------------------------------------</td>
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<tr>
<td><strong>Lovsted, Elizabeth, Water Resources Manager</strong></td>
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<tr>
<td>Association of California Water Agencies (ACWA) Water Resilience Portfolio</td>
<td>08/01/19</td>
<td>263.80</td>
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<tr>
<td>Meeting, Sacramento, CA, lodging</td>
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<td><strong>Mauro, Jason, Electrical/Instrumentation Technician II</strong></td>
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<tr>
<td>At Your Pace Online Tech (AYPO), educational assistance</td>
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<td>Water Research Foundation Innovation Study Seminar, San Jose, CA, lodging</td>
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<td>Government Finance Officers Association (GFOA) Best Practices in Budgeting:</td>
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<td>Communicating the Budget, Garden Grove, CA, training</td>
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<td>CA State Water Resources Control Board, certification renewal</td>
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<td><strong>Penunuri, Teresa, Public Affairs Supervisor</strong></td>
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<td>American Water Works Association (AWWA) Annual Conference, Denver, CO,</td>
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<td>Regional Conveyance Systems Study (RCSS) study team field visit, meal</td>
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<td>P3 Government Conference, Washington DC, lodging</td>
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<td>Amount</td>
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<td><strong>San Diego County Water Authority</strong></td>
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<td>$36,670.59</td>
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<td><strong>Public Disclosure Report - Reimbursements to Water Authority Staff</strong></td>
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<td><strong>July 1, 2019 through June 30, 2020</strong></td>
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<td><strong>Payment</strong></td>
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<td><strong>Rodriguez, Jaime, Senior Maintenance Technician</strong></td>
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<td>161.00</td>
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<td><strong>Rossum, Pierce, Rate and Debt Manager</strong></td>
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<td>California Society of Municipal Finance Officers (CSMFO) Annual Conference,</td>
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<td>Anaheim, CA, registration</td>
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<td><strong>Serrato, Salvador, Senior Maintenance Technician</strong></td>
<td>07/25/19</td>
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<td>CA State Water Resources Control Board, certification renewal</td>
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<td><strong>Shoaf, Jeffrey, Principal Engineer</strong></td>
<td>08/08/19</td>
<td>1,252.80</td>
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<td>American Society of Civil Engineers (ASCE) Pipeline Conference, Nashville,</td>
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<td>TN, lodging</td>
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<td>American Society of Civil Engineers (ASCE) Pipeline Conference Committee</td>
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<td>375.92</td>
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<td>CLEAN 17 Fall 2019 Meeting, Denver, CO, lodging</td>
<td>12/05/19</td>
<td>506.98</td>
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<tr>
<td><strong>Spaniol, Gretchen, Special Projects Manager</strong></td>
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<td>California Public Employers Labor Relations Association (CALPELRA) Annual</td>
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<td>Conference, Monterey, CA, transportation</td>
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<td><strong>Thorpe, Hiram, SCADA Supervisor</strong></td>
<td>05/07/20</td>
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<td>CA State Water Resources Control Board, certification renewal</td>
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<tr>
<td><strong>Vedder, Denise, Director of Public Affairs</strong></td>
<td>03/12/20</td>
<td>268.99</td>
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<tr>
<td>San Diego Regional Chamber Conference, Sacramento, CA, transportation</td>
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<td><strong>von Gymnich, Nicolaus, Senior Right of Way Agent</strong></td>
<td>01/09/20</td>
<td>2,520.00</td>
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<td>eCornell, educational assistance</td>
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<td><strong>Yamada, Robert, Retired Annuitant</strong></td>
<td>12/05/19</td>
<td>453.96</td>
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<td>American Water Summit, Houston, TX, lodging</td>
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<tr>
<td>(amount reimbursed by American Water Intelligence on 1/21/2020)</td>
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<tr>
<td><strong>Ward-McNally, Emma, Engineer II</strong></td>
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<td>709.17</td>
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<tr>
<td>Flowmeter calibration testing, Logan, UT, lodging</td>
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<tr>
<td><strong>Zhou, Jinhong, Senior Engineer</strong></td>
<td>10/10/19</td>
<td>266.66</td>
</tr>
<tr>
<td>CLEAN 17 Dam Safety Working Group Meeting, San Francisco, CA lodging</td>
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<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>$36,670.59</td>
</tr>
</tbody>
</table>
BOARD CALENDAR

DECEMBER 2020

• 02 MWD Delegates meeting at 11:00 a.m.
• 10 No Special Board Meeting
• 10 Legislative Roundtable with Senator Toni Atkins at 2:00 p.m.
• 24 No Formal Board Meeting

JANUARY 2021

• 06 MWD Delegates meeting at 11:00 a.m.
• 14 Special Board Meeting – All Board training at 1:30 p.m.
• 28 Committees begin at 9:00 a.m.
  Formal Board meeting begins at 2:30 p.m.

