ENGINEERING AND OPERATIONS COMMITTEE

9-  1. Agreement with San Diego Gas and Electric for relocation of a 4-inch high pressure gas line near the Pipeline 3 Relining – Sweetwater to Lower Otay Reservoir project.
   Authorize the General Manager to execute an agreement with San Diego Gas and Electric up to the amount of $1,250,000 for the relocation of a 4-inch high pressure gas line located near the Pipeline 3 Relining – Sweetwater to Lower Otay Reservoir project.

LEGISLATION, CONSERVATION AND OUTREACH COMMITTEE

9-  2. Adopt priorities for the renegotiation of a water bond.
   Adopt priorities for the renegotiation of a water bond.

9-  3. Adopt positions on various state bills.
   1. Adopt a position of Support on AB 71 (Perez)
   2. Adopt a position of Oppose unless amended on AB 147 (Perez)
   3. Adopt a position of Support on AB 1096 (Nestande, Perez)

ADMINISTRATIVE AND FINANCE COMMITTEE

9-  4. Treasurer’s report.
   Note and file the monthly Treasurer’s report.

9-  5. Resolution setting a Public Hearing date for the Water Authority’s proposed calendar year 2014 Rate and Charge increases, System Capacity Charge increase and Water Treatment Capacity Charge decrease.
   Adopt Resolution Number 2013—at setting the time and place for a public hearing on June 27, 2013, at 1:00 p.m., or as soon thereafter as may practicably be heard, during the Administrative and Finance Committee meeting, to receive comments regarding proposed rates and charges to be effective January 1, 2014.

WATER PLANNING COMMITTEE

9-  6. Professional services contract to AECOM Technical Services, Inc. to provide as-needed Environmental Consulting Services for a four-year period in an amount not-to-exceed $2,000,000.
   Authorize execution of a professional services agreement with AECOM Technical Services, Inc. to provide as-needed Environmental Consulting Services for four years in an amount not-to-exceed $2,000,000.
May 22, 2013

Attention: Imported Water Committee

Metropolitan Water District Delegates’ Report (Information)

Background
The MWD committees and board met on May 13 and 14. The next regular MWD board and committee meetings are scheduled for June 10 and 11.

Discussion
This section summarizes discussions held and key decisions made at the May MWD committee and board meetings, as reported by the MWD delegates. The Water Authority delegation supported 11 of 14 action items approved by the MWD board. The delegates opposed an item related to MWD awarding a new Local Resource Project (LRP) subsidy for a water treatment facility expansion project. Similar to their past actions related to other recent LRPs, the delegates opposed MWD’s action due to the lack of demonstrated need for these types of projects at MWD and demonstrated benefits to ratepayers other than the recipient agency. The delegates also opposed this item because it continues to misallocate LRP subsidies to its wheeling rate through the Water Stewardship Rate and it denies access by the Water Authority’s ratepayers to this program (for the Water Authority delegates’ letter to MWD, see Attachment 1). The delegates opposed two other items – an item related to the execution and distribution of the Official Statement (for the Water Authority delegates’ letter to MWD, see Attachment 2) and an item related to MWD setting a public hearing to consider suspending Section 124.5 of the MWD Act to freeze the ad valorem tax rate limits (for the Water Authority delegates’ letter to MWD, see Attachment 3). The Water Authority’s delegates requested their letters be entered into the administrative record of the respective committee and board meetings.

Attachment 4 is a copy of MWD’s May’s committee and board meeting agendas.

Communications and Legislation Committee
The committee and board approved payment of increased dues for memberships to various organizations and new memberships, which included two organizations based in San Diego – the San Diego Regional Economic Development Corporation and CleanTECH San Diego. The committee and board also voted to express opposition, unless amended, to AB 145 (Perea, D-Fresno and Rendon, D-South Gate) – State Water Resources Control Board: drinking water. AB 145 would move the Division of Drinking Water and Environmental Management from the Department of Public Health to the State Water Resources Control Board. MWD is concerned that moving the entire drinking water program could create disruptions of vital division functions and could distract the State Water Resources Control Board (SWRCB) from existing priorities. Director Gray (West Basin) made a motion to amend staff’s recommendation by adding language that would require an independent evaluation of the program’s performance and report of the results to the public, if the transfer of the program to the SWRCB should occur. Gray’s motion passed committee and board.

The committee also received reports on state and federal legislative activities.
**Engineering and Operations Committee**

The committee and board approved five action items, including appropriating an additional $5 million for MWD’s capital projects that cost less than $250,000 for fiscal years 2012/13 and 2013/14. Staff also reviewed the first of a three-part series on energy – this month focused on MWD’s energy operations and management program within the Southern California service area (the following months will emphasize solar energy and hydroelectricity). The committee also received reports on the Colorado River Source Water Protection program and water system operations. The SWP blend at Skinner is currently 20 percent and staff anticipates a further decrease to as low as 10 percent by the end of CY 2013 due to reductions in the SWP water supplies. The total dissolved solids (TDS) at Skinner is about 500 mg/L; MWD’s TDS goal is to not exceed 500 mg/L. The April 2013 demands were 42,000 Acre-Feet (AF) more than the April 2012 demands. Diamond Valley Lake is currently at 83 percent of its maximum storage of 810,000 AF.

**Finance and Insurance Committee**

The committee and board received reports on MWD’s investment activity and financial highlights. Chief Financial Officer Breaux reported that sales are tracking 160,000 AF above budget (1.70 MAF) for the fiscal year. Breaux said that revenues continue to track above budget by $81.6 million due to higher water sales and resulting power revenues from transporting more Colorado River water. Expenditures are expected to be under budget by almost $142 million as a result of mainly lower variable power costs on the State Water Project (SWP) and one-time adjustments from prior year refinancing of SWP debt ($97 million), Operation and Maintenance savings in professional service contracts and advertising ($19 million), and debt service savings reflecting bond refinancing this year ($7 million). Breaux reported that due to continued higher water sales staff is now projecting that, by the end of this fiscal year (FY 2013), MWD will exceed its maximum reserve level by $50 million to $70 million. Breaux said that staff plans to return to the committee next month with a review on the projected financial results for the current fiscal year, an outlook for FY 2014, an update on the capital plan, and recommendations for the use of reserves over the maximum target. In response to Director Evans (Western Municipal Water District), Breaux said that the recommendations for the use of reserves would be presented to the committee and board as an action item. Director Little (West Basin Municipal Water District) expressed that the reserves should be used to increase Pay-As-You-Go (PAYGo) to lower capital project debts such as the Inland Feeder. Responding to Director Wilson’s inquiry on whether the uses would include reexamining of CY 2014 rates, Breaux said that at this point staff does not plan to address rates since it has already been adopted for the second year of the biennial budget at 5 percent. Wilson asked that staff return to the committee with a report on the impact of a 3 percent average rate increase for CY 2014 on the budget.