FEBRUARY 2021

• 03 MWD Delegates meeting at 11:00 a.m.
• 11 Tentative Special Board Meeting – 1:30 p.m.
• 25 Committees begin at 9:00 a.m.
  Formal Board meeting begins at 2:30 p.m.
November 11, 2020

Attention: Legislation and Public Outreach Committee

Government Relations Update. (Information)

Purpose
This report is an update of the Water Authority’s government relations program.

Discussion

The Legislature
The State Legislature is scheduled to convene for an organizational session on December 7, 2020. During the organizational session, legislators will be sworn-in to office, officers will be elected, and bills can be introduced. Legislators will then return during the second week of January to begin the 2021-22 two-year legislative session.

November 2020 General Election
The 2020 general election was held on November 3, 2020. There were a number of important state races that will impact activity in Sacramento. All 80 State Assembly seats and half (20) of the State Senate seats were contested during the November 3 election.

Additionally, all of the seats in the U.S. House of Representatives were also contested during the election. California voters also considered 12 statewide ballot measures and numerous local races and propositions. Final certified results are due to the California Secretary of State for all state contests on December 4. The Secretary of State will then certify the statewide results by December 11.

It is important to note that latest reports indicate thousands of late-arriving mail and provisional ballots remain to be counted in California. While this staff memo projects outcomes based on best available information, it is conceivable that outstanding, uncounted ballots could shift some final results.

State Assembly
In the California State Assembly, Democrats appear to have gained a single seat (Assembly District 38 – Santa Clarita) and have retained its two-thirds supermajority in the Assembly.

All seven of the San Diego Assembly delegation seats were contested during the election. There were no changes in the party designation of the San Diego Assembly delegation, so the composition remains unchanged at two Republicans and five Democrats.
State Senate
In the State Senate, Democrats appear to have gained three seats previously held by Republicans (Senate District 23 – Rancho Cucamonga; Senate District 29 – Diamond Bar; and Senate District 37 – Costa Mesa), and have retained (and gained) on its two-thirds supermajority in the Senate. The two-thirds super-majority in both the Assembly and the Senate make rule waivers and procedural votes easier for the Democrats and will likely continue to have major impacts on policy decisions.

In San Diego County, one of the four seats within the San Diego State Senate delegation was contested during the election. The incumbent was re-elected, so there was no change in the party designation of that seat.

Congress
In the House, it is currently 209 (D) to 190 (R) with 36 House seats still undecided (13 of which the Democrat is leading and 23 of which the Republican is leading). While the Republicans have picked up seats in the election (a net of 6 seats so far), given the remaining outstanding races, the Democrats will remain in control of the House.

Specifically in the state of California, the following 8 House races are still undecided:

4th District
Rep. Tom McClintock (R) is currently leading Brynne Kennedy (D) by 20,175 votes with 82% of the votes reported.

5th District
Jay Obernolte (R) is currently leading Christine Bubser (D) by 11,207 votes with 64% of the votes reported.

**21st District**
David Valadao (R) is currently leading Rep. TJ Cox (D) by 3,033 votes with 71% of the votes reported.

**25th District**
Christy Smith (D) is currently leading Rep. Mike Garcia (R) by 1,722 votes with 86% of the votes reported.

**34th District**
Rep. Jimmy Gomez (D) is currently leading David Kim (D) by 8,722 votes with 81% of the votes reported.

**39th District**
Young Kim (R) is currently leading Rep. Gil Cisneros (D) by 1,503 votes with 88% of the votes reported.

**42nd District**
Rep. Ken Calvert (R) is currently leading Liam O’Mara (D) by 16,591 votes with 50% of the votes reported.

**48th District**
Michelle Steel (R) is currently leading Rep. Harley Rouda (D) by 2,851 with 94% of the votes reported.

**50th District**
Darrell Issa (R) is currently leading Ammar Campa-Najjar (D) by 11,632 with 78% of the votes reported.

All of the five seats within the San Diego Congressional delegation were contested during the election. With Representative Susan Davis retiring from the 53rd Congressional seat, Democrat Sara Jacobs won the seat while receiving __ percent of the vote, as compared with the challenger Georgette Gomez, who received __ percent of the vote.

<table>
<thead>
<tr>
<th>SAN DIEGO CONGRESSIONAL DELEGATION</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DISTRICT</strong></td>
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<tr>
<td>49 (D)</td>
</tr>
<tr>
<td>50 (R)</td>
</tr>
<tr>
<td>51 (D)</td>
</tr>
<tr>
<td>52 (D)</td>
</tr>
<tr>
<td>53 (D)</td>
</tr>
</tbody>
</table>

*Denotes incumbent
In the U.S. Senate, it is currently 48 (R) to 48 (D) seats with four Senate races still outstanding in the following states:

- Alaska
- Georgia (Both U.S. Senate seats)
- North Carolina

Ballot Measures
In terms of ballot measures, Californians voted for 12 different ballot measures, covering a wide spectrum of policy issues.

<table>
<thead>
<tr>
<th>STATE BALLOT MEASURES</th>
<th>YES VOTES</th>
<th>NO VOTES</th>
</tr>
</thead>
<tbody>
<tr>
<td>14 – Stem Cell Research</td>
<td>51.0%</td>
<td>49.0%</td>
</tr>
<tr>
<td>15 – Business Property Taxes (Split-roll)</td>
<td>48.2%</td>
<td>51.8%</td>
</tr>
<tr>
<td>16 – Repeal Prohibition on Affirmative Action Programs</td>
<td>43.9%</td>
<td>56.1%</td>
</tr>
<tr>
<td>17 – Allow Parolees to Vote</td>
<td>59.0%</td>
<td>41.0%</td>
</tr>
<tr>
<td>18 – Lower Voting Age To 17</td>
<td>44.8%</td>
<td>55.2%</td>
</tr>
<tr>
<td>19 – Portable Property Tax Break</td>
<td>51.4%</td>
<td>48.6%</td>
</tr>
<tr>
<td>20 - Increase Penalties for Certain Property Crimes and Repeated Parole Violations</td>
<td>37.7%</td>
<td>62.3%</td>
</tr>
<tr>
<td>21 – Rental Control on Residential Housing</td>
<td>40.2%</td>
<td>59.8%</td>
</tr>
<tr>
<td>22 – Change Employment Classification Rules for App-Based Transportation and Delivery Drivers</td>
<td>58.5%</td>
<td>41.5%</td>
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<tr>
<td>23 - Regulates Kidney Dialysis Treatment Clinics</td>
<td>36.0%</td>
<td>64.0%</td>
</tr>
<tr>
<td>24 – Increases Date Privacy</td>
<td>56.1%</td>
<td>43.9%</td>
</tr>
<tr>
<td>25 – Eliminate Cash Bail</td>
<td>44.5%</td>
<td>55.5%</td>
</tr>
</tbody>
</table>

Lobbyist Activities
Steve Cruz of Cruz Strategies reports that he performed the following lobbying activities on behalf of the Water Authority over the past month:

- Provided strategic advice and information regarding the Water Authority’s legislative interests.
- Participated in briefings via video conference and teleconference regarding pumped hydropower storage, sponsored legislation, and the Water Authority’s legislative priorities.
- Coordinated with Water Authority staff on various legislative issues of importance to the Water Authority.

Audra Hartmann of Smith, Watts & Hartmann reports that she performed the following regulatory advocacy activities on behalf of the Water Authority over the past month:
• Participated in SWRCB meetings regarding emerging regulatory issues of interest to the Water Authority.

• Provided strategic advice and information regarding the Water Authority’s regulatory interests.

• Coordinated with Water Authority staff on various regulatory issues of interest to the Water Authority.

Washington, D.C.
Ken Carpi of Carpi & Clay will provide a separate written report, and an in-person virtual report of the firm’s monthly activities in Washington, D.C.

Prepared by: Glenn A. Farrel, Director of Government Relations
Ivy Ridderbusch, Legislative Analyst
Approved by: Dan Denham, Deputy General Manager
November 11, 2020

Attention: Board of Directors

General Counsel’s Report – October/November 2020

Purpose
This report discusses certain meaningful legal matters receiving attention during the months of October/November 2020.

Significant Developments in Pending Litigation

MWD Rate Cases

2010/2012 Rate Cases: On October 24, 2017, the Court of Appeal remanded these consolidated cases to the trial court in San Francisco. After MWD exercised its right to strike Judge Karnow, the cases were then assigned to the other Complex Division judge in San Francisco Superior Court, Judge Mary Wiss. In September 2019, the cases were reassigned to Judge Anne-Christine Massullo.