The committee and board also approved four finance related items, including granting conditional approval for the Meadowood Annexation to the Water Authority and MWD and adoption of a resolution of intent to impose a water standby charge and adopting a resolution to continue MWD’s water standby charge for FY 2014. The owners of the property constituting the Meadowood Annexation have applied for annexation to the Valley Center Municipal Water District and to the Water Authority.

Breaux reviewed the MWD Act as it relates to Section 124.5 and staff’s recommendation to suspend the ad valorem tax rate limitations stipulated in the Act. He said the act allows the suspension of this limit if the board finds that such revenue is “essential to the fiscal integrity of the district.” Director Wunderlich (Beverly Hills) said that “essential to fiscal integrity” does not necessarily mean the district is in “crisis mode” or that it is short of funds; Wunderlich said that fiscal integrity means to
have a sense of “soundness” or having revenue sources that match benefits received. As such, Wunderlich indicated that he favored suspending Section 124.5 in order to help MWD pay its share of costs related to the State Water Contract and a future Bay-Delta fix.

In response to Director Griset (Santa Ana), Breaux clarified that staff’s recommendation to suspend Section 124.5 this time is a one-year action; he indicated plans to return to the board the following year for a two-year action item that would coincide with the biennial budget process. The Water Authority delegates have consistently advocated for MWD to produce a Long Range Finance Plan (which was last updated in 2004) that would identify its long-term liabilities and investment needs and a prudent plan to pay for those expenditures over time, rather than making financial decision on an ad hoc basis. The delegates did not support setting a public hearing to consider suspending Section 124.5 of MWD’s administrative codes.

Staff reviewed MWD’s recent financing activity and potential bond refunding (pending market conditions). On a related topic, staff also reported on the purpose of the Official Statement and U.S. Securities and Exchange Commission enforcement actions as it pertains to non-compliance to disclosure rules. In response to Director Edwards (Foothill Municipal Water District) inquiry, staff said that MWD disclosed its SWP projections, but did not go into detail on items such as the Dos Amigos Pumping Plant, which according to Edwards is down to one pump (from six), reducing water delivered to MWD’s service area. Kightlinger said that MWD is not losing water this year as a result of the Dos Amigos operational constraint; Edwards countered that MWD is not losing water because the SWP Table A allocation is down to 35 percent for CY 2013. While the Water Authority supports MWD’s efforts to manage its debts to reduce costs, the delegates voted against the action to authorize the execution and distribution of the Official Statement because the delegation continues to be concerned with the lack of sufficient risks disclosure.

The committee also heard a report on MWD’s Property and Casualty Insurance Program.

**Legal and Claims Committee**

The committee and board approved one item related to authorizing an amendment of a contract with Caufield & James, LLP, for special counsel services in connection with existing and potential litigation alleging MWD is legally responsible for plumbing leaks caused by copper corrosion. Committee Chair Fleming (Los Angeles) reported that the following items were discussed in closed session but have no reportable actions: litigation with the Water Authority, seismic assessment of MWD’s Headquarters Building, *Orange County Water District v. Northrop Corporation*, and *Navajo Nation v. U.S. Department of Interior*.

The committee also received an update on the In Re Tronox Incorporated Chapter 11 case, which is related to perchlorate found in the Colorado River and MWD’s Colorado River intake.

**Organization, Personnel and Technology Committee**

The committee heard a report on the approach to evaluate the performance of the Department Heads (formerly “Direct Reports of the Board”). By October, staff anticipates the board finalizing the compensation recommendations for the Department Heads.

**Water Planning and Stewardship**

The committee and board authorized entering into an LRP agreement with the city of Long Beach and the Water Replenishment District of Southern California for a water treatment facility expansion.
Related to this item, staff gave an overview of MWD’s LRP, its implementation process and current status. Water Resources Manager Upadhyay described the LRP as a tool to help increase use of recycled water and recovered groundwater throughout Southern California. Upadhyay said the current program, established in 2007, set a target of 174,000 AF per year of local water supply. Since 2007, 20 projects have been approved with a contract yield of up to approximately 101,000 AF per year. MWD staff projected that the total maximum for all active LRP agreements is about $929 million of subsidy funding over the life of the LRP projects. Upadhyay said that costs continue to be the predominant constraint to development of local resources, and with MWD’s assistance, the member agencies are able to advance their local supply plans. Following staff’s presentation, Director Record (Eastern) requested staff to show the LRP projects by county; Director Steiner asked that staff include the timeframe of the projects.

The committee also received a report on MWD’s Water Surplus and Drought Management Plan. The net total of SWP supplies is anticipated to be 702,000 AF (669,000 AF resulting from the Table A Allocation of 35% and 33,000 AF from SWP supply programs). Due to pumping restrictions, the SWP’s export loss (deliveries curtailed) was 550 TAF, as of the end of April 2013; of the SWP’s impacts, MWD’s loss is about 275 TAF. The net Colorado River supply is anticipated to be 910,000 AF. Staff reported that the potential range of demands (including the Water Authority’s QSA supplies) for the calendar year is trending between 1.807 MAF (low demand) and 2.207 MAF (high demand), depending on supplies secured from local supply programs and the Los Angeles Aqueduct. This results in a net water balance of -195,000 AF and -595,000 AF. Staff indicated that MWD could meet the projected demands for CY 2013, by drawing from storage and leaving a storage balance of 2.1 MAF to 2.5 MAF, excluding emergency storage. However, despite sufficient storage reserves, staff said efforts to seek alternative supplies include exchanges and the SWP multi-year pool. Director Record commented that the presentation appears to show that agencies are not rolling off MWD onto local resources supplies; he also questioned the cause of the demand variability on retail agencies and MWD (MWD graphs showed historic retail demands in MWD service area varied within 10 percent from trend, yet member agencies’ demand on MWD during the same period varied by 30 percent). Upadhyay responded that the variability on the retail side is plus or minus 10 percent (based on 3.5 MAF to 4 MAF); and MWD provides about half of the retail agencies supply. He added that the swing on MWD is more than double the percentage because MWD is a supplemental supplier and provides water to member agencies only when member agencies’ own local supplies are insufficient to meet demand. Upadhyay noted that variability of MWD’s delivery on a year-to-year basis is a “normal thing” because member agencies fluctuate on their purchase of water for groundwater replenishment or refill of surface storage; also deliveries from the Los Angeles Aqueduct vary.

Bay-Delta Initiative Manager Arakawa reported that the state and federal government reached agreement on the release date of October 1, 2013 for the official public draft of the Bay Delta Conservation Plan environmental documents (the administrative draft of the environmental documents were released on May 10). The remaining chapters of the BDCP are scheduled for release in late-May (the first four chapters were released on March 14 and the following three chapters were released on March 27). Staff reported that the Delta Stewardship Council (DSC) expects to certify its Environmental Impact Report (EIR) and approve the Final Delta Plan in mid-May, which, upon approval, launches the 30-day review period by the Office of Administrative Law to approve or disprove the proposed regulations. Subsequent to this committee meeting, the DSC posted the Final Programmatic EIR and approved the Final Delta Plan.
Additionally, the committee received reports on Colorado River matters. Colorado River Manager Hasencamp said that the Bureau of Reclamation (Bureau) updated its surplus and shortage probability graphs, which indicate that the current probability of shortage is 1% in 2015 jumping to 47% in 2016 (as compared to probability of shortage of 1% and 6%, respectively, based on the 2011 graph). Hasencamp reviewed the impacts of shortages to MWD, such as the loss of access to certain Intentionally Created Surplus water currently stored in Lake Mead, loss of operational flexibility, and reduction of Hoover Power supply. Hasencamp also reported that on May 3, the Bureau of Reclamation sent Imperial Irrigation District (IID) a letter regarding its “pre-delivery” of 47,000 AF of non-conserved water to the Salton Sea (which would have otherwise been made available to MWD). The Bureau’s letter indicates that the 2010 action was not consistent with the Quantification Settlement Agreement and IID must pay back that water to the system; the Bureau expects IID to develop a payback plan by June 30.

The committee also heard an update on the State Water Contract Extension Negotiations with the Department of Water Resources (DWR), which was initiated on May 1. Upadhyay said that the focus of the negotiations is on key financial terms for financing of the SWP beyond 2035. Upadhyay also reported that as a requirement of the National Marine Fisheries Service Biological Opinion to keep a minimum fish flow in the Stanislaus River, DWR (on behalf of interested State Water Contractors) and the San Luis Delta Mendota Water Agency (on behalf of the federal contractors) will purchase 80,000 AF of the flow at $100 per AF. If this purchase is successful, MWD’s share (about 50 percent of the state’s share) will be about 20,000 AF before carriage and conveyance losses. Upadhyay also provided an update on the Lake Perris budget change proposal, which was reduced from $287 million to $141 million (MWD’s share is $59 million). In 2005, DWR identified potential seismic safety risks in the foundation of Perris Dam, which resulted in the state lowering the water level of Lake Perris to conduct the EIR process and complete repairs. MWD, Desert Water Agency, and Coachella Valley Water District issued a joint letter of support given the changes.

Board Meeting
During the public comment period, the San Bernardino Valley Municipal Water District Board President C. Patrick Milligan discussed the collaboration between former MWD General Manager Ron Gastelum and himself to work out five lawsuits and administrative arguments between the two agencies, which formed the basis of its current cooperative relationship.

Prepared by:   Debbie Discar-Espe, Senior Water Resources Specialist
Approved by:   Communications and Legislation Committee by Vincent Mudd
                Finance and Insurance Committee by Doug Wilson
                Engineering and Operations Committee by Fern Steiner
                Legal and Claims Committee by Vincent Mudd and Fern Steiner
                Organization, Personnel and Technology Committee by Doug Wilson
                Water Planning and Stewardship Committee by Fern Steiner

Attachment 1:  Local Resources Program Letter, dated May 10, 2103
Attachment 3: Public Hearing regarding tax rate limitations Letter, dated May 14, 2013
Attachment 4: MWD Committee and Board meetings, May 2013
May 10, 2013

John V. Foley, Chairman, and
Members, Board of Directors
Metropolitan Water District of Southern California
P.O. Box 54153
Los Angeles, CA 90054-0153

Re: Board Item 7-2 – OPPOSE: Authorize entering into a Local Resources Program agreement with the city of Long Beach and the Water Replenishment District of Southern California for the Leo J. Vander Lands Water Treatment Facility Expansion Project

Dear Chair Foley and Members of the Board:

The Water Authority’s delegates OPPOSE Board Item 7-2 on the following grounds.

Under California law, including Proposition 26, passed by the voters in November 2010, the Metropolitan Water District (MWD) is required to set rates that do not exceed the reasonable and proportionate cost of providing the particular service for which the rate is charged. MWD will ultimately bear the burden of showing affirmatively that its allocation of costs to its rates and charges provide proportional benefits to all MWD ratepayers.

MWD has failed entirely to make such a showing in Board Memo 7-2. Its assertion that MWD’s payment of these local water supply costs – which will deliver recycled water to the Alamitos Seawater Intrusion Barrier, through a project owned by the Water Replenishment District of Southern California – “benefit all member agencies regardless of individual project location,” is not substantiated by any evidence and is untrue. There is no demonstration in the Board Memo or otherwise that any water supply or transportation costs are, or will be, avoided by MWD as a result of making these payments. MWD has abandoned even the pretense of claiming any such benefits exist; a passing reference to “board approved policy goals” is no substitute for this factual showing.

The Water Authority’s delegates have repeatedly raised concerns with MWD’s calculated, continued reliance on outdated planning documents to justify subsidies for select member agency local projects. Board Memo 7-2 once again relies on the badly outdated Local Resources Plan (LRP) goal, set more than five years ago in 2007, under materially different circumstances. It is clear from Board Memo 7-2 that MWD’s payment for this local supply
Chair Foley and Members of the Board
May 10, 2013

Page 2

The project will benefit only those ratepayers who will, through the implementation of this project, cease being customers of or reduce water purchases from MWD and thus no longer be required to pay its water rates and charges. MWD’s continued practice of forcing cross-subsidies is a violation of cost of service statutory and Constitutional requirements.

In addition to these grounds, the Water Authority objects to being charged a “Water Stewardship Rate” (WSR) to pay for this project because its ratepayers have been barred by the MWD board’s August 2010 action from receiving any WSR benefits, assuming there are any (which there are not, for the reasons described above). The WSR is discriminatory, violates California law and may not be collected from the Water Authority’s customers.