On August 12, 2020, the Court issued the final judgment and writ of mandate. The judgment included breach of contract damages and interest in favor of the Water Authority of $44,373,872.29. The issued writ of mandate bars MWD from setting unlawful rates, and from including demand management costs in charges to the Exchange Agreement. On September 11, 2020, MWD filed a notice of appeal in the 2010/2012 Cases, appealing from “each and every part” of the judgment and writ of mandate. The Water Authority subsequently filed a motion for calendar preference, which the Court of Appeal granted on October 28, 2020, ordering that the appeal “be heard and decided on an expedited basis.”

As the prevailing party in the litigation, the Water Authority filed a memorandum of costs on August 28, seeking recovery of $326,000 in litigation costs. MWD contends it prevailed and has filed a memorandum of costs seeking about $500,000 in litigation costs. The Water Authority and MWD have filed cross motions to strike and tax costs, which are currently set for hearing on January 12, 2021.

The Court set a briefing and hearing schedule on the question of which agency is the “prevailing party” under the Exchange Agreement, or whether there was no prevailing party. The Court will hold a hearing on the issue on November 12.

2014 Rate Case: The case filed on May 30, 2014 challenging MWD’s rates adopted in 2014 for 2015 and 2016, and alleging breach of contract, was transferred to San Francisco Superior Court and is presently assigned to Judge Massullo. The case had been stayed for the last six years. On July 14, 2020, the Water Authority moved to lift the stay and amend its complaint to dismiss without prejudice certain claims. MWD opposed that motion, arguing that the case should
remain stayed. On August 27, 2020, the Court granted the Water Authority’s motion and lifted the stay. At a Case Management Conference Judge Massullo indicated her desire to “move these cases along” and “get them done.”

On August 28, 2020, the Water Authority filed its First Amended Complaint. On September 28, 2020, MWD filed a demurrer and motion to strike challenging the Water Authority’s offsetting benefits claim. The Water Authority will oppose MWD’s demurrer and motion to strike, and a hearing on the motion is scheduled for February 10, 2021 at 9:15 a.m. A case management conference is set for November 12, 2020, at 2:00 p.m.

**2016 Rate Case:** The case filed on April 13, 2016 challenging MWD’s rates adopted in 2016 for 2017 and 2018, and alleging breach of contract, was transferred to San Francisco Superior Court and has also been reassigned to Judge Massullo. The case had been stayed for the last four years. On July 14, 2020, the Water Authority moved to lift the stay and amend its complaint to dismiss without prejudice certain claims. MWD opposed that motion, arguing that the case should remain stayed. On August 27, 2020, the Court granted the Water Authority’s motion and lifted the stay.

On August 28, 2020, the Water Authority filed its Second Amended Complaint. On September 28, 2020, MWD filed a demurrer and motion to strike challenging the Water Authority’s offsetting benefits claim and cause of action seeking a declaration that MWD may not charge the Water Authority for its contract damages, interest, attorneys’ fees or costs under the Exchange Agreement. The Water Authority will oppose MWD’s demurrer and motion to strike, and a hearing on the motion is scheduled for February 10, 2021 at 9:15 a.m. A case management conference is set for November 12, 2020, at 2:00 p.m.

**2018 Rate Case:** This case was filed in Los Angeles Superior Court on June 8, 2018, following MWD’s April 2018 approval of its rates and charges for 2019 and 2020. The case was transferred to San Francisco Superior Court on November 2, 2018, and is pending assignment to Judge Massullo. The Water Authority intends to move to lift the stay so that it may amend its complaint to dismiss without prejudice certain claims, consolidate the case with the other pending cases, and obtain a trial date on the issues on which the Water Authority plans to proceed.

**Food & Water Watch and Center for Food Safety v. Metropolitan Water District of Southern California and All Persons Interested**

On November 26 the Water Authority filed a Demurrer to the Complaint by Food and Water Watch, challenging the Complaint’s Proposition 26 claim against MWD. MWD also demurred, and Plaintiffs filed an amended Complaint. The Water Authority and MWD again filed demurrers, which were heard on March 15, 2019. The Water Authority and MWD’s pleading challenges were granted, and the case was dismissed without leave to amend. The decisions have been appealed.