The Water Authority will seek to be relieved of any financial responsibility for this and other WSR projects approved by the MWD board of directors as to which prior objection has been made. Agencies that do not object might agree voluntarily to pay for the projects of other member agencies (although even that is questionable given the Constitutional mandate of Proposition 26).

The Water Authority is not questioning the need for or merits of the project itself, only the use of MWD ratepayer dollars to pay for it.

Sincerely,

Keith Lewinger
Director

Vincent Mudd
Director

Fern Steiner
Director

Doug Wilson
Director

cc: Jeff Kightlinger, MWD General Manager
San Diego County Water Authority Board of Directors and Member Agencies
May 13, 2013

John (Jack) V. Foley and  
Members of the Board of Directors  
Metropolitan Water District of Southern California  
P.O. Box 54153  
Los Angeles, CA 90054-0153

RE: Board Memo 8-3: Authorize the execution and distribution of Official Statements in connection with the issuance of the Special Variable Rate Water Revenue Refunding Bonds, 2013 Series D – OPPOSE

Dear Chair Foley and Members of the Board:

We have reviewed May Board Memo 8-3, including the redline copy of Appendix A, and determined that we must again vote against the staff recommendation to authorize execution and distribution of the Official Statement in connection with the sale of bonds. In making this determination, we have also considered the information provided by Mr. Breaux in his February 19, 2013 response to our last letter to you on this subject dated February 11, 2013.

Before we address the comments we have on the current draft Appendix A, we would like to note in response to Mr. Breaux’s letter that we were quite familiar with MWD’s quarterly swap reports, and reviewed them before we asked the questions contained in our February 11 letter. However, those reports do not answer the central policy question we asked, namely, whether the Board should change its investment policy to be more conservative and consistent with the primary objective of safeguarding the principal of invested funds. We renew our request for a detailed report to the board on the risks and financial exposure presented by the current swap transactions and board policy.

Comments on Draft Appendix A

A-49: Source of funding to pay SDCWA to the extent it prevails in the litigation. The points raised in our February 11, 2013 letter to you on this subject have not been addressed (see page 4, A-50). The Exchange Agreement requires MWD to hold the amount of disputed funds in a separate interest-bearing account, not as part of MWD’s financial reserves. Moreover, the use of financial reserves for this purpose is improper to the extent that the reserves are being funded by SDCWA. Any amounts that may be due to the Water Authority from the litigation must be paid by the other member agencies, not by the Water Authority itself. MWD is in breach of the
Exchange Agreement provision requiring it to deposit the disputed funds in a separate interest-bearing account.

A-50: Member Agency Purchase Orders. The description of Member Agency Purchase Orders is misleading. We attach and incorporate by reference our letter to you dated October 8, 2012 stating objections to both the form and substance of MWD’s “Amended and Restated Purchase Order.” Like all other public agencies, MWD is required to align its costs with the services it provides; the creation of a “purchase order” and characterization of it as a “voluntary” agreement will not immunize MWD from the application of Proposition 26.

A-51: Replenishment. The discussion of replenishment remains misleading because it fails to disclose material concerns with this discounted water program as described in our past letters to the board (including but not limited to those dated April 25, May 6, September 12, November 4 and December 12, 2011). The last time MWD authorized the sale of water at a discount, it said that the member agencies would not purchase water at the full service price due to “budgetary and fiscal constraints.” MWD should disclose the relationship between discounted water sales (under any guise or program) and loss of full service sales, impacts on water rates and cost of service legal requirements.

5/14/2013 Board Memo 8-1 – Set public hearing to consider suspending Section 124.5 of the Metropolitan Water District Act to maintain the current ad valorem tax rate. MWD should certainly disclose in Appendix A that it believes that the fiscal integrity of the District is currently threatened. This is a material fact that investors need to be informed of.

In general, we remain concerned with the inadequacy of overall risk disclosure, for the reasons described in prior correspondence. Many of the issues we have raised have not been addressed. In particular, we remain concerned that MWD’s long range finance plan is materially out of date (last updated in 2004). The draft Appendix A does not disclose that MWD does not have a long range financing plan, or, water rate projections that take into account and plan for all of MWD’s projected costs and liabilities. This includes, for example, BDCP costs, other water supply programs identified in the Integrated Resources Plan, facility investments and retiree health. There is no plan for how MWD expects to pay these costs over the long term. MWD’s current ad hoc approach to financial planning is not sustainable.

Sincerely,

Keith Lewinger  Vincent Mudd  Fern Steiner  Doug Wilson
Director       Director       Director       Director

Attachment: Water Authority’s letter dated October 8, 2012 re Purchase Order

cc: Jeff Kightlinger, MWD General Manager
    Gary Breaux, Chief Financial Officer
    San Diego County Water Authority Board of Directors and Member Agencies
May 14, 2013

John (Jack) V. Foley and
Members of the Board of Directors
Metropolitan Water District of Southern California
P.O. Box 54153
Los Angeles, CA 90054-0153

RE: Board Memo 8-1 – Set public hearing to consider suspending Section 124.5 of the Metropolitan Water District Act to maintain the current ad valorem tax rate

Dear Chairman Foley and Members of the Board,

We have reviewed Board Memo 8-1 as well as the Legislative History of SB 1445 (Presley), now embodied in Section 124.5 of the MWD Act. While we support having a long term financing plan to increase MWD’s fixed revenues in a manner which is proportional to benefits received by its member agencies, we are troubled by the ad hoc nature of staff’s recommendation to schedule a public hearing to suspend tax limitations on the grounds that such action is “essential to the fiscal integrity of the district” this year. It is particularly difficult to understand the justification for taking this action at the same time MWD is, through its water rates and charges, already collecting hundreds of millions of dollars of revenues far in excess of its actual costs of service. Suspending the tax limitation, in isolation -- without addressing all of MWD’s financial policies, rates, revenues and expenses -- will only exacerbate the over-collection of revenues in FY 2014 beyond what is necessary to meet the agency’s expenses.

While ad valorem taxes may be an important tool over the long term for ensuring that the cost of MWD’s services are shared proportionally by all of those who benefit, Board Memo 8-1 fails to mention other statutory and Constitutional requirements MWD’s rates and charges must meet, including but not limited to compliance with Proposition 26. MWD is legally required to align the costs that it incurs with the services it provides. Developing a plan to pay for additional State Water Project costs must be part of that process. A one-year suspension of the limitation on the ad valorem tax rate is not a panacea for the hard work and changes that will be needed so that MWD has the funds it needs to pay its future costs from rates that truly represent a fair distribution of its costs.

As noted in our letter commenting on the draft Appendix A, we are concerned what the public perception will be of MWD declaring that these ad valorem taxes are “essential to the
Chairman Foley and Members of the Board
May 14, 2013
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fiscal integrity of the district.” Read in the context of the Legislative History of SB 1445, we doubt this is the kind of situation the Legislature envisioned in establishing the limitations of Section 124.5.

Rather than set a public hearing to suspend the tax limitations for one year, we would like to suggest that the board of directors use this time to establish a Fiscal Sustainability Task Force to update MWD’s Long Range Finance Plan. The plan would take into account all of MWD’s liabilities, and facilities and resource needs and align them to rates and charges including fixed cost recovery that will be proportional to the benefits its member agencies desire and for which they are willing to pay.

Sincerely,

Keith Lewinger
Director

Vincent Mudd
Director

Fern Steiner
Director

Doug Wilson
Director

cc: Jeff Kightlinger, MWD General Manager
San Diego County Water Authority Board of Directors and Member Agencies
Finance and Insurance Committee
Meeting with Board of Directors*

May 13, 2013

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

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

2. Approval of the Minutes of the meeting of the Finance and Insurance Committee held April 8, 2013

3. MANAGEMENT REPORTS
   a. Report on investment activity
   b. Financial highlights

4. CONSENT CALENDAR ITEMS — ACTION
   7-1 Grant conditional approval for Meadowood Annexation to San Diego County Water Authority and to Metropolitan; and adopt resolution of intention to impose water standby charge. (F&I)

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

8-1 Set public hearing to consider suspending Section 124.5 of the Metropolitan Water District Act to maintain the current ad valorem tax rate. (F&I)

8-2 Adopt resolution to continue Metropolitan’s Water Standby Charge for FY 2013/14. (F&I)

8-3 Authorize the execution and distribution of the Official Statement in connection with the issuance of the Special Variable Rate Water Revenue Refunding Bonds, 2013 Series D. (F&I)

6. BOARD INFORMATION ITEMS

9-1 Renewal status of Metropolitan’s Property and Casualty Insurance Program. (F&I)

7. COMMITTEE ITEMS

None

8. FOLLOW-UP ITEMS

None

9. FUTURE AGENDA ITEMS

10. ADJOURNMENT

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

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

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

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

Date of Notice: May 2, 2013
Water Planning and Stewardship Committee

Meeting with Board of Directors*

May 13, 2013

10:30 a.m. – Room 2-456

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

2. Approval of the Minutes of the meeting of the Water Planning and Stewardship Committee held April 8, 2013

3. CONSENT CALENDAR ITEMS — ACTION

   7-2 Authorize entering into a Local Resources Program agreement with the city of Long Beach and the Water Replenishment District of Southern California for the Leo J. Vander Lans Water Treatment Facility Expansion Project. (WP&S)

4. OTHER BOARD ITEMS — ACTION

   None

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

None

6. COMMITTEE ITEMS

a. Local Resources Program Update
b. Oral report on Water Surplus Drought Management

7. MANAGEMENT REPORTS

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

8. FOLLOW-UP ITEMS

None

9. FUTURE AGENDA ITEMS

10. ADJOURNMENT

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Date of Notice: May 2, 2013
**Engineering and Operations Committee**

Meeting with Board of Directors*

**May 13, 2013**

11:30 a.m. -- Room 2-145

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**Meeting Schedule**

<table>
<thead>
<tr>
<th>Time</th>
<th>Location</th>
<th>Session</th>
</tr>
</thead>
<tbody>
<tr>
<td>7:00-8:00 a.m.</td>
<td>Rm. 2-413</td>
<td>Dirs. Computer Training</td>
</tr>
<tr>
<td>9:00 a.m.</td>
<td>Rm. 2-145</td>
<td>F&amp;I</td>
</tr>
<tr>
<td>10:30 a.m.</td>
<td>Rm. 2-456</td>
<td>WP&amp;S</td>
</tr>
<tr>
<td>11:30 a.m.</td>
<td>Rm. 2-145</td>
<td>E&amp;O</td>
</tr>
<tr>
<td>1:00 p.m.</td>
<td>Rm. 2-456</td>
<td>OP&amp;T</td>
</tr>
</tbody>
</table>

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

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

2. **Approval of the Minutes of the meeting of the Engineering and Operations Committee held April 8, 2013**

3. **CONSENT CALENDAR ITEMS — ACTION**

   **7-3**  
   Appropriate $1.36 million; and award $415,000 contract to Environmental Construction, Inc. for valve structure modifications on West Valley Feeder No. 1 (Approp. 15377). (E&O)

   **7-4**  
   Appropriate $255,000; and authorize final design of chemical containment upgrades at the Joseph Jensen Water Treatment Plant (Approp. 15486). (E&O)
4. OTHER BOARD ITEMS — ACTION

8-4 Appropriate $6.3 million; award $3,032,940.84 contract to Val-Matic Valve & Manufacturing for procurement of rubber-lined butterfly valves; award $281,550.85 contract to DeZURIK for procurement of high-performance butterfly valves; and authorize: (1) final design for installation of filter valves at the Diemer plant; and (2) professional services agreement with Carollo Engineers, Inc. (Approps. 15436 and 15369). (E&O)

8-5 Appropriate $2.7 million; and authorize: (1) final design to refurbish filters at the F. E. Weymouth Plant; (2) preparation of environmental documentation for planned Weymouth improvement projects; (3) agreement with MWH Americas, Inc.; and (4) amendment to agreement with Environmental Science Associates (Approp. 15477). (E&O)

8-6 Authorize increase of $5 million for capital projects costing less than $250,000 for fiscal years 2012/13 and 2013/14 (Approp. 15476). (E&O)

5. BOARD INFORMATION ITEMS

None

6. COMMITTEE ITEMS

a. Energy Operations and Management for Metropolitan’s Distribution System

b. Colorado River Source Water Protection Update

7. MANAGEMENT REPORTS

a. Water System Operations Manager’s report

b. Engineering Services Manager’s report

8. FOLLOW-UP ITEMS

None
9. FUTURE AGENDA ITEMS

10. ADJOURNMENT

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Date of Notice: May 2, 2013
Organization, Personnel and Technology Committee