The appellate briefing has been concluded. The case will be set for oral argument.
City of San Diego and SDCWA v. CA State Water Resources Control Board

This is a longstanding dispute over annual regulatory fees paid to the SWRCB for our pending potential San Vicente pumped storage project, which fees are split by the Water Authority and the City of San Diego. To date $864,000 has been paid under protest by the agencies. The case is in Sacramento Superior Court and is in the discovery phase. Legal costs are split by the Water Authority and the City of San Diego.

Bonnie Kessner et al v. City of Santa Clara et al

This Proposition 218 case was filed as a class action against numerous public agencies, including the Water Authority and some of its member agencies. The assertion against the Water Authority pertains to the lower water rate the Water Authority provides to certain agricultural customers for a lower level of water service. The Court has instructed all defendants to not respond to the Complaint until the Court can address case management issues.

However, Plaintiffs filed a motion to coordinate this case with certain other Proposition 218 cases, which the Water Authority and the other agency parties opposed. The case was assigned to Santa Cruz County Superior Court to have an assigned judge hear the coordination petition. That Court then denied the petition for coordination. The case will now be set for case management organization.

Vallecitos Water District v. San Diego County Water Authority

Vallecitos Water District, which had earlier filed a claim against the Water Authority, has now sued in Superior Court in Vista on that claim. Vallecitos asserts damages of over $6 million for alleged breach of a treated water delivery contract, and seeks to cancel that contract. The Water Authority disputes the allegations and will respond to the Complaint. The parties have stipulated that the case be moved to Riverside Superior Court, and that the Water Authority’s response will follow the case transfer. The stipulation has been submitted for Court approval.

Amicus Issues

No new issues to report.

Requests Pursuant to the Public Records Act (Between October 10 – November 6)

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<th>Requestor</th>
<th>Documents Requested</th>
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No requests received.

Prepared by: Mark J. Hattam, General Counsel

Attachment: Special Counsel Expenditure Report
### On-going Litigation

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<th>Special Counsel</th>
<th>Project</th>
<th>Total $ Expended for Oct/Nov 2020 (Fees &amp; Costs)</th>
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<td>Procopio Cory Hargreaves &amp; Savitch</td>
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### Non-Litigation

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<td>Van Ness Feldman</td>
<td>San Vicente Water Storage Facility Project</td>
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1 The California Supreme Court has held that the amounts of monthly legal bills for ongoing litigation have privileged status, as they may disclose litigation strategy. *Los Angeles County Bd. of Supervisors v. Superior Court*, (2016) 2 Cal. 5th 282, 286.
November 11, 2020

Attention: Board of Directors

CLOSED SESSION:
Conference with Legal Counsel – Existing Litigation
Government Code §54956.9(d)(1)
Name of Case: SDCWA v. Metropolitan Water District of Southern California; San Francisco Superior Court Case Nos. CPF-10-510830; CPF-12-512466; CPF-14-514004; CPF-16-515282; CPF-16-515391; CGC-17-563350; CPF-18-516389; California Court of Appeal (1st District) Case Nos. A146901; A148266; A154325; A161144; California Supreme Court Case Nos. S243500; and S251025

Purpose
This memorandum is to recommend a closed session, pursuant to Government Code §54956.9(d)(1), to discuss the above-referenced matter at the November 19, 2020 meeting.

Prepared by: Mark J. Hattam, General Counsel
November 11, 2020

Attention: Board of Directors

CLOSED SESSION:
Conference with Legal Counsel – Existing Litigation
Government Code §54956.9(d)(1)
Name of Case: Food & Water Watch and Center for Food Safety v. Metropolitan Water District of Southern California and All Persons Interested in the Matter;
Los Angeles Superior Court Case No. BC 720692; California Court of Appeal (2nd District) Case No. B297553

Purpose
This memorandum is to recommend a closed session, pursuant to Government Code §54956.9(d)(1), to discuss the above-referenced matter at the November 19, 2020 meeting.

Prepared by: Mark J. Hattam, General Counsel
November 11, 2020

Attention: Board of Directors

CLOSED SESSION:
Conference with Legal Counsel – Existing Litigation
Government Code §54956.9(d)(1)
Name of Case: Vallecitos Water District v. San Diego County Water Authority;
San Diego County Superior Court Case No. 37-2020-00034563-CU-BC-NC

Purpose
This memorandum is to recommend a closed session, pursuant to Government Code §54956.9(d)(1), to discuss the above-referenced matter at the November 19, 2020 meeting.

Prepared by: Mark J. Hattam, General Counsel