Meeting with Board of Directors*

May 13, 2013

1:00 p.m. -- Room 2-456

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

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

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

2. Approval of the Minutes of the meeting of the Organization, Personnel and Technology Committee held April 8, 2013

3. CONSENT CALENDAR ITEMS — ACTION

  None

4. OTHER BOARD ITEMS — ACTION

  None
5. BOARD INFORMATION ITEMS

None

6. COMMITTEE ITEMS

a. Direct Reports Evaluation Process

7. FOLLOW-UP ITEMS

None

8. FUTURE AGENDA ITEMS

9. ADJOURNMENT

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**REVISED AGENDA**

**Legal and Claims Committee**

Meeting with Board of Directors*

**May 14, 2013**

8:30 a.m. -- Room 2-145

<table>
<thead>
<tr>
<th>MWD Headquarters Building</th>
<th>700 N. Alameda Street</th>
<th>Los Angeles, CA 90012</th>
</tr>
</thead>
</table>

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

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

2. **Approval of the Minutes of the meeting of the Legal and Claims Committee held April 9, 2013**

3. **CONSENT CALENDAR ITEMS — ACTION**

   None

**REVISED:** Date of Notice: May 6, 2013
4. OTHER BOARD ITEMS — ACTION

8-8 Report on existing and potential litigation alleging Metropolitan is legally responsible for plumbing leaks allegedly caused by copper corrosion:  
(1) Lennar Homes of California, Inc. v. MWD, et al., Case No. 30-2012-00543908; (2) Briosa Owners Association v. Moulton Niguel Water District, et al., Case No. 30-2012-00586258; (3) Cantora Community Association v. MWD, et al., Case No. 30-2012-00619294; (4) Cypress Point Condominium Association v. MWD, et al., Case No. 30-2012-00619476; (5) Lisa Williams and Shawn Williams v. Irvine Ranch Water District, et al., Case No. 30-2012-00616648; (6) Shapell v. Moulton Niguel Water District, et al., Case No. 30-2011-00519887; and one Government Claim; and authorize increase in the maximum amount payable under contract with Caufield & James, LLP for special counsel services by $400,000 to a maximum amount of $500,000.  (L&C)  
[Conference with legal counsel—discussion concerning existing and anticipated litigation; may be heard in closed session pursuant to Gov. Code Sections 54956.9(d)(1) and (d)(2)]

5. BOARD INFORMATION ITEMS

None

6. COMMITTEE ITEMS

a. General Counsel’s report of monthly activities

b. Report on In Re Tronox Incorporated, et al., Chapter 11, Case No. 09-10156 (ALG)

c. Report on Consolidated Delta Smelt Cases, USDC Case No. 1:09-CV-407 LJO-DLB; and Consolidated Salmonid Cases, USDC Case No. 1:09-CV-1053 LJO-DLB.  
[Conference with legal counsel—existing litigation; to be heard in closed session pursuant to Gov. Code Section 54956.9(d)(1)]

d. Report on status of seismic assessment of Metropolitan’s Headquarters Building at Union Station; discussion of legal strategies and options for possible reimbursement of repair costs.  
[Conference with legal counsel—initiation of litigation (one potential case); to be heard in closed session pursuant to Gov. Code Section 54956.9(d)(4)]
Citation corrected e. Report on existing litigation Orange County Water District v. Northrop Corporation, Orange County Superior Court Case No. 04CC00715. [Conference with legal counsel—existing litigation; to be heard in closed session pursuant to Gov. Code Section 54956.9(d)(1)]

Citation corrected f. Report on existing litigation The Navajo Nation v. United States Department of the Interior, et al., United States District Court for the District of Arizona, Case No. CV 03-507 PCT PGR. [Conference with legal counsel—existing litigation; to be heard in closed session pursuant to Gov. Code Section 54956.9(d)(1)]

Citation corrected g. Report on San Diego County Water Authority v. Metropolitan Water District of Southern California, et al., San Francisco County Superior Court Case No. CPF-10-510830 and No. CPF-12-512466. [Conference with legal counsel—existing litigation; to be heard in closed session pursuant to Gov. Code Section 54956.9(d)(1)]

7. FOLLOW-UP ITEMS

None

8. FUTURE AGENDA ITEMS

9. ADJOURNMENT

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REVISED: Date of Notice: May 6, 2013
Communications and Legislation Committee
Meeting with Board of Directors*

May 14, 2013

10:00 a.m. -- Room 2-456

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

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

2. **Approval of the Minutes of the meeting of the Communications and Legislation Committee held April 9, 2013**

3. **CONSENT CALENDAR ITEMS — ACTION**
   None

4. **OTHER BOARD ITEMS — ACTION**
   8-9 Approve payment of increased dues for memberships in various organizations and new memberships. (C&L) *(To be mailed separately)*
8-10 Express opposition, unless amended, to AB 145 (Perea, D-Fresno and Rendon, D-South Gate) – State Water Resources Control Board: drinking water. (C&L) (To be mailed separately)

5. BOARD INFORMATION ITEMS

None

6. COMMITTEE ITEMS

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

b. Report on activities from Sacramento

c. Bay Delta Conservation Plan statewide education effort

7. MANAGEMENT REPORT

a. External Affairs Management report

8. FUTURE AGENDA ITEMS

9. ADJOURNMENT

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Date of Notice: May 2, 2013
Regular Board Meeting

May 14, 2013

11:30 a.m. -- Board Room

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

1. Call to Order
   
   (a) Invocation: Jean Ha Kushi, Team Manager, Business Management Team, Engineering Services
   
   (b) Pledge of Allegiance: Director Diana Sanchez

2. Roll Call

3. Determination of a Quorum

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

4A. Recognition of partnership with San Bernardino Valley Municipal Water District and presentation to Board President C. Patrick Milligan

Date of Notice: May 3, 2013
5. OTHER MATTERS

A. Approval of the Minutes of the Meeting for April 9, 2013. (A copy has been mailed to each Director)  
   Any additions, corrections, or omissions

B. Report on Directors’ meetings attended at Metropolitan expense for month of April

C. Approve 30-day leave of absence for Director Gail Pringle, effective May 13, 2013

D. Presentation of 5-year service pin to Director Suja Lowenthal, representing city of Long Beach

E. Approve committee assignments

F. Chairman’s Monthly Activity Report

6. DEPARTMENT HEADS’ REPORTS

A. General Manager’s summary of Metropolitan’s activities for the month of April

B. General Counsel’s summary of Legal Department activities for the month of April

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

D. Ethics Officer's summary of activities for the month of April

Date of Notice: May 3, 2013
7. CONSENT CALENDAR ITEMS — ACTION

7-1 Grant conditional approval for Meadowood Annexation to San Diego County Water Authority and to Metropolitan; and adopt resolution of intention to impose water standby charge. (F&I)

Recommendation:

Option #1:

Adopt the CEQA determination and
a. Grant conditional approval for Meadowood Annexation concurrently to SDCWA and Metropolitan, conditioned upon receipt in full of annexation fee of $1,172,420 to Metropolitan if completed by December 31, 2013, or if completed later, the current annexation charge applies.
b. Approve SDCWA’s Statement of Compliance with the current Water Use Efficiency Guidelines (Attachment 2 to the board letter).
c. Adopt the resolution of intention to impose water standby charge within the proposed annexation territories, substantially in the form of Attachment 3 to the board letter.

7-2 Authorize entering into a Local Resources Program agreement with the city of Long Beach and the Water Replenishment District of Southern California for the Leo J. Vander Lans Water Treatment Facility Expansion Project. (WP&S)

Recommendation:

Option #1:

Adopt the CEQA determination and authorize the General Manager to enter into a Local Resources Program agreement for the Leo J. Vander Lans Water Treatment Facility Expansion Project with the city of Long Beach and the Water Replenishment District of Southern California, to provide up to 3,475 acre-feet per year of additional recycled water under terms included in the board letter.

7-3 Appropriate $1.36 million; and award $415,000 contract to Environmental Construction, Inc. for valve structure modifications on West Valley Feeder No. 1 (Approp. 15377). (E&O)

Recommendation:

Option #1:

Adopt the CEQA determination and
a. Appropriate $1.36 million; and
b. Award $415,000 contract to Environmental Construction, Inc. for valve structure modifications on West Valley Feeder No. 1.
7-4  Appropriate $255,000; and authorize final design of chemical containment upgrades at the Joseph Jensen Water Treatment Plant (Approp. 15486).  
(E&O)

Recommendation:

Option #1:

Adopt the CEQA determination and

a. Appropriate $255,000; and
b. Authorize final design of chemical containment upgrades at the Jensen plant.

(END OF CONSENT CALENDAR)

8. OTHER BOARD ITEMS — ACTION

8-1  Set public hearing to consider suspending Section 124.5 of the Metropolitan Water District Act to maintain the current ad valorem tax rate.  
(F&I)

Recommendation:

Option #1:

Adopt the CEQA determination, set a Public Hearing for the June 2013 Board Meeting to consider suspending Section 124.5 of the Metropolitan Water District Act to maintain the ad valorem tax rate at current levels, and instruct the Board Executive Secretary to provide notice of the Public hearing, as provided in Section 124.5.

8-2  Adopt resolution to continue Metropolitan’s Water Standby Charge for FY 2013/14.  
(F&I)

Recommendation:

Option #1:

Adopt the CEQA determination and the resolution to continue the water standby charge for fiscal year 2013/14.
8-3 Authorize the execution and distribution of the Official Statement in connection with the issuance of the Special Variable Rate Water Revenue Refunding Bonds, 2013 Series D. (F&I)

Recommendation:

Option #1:

Adopt the CEQA determination and
a. Approve the Official Statement substantially in the form attached to the board letter, with changes approved by the General Manager and General Counsel;

b. Authorize the General Manager to execute the Official Statement; and

c. Authorize distribution of the Official Statement in connection with marketing of the bonds.

8-4 Appropriate $6.3 million; award $3,032,940.84 contract to Val-Matic Valve & Manufacturing for procurement of rubber-lined butterfly valves; award $281,550.85 contract to DeZURIK for procurement of high-performance butterfly valves; and authorize: (1) final design for installation of filter valves at the Diemer plant; and (2) professional services agreement with Carollo Engineers, Inc. (Approps. 15436 and 15369). (E&O)

Recommendation:

Option #1:

Adopt the CEQA determinations and
a. Appropriate $6.3 million;

b. Award $3,032,940.84 contract to Val-Matic Valve & Manufacturing to furnish rubber-lined butterfly valves;

c. Award $281,550.85 contract to DeZURIK to furnish high-performance butterfly valves;

d. Authorize final design for installation of filter valves at the Diemer plant; and

e. Authorize agreement with Carollo Engineers, Inc., in an amount not to exceed $243,000 for preliminary design to replace filter valves at the Weymouth plant.
8-5 Appropriate $2.7 million; and authorize: (1) final design to refurbish filters at the F. E. Weymouth Plant; (2) preparation of environmental documentation for planned Weymouth improvement projects; (3) agreement with MWH Americas, Inc.; and (4) amendment to agreement with Environmental Science Associates (Approp. 15477). (E&O)

Recommendation:

Option #1:

Adopt the CEQA determination and
a. Appropriate $2.7 million;
b. Authorize final design to refurbish filters at the Weymouth plant;
c. Authorize preparation of environmental documentation for planned Weymouth plant improvements;
d. Authorize agreement with MWH Americas, Inc. in an amount not to exceed $1,275,000; and
e. Authorize increase of $400,000 to the existing agreement with Environmental Science Associates, for a new not-to-exceed total of $1.15 million.

8-6 Authorize increase of $5 million for capital projects costing less than $250,000 for fiscal years 2012/13 and 2013/14 (Approp. 15476). (E&O)

Recommendation:

Option #1:

Adopt the CEQA determination and authorize increase of $5 million for capital projects costing less than $250,000 for fiscal years 2012/13 and 2013/14.

8-7 Authorize entering into a long-term lease with the Metropolitan Water District Federal Credit Union at Metropolitan Headquarters Building and F. E. Weymouth Water Treatment Plant in Los Angeles County. (RP&AM) [Conference with real property negotiators; Los Angeles County Assessor Parcel Nos. 5409-023-930, 8381-006-906 inclusive; agency negotiators: Gilbert Ivey, John Clairday, Bryan Otake, and Nancy Webb; negotiating parties: Metropolitan Water District Federal Credit Union; under negotiation: price and terms of payment; to be heard in closed session pursuant to Gov. Code Section 54956.8]
8-8 Report on existing and potential litigation alleging Metropolitan is legally responsible for plumbing leaks allegedly caused by copper corrosion:
(1) Lennar Homes of California, Inc. v. MWD, et al., Case No. 30-2012-00543908; (2) Briosa Owners Association v. Moulton Niguel Water District, et al., Case No. 30-2012-00586258; (3) Cantora Community Association v. MWD, et al., Case No. 30-2012-00619294; (4) Cypress Point Condominium Association v. MWD, et al., Case No. 30-2012-00619476; (5) Lisa Williams and Shawn Williams v. Irvine Ranch Water District, et al., Case No. 30-2012-00616648; (6) Shapell v. Moulton Niguel Water District, et al., Case No. 30-2011-00519887; and one Government Claim; and authorize increase in the maximum amount payable under contract with Caufield & James, LLP for special counsel services by $400,000 to a maximum amount of $500,000. (L&C) [Conference with legal counsel—discussion concerning existing and anticipated litigation; may be heard in closed session pursuant to Gov. Code Sections 54956.9(d)(1) and (d)(2)]

8-9 Approve payment of increased dues for membership in various organizations and new memberships. (C&L) (To be mailed separately)

8-10 Express opposition, unless amended, to AB 145 (Perea, D-Fresno and Rendon, D-South Gate) – State Water Resources Control Board: drinking water. (C&L) (To be mailed separately)

9. BOARD INFORMATION ITEMS

9-1 Renewal status of Metropolitan’s Property and Casualty Insurance Program. (F&I)

10. FUTURE AGENDA ITEMS

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

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

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Date of Notice: May 3, 2013
Date: May 21, 2013
To: San Diego County Water Authority Board Members
From: Jonathan Clay, Sacramento Representative
Ken Carpi, Washington Representative
Subject: Legislative Update

Sacramento

Legislation

Our sponsored legislation on water recycling, SB 322 by Senator Hueso, continues to move through the legislative process and will be brought up for a floor vote within the next week. Amendments were taken in Senate Appropriations Committee to clarify the options for funding the expert panel with non-state funding.

Budget

The Governor released his revision to his January budget proposal on May 14th. The Governor has proposed fiscal restraint as it pertains to additional tax revenues. The May revise of the budget had less than optimistic revenue assumptions for future years. The Legislative Analyst Office (LAO) has released their review of the May revise of the budget, and it contains more optimistic future revenue projections than the Governor’s. Given the new majority vote requirements for the California budget, it is likely that the State budget will be passed by June 15th (similar to last year). No significant impacts are anticipated at this point in the budget that will adversely affect the Water Authority...but until we see the final budget language and the associated language in the implementing budget trailer bills, the full impact of the budget on the Authority is unknown.

Water Bond

No significant changes in the status of the water bond have occurred since last month's Board report. The Assembly will be forming a water bond working group, and it is anticipated that members of the San Diego Assembly Delegation will participate in the working group(s).
Bay Delta Conservation Plan (BDCP)

The Senate held an informational hearing on April 30th and Secretary Laird, Director Cowan (DWR) and Director Bonham (DFW) presented the current status of the BDCP program. A preliminary draft of the EIR/EIS of the BDCP was released on May 10th, and the final key chapters of the BDCP related to such issues as financing will be released sometime late this month. The BDCP associated documents can be found at the following link http://baydeltaconservationplan.com/Library/RecentDocuments.aspx.

Washington, DC

Senate Passes WRDA Bill

The Senate cleared the Water Resources Development Act (S. 601) by a strong 83-14 vote. The bill includes a pilot program based on the “Water Infrastructure Finance and Innovation Act” (WIFIA).

WRDA authorizes $50 million per year for five years to both the Environmental Protection Agency (EPA) and the Army Corps of Engineers to offer loans for water and wastewater infrastructure projects expected to cost at least $20 million. The Senate adopted an amendment to also support projects costing over $5 million for water systems serving 25,000 or fewer people. EPA and the Corps would each select loan recipients through a nationwide competitive process, and the funds would not be routed through State Revolving Fund (SRF) programs.

Projects eligible for assistance from EPA include those for brackish or sea water desalination, managed aquifer recharge, or water recycling. The EPA could also provide assistance to a project that improves the energy efficiency of a water system. The Corps program can assist with levee, dam, tunnel, aqueduct, reservoir, or other flood control projects.

Another adopted amendment requires the use of American-made iron, steel and manufactured goods on all projects that receive WIFIA funding.

Transportation & Infrastructure Committee Chairman Bill Shuster (R-PA) has said he hopes to introduce and move a companion bill in the House this “summer-ish” which could also mean the autumn. Chairman Shuster and other House members offered generally positive views of the Senate-passed bill, but reiterated that they will write their own bill. The Budget Resolution the House is operating under will make it tougher to move a similar bill in that chamber. Nonetheless, there is bipartisan support for moving such a bill.
Executive Order to Reduce Infrastructure Permit Review Times

President Obama issued an executive order establishing a timeline for federal agencies to implement “best practices” to streamline the process for obtaining federal permits for transportation, water, and energy infrastructure projects. Agencies must begin preparing plans to reduce review times now with the goal of having the plans in place within four months.

Hearing Set on Water Desalination Act Reauthorization

On May 23, the House Committee on Energy and Natural Resources has scheduled a hearing on several bills. Among the bills being considered is H.R. 745, introduced by Rep. Grace Napolitano (D-Santa Fe Springs). The bill, which has no Republican cosponsors, would reauthorize the Water Desalination Act of 1996 through Fiscal Year 2018.

The act authorizes appropriations for the Bureau of Reclamation to issue grants for desalination research and the development and demonstration of desalination technology. Congress reauthorized the Act in 2011 for two years. Its authority expires at the end of September.

EPA Nominee Moves Forward After Walkout

On a party-line vote of 10-8, the Senate Environment and Public Works Committee approved the nomination of Gina McCarthy to lead the EPA. The vote came after Republican members walked out of an earlier vote to protest what they perceived as McCarthy’s lack of responsiveness to questions they had put to her. The full Senate may vote on her nomination before the Memorial Day recess, but a June vote is more likely.

Water Quality Protection and Job Creation Act

Rep. Tim Bishop (D-NY) introduced legislation (HR 1877) that would amend the Clean Water Act and authorize $13.8 billion for the Clean Water State Revolving Fund over five years. The Water Quality Protection and Job Creation Act would also establish a Clean Water Trust Fund and a new program to help large wastewater infrastructure projects receive funding through the SRF. The bill relies on new duties on waterborne imports and other fees to inject more capital into the SRF. This source of revenue is unlikely to garner much support from House leadership or a majority of House members.